Notes to the Financial Statements

For the year ended 31 December 2006

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 13 May 1999 as an exempted company with limited liability under the Company Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. During the year, the Company and its subsidiary companies (collectively referred to as the "Group") were principally engaged in property development and investment.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. The financial statements have been prepared under the historical cost convention except for certain assets and financial instruments which are stated at fair values as explained in the principal accounting policies in note 3.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the consolidated financial statements of the Group for the year ended 31 December 2005, except that the Group has changed certain of its accounting policies following its adoption of new/revised HKFRS and Hong Kong Accounting Standards ("HKAS") (collectively referred to as the "New HKFRSs"), which have become effective for accounting periods beginning on or after 1 January 2006, and had not been early adopted by the Group for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2005.

Notes to the Financial Statements

For the year ended 31 December 2006

2 BASIS OF PREPARATION *(continued)*

The applicable New HKFRSs adopted in these financial statements are set out below.

HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effect of changes in foreign exchange rates – Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS – Int 4	Determining whether an arrangement contains a lease
HKFRS – Int 5	Rights to interests arising from decommissioning, restoration and environment rehabilitation funds
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HKAS 1, HKAS 27 and HKFRS 3 (Amendments)	As a consequence of the Hong Kong Companies (Amendment) Ordinance 2005

The adoption of these new HKFRSs did not result in substantial changes to the accounting policies of the Group and the methods of computation used in the consolidated financial statements. As there is no material effect on the results for the current or prior accounting periods, no prior period adjustment is required.

As at the date of the approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	*Note a*	Capital disclosures
HKFRS 7	*Note a*	Financial Instruments: Disclosures
HKFRS 8	*Note b*	Operating segments
HK(IFRIC) – Int 7	*Note c*	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies
HK(IFRIC) – Int 8	*Note d*	Scope of HKFRS 2
HK(IFRIC) – Int 9	*Note e*	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	*Note f*	Interim financial reporting and impairment
HK(IFRIC) – Int 11	*Note g*	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 12	*Note h*	Service concession arrangements

2 BASIS OF PREPARATION *(continued)*

Note a: effective for annual periods beginning on or after 1 January 2007
Note b: effective for annual periods beginning on or after 1 January 2009
Note c: effective for annual periods beginning on or after 1 March 2006
Note d: effective for annual periods beginning on or after 1 May 2006
Note e: effective for annual periods beginning on or after 1 June 2006
Note f: effective for annual periods beginning on or after 1 November 2006
Note g: effective for annual periods beginning on or after 1 March 2007
Note h: effective for annual periods beginning on or after 1 January 2008

The Group has begun to consider the potential impact of the above standards and amendments, but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial positions are prepared and presented. These standards and amendments may result in changes in the future as to how the results and financial position are prepared and presented.

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies made up to 31 December 2006. All significant inter-company balances and transactions within the Group are eliminated on consolidation.

The results of subsidiary companies acquired or disposed during the financial year are included or excluded from the consolidated income statement from the effective date in which control is transferred to the Group, or in which control ceases, respectively.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

(b) Subsidiary companies

Subsidiary companies are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiary companies are stated in the Company's balance sheet at cost less any impairment loss in value. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

For the year ended 31 December 2006

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated 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 the fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives using the straight-line method. The annual rates used are as follows:

Buildings	2.5% or over the lease term, whichever is shorter
Leasehold improvements	20% – 33.3%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

For depreciation purposes, the cost of buildings is deemed to be 50% of the total cost of land and buildings.

The gain or loss arising from the retirement or disposal of fixed assets, representing the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held to earn rentals or for capital appreciation purposes, any rental income being negotiated at arm's length. Investment properties are measured using the fair value model, gains or losses in the fair value of investment properties are included in the income statement for the period in which they arise. All investment properties are stated at their open market values which are assessed annually by qualified external valuers.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Property development costs comprise construction costs and professional fees incurred during the development period. On completion, the development properties are transferred to completed properties for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to be more than one year.

(f) Prepaid premium for land leases and operating leases

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

The Group's prepaid premium for land leases represent the initial payments for the land use rights in the PRC. These payments are amortised on a straight-line basis over the remaining term of lease. Where there is an impairment, the impairment is expensed in the income statement.

(g) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and the estimated net realisable value. In the case of properties developed by the Group, cost is determined by apportionment of the total development costs attributable to unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Notes to the Financial Statements

For the year ended 31 December 2006

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Mortgage loans receivable

Mortgage loans receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of mortgage loans receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statements. Where mortgage loans receivable have been written down as a result of an impairment loss, the reversal of previous provision will be charged to administrative expenses.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation. Such assets are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the income statement except where the asset is carried 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 decrease.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement except where the asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would not be material, in which case they are stated at cost.

(k) Taxation

Hong Kong profits tax is provided at the prevailing rate on the estimated assessable profits, less available tax relief for losses brought forward, for each individual company comprising the Group. For subsidiary company incorporated in overseas jurisdictions, income tax is provided at the applicable local rates on the estimated assessable profits. For these PRC property development projects undertaken by Hong Kong subsidiary companies, income tax is provided at the applicable local rates on property sales amounts.

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 accounts. Taxation 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 income tax is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Translation of foreign currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas subsidiary companies and operations are translated into Hong Kong dollars at exchange rates prevailing at the balance sheet date. Income and expense items are translated into Hong Kong dollars at the average exchange rate during the year. Exchange differences arising, if any, are dealt with in the translation reserve.

Notes to the Financial Statements

For the year ended 31 December 2006

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) Borrowing costs

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

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

(n) Provisions and contingencies

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation amount can be made. Expenditure for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditure expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed as a note to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition

(i) Revenue derived from properties held for sale is recognised upon completion of sales agreements.

(ii) Revenue derived from properties under development and investment properties is recognised upon the completion of the sales agreement and deposits are received.

(iii) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iv) Interest income is recognised on a time apportionment basis.

(p) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand.

For the purpose of the consolidated balance sheet, cash and bank balances comprise cash on hand and at banks, less any overdrafts in use.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Financial Statements

For the year ended 31 December 2006

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Employee benefits *(continued)*

(ii) Employee retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the PRC government, the Company and its subsidiary companies operating in the PRC have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby the Company and its subsidiary companies in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary companies in the PRC. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the income statement as incurred.

(iii) Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in employee equity (Employee share-based compensation reserve).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future course of business. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among PRC tax jurisdictions, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The final tax outcome could be different from the amounts that were initially recorded, and such differences may impact the cost of sales and deferred income tax provisions in the periods in which such taxes are finalised with local tax authorities.

Notes to the Financial Statements

For the year ended 31 December 2006

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Depreciation

Depreciation of certain operating assets constitutes a substantial operating cost for the Group. The costs of fixed assets are charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and salvage values to determine adjustments to estimates of remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives, and therefore depreciation expense in future periods.

5 TURNOVER

Turnover represents the aggregate of net amounts received and receivable for completed properties held for sale, investment properties and properties under development sold by the Group to outside customers and property rental income, after a deduction of 5% business tax, and is analysed as follows:

	2006	2005
	HK$'000	HK$'000
Sales on properties	**14,619**	10,781
Less: Sales return of properties	**(9,268)**	(3,993)
Property rental	**1,463**	2,988
	6,814	9,776

No geographical analyses are presented for the year as substantially all the Group's turnover and contribution to results were derived from the PRC property business.

6 OTHER REVENUE

	2006 HK$'000	2005 HK$'000
Bank interest income	**100**	67
Foreclosure income from sales return of properties	**1,069**	137
Gain on disposals of fixed assets	**–**	25
Net exchange gains	**236**	–
Penalty income	**189**	400
Other income	**106**	32
	1,700	661

7 (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit before operations is stated after charging/(crediting) the following items:

	2006 HK$'000	2005 HK$'000
Auditors' remuneration	**405**	314
Amortisation of prepaid premium for land leases	**77**	74
Cost of completed properties held for sale sold	**12,438**	6,279
Less: Cost of properties returned	**(2,936)**	(2,037)
Depreciation	**1,429**	1,306
Loss on disposals of fixed assets	**27**	–
Minimum lease payments under operating leases for land and buildings	**254**	243
Net exchange losses	**–**	206
Staff costs, including directors' remuneration (note 9):		
– Contributions to defined contribution retirement plans	**92**	186
– Salaries and other staff costs	**3,867**	3,653

Notes to the Financial Statements

For the year ended 31 December 2006

8 FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable		
– Within five years	**2,423**	2,082
– Over five years	**–**	897
Other loan interest	**38**	33
Total	**2,461**	3,012
Less: Amount capitalised in cost of qualifying assets	**(1,829)**	–
	632	3,012

9 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2006			
	Directors' fees HK$'000	**Salaries and other benefits HK$'000**	**Provident fund contributions HK$'000**	**Total HK$'000**
Executive Directors				
Mr. Tsang Wai Lun, Wayland *(Chairman)*	**–**	**786**	**12**	**798**
Madam Kwok Wai Man, Nancy	**–**	**295**	**12**	**307**
Mr. Lau Tam Wah	**–**	**173**	**9**	**182**
Mr. Siu King Nin, Peter	**–**	**320**	**–**	**320**
Independent Non-executive Directors				
Mr. Hui Pui Wai, Kimber	**–**	**50**	**3**	**53**
Mr. Lum Pak Sum	**–**	**50**	**3**	**53**
Dr. Wong Yun Kuen	**–**	**50**	**3**	**53**
	–	**1,724**	**42**	**1,766**

9 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

	2005			
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Provident fund contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Tsang Wai Lun, Wayland *(Chairman)*	–	776	12	788
Madam Kwok Wai Man, Nancy	–	294	12	306
Mr. Lau Tam Wah	–	222	10	232
Independent Non-executive Directors				
Mr. Hui Pui Wai, Kimber	–	45	2	47
Mr. Lum Pak Sum	–	50	2	52
Dr. Wong Yun Kuen	–	50	2	52
	–	1,437	40	1,477

During the year, buildings of the Group with a carrying amount of HK$4,787,000 (2005: HK$4,882,000) was occupied by certain directors free of charge.

During the year, no options were granted to directors of the Company.

Notes to the Financial Statements

For the year ended 31 December 2006

9 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Five highest paid individuals

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

	2006	2005
	HK$'000	HK$'000
Basic salaries and other benefits	**626**	601
Provident fund contributions	**23**	22
	649	623

The emoluments of the remaining two highest paid individuals fell within the following bands:

Emoluments bands

	Number of individuals	
	2006	2005
HK$Nil to HK$1,000,000	**2**	2

10 TAXATION

	2006 **HK$'000**	2005 HK$'000
Income tax in the PRC		
– The subsidiary company incorporated in the PRC	–	–
– Subsidiary companies incorporated in Hong Kong with property developments in the PRC	**(141)**	68
	(141)	68

Enterprise income tax for the subsidiary company incorporated in the PRC is calculated at 15% of the estimated assessable profit for the year (2005: 15%).

Enterprise income tax for the subsidiary companies incorporated in Hong Kong which have property developments in the PRC is calculated at 3% (2005: 3%) of the sales revenue on the respective property development projects.

No provision for Hong Kong profits tax has been made in the financial statements as the Group's income neither arises, nor is derived, from Hong Kong in both financial years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Notes to the Financial Statements

For the year ended 31 December 2006

10 TAXATION *(continued)*

The provision for the year can be reconciled from taxation based on the consolidated income statement as follows:

	2006 **HK$'000**	2005 HK$'000
(Loss)/Profit before taxation	**(24,340)**	3,103
(Notional tax credit)/taxation at the domestic tax rate of 17.5% (2005: 17.5%)	**(4,259)**	543
Effect of different tax rates of a subsidiary company incorporated in the PRC	**1,137**	(216)
Effect of different tax basis for the PRC property development projects	**1,670**	(477)
Tax effect of non-deductible expenses	**1,303**	333
Tax effect of accelerated depreciation allowance	**10**	43
Tax effect of non taxable income	**(2)**	(158)
Actual tax (credit)/expense	**(141)**	68

Deferred tax has not been provided (2005: HK$ nil) because the Company and the Group had no significant temporary differences at the balance sheet date.

11 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the Group's consolidated loss attributable to shareholders of HK$23,799,000 (2005: a profit of HK$3,035,000), loss of HK$1,609,000 (2005: HK$1,071,000) has been dealt with in the financial statements of the Company.

12 DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2006 (2005: HK$nil).

13 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated based on the loss attributable to shareholders of HK$23,799,000 (2005: a profit of HK$3,035,000) and on the weighted average number of 2,054,685,000 (2005: 2,046,650,000) shares issued during the year.

Diluted earnings per share is not presented as there are no diluting events during the years ended 31 December 2005 and 2006.

Notes to the Financial Statements

For the year ended 31 December 2006

14 FIXED ASSETS

The Group

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2005					
– As originally stated	25,451	3,879	562	2,076	31,968
– Effect on adoption of HKAS 17	(1,482)	–	–	–	(1,482)
– As restated	23,969	3,879	562	2,076	30,486
Exchange differences	362	39	17	10	428
Additions	341	398	–	158	897
Disposals	–	–	–	(231)	(231)
At 31 December 2005	24,672	4,316	579	2,013	31,580
Exchange differences	697	97	23	41	858
Additions	–	91	–	274	365
Disposals	–	(15)	–	(547)	(562)
At 31 December 2006	25,369	4,489	602	1,781	32,241
Accumulated depreciation					
At 1 January 2005					
– As originally stated	4,227	2,661	561	1,938	9,387
– Effect on adoption of HKAS 17	(145)	–	–	–	(145)
– As restated	4,082	2,661	561	1,938	9,242
Exchange differences	32	22	11	18	83
Charge for the year	960	288	–	58	1,306
Elimination on disposals	–	–	–	(200)	(200)
At 31 December 2005	5,074	2,971	572	1,814	10,431
Exchange differences	105	59	23	32	219
Charge for the year	1,003	348	–	78	1,429
Elimination on disposals	–	(14)	–	(517)	(531)
At 31 December 2006	6,182	3,364	595	1,407	11,548
Net book value					
At 31 December 2006	19,187	1,125	7	374	20,693
At 31 December 2005	19,598	1,345	7	199	21,149

14 FIXED ASSETS *(continued)*

The carrying amount of the buildings, all being held on long term leases, shown above comprises:

	2006	2005
	HK$'000	HK$'000
Buildings situated in Hong Kong	**4,787**	4,882
Buildings situated in the PRC	**14,400**	14,716
	19,187	19,598

Buildings situated in the PRC mainly represent car park space and other facilities built in to the construction projects.

Buildings with a net book value of HK$4,787,000 (2005: HK$4,882,000) have been pledged to the banks as securities for the banking facilities granted to companies within the Group.

15 INVESTMENT PROPERTIES

	The Group	
	2006	2005
	HK$'000	HK$'000
Fair value		
At 1 January	**73,924**	54,986
Exchange differences	**2,721**	2,425
Transfer from completed properties held for sale	**–**	746
Additions	**2,800**	2,460
Fair value (losses)/gains on investment properties	**(181)**	13,307
At 31 December	**79,264**	73,924

Notes to the Financial Statements

For the year ended 31 December 2006

15 INVESTMENT PROPERTIES *(continued)*

The fair values of the Group's investment properties at 31 December 2006 have been arrived at on the basis of valuation by BMI Appraisals Limited, an independent professional valuer, using a basis date at 31 December 2006 on an open market value basis.

All investment properties are situated in the PRC and are held on long term leases. As at 31 December 2006, property certificates of investment properties with an aggregate carrying amount of HK$46,602,000 (2005: HK$44,021,000) have not yet been issued.

Certain investment properties with an aggregate carrying amount of HK$20,717,000 (2005: HK$23,927,000) have been pledged to the banks as collateral for banking facilities granted to companies within the Group.

16 INVESTMENTS IN SUBSIDIARY COMPANIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**159,056**	159,056
Amounts due from subsidiary companies	**162,478**	160,460

The carrying amount of unlisted shares is based on the book values of the underlying net assets of the subsidiary companies attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation in 1999.

Amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

16 INVESTMENTS IN SUBSIDIARY COMPANIES *(continued)*

Details of the Company's subsidiary companies at 31 December 2006 are as follows:

Name of subsidiary company	Place/country of incorporation (or establishment)/ operations	Proportion of nominal value of issued capital/ registered capital held by the Company Indirectly	Directly	Issued and fully paid share capital/ registered capital	Principal activities
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	100%	–	US$1	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	100%	–	US$1	Investment holding
Grand Field Group Limited	Hong Kong	–	100%	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	Investment holding and property development
Grand Field Property Development (Shenzhen) Company Limited (Note)	PRC	–	100%	RMB19,232,100	Property development
Ka Fong Industrial Company Limited	Hong Kong/PRC	–	100%	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	Property development
Kwan Cheung Holdings Limited	Hong Kong	–	100%	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	Property development
Shing Fat Hong Limited	Hong Kong/PRC	–	100%	Ordinary shares of HK$4 and deferred non-voting shares of HK$2	Property development

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16 INVESTMENTS IN SUBSIDIARY COMPANIES *(continued)*

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Proportion of nominal value of issued capital/ registered capital held by the Company Indirectly	Directly	Issued and fully paid share capital/ registered capital	Principal activities
Grand Field New Energy Company Limited	Hong Kong	–	100%	HK$2	Property holding
All Right Holdings Limited	Hong Kong/PRC	–	78.26%	HK$1,840,000	Operation of folk cultural, recreational and other carnival events

Note: This is a wholly foreign owned enterprise established in the PRC for an operating period of 24 years up to 2019.

17 PROPERTIES UNDER DEVELOPMENT

	The Group	
	2006	2005
	HK$'000	HK$'000
Development costs	**27,314**	5,377
Interest capitalised	**6,815**	4,986
Exchange differences	**587**	196
	34,716	10,559
Less: Provision for impairment loss	**(560)**	–
	34,156	10,559

The balance represents the costs incurred by the Group on properties under construction in the PRC. Under the contracts of property development projects entered into between the Group and the co-operative partner, the co-operative partner is responsible for making available the land use rights of the construction sites while the Group is responsible for the construction of these properties.

Total interest capitalised in the properties under development as at 31 December 2006 was HK$7,081,000 (2005: HK$4,986,000). The capitalisation rate is 7.25% (2005: HK$nil) for the year ended 31 December 2006.

18 PREPAID PREMIUM FOR LAND LEASES

	The Group	
	2006	2005
	HK$'000	HK$'000
Leasehold land held in the PRC, leases of over 50 years	**177,348**	4,815
Less: Provision for impairment loss	**(1,409)**	–
	175,939	4,815

Prepaid premium for land leases comprises the cost of acquiring rights to use land, which is all situated in the PRC and held on long term leases, for property development. As at 31 December 2006, all certificates of land use rights were still in the progress of being obtained.

19 DEPOSITS FOR ACQUISITION OF LAND

The balance represented the amounts paid to the local authority to obtain the title of a parcel of land in the PRC.

20 MORTGAGE LOANS RECEIVABLE

	The Group	
	2006	2005
	HK$'000	HK$'000
Total loans receivable, secured	**22,957**	32,580
Exchange differences	**444**	(748)
Less: Provision for impairment loss	**(6,366)**	(6,709)
	17,035	25,123
Less: Balance due within one year included under current assets	**(8,583)**	(12,622)
Balance due after one year	**8,452**	12,501

Notes to the Financial Statements

For the year ended 31 December 2006

20 MORTGAGE LOANS RECEIVABLE *(continued)*

The carrying amounts of the current portion and non-current portion of mortgage loans receivable approximate to their fair value. The fair value is determined based on cash flows discounted using the Group's bank borrowings rate of 7.25% per annum (2005: 7.25% per annum).

Mortgage loans receivable represent interest-free loans provided by the Group to buyers of properties which are repayable by instalments as stipulated in the loan agreements.

21 PLEDGED BANK DEPOSITS

The balance represents the bank deposits pledged as collateral for the mortgage loans made available to the buyers of the Group's properties and overdraft facilities to the Group from the banks. As the balance will continue to be pledged to the banks in the next twelve months, the balance is classified as a non-current asset.

22 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are situated in the PRC and are held on long term leases.

As at 31 December 2006, property certificates for certain completed properties held for sale with an aggregate carrying amount of HK$6,310,000 (2005: HK$15,675,000) have not yet been issued to the Group.

Certain completed properties held for sale with an aggregate carrying amount of HK$9,072,000 (2005: HK$8,531,000) have been pledged to the banks as collateral for the banking facilities granted to the companies within the Group.

23 TRADE AND OTHER PAYABLES

An ageing analysis of trade payables is set out below:

	The Group	
	2006	2005
	HK$'000	HK$'000
Current to 90 days	**3,505**	20
91 to 180 days	**–**	–
181 to 360 days	**–**	12
Over 360 days	**6,343**	4,346
	9,848	4,378

24 AMOUNTS DUE TO DIRECTORS

The amounts due to directors are in the nature of current accounts, are unsecured, interest-free and have no fixed terms of repayment.

25 INTEREST-BEARING BORROWINGS

	The Group	
	2006	2005
	HK$'000	HK$'000
Loan from a third party, unsecured and wholly repayable		
– On demand or within one year	**1,715**	1,834
– Between one and two years	**2,338**	2,039
– Between two and five years	**–**	2,919
– After five years	**–**	–
	4,053	6,792
Less: Portion classified as current liabilities	**(1,715)**	(1,834)
Total shown as non-current liabilities	**2,338**	4,958
Current portion of loan from a third party	**1,715**	1,834
Secured bank loans	**21,700**	24,942
Total shown as current liabilities	**23,415**	26,776
Total interest-bearing borrowings	**25,753**	31,734

Notes to the Financial Statements

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25 INTEREST-BEARING BORROWINGS *(continued)*

Interest on the loan from a third party is charged on the outstanding balances at a rate of 11.4% (2005: 11.4%) per annum. The loans are repayable by monthly instalments up to 15 June 2010.

Interest on the bank loans is charged on the outstanding balances at a rate of 7.25% per annum (2005: 7.25% per annum). These are secured to the extent of the Group's assets as follows:

(a) Certain investment properties of the Group with an aggregate carrying amount of approximately HK$20,717,000 (2005: HK$23,927,000); and

(b) Certain completed properties held for sale of the Group with an aggregate carrying amount of approximately HK$9,072,000 (2005: HK$8,531,000).

Bank overdraft facilities are secured by the buildings of the Group with carrying amounts of approximately HK$4,787,000 (2005: HK$4,882,000) and the pledged deposits of HK$5,000,000 (2005: HK$nil).

26 SHARE CAPITAL

	2006 **HK$'000**	2005 HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.02 each	**100,000**	100,000
Issued and fully paid:		
2,096,310,000 ordinary shares of HK$0.02 each	**41,926**	40,933

A summary of movements in the Company's issued share capital during the year is as follows:

	Number of shares	
	2006 **'000**	2005 '000
At 1 January	**2,046,650**	2,046,650
Exercise of share options	**49,660**	–
At 31 December	**2,096,310**	2,046,650

27 RESERVES

The movements of reserves of the Group and Company are set out in the statement of changes in equity.

The Group special reserve represents the difference between the nominal value of the shares of the subsidiary companies and the nominal value of the Company's shares issued as part of the group reorganisation in 1999 for the listing of the Company's shares on the Hong Kong Stock Exchange.

The contributed surplus of the Company arose as a result of the same group reorganisation and represents the excess of the then combined net assets of the subsidiary companies acquired, over the nominal value of the Company's shares issued in exchange therefore.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would be after the payments, unable to pay its liabilities as they become due; or

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

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2006 **HK$'000**	2005 HK$'000
Contributed surplus	**140,281**	140,281
Accumulated losses	**(26,660)**	(25,051)
	113,621	115,230

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28 ACQUISITION OF A SUBSIDIARY COMPANY

	2006 HK$'000
Net assets acquired:	
Cash and bank balances	**1,840**
Minority interests	**(400)**
	1,440
Discharged by:	
Cash paid	**1,440**
Analysis of net cash flows of cash and cash equivalents of a subsidiary company	
Cash and bank balances acquired	**1,840**
Cash consideration	**(1,440)**
	400

29 OPERATING LEASE COMMITMENTS

(a) The Group as lessee

At the balance sheet date, the Group had total future minimum lease payments in respect of land and buildings under a non-cancelable operating lease, as follows:

	2006 HK$'000	2005 HK$'000
Within one year	**235**	282
In the second to fifth years inclusive	**–**	235
	235	517

No arrangements have been entered into for contingent rental payments.

29 OPERATING LEASE COMMITMENTS *(continued)*

(b) The Group as lessor

At the balance sheet date, the Group had contracted with its tenants for the following total future minimum lease payments in respect of investment properties under non-cancelable operating leases, which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**1,280**	1,304
In the second to fifth years inclusive	**1,771**	1,725
Over five years	**2,100**	2,019
	5,151	5,048

No arrangements have been entered into for contingent rental payments.

At the balance sheet date, the Company did not have any operating lease commitments as a lessee and any operating lease arrangements as a lessor.

30 CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2006	2005
	HK$'000	HK$'000
Contracted but not provided for:		
Premium for land leases	**4,777**	–
Property development expenditure	**–**	1,581
Authorised but not contracted for:		
Property development expenditure	**224,026**	–
	228,803	1,581

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31 CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities:

	2006	2005
	HK$'000	HK$'000
Land appreciation tax on properties sold (a)	**17,254**	17,254
Guarantees in favour of the PRC custom authority in respect of imported equipment for carnival event (b)	**5,000**	–

(a) With effect from 1 November 2005, land appreciation tax (LAT) is levied on sales of property according to the local tax authorities of Shenzhen. Based on the best estimate of directors, the LAT on the properties sold in the years 1999, 2000 and 2001 amounted to HK$17,254,000 which has not yet been provided for in the financial statements.

(b) The Group has provided guarantees in favour of the PRC custom authority for custom duties in respect of fairground machines and equipment imported for the carnival event.

The Company has given corporate guarantees to a bank in respect of general banking facilities granted to its subsidiary companies amounting to HK$10,000,000 (2005: HK$nil). At the balance sheet date, the Company's banking facilities were utilised to the extent of HKD9,988,000 (2005: HK$nil).

32 FINANCIAL INSTRUMENTS

The Group conducts its operation in the PRC and accordingly is subject to special considerations and significant risks. These include risk associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

(a) Foreign currency risk

The Group's business transactions are principally conducted in Renminbi, except that sales proceeds are denominated in Hong Kong dollars. As at 31 December 2006, most of the Group's assets and liabilities were denominated in Renminbi and Hong Kong dollars and in the opinion of directors, the Group does not have a significant foreign currency risk exposure.

32 FINANCIAL INSTRUMENTS *(continued)*

(b) Price risk

The Group is not exposed to any significant financial instrument price risk.

(c) Credit risk

The Group has no concentrations of credit risk. The extent of the Group's credit exposure is represented by the aggregate balance of mortgage loans receivable and other receivables.

(d) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its construction commitments.

(e) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest bearing assets. The Group's exposure to changes in interest rates is attributable to its long-term borrowings. Borrowings at variable rates expose the company to cash flow interest-rate risk.

(f) Fair values

The financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006 and 2005.

Notes to the Financial Statements

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33 INVESTIGATION BY THE INDEPENDENT COMMISSION AGAINST CORRUPTION

In January 2007, two directors of the Company, Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy were under investigation by the Independent Commission Against Corruption (the "ICAC") in connection with their involvement in a transaction entered into by the Company regarding a gas pipeline business in Chongqing in 2002 (the "Incident"). Further details of the above were included in the Company's announcement dated 21 March 2007 (the "Announcement"). The ICAC's investigation is currently underway.

In the absence of further information about the ICAC Investigation, the Company has appointed Li, Tang, Chen & Co. to act as an independent auditor and formed an independent committee to conduct a review of the relevant transaction in light of the ICAC Investigation following the Incident.

As at the date of approval of these financial statements, save as disclosed above and in the Announcement, the Company is not aware of the current status of the ICAC Investigation, or any circumstances which lead them to believe that the ICAC Investigation and the Incident would have a significant adverse impact on the Group's operations and financial position.

34 POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 11 January 2007, a substantial shareholder, Rhenfield Development Corp entered into a Top-Up Placing Agreement with a third party, Hongkong Zhongxing Group Company Limited to place 180,500,000 shares in the Company. On the same day, the Company entered into a Top-Up Subscription Agreement in which the Company agreed to issue 180,500,000 shares of HK$0.02 each at a price of HK$0.1057 per share to Rhenfield Development Corporation. On 25 January 2007, the said shares were allotted.

35 COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2007.