

Notes to the Financial Statements

1. Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are property investment, investment holding, general investment and sales and purchases of securities.

2. Statement of compliance

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

3. Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain available-for-sale investments and held for trading investments which are stated at fair value.

The HKICPA has issued certain new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2006.

The major changes in accounting policies upon the adoption of these HKFRSs are summarised as follows:

In prior years financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKFRS 4, Insurance contracts, and HKAS 37, Provision, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that guarantee would be called upon.

With effect from 1 January 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Further details of the new policy are set out in note 3(r).

The adoption of these HKFRSs does not have a significant impact on the Group's and the Company's results of operations and financial position for the financial years 2005 and 2006.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements — Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
HK(IFRIC)-Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007

(b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiaries made up to 31 December each year. Results of subsidiaries are consolidated from the acquisition date, being the date on which the Group obtains control, until the date such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent interests of outside shareholders in the results and net assets of the Company's subsidiaries.

(c) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policy, so as to obtain benefits from their activities.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, investments in subsidiaries are stated at cost less any accumulated impairment losses.

(d) Associates

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

Associates are accounted for using the equity method in the consolidated financial statements. They are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of associates, less any accumulated impairment losses. The Group's share of post-acquisition results and reserves of associates are recognised in the consolidated profit and loss account and consolidated reserves respectively.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(d) Associates (Cont'd)

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, investments in associates are stated at cost less any accumulated impairment losses.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset 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 the asset has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following annual rates.

Leasehold buildings	2% or over the remaining lease terms, if shorter
Equipment and motor vehicle	10% – 20%

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

(f) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including transaction costs and thereafter stated at fair value, determined on the basis of professional valuation reflecting market conditions at each balance sheet date. Any changes in fair value are recognised in the profit and loss account. A property interest under an operating lease which is held for the above purposes is classified and accounted for as an investment property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the derecognition of an investment property is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(g) Leasehold land

Leasehold land is stated at cost less accumulated amortisation and amortised over the period of the leases on a straight line basis to the profit and loss account.

(h) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

(i) Investments

Available-for-sale investments and held for trading investments

Investments other than investments in subsidiaries, associates and derivative financial instruments are classified either as available-for-sale investments or held for trading investments.

Purchases and sales of available-for-sale investments and held for trading investments are recognised and derecognised using trade date accounting. These investments are derecognised when the contractual rights to the cash flows from the investments have expired or have been transferred and the Group has transferred substantially the risks and rewards of ownership.

The fair value of a listed investment is determined on the basis of its quoted market price at the balance sheet date. For an unlisted investment, the Group uses the market values determined by independent financial institutions or fund managers to estimate its fair value.

Available-for-sale investments are initially recognised at fair value plus transaction costs and subsequently stated at fair value, or in the case of investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are subsequently stated at cost less any accumulated impairment losses. Unrealised gains and losses from changes in fair value are recognised in investment revaluation reserve, except for impairment losses and in the case of monetary investments, exchange differences which are recognised in the profit and loss account. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds and any accumulated fair value changes in investment revaluation reserve are included in the calculation of the profit or loss on disposal.

Available-for-sale investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. An impairment loss is removed from investment revaluation reserve where relevant, and recognised in the profit and loss account. Impairment losses in respect of available-for-sale equity securities are not reversed through profit and loss account.

Held for trading investments are initially recognised at fair value with transaction costs recognised as expenses and subsequently stated at fair value. Unrealised gains and losses from changes in fair value, including exchange differences, are recognised in the profit and loss account. Upon disposal of an investment, the difference between its carrying amount and the net sale proceeds is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(i) Investments (Cont'd)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date derivative contracts are entered into and are subsequently measured at their fair value. Changes in fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held for trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts and when the combined instruments are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined instruments are treated as held for trading.

The Group may conclude, however, that the equity component of the combined instrument may be sufficiently significant to preclude it from obtaining a reliable estimate of the entire instrument because the embedded derivative will be settled by an unquoted equity instrument whose fair value cannot be reliably measured. In that case, the combined instrument is measured at cost less any accumulated impairment losses.

(j) Impairment of assets

At each balance sheet date, assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When an indication of impairment exists, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in the profit and loss account, except where the asset is stated at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation deficit. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

An impairment loss recognised in prior years for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit and loss account except where the asset is carried at valuation, in which case the reversal of impairment losses is treated as a revaluation movement.

(k) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses unless the effect of discounting would be immaterial, in which case they are stated at cost less any accumulated impairment losses. A provision for impairment of receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, net of outstanding bank overdrafts and short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(m) Payables

Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Borrowings

Borrowings are initially recognised at the fair value of the consideration received net of transaction costs associated with the borrowings. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

(o) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(p) Revenue recognition

Major categories of revenues are recognised in the financial statements on the following bases:

Sales of available-for-sale investments, held for trading investments and derivative financial instruments are recognised on trade date.

Revenue from sales of properties is recognised on the transfer of risks and rewards of ownership.

Dividend income is recognised when the shareholders' right to receive payment has been established.

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

Rental income under operating lease is credited to profit and loss account on a straight line basis over the term of lease.

(q) Employee benefits

Cost of accumulating compensated absences is recognised as an expense in the profit and loss account and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Obligations for contributions to the Mandatory Provident Fund Scheme are recognised as an expense in the profit and loss account as incurred.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(r) Financial guarantees issued and contingent liabilities

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 creditors, deposits and accruals. 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 the profit and loss account on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the profit and loss account over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the amount currently carried in creditors, deposits, and accruals in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Contingent liabilities

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 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.

(s) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the translation 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. On consolidation, the assets and liabilities of those foreign subsidiaries and associates that have a functional currency different from the presentation currency of the Group are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date, and their profit and loss accounts are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in translation reserve. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements (Cont'd)

3. Significant accounting policies (Cont'd)

(t) Related parties

A party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party, exercise significant influence over the party or has joint control over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties include individuals (being members of key management personnel and significant shareholders, as well as close family members) and entities which are controlled, jointly-controlled or significantly influenced by such individuals. Related parties also include post-employment benefit plans for the benefit of employees of the Group or its related parties.

(u) 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. A discontinued segment is separately presented from continuing segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenues, 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. Segment revenues, 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 enterprises within a single segment. Inter-segment pricing is determined on arm's length basis.

Unallocated items mainly comprise corporate assets, corporate liabilities, corporate and financing expenses.

4. Turnover

Analysis of the Group's turnover from continuing operations is as follows:

	2006 HK\$'000	2005 HK\$'000
Sales of available-for-sale listed investments	79,993	179,966
Sales of held for trading listed investments	1,239	–
Sales of derivative financial instruments	877	–
Dividends from available-for-sale listed investments	13,625	4,606
Dividends from available-for-sale unlisted investments	2,730	3,120
Interest income –		
financial instrument with embedded derivative	13,039	12,794
others	13,213	6,386
	<u>124,716</u>	<u>206,872</u>

Notes to the Financial Statements (Cont'd)

5. Segment reporting

(a) Business segments

The Group comprises the following business segments:

- Share investment and dealing – investment in listed and unlisted securities, purchases and sales of listed securities
- Other operation – property investment

	Continuing operations		Discontinued operation		Consolidated	
	Share investment and dealing		Other operation			
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment Revenue						
Turnover	124,716	206,872	2,071	8,258	126,787	215,130
Other revenue and income	11,009	4,414	4	–	11,013	4,414
Total revenue	<u>135,725</u>	<u>211,286</u>	<u>2,075</u>	<u>8,258</u>	<u>137,800</u>	<u>219,544</u>
Segment results	<u>66,122</u>	<u>90,468</u>	<u>4,210</u>	<u>11,424</u>	70,332	101,892
Provision for impairment losses on associates					(17,764)	(86,000)
Finance costs					(1,725)	(2,010)
Share of results of associates					(2,787)	20,949
Profit before taxation					48,056	34,831
Taxation					(310)	(442)
Profit for the year					<u>47,746</u>	<u>34,389</u>
Attributable to:						
Equity holders of the Company					54,029	42,880
Minority interests					(6,283)	(8,491)
					<u>47,746</u>	<u>34,389</u>
Segment assets	1,079,799	786,193	–	28,000	1,079,799	814,193
Associates					165,577	138,086
Other non-current assets					138,776	269,807
Total assets					<u>1,384,152</u>	<u>1,222,086</u>
Segment liabilities	2,659	2,142	–	354	2,659	2,496
Other payable					–	2,373
Unallocated liabilities					174,856	203,521
Total liabilities					<u>177,515</u>	<u>208,390</u>
Other segment information						
Capital expenditure	17	8	–	–	17	8
Depreciation	305	310	–	–	305	310
Amortisation of leasehold land	17	16	–	–	17	16

Notes to the Financial Statements (Cont'd)

5. Segment reporting (Cont'd)

(b) Geographical segments

Over 90% of the Group's revenue, assets and capital expenditure are derived from operations carried out in Hong Kong.

6. Operating profit before finance costs

	2006 HK\$'000	2005 HK\$'000
From continuing operations		
Operating profit before finance costs is stated after (crediting) charging:		
Auditors' remuneration –		
audit services	520	499
others	195	195
Staff costs	2,064	2,059
Depreciation	305	310
Amortisation of leasehold land	17	16
Exchange gain	(1,076)	(1,824)
Unrealised gain on held for trading investments	(9,891)	(2,566)

7. Directors' remuneration

The emoluments of the Directors are as follows:

2006

	Fees HK\$'000	Salaries, allowances and benefits HK\$'000	Contributions to retirement scheme HK\$'000	Total HK\$'000
<i>Executive Directors</i>				
Tan Boon Seng	80	4,110	138	4,328
Chan Kai Kwok	60	617	31	708
<i>Non-executive Directors</i>				
Ang Guan Seng	60	–	–	60
Seow Yung Liang, Richard (appointed on 28.2.2006)	50	–	–	50
Ashish Jaiprakash Shastry (appointed on 28.2.2006)	50	–	–	50
Tan Choon Keat, Tony (resigned on 28.2.2006)	10	–	–	10
Tan Kai Seng (resigned on 28.2.2006)	10	–	–	10
<i>Independent non-executive Directors</i>				
Ho Hau Chong, Norman	80	–	–	80
Fung Ka Pun	60	–	–	60
Yeung Chik Kin	60	–	–	60
	<u>520</u>	<u>4,727</u>	<u>169</u>	<u>5,416</u>

Notes to the Financial Statements (Cont'd)

7. Directors' remuneration (Cont'd)

2005

	Fees	Salaries, allowances and benefits	Contributions to retirement scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive Directors</i>				
Tan Boon Seng	80	4,051	134	4,265
Chan Kai Kwok	60	588	29	677
<i>Non-executive Directors</i>				
Ang Guan Seng	60	–	–	60
Tan Choon Keat, Tony	60	–	–	60
Tan Kai Seng	60	–	–	60
<i>Independent non-executive Directors</i>				
Ho Hau Chong, Norman	80	–	–	80
Fung Ka Pun	60	–	–	60
Yeung Chik Kin	60	–	–	60
	<u>520</u>	<u>4,639</u>	<u>163</u>	<u>5,322</u>

The emoluments of Directors, including basic salary and performance bonus, are based on each Director's skill, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

There was no arrangement under which a Director had waived or agreed to waive any remuneration. Pursuant to an Annual Bonus Scheme approved by the Board, Mr. Tan Boon Seng was eligible to an annual cash bonus determinable under the terms of the Scheme. No such cash bonus was provided for the year (2005: nil).

8. Five highest-paid employees

During the year, the five highest-paid employees in the Group included two (2005: two) Directors, details of whose emoluments are included in the disclosure of Directors' remuneration. The details of the remaining three (2005: three) highest-paid non-director employees are as follows:

	2006	2005
	HK\$'000	HK\$'000
Salaries and other emoluments	1,093	1,060
Contributions to retirement scheme	55	53
	<u>1,148</u>	<u>1,113</u>

The emoluments of each of the non-director employees were below HK\$1,000,000 for 2006 and 2005.

Notes to the Financial Statements (Cont'd)

9. Finance costs

	2006 HK\$'000	2005 HK\$'000
From continuing operations		
Interest on notes payable (wholly repayable within 5 years)	<u>1,725</u>	<u>2,010</u>

10. Taxation

(a) Income tax expense is made up as follows:

	2006 HK\$'000	2005 HK\$'000
Current tax relating to continuing operations		
Company and subsidiaries		
Overseas taxation	310	442
Current tax relating to discontinued operation	<u>–</u>	<u>–</u>
Current tax relating to continuing and discontinued operations	<u>310</u>	<u>442</u>

No Hong Kong profits tax has been provided for the Company and its subsidiaries for the 2006/07 year of assessment (2005/06: no provision) as no assessable profits was earned during the year.

Overseas taxation represents withholding tax on dividend income received by the Group from overseas available-for-sale investments.

(b) The reconciliation between tax expenses and accounting profit of the Group in the financial statements is as follows:

	2006 HK\$'000	2005 HK\$'000
Profit before taxation		
From continuing operations	43,846	23,407
From discontinued operation	4,210	11,424
Share of results of associates	<u>2,787</u>	<u>(20,949)</u>
	<u>50,843</u>	<u>13,882</u>
Tax at the domestic tax rate of 17.5%	8,897	2,429
Tax effect of net income that is not taxable in determining taxable profit	<u>(10,410)</u>	<u>(2,821)</u>
Tax effect of unrecognised tax losses in the year	1,513	392
Overseas withholding tax	<u>310</u>	<u>442</u>
Total tax expenses	<u>310</u>	<u>442</u>

Notes to the Financial Statements (Cont'd)

10. Taxation (Cont'd)

(c) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the balance sheet and the movement during the year are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
<u>Group</u>			
At 1.1.2005	126	(126)	–
(Credit) charge to profit and loss account for the year	<u>(11)</u>	<u>11</u>	<u>–</u>
At 31.12.2005	115	(115)	–
(Credit) charge to profit and loss account for the year	<u>(16)</u>	<u>16</u>	<u>–</u>
At 31.12.2006	<u>99</u>	<u>(99)</u>	<u>–</u>

- (d) At the balance sheet date, the Group had unused tax losses of HK\$54,300,000 (2005: HK\$45,744,000) available for set off against future taxable profit. A deferred tax asset has been recognised in respect of HK\$563,000 (2005: HK\$654,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$53,737,000 (2005: HK\$45,090,000) due to unpredictability of future taxable profit streams. The tax losses do not expire under current tax legislation.

11. Discontinued operation

During the year, the Group disposed of its investment properties for HK\$30.5 million. The disposals represented the discontinuance of the Group's property investment operation.

The profit for the year from the discontinued operation is analysed as follows:

	2006 HK\$'000	2005 HK\$'000
Profit of property investment operation for the year	2,075	11,424
Surplus on disposals of property investment operation	<u>2,135</u>	<u>–</u>
	<u>4,210</u>	<u>11,424</u>

Notes to the Financial Statements (Cont'd)

11. Discontinued operation (Cont'd)

The results of property investment operation for the year are as follows:

	2006 HK\$'000	2005 HK\$'000
Turnover		
Rental income	422	2,248
Revenue from sales of properties	1,649	6,010
Other revenue and income	4	–
Fair value changes on investment properties	–	4,000
Cost of properties sold	–	(766)
Direct operating expenses	–	(9)
Other operating expenses	–	(59)
	<u>2,075</u>	<u>11,424</u>

No tax charge arose on surplus on disposals of property investment operation.

Details of cash flows from discontinued operation are as follows:

	2006 HK\$'000	2005 HK\$'000
Net cash from operating activities	1,731	8,134
Net cash from investing activities	<u>30,135</u>	<u>–</u>
Net cash flows	<u>31,866</u>	<u>8,134</u>

12. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company includes profit of HK\$110,317,000 (2005: loss of HK\$12,358,000) which has been dealt with in the financial statements of the Company.

13. Dividends

	2006 HK\$'000	2005 HK\$'000
Interim dividend paid – 1 cent per share (2005: 1 cent per share)	2,133	2,134
Final dividend proposed – 1 cent per share (2005: 1 cent per share)	<u>2,134</u>	<u>2,133</u>
	<u>4,267</u>	<u>4,267</u>

Notes to the Financial Statements (Cont'd)

14. Earnings per share

From continuing and discontinued operations

The calculation of earnings per share is based on profit attributable to equity holders of the Company of HK\$54,029,000 (2005: HK\$42,880,000) and 213,336,285 shares (2005: 213,336,285 shares) of HK\$1 each in issue during the year.

From continuing operations

The calculation of earnings per share from continuing operations attributable to equity holders of the Company is based on the following information:

	2006 HK\$'000	2005 HK\$'000
Profit for the year attributable to equity holders of the Company	54,029	42,880
Profit for the year from discontinued operation	(4,210)	(11,424)
Profit for the purpose of earnings per share from continuing operations	<u>49,819</u>	<u>31,456</u>

The denominators used are the same as those detailed above for earnings per share from continuing and discontinued operations.

From discontinued operation

Earnings per share for discontinued operation is 1.97 cents (2005: 5.36 cents), based on the profit for the year from discontinued operation of HK\$4,210,000 (2005: HK\$11,424,000). The denominators used are the same as those detailed above for earnings per share from continuing and discontinued operations.

Notes to the Financial Statements (Cont'd)

15. Property, plant and equipment

<u>Group</u>	Leasehold buildings in Hong Kong – long lease	Equipment and motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000
Cost			
At 1.1.2005	2,900	1,722	4,622
Additions	–	8	8
Disposals	–	(59)	(59)
At 31.12.2005	2,900	1,671	4,571
Additions	–	17	17
Disposals	–	(10)	(10)
At 31.12.2006	2,900	1,678	4,578
Accumulated depreciation			
At 1.1.2005	174	445	619
Provision	58	252	310
Write back	–	(59)	(59)
At 31.12.2005	232	638	870
Provision	58	247	305
Write back	–	(10)	(10)
At 31.12.2006	290	875	1,165
Net book amount			
At 31.12.2006	2,610	803	3,413
At 31.12.2005	2,668	1,033	3,701

Notes to the Financial Statements (Cont'd)

16. Investment properties

<u>Group</u>	Investment properties in Hong Kong – long lease <u>HK\$'000</u>
Valuation at 1.1.2005	24,000
Gain on revaluation	<u>4,000</u>
Valuation at 31.12.2005	28,000
Disposals	<u>(28,000)</u>
Valuation at 31.12.2006	<u><u>–</u></u>

The investment properties were held for use in operating leases. The investment properties were revalued at 31 December 2005 by DTZ Debenham Tie Leung Limited, independent professional valuers, using the basis of capitalisation of net income as given by the Group and by reference to comparable market transactions.

17. Leasehold land

<u>Group</u>	2006 HK\$'000	2005 HK\$'000
Cost		
At 1 January and at 31 December	13,884	13,884
Accumulated amortisation		
At 1 January	65	49
Amortisation for the year	<u>17</u>	<u>16</u>
At 31 December	<u><u>82</u></u>	<u><u>65</u></u>
Net book amount		
At 31 December	<u><u>13,802</u></u>	<u><u>13,819</u></u>

Leasehold land was held in Hong Kong under long lease.

Notes to the Financial Statements (Cont'd)

18. Subsidiaries

	Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	20,700	20,700
Less: Impairment losses	(16,043)	(16,043)
	<u>4,657</u>	<u>4,657</u>

Details of the subsidiaries are as follows:

Unlisted companies	Principal activities	Issued and paid up ordinary share capital/ registered capital	Place of incorporation/ operation	Percentage of equity interest held	
				by the Company	by the Group
Diamond Way Inc.	Investment holding	1 share of US\$1	Liberia	-	100
HK 8 Limited	Investment holding	1 share of US\$1	Liberia	-	100
HK 12 Limited	Investment holding	1 share of US\$1	Liberia	-	100
HK 28 Limited	General investment and sales and purchases of securities	1 share of US\$1	Liberia	-	100
HK 38 Limited	Investment holding	1 share of US\$1	Liberia	-	100
HK 333 Limited	General investment	1 share of US\$1	Liberia	-	100
HK 368 Limited	Investment holding	1 share of US\$1	Liberia	-	100
HK 888 Limited	General investment, investment holding and sales and purchases of securities	1 share of US\$1	Liberia	-	100
Lee Hing Investment Company, Limited	Property investment, investment holding and general investment	2,000 ordinary shares of HK\$1,000	Hong Kong	100	-
Sinonet Holdings Limited	Investment holding	1 ordinary share of US\$1	British Virgin Islands	100	-
Wang Tak Company Limited	General investment and sales and purchases of securities	1,000 ordinary shares of HK\$1,000	Hong Kong	100	-
Argent Holdings Ltd.	Investment holding	30,257 ordinary shares of US\$1	British Virgin Islands	-	91

Notes to the Financial Statements (Cont'd)

19. Associates

	2006 HK\$'000	Group <u>2005</u> HK\$'000
Unlisted investments		
Share of net assets	286,371	241,116
Less: Impairment losses	(120,794)	(103,030)
	<u>165,577</u>	<u>138,086</u>

	2006 HK\$'000	Company <u>2005</u> HK\$'000
Unlisted investments		
Shares, at cost	394	394
Less: Impairment losses	(156)	(156)
	<u>238</u>	<u>238</u>

Summarised financial information in respect of the Group's associates is set out below:

	2006 HK\$'000	2005 HK\$'000
Total assets	3,248,029	3,356,775
Total liabilities	(2,449,049)	(2,635,812)
Revenue	487,685	391,191
Profit for the year	182,326	99,762

- (a) In 2006, the Directors have reviewed the carrying value of Ichiban Properties Limited and have determined that its recoverable amount is below its carrying value with reference to present value of estimated future cash flow. Accordingly, impairment loss of HK\$17,764,000 (2005: nil) has been provided.
- (b) Share of results of associates for the year includes loss of HK\$45,787,000 from Silverlink Holdings Limited ("Silverlink") in respect of prior years.
- (c) In 2005, pursuant to the terms of the US\$79.5 million Note issued by Silverlink on 27 November 2002, the Group's interests in Silverlink would be decreased upon the conversion rights exercised by the Noteholders. Details of the US\$79.5 million Note are shown in note 20 to the financial statements. The Directors considered the consequential effect of the Group's share of its net assets after dilution and an impairment loss of HK\$86,000,000 has been provided.

Notes to the Financial Statements (Cont'd)

19. Associates (Cont'd)

Details of associates are as follows:

Unlisted companies	Principal activities	Place of incorporation/ operation	Issued and paid up ordinary share capital/ registered capital	Percentage of equity interest held	
				by the Company	by the Group
Cheer Star Development Limited*	Hotel operation	Hong Kong	10,000 ordinary shares of HK\$1	–	28
Double Golden Sdn. Bhd.*	Dormant	Malaysia	RM2	–	50
Ichiban Properties Limited*	Investment holding	British Virgin Islands	2 shares of US\$1	50	50
Infinity Goal Limited*	Property development	Hong Kong	10,000 ordinary shares of HK\$1	–	35
Key Finance Limited*	Investment holding	British Virgin Islands	81,591,755 'A' shares of HK\$0.01 and 81,591,755 'B' shares of HK\$0.01	–	–
Parkway M & A Capital Corporation*	Investment holding	British Virgin Islands	4,500,000 shares of US\$1	–	39
Phil Inc.*	Dormant	U.S.A.	100,000 common shares of US\$1	20	20
Start Hold Limited*	Investment holding	Hong Kong	6 ordinary shares of HK\$1	–	33
Silverlink Holdings Limited*	Investment holding	British Virgin Islands	10,720,913 ordinary shares of US\$1	–	57

* Companies not audited by H. C. Watt & Company Limited.

As the Group does not have control of the board of directors of Silverlink Holdings Limited, the Group's investment in Silverlink Holdings Limited is accounted for as an associate.

To provide shareholders with information on the results and financial positions of the Group's significant associate, Silverlink Holdings Limited, a summary of its unaudited consolidated financial statements for the year ended 31 December 2006 is set out on pages 56 to 57.

Notes to the Financial Statements (Cont'd)

20. Investments

	2006 HK\$'000	Group <u> </u>	2005 HK\$'000
(a) Available-for-sale investments			
Listed equity securities, at market value			
In Hong Kong	–		11,269
Overseas	376,976		164,092
	<u>376,976</u>		<u>175,361</u>
	-----		-----
Unlisted equity securities			
At cost	88,770		88,770
Less: Impairment losses	(74,364)		(74,364)
	<u>14,406</u>		<u>14,406</u>
	-----		-----
At fair value	<u>1,238</u>		<u>4,161</u>
	-----		-----
	392,620		193,928
(b) Financial instrument with embedded derivative			
Unlisted investment, at cost	265,424		249,201
	<u>265,424</u>		<u>249,201</u>
	<u>658,044</u>		<u>443,129</u>
	-----		-----

(a) Details of the significant available-for-sale investments are as follows:

Listed companies	Place of incorporation	Class of shares	Equity interest held
Padiberas Nasional Berhad	Malaysia	Ordinary shares of RM1.00	14.34% (2005: 7.12%)
Gold IS Berhad	Malaysia	Ordinary shares of RM1.00	6.64% (2005: 1.97%)
IGB Corporation Berhad	Malaysia	Ordinary shares of RM0.50	0.25% (2005: 1.34%)

The unlisted equity securities do not have quoted market prices in an active market and other methods of reasonably estimating fair value are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. They are therefore stated at cost and are subject to review for impairment loss.

Notes to the Financial Statements (Cont'd)

20. Investments (Cont'd)

(b) Financial instrument with embedded derivative

Financial instrument with embedded derivative represents 37.736% participation rights under the US\$79.5 million Note issued by Silverlink Holdings Limited ("Silverlink") on 27 November 2002.

The US\$79.5 million Note is secured, convertible, interest-bearing at 5% per annum and with premium at 10% per annum on the principal amount outstanding payable in arrears on the date of repayment, 30 June 2008, calculated from the date of the issue of US\$79.5 million Note up to the date of repayment. The Noteholder can convert the principal amount into shares of Silverlink by a formula up to the maximum shareholding of 99.99% of the issued share capital of Silverlink.

The participation rights include but not limited to the right to interests payable on the US\$79.5 million Note at the rate of 5% per annum payable quarterly and Silverlink shares upon conversion of the principal amount outstanding at the time of conversion. As a participant, the Group only participates in the rights upon the exercise of such rights by the Noteholder and cannot exercise any of the rights under the US\$79.5 million Note independently. The Group will receive payments due under the US\$79.5 million Note or Silverlink shares through the Noteholder, instead of from Silverlink directly.

The financial instrument was acquired by the Group in previous year and with a view to obtain the equity interest of Silverlink under the conversion right embedded in it.

As the equity component of the financial instrument is prominently significant and there is no active market for the US\$79.5 million Note, the participation rights or the equity component and other methods of reasonably estimating their fair values are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. It is therefore stated at cost and is subject to review for impairment loss.

During the financial year, interest receivable of HK\$16,223,000 (2005: HK\$15,201,000) was capitalised in financial instrument with embedded derivative.

Notes to the Financial Statements (Cont'd)

21. Other non-current assets

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Amounts due from subsidiaries	–	–	1,956,098	1,974,888
Provision for impairment losses	–	–	(860,825)	(956,307)
	<u>–</u>	<u>–</u>	<u>1,095,273</u>	<u>1,018,581</u>
Subordinated loan to an associate	–	131,031	–	–
Amounts due from associates	141,379	141,379	138,531	138,531
Provision for impairment losses	(2,603)	(2,603)	(2,044)	(2,044)
	<u>138,776</u>	<u>269,807</u>	<u>136,487</u>	<u>136,487</u>
	<u>138,776</u>	<u>269,807</u>	<u>1,231,760</u>	<u>1,155,068</u>

Amounts due from subsidiaries, subordinated loan to an associate and amounts due from associates are unsecured, non-interest bearing and with no fixed term of repayment.

22. Held for trading investments

	Group	
	2006 HK\$'000	2005 HK\$'000
Listed equity securities, at cost — overseas	12,930	2,661
Unrealised gain	<u>25,955</u>	<u>16,064</u>
At market value	<u>38,885</u>	<u>18,725</u>

23. Other assets

	Group	
	2006 HK\$'000	2005 HK\$'000
Club debenture	<u>295</u>	<u>295</u>

Notes to the Financial Statements (Cont'd)

24. Debtors, deposits and prepayments

The Group maintains a defined credit policy on its trade debtors.

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Trade debtors				
Below 30 days	717	29,700	–	–
Other debtors, deposits and prepayments	690	165	537	–
	<u>1,407</u>	<u>29,865</u>	<u>537</u>	<u>–</u>

25. Creditors, deposits and accruals

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Trade creditors	–	–	–	–
Other creditors, deposits and accruals	5,076	5,003	3,030	3,106
	<u>5,076</u>	<u>5,003</u>	<u>3,030</u>	<u>3,106</u>

26. Notes payable

	Group and Company	
	2006 HK\$'000	2005 HK\$'000
Notes payable	<u>171,455</u>	<u>200,030</u>
Repayment period – Within one year	<u>171,455</u>	<u>200,030</u>

Notes are unsecured, interest-bearing at 1% per annum and 3% per annum during the extension period.

Notes to the Financial Statements (Cont'd)

27. Other payable

	2006	<u>Group</u>	2005
	HK\$'000		HK\$'000
Amount due to an associate	–		2,373
Amount due to an investee company	348		348
	<u>348</u>		<u>2,721</u>

Amounts due to an associate and investee company are unsecured, non-interest bearing and with no fixed term of repayment.

28. Share capital

	2006	2005
	HK\$'000	HK\$'000
Authorised		
Ordinary shares of HK\$1 each	<u>410,000</u>	<u>410,000</u>
Issued and fully paid		
Ordinary shares of HK\$1 each	<u>213,336</u>	<u>213,336</u>

29. Reserves

<u>Group</u>	2006	2005
	HK\$'000	HK\$'000
Capital redemption reserve	134,881	134,881
Share premium	316,006	316,006
Capital reserve	53,585	53,585
Property revaluation reserve	119,402	40,555
Investment revaluation reserve	87,264	(1,401)
Translation reserve	(23,441)	(391)
Retained profit	<u>262,784</u>	<u>213,022</u>
	<u>950,481</u>	<u>756,257</u>

Notes to the Financial Statements (Cont'd)

29. Reserves (Cont'd)

The movement of the Group's reserves for the years ended 31 December 2006 and 31 December 2005 are presented in the consolidated statement of changes in equity on page 23 of the financial statements.

The application of share premium and capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policy of available-for-sale investments as set out in note 3(i) to the financial statements.

Property revaluation reserve and translation reserve represent share of an associate's reserves.

Company

	Capital redemption reserve	Share premium	Capital reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2005	134,881	316,006	53,585	253,669	758,141
Loss for the year	–	–	–	(12,358)	(12,358)
Dividends	–	–	–	(4,267)	(4,267)
At 31.12.2005	134,881	316,006	53,585	237,044	741,516
Profit for the year	–	–	–	110,317	110,317
Dividends	–	–	–	(4,267)	(4,267)
At 31.12.2006	<u>134,881</u>	<u>316,006</u>	<u>53,585</u>	<u>343,094</u>	<u>847,566</u>

At balance sheet date, the reserves of the Company available for distribution to shareholders, as calculated under the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$345,228,000 (2005: HK\$239,177,000), without taking into account of proposed final dividend for the year.

Notes to the Financial Statements (Cont'd)

30. Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash from operating activities is set out below:

	2006 HK\$'000	2005 HK\$'000
Cash flows from operating activities		
Profit from continuing and discontinued operations before taxation	48,056	34,831
Adjustments for:		
Depreciation	305	310
Amortisation of leasehold land	17	16
Share of results of associates	2,787	(20,949)
Net gain on disposals of available-for-sale listed investments	(23,472)	(70,930)
Surplus on disposals of property investment operation	(2,135)	–
Unrealised gain on held for trading investments	(9,891)	(2,566)
Fair value changes on investment properties	–	(4,000)
Provision for impairment losses on associates	17,764	86,000
Exchange gain	(1,927)	(1,808)
Interest expenses	1,725	2,010
Interest income	(26,252)	(19,180)
Dividend income	(16,355)	(7,726)
Operating loss before working capital changes	(9,378)	(3,992)
Decrease in inventories	–	766
Increase in held for trading investments	(10,269)	–
Increase in debtors, deposits and prepayments	(521)	–
(Decrease) increase in creditors, deposits and accruals	(284)	43
Cash used in operations	(20,452)	(3,183)
Dividend received from associate	9,042	100
Dividends received	16,355	7,726
Interest received	12,895	10,125
Interest paid	(1,859)	(2,141)
Overseas tax paid	(310)	(442)
Net cash from operating activities	<u>15,671</u>	<u>12,185</u>

(b) Non-cash transaction

During the financial year, interest receivable of HK\$16,223,000 (2005: HK\$15,201,000) was capitalised in financial instrument with embedded derivative.

Notes to the Financial Statements (Cont'd)

31. Pledge of assets

The Group pledged its leasehold land and buildings, certain available-for-sale investments, held for trading investments and bank deposits with a total net book value of HK\$402,000,000 (2005: HK\$156,000,000) as security for banking facilities extended to the Group in the sum of HK\$81,200,000 (2005: HK\$81,200,000).

The Group pledged its shares in an associate as part of the security for bank loan granted to the associate. On 15 January 2007, the above shares were released and discharged by the bank.

32. Financial instruments

(a) Exposure to credit, currency, liquidity, price and interest rate risks arises in the normal course of the Group's business. These risks are limited by the Group's financial policies and practices described below.

(i) Credit risk

The Group's credit risk is primarily attributable to financial instrument with embedded derivative of HK\$265,424,000 (2005: HK\$249,201,000) and amounts due from associates of HK\$141,379,000 (2005: HK\$141,379,000). The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(ii) Currency risk

The Group is exposed to currency risk on its financial instruments denominated in foreign currencies, including available-for-sale investments of HK\$376,976,000 (2005: HK\$164,092,000), held for trading investments of HK\$12,341,000 (2005: nil) and bank balances of HK\$27,843,000 (2005: HK\$172,502,000) denominated in Malaysian Ringgit. The management manages and monitors the exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group is also exposed to currency risk on its financial instrument with embedded derivative of HK\$265,424,000 (2005: HK\$249,201,000), available-for-sale investments of HK\$3,664,000 (2005: HK\$6,587,000), held for trading investments of HK\$26,544,000 (2005: HK\$18,725,000) and bank balances of HK\$81,153,000 (2005: HK\$54,576,000) denominated in United States dollars ("USD"). As USD are pegged to Hong Kong dollars ("HKD"), the Directors do not expect any significant movements in USD/HKD exchange rate.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements.

(iv) Price risk

The Group's certain available-for-sale investments and held for trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Notes to the Financial Statements (Cont'd)

32. Financial instruments (Cont'd)

(v) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The following tables set out the carrying amounts, by maturity, of the Group's financial instruments at 31 December 2006 and 31 December 2005 that are exposed to interest rate risk:

	Within one year	One to two years	Two to five years	Total	Effective interest rate
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
2006					
<u>Fixed rate</u>					
Financial instrument with embedded derivative	–	265,424	–	265,424	5.0
Time deposits and bank balances	356,042	–	–	356,042	3.0 – 5.0
	<u>356,042</u>	<u>265,424</u>	<u>–</u>	<u>621,466</u>	
<u>Fixed rate</u>					
Notes payable	<u>171,455</u>	<u>–</u>	<u>–</u>	<u>171,455</u>	1.0
2005					
<u>Fixed rate</u>					
Financial instrument with embedded derivative	–	–	249,201	249,201	5.0
Time deposits and bank balances	275,937	–	–	275,937	2.2 – 4.2
	<u>275,937</u>	<u>–</u>	<u>249,201</u>	<u>525,138</u>	
<u>Fixed rate</u>					
Notes payable	<u>200,030</u>	<u>–</u>	<u>–</u>	<u>200,030</u>	1.0

(b) The Directors have considered that the carrying amounts of all financial assets and liabilities approximate their fair values at 31 December 2006 and 31 December 2005 except as follows:

- (i) Certain investments are stated at cost less any accumulated impairment losses as mentioned in note 20 to the financial statements.
- (ii) Amounts due from subsidiaries, subordinate loan to an associate and amounts due from associates are unsecured, non-interest bearing and with no fixed term of repayment. Given these terms, it is not meaningful to disclose fair values.

Notes to the Financial Statements (Cont'd)

33. Accounting judgement and estimates

Other than mentioned in note 19 to the financial statements, there is no significant risk of key assumptions concerning the future and other key sources of estimation at the balance sheet date which will cause an adjustment to carrying amounts of assets and liabilities within the next financial year.

34. Related party transactions

Details of material related party transactions are as follows:

- (a) Directors' remuneration is disclosed in note 7 to the financial statements.
- (b) Subordinated loan to an associate, amounts due from and due to associates are disclosed in notes 21 and 27 to the financial statements.
- (c) The Group pledged its assets and provided guarantee for bank loan granted to an associate as mentioned in notes 31 and 36 to the financial statements.

35. Retirement scheme

All the employees of the Group are members of the Mandatory Provident Fund Scheme. Under the Mandatory Provident Fund Scheme, the Group and its employees each made contributions to the scheme calculated at 5% of the employees' relevant income on a monthly basis. The amount of contributions charged to the profit and loss account for the year was HK\$267,000 (2005: HK\$260,000).

36. Contingent liabilities

- (a) Guarantees

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for credit facilities granted to –				
subsidiaries	–	–	51,200	51,200
an associate	41,250	41,250	41,250	41,250
	<u>41,250</u>	<u>41,250</u>	<u>92,450</u>	<u>92,450</u>

On 15 January 2007, the guarantee for credit facilities granted to an associate was released and discharged by the bank.

Notes to the Financial Statements (Cont'd)

36. Contingent liabilities (Cont'd)

(b) Pending litigation

On 18 November 2005, a writ of summons was issued against Silverlink Holdings Limited ("Silverlink"), an associate, and Argent Holdings Ltd. ("Argent"), a subsidiary, by Rockline Limited ("Rockline") and Superon International Limited ("Superon") in the High Court of the Republic of Singapore, alleging breaches of an agreement in that: (i) Rockline claimed that Silverlink has agreed to repurchase shares held by Rockline in Silverlink in exchange for a secured convertible note in the principal amount of US\$11.1 million (HK\$87 million) ("Rockline Note") to be issued by Silverlink; and (ii) Superon claimed that Argent has agreed to repurchase its shares from Superon; and Silverlink has agreed to simultaneously repurchase its shares from Argent, and to issue a secured convertible loan in the principal amount of US\$6.4 million (HK\$50 million) to Superon's nominee. Both Silverlink and Argent filed defence with the court. On 4 August 2006, Rockline was granted summary judgement against Silverlink and the Rockline Note was signed by the court on 18 August 2006. On 14 September 2006, Silverlink successfully appealed against the decision to grant judgement in favour of Rockline and was granted leave to defend the claim by Rockline on the condition that a sum of US\$1.5 million (HK\$12 million), being the interest payable on the Rockline Note, be paid into the court as security within 21 days from 14 September 2006. The action against Silverlink and Argent will proceed to full trial on a date to be fixed.

The Directors are of the view that the Group has proper and valid defences to the claim and accordingly, no provision for commitment and/or loss has been accounted for in the financial statements.

37. Comparative figures

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

38. Approval of financial statements

The financial statements were approved by the Board of Directors on 25 April 2007.