1. ORGANISATION AND PRINCIPAL ACTIVITIES

The Sun's Group Limited ("the Company") was incorporated in Bermuda on 9th July, 1993 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since January 1994. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 5th Floor, Tien Chu Commercial Building, 173-174 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. At 31st December, 2006, the Company's subsidiaries (which together with the Company are collectively referred to as "the Group") were principally engaged in property management, property investment and development, hotel investment and operation and securities investment and trading.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Group.

2. CHANGES TO THE BOARD OF DIRECTORS AND MANAGEMENT

The Company recorded the following changes in directors and management during the year:

i) Changes in the board of directors

Name	Details of changes
Executive directors	
Mr. Lee Sammy Sean *(Chairman)*	(Appointed on 13th October, 2006)
Mr. Chan Wai Hung	
Mr. Mo Ka Yin, Kenneth	(Appointed on 13th October, 2006)
Mr. Pang Ho Chuen, Lawrence	
Independent non-executive directors	
Mr. Chan Chi Shing, Paul	(Appointed on 13th October, 2006)
Mr. Kwee Chong Kok, Michael	(Appointed on 13th October, 2006)
Mr. Lo Wai Keung, Peter	(Appointed on 13th October, 2006)

3. COMPLETION OF THE RESTRUCTURING PROPOSAL

On 18th April, 2005, schemes of arrangement for the Company and The Sun's Group (H.K.) Limited ("SGHK"), a wholly owned subsidiary of the Company were duly passed in the meetings of scheme creditors by the majority prescribed by section 166 of the Companies Ordinance, conditionally upon, among other things, the approvals of all relevant transactions for the restructuring by the respective shareholders of the Company and the resumption in trading of the shares of the Company (the "Resumption Proposal").

Following the passing of the respective creditors' schemes of arrangement by the requisite majorities of creditors of both the Company and SGHK on 18th April, 2005, all liabilities of the Company and SGHK, incurred on or before the date of appointment of the Provisional Liquidators will be fully eliminated upon the fulfillment of those conditions set out in the Restructuring Agreement. On 25th June, 2006, the Court granted orders to sanction the Schemes and the Schemes became effective on 22nd September, 2006. A sum of HK$10 million and the entire issued share capital of each of the subsidiaries, other than SGHK, The Sun's Corporate (B.V.I.) Limited, The Sun's (B.V.I.) Limited and The Sun's Property Management Limited, were transferred to the Scheme Administrators or their nominees for the sum of HK$1 and all liabilities of the Company and SGHK were fully eliminated accordingly.

On 1st August, 2006 at the special general meeting, the shareholders approved the relevant transactions for the implementation of the restructuring proposal.

On 20th September, 2006, the petition lodged against the Company on 11th April, 2003 was dismissed and the Provisional Liquidators were discharged respectively. Accordingly, the Company has successfully emerged from provisional liquidation. On 20th October, 2006, following the completion of the Restructuring Proposal including the Capital Reorganisation, the Subscription, the Creditors' Schemes, the Acquisition, the Placing and the Group Reorganisation, the shares of the Company resumed trading in the Stock Exchange.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to its operations and either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has no significant effect on the Group's accounting policies and amounts reported for the current and prior accounting periods in these financial statements.

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

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

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

5. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by The Hong Kong Companies Ordinance.

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

The principal accounting policies are summarized below:

(a) Basis of consolidation:

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

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

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

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

(b) Business combination:

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

5. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(c) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill arising on an acquisition of an associate or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's share of the relevant associate's or jointly controlled entity's net assets at the date of acquisition.

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 investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

Capitalised goodwill is presented separately in the consolidated balance sheet and is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, 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.

(e) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

5. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(f) Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised on the following bases:

(i) Hotel operation and services income, in the period in which such services are rendered;

(ii) Property management income, in the period in which such services are rendered;

(iii) Proceeds from the sale of marketable securities, on the transaction dates when the relevant contract notes are exchanged;

(iv) Rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(v) Interest income, on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to that financial asset's net carrying amount; and

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

(g) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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

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

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

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

5. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(h) Property, plant and equipment

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

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

Building situated on leasehold land	Over the shorter of the unexpired term of lease or 50 years
Furniture and fixtures	20%

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

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

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

(i) Investment properties

Investment properties, being properties owned or held under finance leases to earn rentals, are stated at fair value.

Gain or loss arising from the retirement or disposal of an investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

(j) Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

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

Interest in leasehold land is amortised over the lease term on a straight-line basis.

5. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(k) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Trade and other receivables

Trade receivables are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses for bad and doubtful debts 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 any impairment losses for bad and doubtful debts.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments which are non-derivatives with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity are classified as held-to-maturity investments and are measured at subsequent reporting dates at amortised cost, using the effective interest rate method, less any impairment losses recognised to reflect irrecoverable amounts.

Investments held for trading are classified as investments at fair value through profit and loss and are measured at subsequent reporting dates at fair value with changes in fair value recognised in profit or loss in the period in which they arise.

Investments which are non-derivatives and classified neither as held-to-maturity investments nor investments at fair value through profit and loss are classified as available-for-sale investments and are measured at subsequent reporting dates at fair value. Changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Impairment losses are recognised in profit or loss. For available-for-sale equity investments, impairment losses will not reverse in profit and loss in subsequent periods.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Bank borrowings

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

(v) Trade and other payables

Trade payables are subsequently measured at amortised cost, using the effective interest rate method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

5. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(l) Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(m) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period in which they arise, except for exchange differences arising on a monetary item forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

5. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(m) Foreign currencies (cont'd)

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

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate prevailing on the balance sheet date. Exchange differences arising are included in the exchange reserve.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(o) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*
Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement 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.

(ii) *Share-based payments*
The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is included in profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

5. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(p) Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(q) Related parties

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

(i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) The party is an associate;

(iii) The party is a jointly controlled entity;

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

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

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

(vii) The party is a post-employment benefit plan 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.

5. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(r) 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 inventories, 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 consolidation process, except to the extent that such intra-group balances and transactions are between group 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.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in Note 5, management has made the following judgement that has significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Impairment loss on trade receivables

The policy for provision of bad or doubtful trade receivables of the Group is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

Income taxes

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

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to bank borrowings and loans. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group will periodically review the ageing of the trade receivables to ensure that follow-up action is taken to recover long overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

8. TURNOVER AND REVENUES

Analysis of turnover and revenues in the consolidated income statement is as follows:

	2006 HK$'000	2005 HK$'000
Building management income	1,788	2,606
Sales of marketable securities	11,607	–
Property rental income	389	120
Hotel operations and services income	1,598	–
Total Turnover	15,382	2,726
Bank interest income	907	–
Dividend income	6	–
Sundry income	212	54
	1,125	54
Total Revenues	16,507	2,780

9. GAIN ON THE DEBT RESTRUCTURING

Pursuant to the debt restructuring of the Group as described in Note 3 to the consolidated financial statements, the gain on the debt restructuring is as follows:

	2006 HK$'000
Net liabilities disposed of:	
Investment properties	1,200
Other receivables	411
Bank balances and cash	2,197
Trade and other payables	(75,393)
Due to related companies	(31)
Due to former directors	(135,121)
Bank loans	(286,411)
Bank overdraft	(14,134)
Other loans	(18,985)
Tax payable	(10,777)
Due to shareholders	(33,415)
	(570,459)
Cash settlement of scheme creditors	10,000
Gain on the debt restructuring	(560,459)
Net cash surplus arising from the debt restructuring:	
Bank overdraft	14,134
Cash settlement of scheme creditors	(10,000)
Bank balances and cash	(2,197)
	1,937

10. NEGATIVE GOODWILL

During the year, City Joint Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement for the acquisition of Kingfund Corporation Limited ("Kingfund") at a consideration of HK$1. The net assets of Kingfund at the date of the Acquisition were approximately HK$893,000 (Note 31). Accordingly, negative goodwill arising from the acquisition was approximately HK$893,000.

11. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations in the consolidated income statement was determined after charging the following items:

	2006 HK$'000	2005 HK$'000
Staff costs (including directors' emoluments)	701	279
Operating lease rentals – land and buildings	174	136
Impairment loss on trade receivables	104	1,444
Depreciation	610	–
Auditors' remuneration	200	505
Amortisation of land use rights	266	–

12. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Bank borrowings interest	400	–
Bank overdraft interest	34	–
	434	–

13. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2005: 3) directors were as follows:

As at 31st December, 2006

	Lee Sammy Sean HK$'000	Chan Wai Hung HK$'000	Mo Ka Yin, Kenneth HK$'000	Pang Ho Chuen, Lawrence HK$'000
Fees	–	–	–	–
Other emoluments				
Salaries and other benefits	–	–	–	–
Contributions to retirement benefits scheme	–	–	–	–
Total emoluments	–	–	–	–

13. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (cont'd)

	Chan Chi Shing, Paul HK$'000	Kwee Chong Kok, Michael HK$'000	Lo Wai Keung, Peter HK$'000	Total 2006 HK$'000
Fees	–	–	–	–
Other emoluments				
Salaries and other benefits	–	–	–	–
Contributions to retirement benefits scheme	–	–	–	–
Total emoluments	–	–	–	–

As at 31st December, 2005

	Chan Wai Hung HK$'000	Lui Po San, Anthony (Note (i)) HK$'000	Pang Ho Chuen, Lawrence HK$'000	Total 2005 HK$'000
Fees	–	–	–	–
Other emoluments				
Salaries and other benefits	–	–	–	–
Contributions to retirement benefits scheme	–	–	–	–
Total emoluments	–	–	–	–

Note (i): Lui Po San, Anthony ceased to act as an executive director on 15th February, 2005.

Details of emoluments of the 5 (2005: 2) highest paid individuals (excluding directors) are:

	2006 HK$'000	2005 HK$'000
Basic salaries and allowances	486	262
Retirement scheme contributions	19	17
	505	279

Their emoluments were within the following band:

	Number of individual	
	2006	2005
HK$nil to HK$1,000,000	5	2
	5	2

14. INCOME TAX

Income tax in the consolidated income statement consisted of:

	2006 HK$'000	2005 HK$'000
Hong Kong profits tax		
Provision for current year	1	321
(Over)/under provision in prior year	(69)	151
	(68)	472
Deferred tax (Note 22)	(2,398)	–
	(2,466)	472

The Company is exempt from taxation in Bermuda until 2016. The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5% (2005: 17.5%) on the estimated assessable profits for the year.

The tax (credit)/charge for the year can be reconciled to the profit/(loss) before tax per consolidated income statement as follows:

	2006		2005	
	HK$'000	%	HK$'000	%
Profit/(loss) before tax:	552,537		(9,502)	
Tax at the statutory tax rate	96,832	17.5	(1,663)	17.5
Tax effect of non-deductible expenses	236		–	
Tax effect of non-taxable income	(98,607)		–	
Tax effect of loss not deductible	(107)		–	
Tax effect of unused tax losses not previously recognised	1,647		1,984	
(Over)/under provision in prior year	(69)		151	
Deferred tax related to the origination and reversal of temporary differences	(2,398)		–	
Tax (credit)/charge for the year	(2,466)		472	

15. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the following data:–

	2006	2005
	HK$'000	HK$'000
Profit/(loss) for the year attributable to equity holders of the Company	555,003	(9,974)

	2006	2005
	'000	'000
Number of ordinary shares:		
Issued ordinary shares at 1st January	22,407,692	22,407,692
Effect of shares consolidation (Note 28)	(22,385,284)	(22,385,284)
Effect of shares issued through placement and subscription (Note 28)	44,201	–
Weighted average number of ordinary shares at 31st December used in the calculation of basic earnings/(loss) per share	66,609	22,408

No diluted earning per share has been presented for the both years as there were no outstanding dilutive potential ordinary shares.

16. SEGMENT INFORMATION

a) Primary segment

	For the year ended 31st December, 2006				
	Property management HK$'000	Hotel operation HK$'000	Securities trading HK$'000	Property investment HK$'000	Total HK$'000
Total turnover	1,788	1,897	11,607	90	15,382
Operating results:					
Segment result	562	2,512	2	3	3,079
Unallocated revenue less cost					549,892
Finance costs					(434)
Income tax					2,466
Profit for the year					555,003
Balance Sheet as at 31st December, 2006					
Assets:					
Segment assets	916	79,361	11,279		91,556
Unallocated corporate assets					98,652
Total assets					190,208
Liabilities:					
Segment liabilities	793	365	30		1,188
Unallocated corporate liabilities					4,291
Total liabilities					5,479
Other information:					
Impairment loss on trade receivables	104	–	–	–	104
Amortisation	–	266	–	–	266
Depreciation	–	610	–	–	610
Change in fair value of held for trading investment	–	–	11	–	11
Capital expenditure	–	19	–	–	19

16. SEGMENT INFORMATION (cont'd)

a) Primary segment (cont'd)

	For the year ended 31st December, 2005		
	Property management HK$'000	Property investment HK$'000	Total HK$'000
Total turnover	2,606	120	2,726
Operating results:			
Segment result	436	(9,938)	(9,502)
Income tax			(472)
Loss for the year			(9,974)
Balance Sheet as at 31st December, 2005			
Assets:			
Segment assets	348	3,246	3,594
Unallocated corporate assets			3,483
Total assets			7,077
Liabilities:			
Segment liabilities	(296)	(76,528)	(76,824)
Unallocated corporate liabilities			(501,199)
Total liabilities			(578,023)
Other information:			
Impairment loss on trade receivables	1,444	–	1,444

b) Geographical segment

No geographical segment analysis is presented as over 90% of the Group's turnover and segment assets are situated in Hong Kong.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and office equipment	Total
	HK$'000	HK$'000	HK$'000
Cost:			
At 1st January, 2006	–	–	–
Additions	–	19	19
Transfer from investment properties (Note 18)	10,100	–	10,100
At 31st December, 2006	10,100	19	10,119
Accumulated depreciation/impairment losses:			
At 1st January, 2006	–	–	–
Charge for the year	606	4	610
At 31st December, 2006	606	4	610
Net carrying amount:			
At 31st December, 2006	9,494	15	9,509
At 31st December, 2005	–	–	–

As at 31st December, 2006, the Group's buildings were appraised by an independent Hong Kong professional valuer, Messrs. Memfus Wong Surveyors Limited. The buildings were appraised on the basis of depreciated replacement cost with fair market value of approximately HK$10,100,000 as at 31st December, 2006.

The buildings were held under long-term lease in Hong Kong.

18. INVESTMENT PROPERTIES

	2006	2005
	HK$'000	HK$'000
Balance as at 1st January	1,200	500
Acquisition of a subsidiary	74,756	–
Increase in fair value of an investment property	2,244	700
Disposals	(1,200)	–
Transfer to property, plant and equipment and land use rights (Notes 17 and 19)	(77,000)	–
Balance as at 31st December	–	1,200

19. LAND USE RIGHTS

The Group's land use rights comprise:

	2006 HK$'000	2005 HK$'000
Land held under long-term lease in Hong Kong:		
At beginning of the year	–	–
Transfer from investment properties (Note 18)	66,900	–
Amortisation for the year	(266)	–
At end of the year	66,634	–

As at 31st December, 2006, the Group's land use rights were appraised by an independent Hong Kong professional valuer, Messrs. Memfus Wong Surveyors Limited. The land use rights were appraised on the basis of depreciated replacement cost with fair market value of approximately HK$66,900,000 as at 31st December, 2006.

20. DEPOSIT PAID FOR ACQUISITION OF INVESTMENT PROPERTIES

During the year, deposit paid for acquisition of investment properties in Mainland China was approximately HK$5,883,000. Such deposit was pledged to a bank to secure bank loans granted to a subsidiary of the Company.

21. GOODWILL

	2006 HK$'000
COST	
At beginning of the year	–
Acquisition of a subsidiary (Note 31)	2,811
At end of the year	2,811

Directors consider the carrying amount approximates to its fair value.

22. DEFERRED TAX ASSETS

Details of deferred tax assets are as follows:

	Depreciation allowance in excess of the related depreciation HK$'000	Tax losses HK$'000	Deferred tax Assets/ (liabilities) HK$'000
At 1st January, 2006	–	–	–
Acquisition of a subsidiary (Note 31)	(2,214)	1,606	(608)
Credited to income statement (Note 14)	2,586	(188)	2,398
At 31st December, 2006	372	1,418	1,790

23. HELD FOR TRADING INVESTMENT

	2006 HK$'000	2005 HK$'000
Listed equity securities in Hong Kong	352	–

24. AVAILABLE FOR SALES INVESTMENT

	2006 HK$'000	2005 HK$'000
Equity linked notes	7,765	–

25. TRADE AND OTHER RECEIVABLES

	2006 HK$'000	2005 HK$'000
Trade receivables	329	330
Prepayment, deposit paid and other receivables	3,799	64
	4,128	394

The credit terms of trade receivables range from 7 days to 30 days, after which interest ranging from 1% to 5% above the best lending rate can be charged on default of repayment.

An aged analysis of trade receivables is as follows:–

	2006 HK$'000	2005 HK$'000
0 – 30 days	210	27
31 – 60 days	80	20
61 – 90 days	59	20
Over 90 days	1,528	1,707
	1,877	1,774
Provision for impairment on trade receivables	(1,548)	(1,444)
	329	330

The Group's trade and other receivables at 31st December, 2006 approximates to its fair value.

26. TRADE AND OTHER PAYABLES

	2006 HK$'000	2005 HK$'000
Trade payables	–	28,606
Accrued charges and other payables	1,647	39,781
	1,647	68,387

An aged analysis of trade payables is as follows:–

	2006 HK$'000	2005 HK$'000
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	–	28,606
	–	28,606

The Group's trade and other payables at 31st December, 2006 approximates to its fair value.

27. BANK BORROWINGS

Details of bank borrowings are as follows:–

	2006 HK$'000	2005 HK$'000
Overdraft (Note (i))	–	14,134
Short-term loans (Note (i))	–	286,411
Bank mortgage loans (secured) (Note(ii))	3,832	–
	3,832	300,545

Carrying amount repayable:

	2006 HK$'000	2005 HK$'000
On demand or within one year	70	300,545
After one year but within two years	70	–
After two years but within fifth years	218	–
After fifth years	3,474	–
	3,832	300,545
Less: Shown under current liabilities	(70)	(300,545)
Shown under non-current liabilities	3,762	–

27. BANK BORROWINGS (cont'd)

Notes:

(i) In previous year, short-term bank borrowings bear interest at rates ranging from 10.5% to 15.125% per annum. During the year, the short-term banks loans and overdraft were settled upon the completion of the debt restructuring as described in Note 3 to the consolidated financial statements.

(ii) Secured by deposit on acquisition of investment properties in Mainland China at the prevailed interest rates.

28. SHARE CAPITAL

Movements in share capital was:

	2006		2005	
	Number of shares '000	Nominal value HK$'000	Number of share '000	Nominal value HK$'000
Authorised (ordinary shares of HK$0.01 (2005: HK$0.001 each):				
Beginning of the year	2,000,000,000	2,000,000	2,000,000,000	2,000,000
Consolidation of every 1,000 shares of HK$0.001 each into 1 consolidated share of HK$1.00	(1,998,000,000)	–	–	–
Subdivision of each authorised but unissued consolidated share of HK$1.00 into 100 adjusted shares of HK$0.01 each	198,000,000	–	–	–
End of the year	200,000,000	2,000,000	2,000,000,000	2,000,000
Issued and fully paid (ordinary shares of HK$0.01 (2005: HK$0.001 each):				
Beginning of the year	22,407,692	22,408	22,407,692	22,408
Capital reduction	(22,385,284)	(22,184)	–	–
Issue of ordinary shares through placement and subscription	201,669	2,017	–	–
End of the year	224,077	2,241	22,407,692	22,408

28. SHARE CAPITAL (cont'd)

During the year, the movements in the authorised and issued share capital of the Company were as follows:

i) Pursuant to a Special Resolution passed at the Special General Meeting of the company held on 1st August, 2006, the Company implemented a Capital Reorganisation which involved 1) the consolidation of every 1,000 shares of HK$0.001 each (issued and unissued) into one Consolidated Share of HK$1; 2) the reduction of the issued share capital of the Company by cancelling paid-up capital to the extent of HK$0.99 on each of the issued Consolidated Share so that the aggregate nominal value of issued Consolidated Shares was reduced by approximately HK$22,184,000, the share premium was reduced by approximately HK$722,854,000, and the accumulated losses were reduced by approximately HK$745,038,000; and 3) the subdivision of each authorised but unissued Consolidated Share of HK$1 each (including those unissued Consolidated Shares arising from the Capital Reduction) into 100 Adjusted Shares of HK$0.01 each.

ii) Pursuant to the supplemental subscription agreement entered into with an independent investor on 29th May, 2006, 148,069,224 Adjusted Shares at an agreed price of HK$1 per share were subscribed by an independent investor. The subscription was completed on 13th October, 2006.

iii) Pursuant to the place agreement entered into with an independent placing agent on 29th May, 2006, 53,600,000 Adjusted Shares at an agreed price of HK$1 per share were placed to an independent placing agent. The placement was completed on 13th October, 2006.

29. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 14th November, 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "2002 Share Option Scheme").

2002 Share Option Scheme

The 2002 Share Option Scheme was adopted by the Company on 14th November, 2002. Under the 2002 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein.The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limits, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group), exceed 30% of the shares of the Company in issue from time to time.

An option may be accepted by a proposed grantee within 14 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. Upon acceptance of the option, the grantee shall pay HK$10.00 to the Company by way of consideration for the grant of the option. The company shall allot the relevant shares to grantee within 28 days.

29. SHARE OPTION SCHEME (cont'd)

The exercise price for any particular option shall be determined by the board of directors of the Company and shall be at least the highest of:

a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the grant date;

b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and

c) the normal value of a share on the grant date,

and subject to the compliance with the requirements for share option schemes under the listing rules.

No options have been granted under the 2002 Share Option Scheme since its adoption. The 2002 Share Option Scheme will expire on 13th November, 2012.

30. RESERVES

Movements of reserves were as follows:

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2005	722,854	1,026	(1,307,260)	(583,380)
Loss for the year	–	–	(9,974)	(9,974)
At 31st December, 2005 and 1st January 2006	722,854	1,026	(1,317,234)	(593,354)
Capital reorganisation	(722,854)	–	745,038	22,184
Issue of ordinary shares through placement and subscription	199,652	–	–	199,652
Share issue expenses	(997)	–	–	(997)
Profit for the year	–	–	555,003	555,003
At 31st December, 2006	198,655	1,026	(17,193)	182,488

31. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 100% of the issued share capital of Rolling Development Limited and Kingfund Corporation Limited for considerations of approximately HK$49,131,000 and HK$1 respectively.

The net assets acquired in the transactions are as follows:

Rolling Development Limited

	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Bank balances	8	–	8
Trade and other receivables	149	–	149
Investment properties	74,756	–	74,756
Trade and other payables	(69,305)	69,215	(90)
Bank loans (secured)	(20,430)	–	(20,430)
Short-term bank loans	(5,000)	–	(5,000)
Bank overdraft	(2,465)	–	(2,465)
Deferred tax liabilities	(608)	–	(608)
	(22,895)	69,215	46,320
Positive goodwill (Note 21)			2,811
			49,131
Total consideration satisfied by:			
Deposit paid for acquisition of a subsidiary			2,000
Cash			47,131
			49,131
Net cash outflows arising on acquisition:			
Cash consideration paid			(47,131)
Bank balance acquired			8
			(47,123)

31. ACQUISITION OF SUBSIDIARIES (cont'd)

Kingfund Corporation Limited

	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Trade and other receivables	6,699	–	6,699
Trade and other payables	(1,963)	–	(1,963)
Bank loans (secured)	(3,843)	–	(3,843)
	893	–	893
Negative goodwill			(893)
			–
Total consideration satisfied by:			
Cash			–
			–

32. COMMITMENTS AND CONTINGENT LIABILITIES

a) Capital commitments

At 31st December, 2006, the Group has no significant capital commitment.

b) Operating lease commitments

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

	2006 HK$'000	2005 HK$'000
Within one year	77	64

Operating lease payments represent rental payable by the Group for its office properties.

c) Contingent liabilities

At 31st December, 2006, the Group had no significant contingent liabilities.

33. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the year, a director of the Company has provided personal guarantee to a bank to secure banking facilities granted to a wholly-owned subsidiary of the Company.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of all subsidiaries as at 31st December, 2006, all held directly or indirectly by the Company were:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held %	Principal activities
City Joint Investments Limited	British Virgin Islands	US$1	100	Investment holding
First Hope Profits Limited	British Virgin Islands	US$1	100	Securities trading
Kingfund Corporation Limited	Hong Kong	HK$1	100	Property investment
New Point Management Limited	Hong Kong	HK$1	100	Hotel management
Profit Made Limited	Hong Kong	HK$2	100	Dormant
Rolling Development Limited	Hong Kong	HK$10,000	100	Hotel investment
The Sun's Corporate (B.V.I.) Limited	British Virgin Islands	US$10,000	100	Investment holding
The Sun's (B.V.I.) Limited	British Virgin Islands	US$1	100	Investment holding
The Sun's Group (H.K.) Limited	Hong Kong	Ordinary HK$10,000 Deferred HK$20,000,000(i)	100	Investment holding
The Sun's Property Management Limited	Hong Kong	HK$2	100	Property management services

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

Note:

(i) The non-voting deferred shares shall entitle the holders to a fixed non-cumulative dividend at the rate of Hong Kong 1 cent in respect of any one non-voting deferred share per annum for any financial year of the Company in respect of which the audited net profits of the Company available for dividend exceed HK$1,000,000,000; on a winding-up the holders of the non-voting deferred shares shall be entitled out of the surplus assets of the Company to a return of the capital paid up on the non-voting deferred shares held by them respectively after a total sum of HK$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the Company.

Pursuant to the respective creditors' scheme of arrangement of the Company and The Sun's Group (H.K.) Limited, there were a number of direct and indirect subsidiaries of the Company and The Sun's Group (H.K.) Limited transferred to the Scheme Administrators or their nominees during the year.

35. COMPARATIVE FIGURES

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

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on 25th April, 2007.