Notes to the Financial Statements

31 December 2006

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Dynamic Global Holdings Limited (the "Company") was incorporated in Bermuda on 10 April 1989 as an exempted company with limited liabilities under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited. The Company has been suspended for public trading since 19 August 2004.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 17 to the financial statements.

2. BASIS OF PRESENTATION – MATERIAL UNCERTAINTIES RELATING TO THE GOING CONCERN BASIS

The Group sustained consolidated loss attributable to equity shareholders of the Company of approximately HK$76,654,000 for the year ended 31 December 2006. At 31 December 2006, the Group had consolidated net current liabilities of approximately HK$206,845,000, net liabilities of approximately HK$75,433,000, of which short-term interest-bearing borrowings amounted to approximately HK$81,804,000. The Group also had capital deficiency of approximately HK$75,433,000 at year end.

During the year, the Group experienced financial difficulties and had difficulty in repaying short term loans and other borrowings on time. In addition, certain buyers of the pre-sale of properties under development for sale took legal actions against the Group demanding for repayment of amounts due to them, details of which are set out in note 33(vii) to the financial statements. All the legal claims against the Group were properly accrued for and disclosed in note 33 to the financial statements as at 31 December 2006.

In view of the liquidity problems faced by the Group, the directors have adopted the following measures with a view to improve the Group's overall financial and cash flow position and to maintain the Group's existence on a going concern basis:

(i) On 30 September 2006, a subsidiary of the substantial shareholder of the Company, Madex International Company Limited ("Madex International") offered a standby facility of HK$180 million to the Company for providing working capital to finance the Group's operations as a going concern. Based on the facility letter, in the event that all possible fund-raising initiatives fail to materialise by August 2007, the standby facility can be called upon to repay the short-term interest-bearing borrowings of approximately HK$81,804,000, amount due to a minority shareholder of approximately HK$18,422,000 and other payables and accruals of approximately HK$76,219,000 which will all be due in July 2007 to ensure that sufficient working capital is maintained. The standby facility is unsecured, interest bearing at 1% above the prime rate per annum quoted by the Bank of China (Hong Kong) Limited and is repayable in one lump sum thirteen months after the drawdown;

(ii) subsequent to the balance sheet date, on 1 February 2007, the Company entered into a loan agreement (see note 42(i)) with a subsidiary of the substantial shareholder of the Company, Madex International. Under the terms of the loan agreement, loan facilities up to a maximum of HK$30,000,000 can be granted to the Company for a period of 12 months for providing working capital to finance the Group's operations as a going concern;

2. BASIS OF PRESENTATION – MATERIAL UNCERTAINTIES RELATING TO THE GOING CONCERN BASIS *(continued)*

(iii) subsequent to the balance sheet date, on 8 February 2007 ("First Loan Extension Agreement") and on 30 March 2007 ("Second Loan Extension Agreement"), the Company entered into two loan extension agreements (see note 42(ii)) with a minority shareholder. Under the terms of the First Loan Extension Agreement, all repayment terms remain the same except that the repayment date of the amount due thereto of approximately HK$18,422,000 as at 31 December 2006 was extended from July 2007 for a period of 6 months to January 2008. Under the terms of the Second Loan Extension Agreement, the repayment date was further extended to July 2008;

(iv) subsequent to the balance sheet date, on 8 February 2007 ("Third Loan Extension Agreement") and on 30 March 2007 ("Fourth Loan Extension Agreement"), the Company entered into two loan extension agreements (see note 42(iii)) with an independent loan lender. Under the terms of the Third Loan Extension Agreement, all repayment terms remain the same except that the repayment date of the amount due thereto of approximately HK$116,544,000 as at 31 December 2006, of which approximately HK$52,104,000 was classified as interest-bearing borrowings while the remaining balance of approximately HK$64,440,000 was classified as other payables and accruals, was extended from July 2007 for a period of 6 months to January 2008. Under the terms of the Fourth Loan Extension Agreement, the repayment date was further extended to July 2008;

(v) subsequent to the balance sheet date, on 30 March 2007, the Company entered into a loan extension agreement (see note 42(iv)) with a subsidiary of Madex International. Under the terms of the loan extension agreement, all repayment terms remain the same except that the repayment date of the loan agreements entered into on 13 January 2006, 17 February 2006, 6 March 2006 and 9 June 2006 of HK$10,000,000 each which expire after one year from the respective loan drawdown dates shall be extended for a period of 18 months;

(vi) subsequent to the balance sheet date, on 30 March 2007, the Company entered into a loan extension agreement (see note 42(v)) with an independent loan lender. Under the terms of the loan extension agreement, all repayment terms remain the same except that the repayment date of the amount due thereto of HK$29,700,000 as at 31 December 2006 has been extended from July 2007 for a period of 12 months to July 2008;

(vii) the directors have been identifying and negotiating with potential purchasers to sell the properties under development for sale of the Group which are expected to be completed shortly;

(viii) the directors have been negotiating with potential tenants to lease out the investment properties under development of the Group which are expected to be completed by the end of June 2007; and

(ix) the directors have been implementing cost control measures to reduce various general and administrative and other operating expenses.

2. BASIS OF PRESENTATION – MATERIAL UNCERTAINTIES RELATING TO THE GOING CONCERN BASIS *(continued)*

In view of the measures implemented to date, the directors are of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are of the view that it is appropriate to prepare these financial statements on a going concern basis.

These financial statements have not incorporated any adjustments for the possible failure of the Group to implement the aforesaid measures. Should the Group be unable to continue 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 liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the Group and the Company. The accounting policies of the Group and Company after the adoption of these new and revised HKFRSs have been summarised below.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 45). The following new standards, amendments and interpretations which are not relevant to the Group's operations have been issued and effective as the time of preparing this information:

- HKAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 Amendment – Net Investment in a Foreign Operation;
- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKFRS 6 – Exploration for and Evaluation of Mineral Resources;
- HKFRSs 1 & 6 Amendments – First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources;
- HKFRS-Int 4 – Determining whether an Arrangement contains a Lease;
- HKFRS-Int 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in Accounting Policies

HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" are effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument.

In relation to the financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers, the Group has applied the transitional provision in HKAS 39. As the fair value of the financial guarantee contracts is insignificant, this change in accounting policy has had no effect on the Group's result for the current and/or prior accounting period.

(c) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

(d) Subsidiaries and Minority Interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and Minority Interests *(continued)*

An interest in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(n) or (o) depending on the nature of the liability.

In the Company's balance sheet, an interest in a subsidiary is stated at cost less impairment losses (see note 3(j)).

(e) Associates and Jointly Controlled Entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and Jointly Controlled Entities *(continued)*

An interest in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, 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 associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the interest in associates and jointly controlled entities recognised for the year (see note 3(f) and (j)).

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its interest in associates and jointly controlled entities are stated at cost less impairment losses (see note 3(j)).

(f) Goodwill

Goodwill represents the excess of the cost of a business combination or an interest in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3(j)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an interest in an associate or a jointly controlled entity is recognised immediately in the income statement.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Interest in leasehold land held for own use under operating leases

Interest in leasehold land held for own use under operating leases is stated at cost less accumulated amortisation and identified impairment losses (see note 3(j)). The land lease premium held for own use is amortised on a straight-line basis over the period of the lease.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(j)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease; and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Property that is being constructed or developed for future use as investment property is classified as investment property under development and stated at cost, including borrowing cost capitalised, if any, and professional fees, less impairment loss. When the construction or development is completed, it is reclassified as investment property at fair value. At the date of transfer, the difference between the fair value and cost is recorded in the profit and loss.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

– Leasehold improvements	Over the lease terms
– Plant and machinery	7% – 10%
– Furniture and equipment	7% – 20%
– Motor vehicles	10% – 25%

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Lease Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the 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.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 3(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(j). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of Assets

(i) Impairment of receivables

Current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired.

– interest in leasehold land held for own use under operating leases;
– property, plant and equipment;
– intangible assets;
– interest in subsidiaries;
– interest in associates;
– interest in a jointly controlled entity; and
– other financial assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price 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 assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of Assets *(continued)*

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or the cash-generating unit to which it belongs, exceeds its recoverable amount. .

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Properties

(i) Properties under development for sale

Properties under development for sale are classified under current assets and stated at the lower of cost and net realisable value. Costs comprise prepayments for leasehold land and land use rights, development expenditure and borrowing costs capitalised. In the course of property development for sale, the amortisation charge of leasehold land and land use rights is included as part of the cost of the property under development for sale. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling of the property.

(ii) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of classification from properties under development for sale. Subsequently, the prepaid leasehold land component is stated at cost less accumulated amortisation and impairment losses; the building component is carried at lower of cost and net realisable value. The amortisation of leasehold land is recognised in the income statement. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(l) Consumables

Consumables are stated at cost less any provision for obsolescence.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 3(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 3(j)).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

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

Payments to a state-managed retirement benefit scheme are charged as an expense as they fall due. Payments made to state-managed retirement benefit scheme are dealt with as payments to defined contribution benefit where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit scheme.

(r) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Taxation *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Taxation *(continued)*

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity: or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, Provisions and Contingent Labilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor 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 (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the 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 in profit or loss 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 guarantees issued. In addition, provisions are recognised in accordance with note 3(s)(ii) if and when (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (2) the amount of that claims on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, 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.

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 a 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 or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Proceeds from the sale of properties held for sale are recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits received;

(ii) Proceeds from pre-sale of properties under development for sale are recognised by reference to the degree of completion of the development and the terms of payment for properties pre-sold, with due allowance for contingencies when appropriate in respect of agreement entered into before 1 January 2005, while the completion method is adopted for agreements entered into on or after 1 January 2005 pursuant to Hong Kong Interpretation 3 'Revenue-Pre-completion Contracts for the Sale of Development Properties' issued by the HKICPA;

(iii) Proceeds from resort operation are recognised upon provision of services;

(iv) Proceeds from sale of consumables are recognised when consumables are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the consumables and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts;

(v) Interest on bank deposits is recognised as it accrues using the effective interest method.

(u) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operations acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Translation of Foreign Currencies *(continued)*

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related Parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the group or the Group's parent or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an equity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Segment Reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include consumables, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated process, except to the extent that such intra-group balances and transactions are between Group's entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

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

The Group's operating businesses are structured and managed separately, based on the nature of their operations and the products and services provided. Each of the Group's business segment represents a strategic business unit that offers different products and services which are subject to risks and returns that are different from those of the other business segments. Summarised details of the major business segments are as follows:

(i) The property development segment is engaged in the development and sale of properties under development in mainland China;

(ii) The investment holding segment invests in high technology projects in mainland China; and

(iii) The resort operation segment is engaged in the operation of a resort hotel in mainland China.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow interest-rate risk and fair value estimation.

(a) Foreign exchange risk

The majority of the subsidiaries of the Group operates in mainland China with most of the transactions denominated in Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from the exposure of RMB against the Hong Kong dollars. It has not hedged its foreign exchange rate risk.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the mainland China government.

(b) Credit risks

The Group has no significant concentrations of credit risks with any single counterparty or group of counterparties having similar characteristics.

(c) Interest rate risk

The Group's interest rate risk arises from debt borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk whilst borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in note 30 to the financial statements.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(d) Cash flow and liquidity risk

As mentioned in note 2 to the financial statements, the Group experienced severe cash flow and liquidity risk on repaying debts and fulfilling its contractual obligations on construction works. In addition, the Group was encountering various claims and as at year end, the judgement was anticipated to be unfavourable. Therefore provision for legal claims and compensations have been made and disclosed in note 33 to the financial statements.

The Group is implementing various measures to sell its properties under development for sale and is diligent with its cost control measures so as to improve the future working capital and mitigate various risk exposures. The Group reviews regularly its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

4. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Fair value estimation

The carrying amounts of the financial instruments of the Group are as follows:

(i) The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(ii) The carrying value of bank balances, debtors and receivables, creditors, short-term interest-bearing borrowings and provisions are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at the balance sheet date.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the balance sheet date, that may 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) Carrying value of property, plant and equipment and estimation on depreciation charge

The Group determines the estimated useful lives and related depreciation charges for it's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors' actions in response to severe industry cycle. Management will revise the depreciation charge where useful lives are different from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Estimated impairment of properties under development for sale

The Group assesses the carrying amount of properties under development for sale according to their estimated net realisable value based on an assessment of the realisability of these properties under development for sale, taking into account costs to completion based on past experience and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgments and estimates.

(iii) Financial guarantees

In respect of the financial guarantee contracts provided to banks in respect of mortgage loans made to the purchasers of the Group's properties under development for sale, the Group considers the net realisable value of the relevant properties under development for sale with the outstanding mortgage principal and interest.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(iv) Estimated provision for current and deferred taxation

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

(v) Estimated provision for land appreciation tax

Mainland China land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Group is subject to land appreciation tax in mainland China. However, the implementation of these taxes varies amongst various mainland China cities and the Group has not finalised its land appreciation tax returns with varies tax authorities. Accordingly, significant judgments are required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and related income tax provisions in the period in which such determination is made.

(vi) Estimated provision for legal claims and compensations

As explained in note 33, the Group makes provisions for legal claims and compensations on breaches of pre-sale contracts. As the properties under development for sale has not yet been assigned to the buyers as at the date of this report, it is possible that recent claim experience is not indicative of future claims that it will receive in respect of past pre-sales. Any increase or decrease in the provision would affect profit or loss in future years.

(vii) Estimated provision on costs of construction works

The Group reviews and revises the estimates of construction costs prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the main contractors and suppliers and the experience of the management. In order to keep the budget up-to-date, the management conducts periodic review on the management budgets and by comparing the budgeted amounts to the actual amounts incurred.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Critical accounting judgments in applying the Group's accounting policies

Certain critical accounting judgments in applying the Group's accounting policies are described below.

Going concern basis

As mentioned in note 2 to the financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net liabilities of the Group.

6. TURNOVER AND OTHER REVENUE

The principal activities of the Group are property development, resort operation and investment holding.

Turnover represents the aggregate of net proceeds from the sale of properties under development, (in the case of pre-sale of properties under development of which the pre-sale contracts were entered into prior to 1 January 2005, such proceeds are adjusted to reflect the progress of development) and service income from resort operations after elimination of all significant intra-group transactions.

During the year, the Group had turnover and revenue arising from the following activities:

	2006 **HK$'000**	2005 HK$'000
Pre-sale of properties under development for sale	**18,745**	29,555
Sale of consumables	**1,465**	1,363
Turnover	**20,210**	30,918
Interest income	**53**	25
Sundry income	**88**	667
Other revenue	**141**	692
Total	**20,351**	31,610

7. OTHER OPERATING EXPENSES, NET

	2006 HK$'000	2005 HK$'000
Impairment loss on interest in an associate *(note 18)*	–	59,420
Provision for legal claims *(note 33)*	17,280	6,188
Provision for compensations *(note 33)*	5,088	13,714
Reversal of impairment losses on properties under development for sale	–	(2,584)
Legal claims	2,267	248
Compensation cost on pre-sale of properties under development by a court order	1,344	-
Loss on disposal of property, plant and equipment, net	34	225
(Reversal of)/provision for impairment losses on other receivables	(63)	212
Foreign exchange loss, net	–	234
Impairment losses on consumables	–	51
	25,950	77,708

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2006 HK$'000	2005 HK$'000
Interest on other loans wholly repayable within five years	9,886	7,516
Finance charges on obligations under finance leases	2	31
Total borrowing costs	9,888	7,547
Less: Amounts capitalised in properties under development	(94)	(2,209)
Less: Amounts capitalised in property, plant and equipment *(note 16)*	(1,907)	–
	7,887	5,338

The borrowing costs have been capitalised at a rate of 6.58% per annum (2005: 6.58%)

8. LOSS BEFORE TAXATION *(continued)*

(b) Staff costs

	2006 HK$'000	2005 HK$'000
Salaries, wages and other benefits	**9,212**	6,716
Retirement benefits scheme contributions	**168**	161
	9,380	6,877

(c) Other items

	2006 HK$'000	2005 HK$'000
Cost of properties under development for sale sold	**28,696**	28,982
Cost of consumables sold	**391**	394
Cost of services rendered	**–**	22
Depreciation		
– owned assets	**2,598**	3,410
– assets under finance leases	**–**	18
Amortisation of land lease premium	**192**	185
Operating lease charges: minimum lease payments		
– land and buildings	**1,838**	1,550
Auditor's remuneration	**480**	435

9. DIRECTORS' REMUNERATION

The aggregate amounts of the directors' emoluments, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2006				
	Fees HK$'000	Salaries and other benefits HK$'000	Compensation for loss of office HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Chan Lap Tat, Dickman (resigned on 26 January 2006)	–	40	240	1	281
Chen Jung Hsin (re-appointed on 6 January 2006)	–	1,130	–	12	1,142
He Zhe (re-designated on 8 February 2006 and resigned on 23 October 2006)	–	617	–	–	617
Leung Wenjian (appointed on 6 January 2006)	–	770	–	–	770
Li Wing Sum, Steven (appointed on 6 January 2006)	–	770	–	12	782
Long Changqing (resigned on 7 January 2006)	–	–	–	–	–
Su Xixiong (resigned on 15 August 2006)	–	328	–	–	328
Wong Lin Chooi (ceased appointment on 6 March 2006)	–	–	–	–	–
Zhang Fan (resigned on 14 August 2006)	–	–	–	–	–
	–	3,655	240	25	3,920
Non–executive directors					
He Zhe (appointed on 6 January 2006 & re-designated as executive director on 8 February 2006)	–	–	–	–	–
Independent non-executive directors					
Dong Ansheng (appointed on 6 January 2006)	118	–	–	–	118
Lu Jianhua (ceased appointment on 8 February 2006)	–	–	–	–	–
Ng Fuk Leung (resigned on 8 February 2006)	66	–	–	–	66
Poon Chiu (appointed on 8 February 2006)	108	–	–	–	108
Xu Weidong (resigned on 5 January 2006)	–	–	–	–	–
Wu Fengchun (appointed on 15 September 2006)	35	–	–	–	35
	327	–	–	–	327
Total	327	3,655	240	25	4,247

9. DIRECTORS' REMUNERATION *(continued)*

	2005				
	Fees HK$'000	Salaries and other benefits HK$'000	Compensation for losss of office HK$'000	Retirement cheme contributions HK$'000	Total HK$'000
Executive directors					
Chan Lap Tat, Dickman	–	184	–	4	188
Chen Jung Hsin	–	570	593	7	1,170
Kuang Yong	–	–	–	–	–
Lam Wai Kit	–	248	483	6	737
Long Changqing	–	–	–	–	–
Lu Junsi	–	–	–	–	–
Su Xixiong	–	–	–	–	–
Wong Lin Chooi	–	–	–	–	–
Zhang Fan	–	–	–	–	–
	–	1,002	1,076	17	2,095
Non-executive directors					
Cheng Chun Ping *JP*	51	–	–	–	51
Independent non-executive directors					
Hu Dehua	89	–	–	–	89
Li Wing Sum, Steven	73	–	–	–	73
Lu Jianhua	88	–	–	–	88
Ng Fuk Leung	22	–	–	–	22
Xu Weidong	44	–	–	–	44
	316	–	–	–	316
Total	367	1,002	1,076	17	2,462

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2005: two) are directors whose remuneration are disclosed in note 9. The aggregate of the emoluments in respect of the other one (2005: three) individual(s) is as follows:

	2006 **HK$'000**	2005 HK$'000
Salaries and other emoluments	**517**	1,365
Retirement scheme contributions	**12**	32
	529	1,397

The remuneration of the one (2005: three) individual(s) with highest paid is within the following band:

	Number of individuals	
	2006	2005
HK$Nil – HK$1,000,000	**1**	3

11. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the overseas subsidiaries operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 **HK$'000**	2005 HK$'000
Current tax		
Mainland China profits tax	**210**	622
Hong Kong profits tax	**–**	–
Over-provision of taxation in prior years	**(339)**	–
	(129)	622
Deferred taxation		
Origination and reversal of temporary differences	**–**	(17)
Tax (credit)/expense	**(129)**	605

11. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

Reconciliation between tax (credit)/expense and accounting loss at applicable tax rate:

	2006 **HK$'000**	2005 HK$'000
Loss before taxation	**(77,076)**	(96,789)
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	**(12,340)**	(20,213)
Over-provision of taxation in prior years	**(339)**	–
Tax losses not recognised	**12,550**	21,569
Utilised previously unrecognised tax losses	**–**	(751)
Tax (credit)/expense	**(129)**	605

12. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes loss of approximately HK$16,908,000 (2005: loss of approximately HK$59,744,000) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK$76,654,000 (2005: loss of approximately HK$97,380,000) and the weighted average number of ordinary shares of 3,010,410,504 (2005: 3,010,410,504).

No diluted loss per share has been presented for the year ended 31 December 2006 and 2005 as there were no diluted potential ordinary shares during either year.

14. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

a) Business segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's business segments.

	Property Development		Investment Holding*		Resort Operation		Others		Consolidated	
	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
Segment revenue:										
Sales to external customers	**18,745**	29,555	**–**	–	**–**	–	**1,465**	1,363	**20,210**	30,918
Other revenue	**64**	307	**14**	313	**–**	8	**10**	39	**88**	667
Total	**18,809**	29,862	**14**	313	**–**	8	**1,475**	1,402	**20,298**	31,585
Segment results*	**(53,291)**	(28,047)	**(14,652)**	(68,931)	**(2,063)**	(2,063)	**764**	(98)	**(69,242)**	(99,139)
Interest income									**53**	25
Loss from operations									**(69,189)**	(99,114)
Gain on disposal of a subsidiary									**–**	7,663
Finance costs									**(7,887)**	(5,338)
Loss before taxation									**(77,076)**	(96,789)
Taxation									**129**	(605)
Loss for the year									**(76,947)**	(97,394)

* Investment holding is one of the Group's segments and, accordingly, the Group's non-current financial assets, and the corresponding income/expenses were included in segment assets and segment results respectively.

14. SEGMENT REPORTING *(continued)*

a) Business segments *(continued)*

	Property Development		Investment Holding*		Resort Operation		Others		Consolidated	
	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
Segment assets*	**317,514**	276,082	**1,717**	1,422	**18,853**	20,072	**9,193**	8,125	**347,277**	305,701
Segment liabilities	**(259,486)**	(204,237)	**(33,476)**	(32,480)	**(40)**	(38)	**(5)**	(17)	**(293,007)**	(236,772)
Unallocated corporate liabilities									**(129,703)**	(86,050)
Total liabilities									**(422,710)**	(322,822)
Other segment information:										
Capital expenditure	**8,642**	39	**17**	4	**–**	1	**325**	363	**8,984**	407
Depreciation and amortisation	**264**	224	**307**	690	**2,005**	1,901	**214**	798	**2,790**	3,613
Impairment losses (reversed)/ recognised in the income statement	**–**	(2,584)	**59**	59,420	**–**	51	**(122)**	212	**(63)**	57,099
Other non-cash expenses/(incomes)	**1,376**	23,844	**–**	(11,399)	**2**	19	**–**	–	**1,378**	12,464

* Investment holding is one of the Group's segments and, accordingly, the Group's non-current financial assets, and the corresponding income/expenses were included in segment assets and segment results respectively.

b) Geographical segments

The following tables present revenue, segment assets and capital expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales to external customers	**–**	–	**20,210**	30,918	**20,210**	30,918
Segment assets	**1,717**	1,422	**345,560**	304,279	**347,277**	305,701
Capital expenditure	**17**	4	**8,967**	403	**8,984**	407

15. INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group

	HK$'000
Cost	
At 1 January 2005	6,724
Exchange adjustments	129
At 31 December 2005	6,853
At 1 January 2006	6,853
Exchange adjustments	260
At 31 December 2006	7,113
Accumulated amortisation	
At 1 January 2005	1,018
Exchange adjustments	19
Charge for the year	185
At 31 December 2005	1,222
At 1 January 2006	1,222
Exchange adjustments	47
Charge for the year	192
At 31 December 2006	1,461
Net book value	
At 31 December 2006	5,652
At 31 December 2005	5,631

The interest in leasehold land for own use under operating leases represent prepaid operating lease payments in mainland China and were amortised over the lease term period of 20-50 years on a straight-line basis.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Investment properties under development HK$'000	Total HK$'000
Cost:							
At 1 January 2005	30,510	1,478	713	71,799	2,951	4,594	112,045
Exchange adjustments	423	–	–	98	17	–	538
Transfer	23	–	–	(23)	–	–	–
Transferred from properties under development for sale *(note 23)*	–	–	–	–	–	92,899	92,899
Additions	9	–	–	398	–	–	407
Disposal of a subsidiary	(7,907)	–	–	(65,868)	(593)	(4,594)	(78,962)
Disposals	–	–	–	(119)	(1,429)	–	(1,548)
At 31 December 2005	23,058	1,478	713	6,285	946	92,899	125,379
At 1 January 2006	23,058	1,478	713	6,285	946	92,899	125,379
Exchange adjustments	851	–	–	204	39	3,523	4,617
Additions	218	–	–	282	152	6,425	7,077
Capitalisation of finance cost *(note 8(a))*	–	–	–	–	–	1,907	1,907
Disposals	(192)	–	–	(103)	(27)	–	(322)
At 31 December 2006	23,935	1,478	713	6,668	1,110	104,754	138,658
Accumulated depreciation							
At 1 January 2005	5,475	821	713	58,222	831	–	66,062
Exchange adjustments	70	–	–	38	5	–	113
Transfer	91	–	–	(91)	–	–	–
Charge for the year	1,102	493	–	1,601	232	–	3,428
Disposal of a subsidiary	(1,340)	–	–	(56,806)	(286)	–	(58,432)
Written back on disposals	–	–	–	(86)	(475)	–	(561)
At 31 December 2005	5,398	1,314	713	2,878	307	–	10,610
At 1 January 2006	5,398	1,314	713	2,878	307	–	10,610
Exchange adjustments	185	–	–	107	15	–	307
Charge for the year	1,118	164	–	1,104	212	–	2,598
Written back on disposals	(77)	–	–	(80)	–	–	(157)
At 31 December 2006	6,624	1,478	713	4,009	534	–	13,358
Net book value:							
At 31 December 2006	17,311	–	–	2,659	576	104,754	125,300
At 31 December 2005	17,660	164	–	3,407	639	92,899	114,769

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

As at 31 December 2006, the capital value in the existing state of Group's investment properties under development was valued at approximately RMB183,930,000 (approximately HK$183,563,000) which was based on a valuation carried out by Mr. Wong Yung-shing who is a Chartered Valuation Surveyor of Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, an independent professionally qualified valuer, on the depreciated replacement cost valuation approach.

The net book value of motor vehicles includes nil amount (2005: HK$126,000) in respect of assets held under finance leases.

Buildings held for own use and investment properties under development are situated in mainland China and are held under medium-term leases.

17. INTEREST IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**633,132**	633,132
Due from subsidiaries	**429,115**	429,023
Due to subsidiaries	**(191,795)**	(218,761)
	870,452	843,394
Less: Impairment losses	**(699,449)**	(699,439)
	171,003	143,955

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

17. INTEREST IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of unlisted subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage of interest attributable to the Company		Principal activities
			Directly	Indirectly	
Dynamic Global Development Limited	Hong Kong	HK$4 *(note)*	–	100	Investment holding
Fairyoung Port Investments (Holdings) Limited	British Virgin Islands	US$299	–	100	Investment holding
Fairyoung (Shanghai) Properties Limited#	Mainland China	US$12,000,000	–	100	Property development
Binzhou Huifeng Sanwei Co., Ltd.##	Mainland China	US$1,250,000	–	51	Trading of consumables
Harbin Dynamic Global Property Co., Ltd.@	Mainland China	RMB65,000,000	–	70	Property development
南漳水鏡湖度假村酒店有限責任公司#	Mainland China	HK$4,000,000	–	100	Resort operation
Liberal Supply Limited	British Virgin Islands	US$1	100	–	Investment holding
Softech Limited	British Virgin Islands	US$1	100	–	Investment holding
Fortune Target Limited	British Virgin Islands	US$100	100	–	Investment holding
Fortune House Worldwide Holdings Limited	British Virgin Islands	US$1	100	–	Investment holding

\# Wholly foreign-owned enterprise registered in mainland China

\## Sino-foreign equity joint venture registered in mainland China

@ Limited liability company established in mainland China

Note: The issued share capital of Dynamic Global Development Limited comprises two voting ordinary shares of HK$1 each and two non-voting deferred shares of HK$1 each.

18. INTEREST IN ASSOCIATES

The Group

	2006 **HK$'000**	2005 HK$'000
Share of net assets	**–**	–
Goodwill arising on acquisition	**–**	–
Due from associates	**3,254**	3,254
	3,254	3,254
Less: Impairment losses on amounts due from associates	**(3,254)**	(3,254)
	–	–

The amounts due from associates are unsecured, interest–free and have no fixed terms of repayment.

The movements of the goodwill capitalised as an asset in the consolidated balance sheet were as follows:

	HK$'000
Cost	
At 1 January 2005	95,975
Opening balance adjusted to eliminate accumulated amortisation and impairment losses	(36,555)
At 31 December 2005 and 31 December 2006	59,420
Accumulated amortisation and impairment losses	
At 1 January 2005	36,555
Eliminated against cost at 1 January 2005	(36,555)
Impairment loss	59,420
At 31 December 2005 and 31 December 2006	59,420
Carrying amount	
At 31 December 2005 and 31 December 2006	–

With effect from 1 January 2005 the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date.

18. INTEREST IN ASSOCIATES *(continued)*

Details of associates at the balance sheet date were as follows:

Name	Form of business structure	Place of incorporation/ registration and operations	Percentage of interest attributable to the Group		Principal activities
			Directly	Indirectly	
Beijing Zotn Digital Technologies, Inc. ("Beijing Zotn")#	Sino-foreign owned enterprise	Mainland China	–	27.3%	Application service provider
Golden Yield Enterprises Limited ("Golden Yield")	Incorporated	British Virgin Islands	–	39%	Investment holding

\# Beijing Zotn is a 70%-owned subsidiary of Golden Yield.

As financial results of the associates are immaterial to the Group, accordingly, no disclosure is considered necessary.

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

A wholly-owned subsidiary of the Company entered into an agreement with an independent third party on 6 July 2005 for sale of the interest in a jointly controlled entity for a consideration of HK$1 and waiver of approximately RMB402,000 (approximately HK$387,000) due therefrom. The transaction was completed on 6 July 2005.

20. OTHER FINANCIAL ASSETS

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale equity securities				
Unlisted investments, at cost				
– in Hong Kong	**10,000**	10,000	**5,000**	5,000
– outside Hong Kong	**24,500**	24,500	**24,500**	24,500
	34,500	34,500	**29,500**	29,500
Less: Impairment losses	**(34,500)**	(34,500)	**(29,500)**	(29,500)
	–	–	**–**	–

21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

The Group

	2006 **HK$'000**	2005 HK$'000
Total cash and bank balances	**4,303**	1,039
Less: Pledged bank balances		
– for securing mortgage loans of certain purchasers of the Group's properties under development for sale	**(460)**	(440)
Cash and cash equivalents as at 31 December	**3,843**	599

22. CONSUMABLES

The Group

	2006 **HK$'000**	2005 HK$'000
Consumables	**173**	119

None of the consumables as at 31 December 2006 were stated at net realisable value (2005: Nil).

23. PROPERTIES UNDER DEVELOPMENT FOR SALE

The Group

	2006 **HK$'000**	2005 HK$'000
Properties under development for sale	**195,613**	269,868
Transferred to property, plant and equipment *(note 16)*	**–**	(92,899)
	195,613	176,969

The properties under development for sale are situated in mainland China and are held under medium-term leases.

On 31 December 2005, a project of properties under development for sale held by a subsidiary in mainland China was transferred to property, plant and equipment as the directors of the Group changed the intention for these properties under development from the purpose of re-sale to holding on for future use as investment properties.

None of the properties under development for sale held by the Group were pledged to secure banking facilities granted to the Group as at 31 December 2006 (2005: Nil).

As explained further in note 33(iv), two residential units with a gross area of 315.08 square metres were seized by a court order as a result of a claim of overdue interest amounted to approximately RMB1,758,000 on late payments received by a subsidiary of the Group on 28 August 2006.

24. TRADE RECEIVABLES

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to two to three months. Credit limits were set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. An aged analysis of trade receivables is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Aged:		
Within 3 months	**273**	–

As at 31 December 2006, all the trade receivables were denominated in RMB.

25. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Aged:		
Within 3 months	**20,589**	23,107
More than 3 months but less than 6 months	**4,264**	113
More than 6 months but less than 1 year	**9,597**	5,437
More than 1 year but less than 2 years	**4,052**	12,487
More than 2 years	**14,816**	17,512
	53,318	58,656

As at 31 December 2005 and 31 December 2006, all the trade payables were denominated in RMB.

26. OTHER PAYABLES AND ACCRUALS

The Group

As at 31 December 2006, included in the other payables and accruals were other borrowings of approximately HK$76,219,000 which are due in July 2007.

The Company

As at 31 December 2006, included in the other payables and accruals were other borrowings of approximately HK$19,184,000 which are due in July 2007.

27. DUE TO A SUBSTANTIAL SHAREHOLDER

		The Group and the Company	
		2006	2005
	Note	**HK$'000**	HK$'000
Loans	41(b)(ii)	–	22,762
Accrued interest		–	1,439
Current account		–	4,210
		–	28,411

As at 31 December 2005, the loans were unsecured, interest-bearing and repayable within 1 year. The current account was unsecured, interest-free and had no fixed terms of repayment.

On 4 January 2006, Gree Group (Hong Kong) Limited ("Gree") ceased to be the substantial shareholder of the Company upon disposal of the shares of the Company to Madex International which then became the new substantial shareholder of the Company. Loans of HK$22,762,000, accrued interest of HK$1,439,000 and current account of HK$4,210,000 were reclassified to interest-bearing borrowings and other payables and accruals respectively since Gree ceased to be the substantial shareholder of the Company.

Please refer to note 41(b)(ii) to the financial statements for details of the transactions.

28. DUE TO A RELATED COMPANY

The Group and the Company

The amount due to a related company is unsecured, interest-bearing and is repayable within one year and is due between January 2007 and September 2007.

29. DUE TO A MINORITY SHAREHOLDER

The Group

On 20 August 2006 and on 19 December 2006, there was a change of minority shareholder and the balance due thereto was assigned to the new minority shareholder with all the repayment terms remain the same.

As at 31 December 2006, there is an amount due thereto amounting approximately HK$18,422,000 which is unsecured, interest-free, repayable within one year and is due in July 2007. Included in the amount due to a minority shareholder also a capital injection due therefrom of approximately HK$14,970,000 which is unsecured, interest-free and has no fixed repayment terms.

30. INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of interest-bearing borrowings is as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other loans				
Exchange adjustment	**1,057**	–	**–**	–
Unsecured	**80,747**	57,585	**52,862**	29,700
	81,804	57,585	**52,862**	29,700

(i) As at 31 December 2006, the loans granted to the Company by an independent loan lender of HK$29,700,000 bore interest at 7.75% (2005: 14.4%) per annum and are due for repayment in July 2007.

(ii) As at 31 December 2006, the loans granted to a subsidiary by an independent loan lender of RMB29,000,000 (approximately HK$27,885,000) bore interest at 6.58% (2005: 6.58%) per annum and are due for repayment in July 2007.

(iii) As at 31 December 2006, the loans granted to the Company by an independent loan lender of approximately HK$23,162,000 bore interest at prime rate per annum, as at 31 December 2006 the prime rate was 7.75% (2005: 7.75%) and is due for repayment in July 2007.

31. OBLIGATIONS UNDER FINANCE LEASES

At 31 December, the Group had obligations under finance leases repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	48	**–**	46
After one year but within two years	**–**	9	**–**	8
	–	57	**–**	54
Less: Future finance charges	**–**	(3)	**–**	–
Present value of lease obligations	**–**	54	**–**	54
Less: Amount due for settlement within 12 months (shown under current liabilities)			**–**	(46)
Non-current portion			**–**	8

32. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

Current taxation in the consolidated balance sheet

	2006	2005
	HK$'000	HK$'000
At 1 January	**622**	337
Exchange adjustment	**24**	–
Provision for the year	**210**	622
Over-provision in prior years	**(339)**	–
Mainland China profits tax paid	**(3,245)**	(337)
At 31 December	**(2,728)**	622

The Group has tax losses arising in Hong Kong and mainland China of approximately HK$109,776,000 (2005: HK$91,713,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as these companies have been incurring losses for some years.

33. PROVISIONS

The movements of the provisions are as follows:

		Note	**The Group 2006 HK$'000**	**The Company 2006 HK$'000**
(a)	**Provision for legal claims**			
	At 1 January 2006		34,409	10,954
	Exchange adjustments		14	–
	Additional provision for the year – Compensation for breach of pre-sale contracts	(vii)	17,280	–
	Transferred from note 33(b)	(vii)	7,002	–
	Released upon the pre-sale of properties under development for sale by a court order	(iv)	(3,304)	–
	Settlements made	(i) to (vii)	(30,853)	(10,954)
	At 31 December 2006	(vii)	24,548	–
(b)	**Provision for compensations**			
	At 1 January 2006		13,714	–
	Exchange adjustments		179	–
	Additional provision for the year – Compensation for breach of pre-sale contracts	(vii)	5,088	–
	Transferred to note 33(a)	(vii)	(7,002)	–
	Settlements made	(vii)	(1,992)	–
	At 31 December 2006	(vii)	9,987	–
			34,535	–

33. PROVISIONS *(continued)*

(i) In January 2003, the Company received a writ from a court in mainland China alleging that based on a guarantee granted by the Company to a company incorporated in mainland China (the "Plaintiff") in respect of a loan made by the Plaintiff to a wholly owned subsidiary (incorporated in mainland China) (the "Borrower") of the Company in 1998, the Company was obliged to repay the Plaintiff the loan principal and all unpaid interest amounting to RMB12,842,000 (approximately HK$12,125,000) as the Borrower was deregistered in November 1999. The Company filed a defence against the claim in January 2003 and a judgment in favour of the Company was granted by the court in mainland China in March 2004. However, the Plaintiff appealed to the Beijing People's Supreme Court (北京市高級人民法院) thereafter and the defence was rejected by the Supreme Court and a judgment in favour of the Plaintiff was made in June 2004. Therefore, a full provision of RMB12,842,000 (approximately HK$12,125,000) was made in 2004. On 13 March 2006, the plaintiff agreed with the Group to reduce the claim to RMB8,100,000 (approximately HK$7,760,000) and the Group had repaid RMB1,600,000 (approximately HK$1,510,000) to the plaintiff during 2005. Therefore, a reversal of RMB4,742,000 (approximately HK$4,365,000) was made as at 31 December 2005. During the year, the Group settled the claim by payment of RMB6,500,000 (approximately HK$6,250,000).

(ii) A wholly owned subsidiary of the Company incorporated in mainland China ("Subsidiary") entered into an agreement for pre-sale of properties under development for sale developed by the Subsidiary ("Pre-sale Agreement") with an independent third party ("Buyer") in mainland China on 12 July 2002 for a consideration of RMB20,000,000 (approximately HK$18,868,000). The Subsidiary later entered into a buy-back agreement ("Buy-back Agreement") with the Buyer on 22 July 2002 whereby the Subsidiary had an option to buy-back the above mentioned properties under development at a premium of 5.841% within 12 months from the date of the Pre-sale Agreement. Before the expiry of the option, the Subsidiary exercised the option and paid a total sum of RMB21,168,200 (approximately HK$19,970,000) to the Buyer. However, the Buyer breached the Buy-back Agreement and refused to revert the properties under development for sale. Therefore, the Subsidiary lodged a claim against the Buyer in mainland China. A judgment was delivered on 25 August 2004, the court ordered that both the Pre-sale Agreement and the Buy-back Agreement were void and the Subsidiary had to make a compensation of RMB10,000,000 (approximately HK$9,434,000) to the Buyer. Therefore, a full provision for the compensation was made in 2004. The directors, after consulting with a lawyer, believe that the Subsidiary has valid grounds to appeal against the decision, therefore, the Group filed an appeal on 14 September 2004. The appeal was rejected in 2005. During the year, the Group settled the claim by payment of RMB10,000,000 (approximately HK$9,434,000).

33. PROVISIONS *(continued)*

(iii) On 6 March 2003, the Group completed the disposal of 4 subsidiaries ("the Subsidiaries"). In December 2003, the buyer (the "Buyer") of the Subsidiaries made a claim against the Company and alleged that based on a guarantee issued by a former director of the Company at the time the Subsidiaries were disposed of, the Company would be liable to compensate the buyer at 50% of the net liabilities of the Subsidiaries exceeding RMB20,000,000, up to a maximum of RMB5,000,000. The claim as made by the Buyer was rejected by the court on 22 May 2004. However, the Company was served with a writ by a former director of the Company ("Plaintiff") on 1 September 2004, alleging that based on an undertaking (承諾書) made by the Company in favour of the Plaintiff on 12 December 2002, the Company would be liable to indemnify the Plaintiff for any loss incurred by him upon the granting of his personal guarantee to the Buyer. As a result of his personal guarantee, a judgement was made by a court in mainland China against the Plaintiff to the effect that he had to compensate the Buyer a total sum of RMB5,000,000 in August 2004. He in turn claimed the same amount against the Company. On 5 November 2004, a judgement was made by the court whereby the Company had to pay a compensation of RMB5,000,000 (approximately HK$4,717,000) to the Plaintiff, therefore, a provision of RMB5,000,000 (approximately HK$4,717,000) was made in 2004. On 21 December 2004, the Company filed an appeal against the judgement in a supreme court in mainland China. On 17 March 2006, the Group agreed with the Plaintiff to reduce the compensation to RMB3,800,000 (approximately HK$3,654,000). Therefore, a reversal of RMB1,200,000 (approximately of HK$1,063,000) was made in 2005. During the year, the Group settled the claim by payment of RMB3,800,000 (approximately HK$3,654,000).

(iv) In January 2004, a subsidiary of the Group (the "Subsidiary") signed a pre-sale agreement (the "Pre-Sale Agreement") with a buyer (the "Buyer") to sell 25 units of properties under development for sale in Shanghai for a total sum of approximately RMB50,000,000 (approximately HK$48,077,000). A deposit of approximately RMB20,000,000 (approximately HK$19,231,000) was received by the Subsidiary. The amount was recorded as other payables in the consolidated balance sheet. However, the Buyer was unable to arrange bank financing to pay the balance of consideration of approximately RMB30,000,000 (approximately HK$28,846,000). As such, the Buyer informed the Subsidiary to terminate the Pre-Sale Agreement and refund the deposit received by the Subsidiary. The Subsidiary had not refunded the deposits but demanded the Buyer to pay the balance of consideration. As a result, the Buyer commenced legal action against the Subsidiary.

On 11 November 2004, a judgment in favour of the Buyer was made by a court in mainland China. According to the judgement, the Subsidiary was required to refund the deposits and make a compensation of approximately RMB3,502,000 (approximately HK$3,304,000) to the Buyer. The Subsidiary filed an appeal with the Shanghai People's Supreme Court (上海市高級人民法院). However, on 24 February 2005, the Supreme Court affirmed the judgment made by the lower court. Therefore, a provision of RMB3,502,000 (approximately HK$3,304,000) was made in 2004. On 23 December 2005, properties under development for sale with a gross area of 1,433.17 square metres were seized by the court for force-sale at a consideration of RMB7,000,000 (approximately HK$6,986,000) by a court order. Upon completion of the transaction in 2006, provision for legal claims and other payables and accruals amounted RMB3,502,000 (approximately HK$3,304,000) and RMB3,010,000 (approximately HK$2,895,000) were released respectively. The remaining balances represented a compensation cost of RMB488,000 (approximately HK$487,000) and exchange adjustments of HK$300,000 incurred during the year. Taking into account the estimated construction cost of RMB7,859,000 (approximately HK$7,843,000), an additional compensation cost of RMB859,000 (approximately HK$857,000) for the pre-sale of properties under development for sale as a result of the court order was therefore recognised during the year (note 36(b)).

33. PROVISIONS *(continued)*

(iv) On 28 August 2006, the Subsidiary received a claim of overdue interest amounted to approximately RMB1,758,000 on late payments made by the Subsidiary to the Buyer. A judgment in favour of the Buyer was made by Shanghai Pudong District People's Supreme Court (上海市浦東新區人民法院). The court ordered to seize the bank balance or equivalent assets of the Subsidiary amounted to approximately RMB1,758,000. On 21 September 2006 and as at the date of this report, two residential units with a gross area of 315.08 square metres were seized by the Buyer. The directors, after consulting with a lawyer, believe that the Subsidiary had valid grounds to appeal against the decision and was preparing to file a defence. In accordance with a valuation report dated 19 May 2006 carried out by an independent mainland China valuer, the two residential units being seized were valued at approximately RMB3,479,000 (approximately HK$3,472,000). The valuation report shall be effective until 18 November 2006. As confirmed with the directors, there should be no material variation as at year end and no provision has been made in respect of this claim accordingly.

(v) In 2004, a subsidiary of the Group in mainland China received a claim of overdue interest on late payments made by the subsidiary to a supplier. On 6 December 2004, a judgment in favour of the supplier was made by a court in Shanghai. Therefore, a provision of approximately RMB370,000 (approximately HK$349,000) was made in 2005. During the year, the Group settled the claim by payment of RMB370,000 (approximately HK$349,000).

(vi) In May 2004, the Company was served a writ by a company claiming an amount of HK$2,300,000, allegedly consultancy service fee owed by the Company. The Company filed a defence on 19 June 2004. Taking into account the potential costs in litigation and further legal advice, the Group settled the claim with the plaintiff by agreeing to pay a sum of HK$1,500,000, therefore, a provision of the same amount was made in 2005. The Group had to pay the sum in 10 equal instalments of HK$150,000 per instalment from October 2005. During 2005, 3 instalments of HK$450,000 were paid. During the year, the Group settled the claim by payment of HK$1,050,000.

(vii) A subsidiary of the Company in mainland China (the "Subsidiary") entered into contracts with some buyers since 2003 for pre-sale of properties under development for sale developed by the Subsidiary ("Pre-sale Contracts"). According to the terms of the Pre-sale Contracts, if the above properties under development for sale were not assigned to the buyers on or before 31 December 2004, the buyers of the properties under development for sale were eligible for compensations at the rate of 0.02% per day on deposits paid as from 1 January 2005 until the assignment of the properties under development for sale.

During 2005, 130 buyers took legal actions to claim against the Subsidiary for compensations. Accordingly, provision for legal claims of the 130 buyers and provision for compensations for the rest of all other buyers in accordance with the terms of the Pre-sale Contracts amounted respectively to approximately RMB10,521,000 (approximately HK$10,116,000) and RMB14,264,000 (approximately HK$13,714,000) were made in 2005.

During 2006, the Group settled the claims for 130 buyers as mentioned above by payment of RMB10,521,000 (approximately HK$10,116,000). During the year, 225 buyers took legal actions to claim against the Subsidiary for the compensations. Accordingly, RMB7,282,000 (approximately HK$7,002,000) was reclassified from provision for compensations to provision for legal claims. Since the properties under development for sale have not been assigned to the buyers as at year end, additional provision for legal claims and exchange adjustment amounting to RMB17,315,000 (approximately HK$17,280,000) and HK$266,000 were made respectively. The exchange adjustment of HK$252,000 carried forward as at 31 December 2005 is released upon the settlements made in current year.

33. PROVISIONS *(continued)*

(vii) On the other hand, RMB2,073,000 (approximately HK$1,992,000) have been paid for the provision for compensations. Since the properties under development for sale have not assigned to the buyers as at year end, additional provision for compensations and exchange adjustment amounting to RMB5,098,000 (approximately HK$5,088,000) and HK$179,000 were accounted for respectively.

(viii) All legal and professional fees in relation to the legal claims as mentioned above in note 33(i) to 33(vii) have been properly accounted for in the financial statements of current year.

34. SHARE CAPITAL

	2006		2005	
	No. of shares	**Amount HK$'000**	No. of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1each	**4,000,000,000**	**400,000**	4,000,000,000	400,000
Issued and fully paid:				
At 1 January and at 31 December	**3,010,410,504**	**301,041**	3,010,410,504	301,041

35. RESERVES

The Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2005	63,528	222,194	52	7,905	(521,553)	(227,874)	6,584	(221,290)
Exchange adjustments	–	–	–	1,998	–	1,998	–	1,998
Released upon disposal of a subsidiary	–	–	–	(1,476)	–	(1,476)	–	(1,476)
Loss for the year	–	–	–	–	(97,380)	(97,380)	(14)	(97,394)
At 31 December 2005	63,528	222,194	52	8,427	(618,933)	(324,732)	6,570	(318,162)
At 1 January 2006	63,528	222,194	52	8,427	(618,933)	(324,732)	6,570	(318,162)
Exchange adjustments	–	–	–	3,262	–	3,262	403	3,665
Capital injection by a minority shareholder	–	–	–	–	–	–	14,970	14,970
Loss for the year	–	–	–	–	(76,654)	(76,654)	(293)	(76,947)
At 31 December 2006	63,528	222,194	52	11,689	(695,587)	(398,124)	21,650	(376,474)

The Company

	Share premium HK$'000	Contributed surplus reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	63,528	337,613	52	(697,494)	(296,301)
Profit for the year	–	–	–	59,744	59,744
At 31 December 2005	63,528	337,613	52	(637,750)	(236,557)
At 1 January 2006	63,528	337,613	52	(637,750)	(236,557)
Loss for the year	–	–	–	(16,908)	(16,908)
At 31 December 2006	63,528	337,613	52	(654,658)	(253,465)

35. RESERVES *(continued)*

Nature and purpose of reserves

(a) *Share premium*

The application of the share premium account reserve is governed by section 40 of the Companies Act 1981 of Bermuda.

(b) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(u).

(c) *Contributed surplus reserve*

The contributed surplus arose in 1989 as a result of the Group's reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries. According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a) Net cash outflow from disposal of a subsidiary

	2006	2005
	HK$'000	HK$'000
Net assets disposed of:		
Property, plant and equipment	–	20,530
Consumables	–	44
Other receivables, deposits and prepayments	–	233
Cash and cash equivalents	–	16
Other payables and accruals	–	(13,833)
Short–term bank loans	–	(4,686)
Net assets	–	2,304
Reserves released:		
Exchange reserve	–	(1,476)
	–	828
Gain on disposal *(notes 36a(i))*	–	7,663
	–	8,491
Satisfied by:		
Cash consideration of RMB1	–	–
Assumption of the Company's liabilities	–	8,491
	–	8,491

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

a) Net cash outflow from disposal of a subsidiary (continued)

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	2006	2005
	HK$'000	HK$'000
Cash consideration of RMB1 received	**–**	–
Cash and cash equivalents disposed of	**–**	16
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**–**	16

(i) On 13 August 2003, the Company entered into a sale and purchase agreement ("2003 Agreement") with Heilongjiang Hong Xing Real Estate Development Company Limited (黑龍江宏興房地產發展有限公司) (the "2003 Purchaser"), under which the 2003 Purchaser were to acquire 20% of the issued registered capital of Fairyoung (Heilongjiang) Industry Company Limited ("HLJ"), a wholly-owned subsidiary which was engaged in skiing operation, for a consideration of RMB9,000,000 (approximately HK$8,491,000) with an option to acquire the remaining 80% of the capital of HLJ for a consideration of RMB29,200,000 (approximately HK$27,500,000) within a one-year period until 12 August 2004. The 2003 Purchaser paid the consideration of RMB9,000,000 (approximately HK$8,491,000), however, the documentation for the transfer of the 20% of the issued registered capital had not been completed. In addition, the 2003 Purchaser had not exercised the said option by 12 August 2004. Pursuant to the 2003 Agreement, if the 2003 Purchaser failed to exercise the option to purchase the remaining 80% of the issued registered capital of HLJ by 12 August 2004, the 2003 Purchaser could return the 20% of the issued registered capital of HLJ to the Company and the Company had to return the consideration of RMB9,000,000 (approximately HK$8,491,000) to the 2003 Purchaser.

On 4 February 2005, the Company entered into a new sale and purchase agreement (the "2005 Agreement") with Linking Sun Development Limited (the "2005 Purchaser") and the 2003 Purchaser. Pursuant to the 2005 Agreement, the 2005 Purchaser agreed to purchase the entire issued registered capital of HLJ for a total consideration of RMB1 (approximately HK$0.94) and the assumption by the 2005 Purchaser of the Company's liability in relation to the HLJ's obligation to return RMB9,000,000 (approximately HK$8,491,000) to the 2003 Purchaser as a result of the revocation of the 2003 Agreement and of the Company's responsibility to repay the 2003 Purchaser an amount of RMB1,000,000 (approximately HK$940,000), representing the expenses incurred by the 2003 Purchaser in the course of performing the 2003 Agreement. Details of the disposal were set out in the Company's circular dated 24 June 2005.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

b) Major non-cash transactions

As mentioned in note 33(iv), properties under development for sale with a gross area of 1,433.17 square metres were seized by the court for force-sale at a consideration of RMB7,000,000 (approximately HK$6,986,000) on 23 December 2005 by a court order. Provision for legal claims and other payables and accruals amounting to RMB3,502,000 (approximately HK$3,304,000) and RMB3,010,000 (approximately HK$2,895,000) respectively were released upon completion of the transaction during the year. The remaining balances represented a compensation cost of RMB488,000 (approximately HK$487,000) and exchange adjustments of HK$300,000 incurred during the year. Taking into account the estimated construction cost of RMB7,859,000 (approximately HK$7,843,000), an additional compensation cost of RMB859,000 (approximately HK$857,000) for the pre-sale of properties under development for sale as a result of the court order was therefore recognised during the year.

During 2005, the Group had the following significant major non-cash transactions:

(i) On 4 February 2005, the Company's liabilities of RMB9,000,000 (approximately HK$8,491,000) were assumed by the purchaser of a subsidiary (note 36(a)).

(ii) On 6 July 2005, amount due from a jointly controlled entity of RMB402,000 (approximately HK$387,000) was waived upon disposal of the interest in a jointly controlled entity (note 19).

37. CONTINGENT LIABILITIES

(a) Guarantees

The Group undertook guarantees in respect of mortgage loans granted by certain banks of approximately RMB7,437,000 (approximately HK$7,422,000) (2005: approximately RMB7,437,000 (approximately HK$7,151,000)) relating to the mortgage loans arranged for certain purchasers of the Group's properties under development for sale since 2003. Pursuant to the terms of the guarantees, in the event of any default in mortgage payments by any of these purchasers, the Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties under development for sale. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees.

No provision has been made in the financial statements as at 31 December 2006 for the financial guarantees as the fair value of the financial guarantee contracts is insignificant.

37. CONTINGENT LIABILITIES *(continued)*

(b) Compensations

As disclosed in note 33(vii), the buyers of the properties under development for sale ("Pre-sale Properties") of a subsidiary of the Company were eligible for compensations at the rate of 0.02% per day on deposits paid as from 1 January 2005 until the assignment of the Pre-sale Properties. A provision for compensations of approximately RMB5,098,000 (approximately HK$5,088,000) has been made in the financial statements for claims up to 31 December 2006. As at the date of the approval of the financial statements, the date of assignment of the Pre-sale Properties have not been determined. Apart from the provision which have already been made, provision for compensations of approximately RMB6,000,000 (approximately HK$5,988,000) is not made subsequent to 31 December 2006 and up to the date of the approval of the financial statements.

According to the terms of pre-sale contracts, the buyers of the Pre-sale Properties are eligible to cancel the contracts when the date of assignment is delayed for more than 90 days. Up to the date of the approval of the financial statements, no buyers has requested for the cancellation of the contracts.

38. COMMITMENTS

(a) As at 31 December 2006, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**1,397**	314
In the second to fifth years, inclusive	**270**	–
	1,667	314

(b) Capital commitments outstanding at balance sheet date not provided for in the financial statements were as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Contracted for	**11,637**	21,970
Authorised but not contracted for	**–**	12,170
	11,637	34,140

39. DISTRIBUTABLE RESERVES

At 31 December 2006, the Company did not have any reserves available for distribution to equity shareholders of the Company. The Company's share premium account and capital redemption reserve in an aggregate amount of HK$63,580,000 (2005: HK$63,580,000) may be distributed in the form of fully paid bonus shares.

40. PENDING LITIGATION

Apart from the legal cases referred to in note 33 to the financial statements, the Group had the following pending litigation during the year.

On 9 September 2005, a subsidiary of the Company (the "Subsidiary") served a writ in Hong Kong on a former chairman and executive director of the Company, Mr. Chan Boon Ning, John ("Mr. Chan") claiming an amount of HK$67,000,000, being the personal guarantee given by Mr. Chan on the recoverability of long term deposits made by the Subsidiary, via intermediaries, to certain companies established in mainland China (the "PRC companies") in 1998. Mr. Chan served as chairman and executive director of the Company (Formerly known as Fairyoung Holdings Limited) from 5 February 1993 to 23 November 2000. The deposits made were to be refundable and were intended to be used to finance investment projects of the Group. None of the intended investment projects crystallised and the deposits were not refunded by either the PRC companies nor Mr. Chan since payments made in 1998. A full provision of HK$67,000,000 was made by the Group in 2001.

41. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and the highest paid employees as disclosed in note 10, is as follows:

	2006	2005
	HK$'000	HK$'000
Short-term employee benefits	**4,776**	3,859

Total remuneration is included in "staff costs" (see note 8(b))

41. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Financing arrangement

		Amounts owed to related parties		Related interest expenses	
		As at 31 December		Year ended 31 December	
		2006	2005	**2006**	2005
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loans from the former substantial shareholder	(i)&(ii)	**–**	28,411	**–**	986
Loans from a fellow subsidiary of the former substantial shareholder	(i)&(iii)	**–**	28,840	**–**	794
Loans from a subsidiary of the substantial shareholder	(i)&(iv)	**47,899**	–	**2,652**	–

Notes:

(i) As mentioned in note 27, the substantial shareholder of the Company was changed on 4 January 2006 from Gree to Madex International.

(ii) On 1 November 2002, the Company issued a promissory note to the former substantial shareholder for HK$980,000. The note is unsecured, bearing interest at prime rate in Hong Kong and without fixed repayment terms.

On 18 November 2002, the Company entered into a loan agreement with the former substantial shareholder. Under the terms of the loan agreement, the former substantial shareholder would grant the Company loan facilities up to a maximum of HK$9,000,000 for a period of 12 months. The loans were unsecured and bearing interest at 5% per annum.

On 6 December 2002, the Company entered into a supplemental loan agreement with the former substantial shareholder. Under the terms of the supplemental loan agreement, the former substantial shareholder would grant the Company loan facilities up to a maximum of HK$25,020,000 for a period of 12 months. The loans were unsecured and bearing interest at 5% per annum.

On 21 April 2004, the Company entered into a second supplemental loan agreement with the former substantial shareholder to replace the loan agreement and supplemental loan agreement signed on 18 November 2002 and 6 December 2002 respectively. Under the terms of the second supplemental loan agreement, the former substantial shareholder would grant the Company loan facilities up to a maximum of HK$18,000,000 for a period of 12 months. The loans were unsecured and bearing interest at 5% per annum.

41. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Financing arrangement *(continued)*

Notes:

(ii) On 1 September 2005, the Company entered into a third supplementary loan agreement with the former substantial shareholder. Under the terms of the third supplementary loan agreement, the former substantial shareholder would grant the Company loan facilities up to a maximum of HK$5,000,000 for a period of 12 months. The loans were unsecured and bearing interest at prime rate per annum. As at 31 December 2005, the prime rate was 7.75%

During 2005, total loans of HK$8,545,000 were drawn down under the loan agreements. Loans, accrued interest and current account due thereto was HK$22,762,000, HK$1,439,000 and HK$4,210,000 respectively as at 31 December 2005 were reclassified to interest-bearing borrowings and other payables and accruals accordingly since Gree ceased to be the substantial shareholder of the Company on 4 January 2006. The loans were unsecured and bearing interest at prime rate per annum, as at 31 December 2005, the prime rate at 7.75%. The current account was unsecured and had no fixed repayment terms.

(iii) On 18 July 2005, 30 September 2005 and 1 November 2005, a subsidiary entered into three loan agreements of RMB25,000,000 (approximately HK$24,038,000), RMB3,000,000 (approximately HK$2,885,000) and RMB1,000,000 (approximately HK$962,000) respectively with a fellow subsidiary of the former substantial shareholder.

During 2005, total loans of HK$27,885,000 were drawn down under the loan agreements. Loans, accrued interest and current account due thereto were HK$27,885,000, HK$459,000 and HK$496,000 respectively as at 31 December 2005. The loans were unsecured and bearing interest at 6.58% per annum and repayable within 1 year. The current account was unsecured and had no fixed repayment terms.

(iv) On 13 January 2006, 17 February 2006, 6 March 2006, 9 June 2006 and 13 September 2006, the Company entered into five loan agreements with a subsidiary of the substantial shareholder of the Company, Madex International. Under the terms of the loan agreements, loan facilities up to a maximum of HK$45,000,000 can be granted to the Company for a period of 12 months.

During 2006, total loans of HK$45,247,000 were drawn down under the loan agreements. Loans and accrued interest due thereto were HK$45,247,000 and HK$2,652,000 respectively as at 31 December 2006. The loans were unsecured and bearing interest at prime rate per annum, as at 31 December 2006, the prime rate was 7.75%.

(c) Other related party transactions

On 2 November 2002, the Company entered into an agreement with the former substantial shareholder whereby the former substantial shareholder would assist the Company by seconding staff members to manage and advise on the Company's development. The maximum secondment fee would be HK$350,000 per month. On 26 February 2004, the Company signed a new agreement with the former substantial shareholder pursuant to which the management fee paid was limited to a maximum of HK$416,000 per month or HK$5,000,000 per annum. On 8 September 2005, the Company signed a supplemental agreement with the former substantial shareholder pursuant to which the management fee paid was limited to a maximum of HK$291,667 per month or HK$3,500,000 per annum and the term of the agreement was for one year retrospective from 26 February 2005. In 2006, no management fee is paid to the former substantial shareholder (2005: HK$2,310,000).

42. NON-ADJUSTING POST BALANCE SHEET EVENTS

(i) On 1 February 2007, the Company entered into a loan agreement with a subsidiary of the substantial shareholder of the Company, Madex International. Under the terms of the loan agreement, loan facilities up to a maximum of HK$30,000,000 can be granted to the Company for a period of 12 months. The loans are unsecured and are currently bearing interest at prime rate per annum quoted by the Bank of China (Hong Kong) Limited.

(ii) On 8 February 2007 ("First Loan Extension Agreement") and on 30 March 2007 ("Second Loan Extension Agreement"), the Company entered into two loan extension agreements with a minority shareholder. Under the terms of the First Loan Extension Agreement, all repayment terms remain the same except that the repayment date of the amount due thereto of approximately HK$18,422,000 as at 31 December 2006 was extended from July 2007 for a period of 6 months to January 2008. Under the terms of the Second Loan Extension Agreement, the repayment date was further extended to July 2008.

(iii) On 8 February 2007 ("Third Loan Extension Agreement") and on 30 March 2007 ("Fourth Loan Extension Agreement"), the Company entered into two loan extension agreements with an independent loan lender. Under the terms of the Third Loan Extension Agreement, all repayment terms remain the same except that the repayment date of the amount due thereto of approximately HK$116,544,000 as at 31 December 2006, of which approximately HK$52,104,000 was classified as interest-bearing borrowings while the remaining balance of approximately HK$64,440,000 was classified as other payables and accruals, was extended from July 2007 for a period of 6 months to January 2008. Under the terms of the Fourth Loan Extension Agreement, the repayment date was further extended to July 2008.

(iv) On 30 March 2007, the Company entered into a loan extension agreement with a subsidiary of Madex International. Under the terms of the loan extension agreement, all repayment terms remain the same except that the repayment date of the loan agreements entered into on 13 January 2006, 17 February 2006, 6 March 2006 and 9 June 2006 of HK$10,000,000 each which expire after one year from the respective loan drawdown dates shall be extended for a period of 18 months.

(v) On 30 March 2007, the Company entered into a loan extension agreement with an independent loan lender. Under the terms of the loan extension agreement, all repayment terms remain the same except that the repayment date of the amount due thereto of HK$29,700,000 as at 31 December 2006 has been extended from July 2007 for a period of 12 months to July 2008.

43. RETIREMENT BENEFIT SCHEME

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

The employees of the Group's subsidiaries in the mainland China are members of a state-sponsored retirement plan organised by the municipal government under the regulations of the mainland China and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the mainland China subsidiaries are based on a percentage of the eligible employees' salaries and are charged to the income statement as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organsied by the municipal government in the mainland China.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2006 in respect of the retirement of its employees.

44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of changes in accounting policies and/or to conform with current year's presentation.

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE, FOR THE YEAR ENDED 31 DECEMBER 2006

The Group has not early applied the following amendments, new standard and interpretations that have been issued but are not yet effective. The Group anticipates that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS2-Group and Treasury Share Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangement[7]

[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