Notes to the Financial Statements

1. General Information

The Company is a limited liability company incorporated in Hong Kong and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 901–903, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (together the "Group") are property development, property investment, estate management and holding of investments.

These financial statements have been approved by the Board of Directors on 19th April 2007.

2. Basis of Preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention as modified by the revaluation of certain properties, available-for-sale financial assets and investment for sale, which are carried at fair values.

In 2006, the Company adopted the new and revised HKFRS which are effective for accounting period commencing on or after 1st January 2006 and relevant to the operations of the Company. However, the adoption of these standards does not have any material effect on the accounting policies of the Group.

There are also certain new standards, amendments and interpretations to existing standards which have been published that are mandatory for accounting periods beginning on or after 1st January 2007 or later periods but which the Company has not early adopted. The Group has assessed the impact of these new standards and considers that they would not have any significant impact on the results of operations and financial position of the Group.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5 below.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements, which have been consistently applied to all the years presented, are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December and the share of post acquisition results and reserves of its jointly controlled entities and associated companies attributable to the Group.

Results attributable to subsidiaries, jointly controlled entities and associated companies acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or to the date of disposal, as applicable.

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the share of net assets at the date of disposal including the attributable amount of goodwill not yet written off.

3. Summary of Significant Accounting Policies (Continued)

(b) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, investments in subsidiaries are carried at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(c) Minority interests

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

(d) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held and over which the Group has significant influence but not control, accompanying a shareholding of between 20 to 50% of the voting rights.

Investments in associated companies are accounted for under the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the profit and loss account, and the share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses of the Group in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

3. Summary of Significant Accounting Policies (Continued)

(d) Associated companies (Continued)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiary, jointly controlled entity and associated company attributable to the Group at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition over the carrying amount of the proportion of the minority interests acquired. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognised directly in the consolidated profit and loss account.

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated to write off their costs less residual value and accumulated impairment losses on a straight-line basis over their expected useful lives to the Group. The principal estimated useful lives for this purpose are:

Buildings	Unexpired period of the lease or 40 years whichever is shorter
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 to 10 years

The residual values and useful lives of the assets are reviewed and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its estimated recoverable amount.

Profit or loss on disposal is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

3. Summary of Significant Accounting Policies (Continued)

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by external valuers. Changes in fair values are recognised in the profit and loss account. The fair value of investment property reflects, among other things, rental from current leases and assumptions about rental from future leases in light of current market conditions.

Subsequent expenditure is charged to the carrying amount of the property only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as properties under development and carried at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation reserve of property, plant and equipment. However, if the fair value gives rise to a reversal of the previous impairment loss, this write-back is recognised in the profit and loss account.

(h) Operating leases

Leases where significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from lessors, under operating leases are charged to the profit and loss account on a straight line basis over the period of the leases.

Prepayments of lease premiums represent non-refundable rental payments for the lease of land and are stated at cost less accumulated amortisation. Amortisation is calculated to write off the prepayments over the period of the lease on a straight-line basis. When there is impairment, the impairment is expensed in the profit and loss account. The amortisation of leasehold land is capitalised as part of the costs of the property when the leasehold land is under development.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or 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 carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

3. Summary of Significant Accounting Policies (Continued)

(j) Properties for sale

Properties for sale are included under current assets and carried at the lower of cost and estimated net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivable, and available-for-sale financial assets. Management determines the classification of its investments at initial recognition according to the purpose for which the investments were acquired and re-evaluates this designation at every balance sheet date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account, and subsequently carried at fair value.

(b) Loans and receivable

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivable are carried at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale financial assets are initially recognised at fair value plus transaction cost and subsequently carried at fair value.

Regular purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit and loss account in the financial period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary available-for-sale investments are recognised in equity. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investments.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted investments), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the specific circumstances of the issuer.

3. Summary of Significant Accounting Policies (Continued)

(k) Investments (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale investments, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator in determining whether the investments are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on available-for-sale investments are not reversed through the profit and loss account.

(l) Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which 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 receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the debtor and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account within the cost of sales and administrative expenses.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement, less bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

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

(o) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

(p) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, before any tax effects, that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Summary of Significant Accounting Policies (Continued)

(q) 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. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation 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, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) Employee benefits

Employee entitlements to annual and long service leaves are recognised when they accrue to employees. A provision is made for the estimated liability for annual and long service leaves as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leaves are not recognised until the time of leave.

Provision for bonus plans due wholly within twelve months after the balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate can be made.

Contributions to defined contribution retirement schemes are charged to the profit and loss account in the financial period to which the contributions relate.

(s) Foreign currency translation

Transactions included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Company.

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 of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary financial assets held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are included in equity under exchange reserve.

3. Summary of Significant Accounting Policies (Continued)

(s) Foreign currency translation (Continued)

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the rates ruling at the date of that balance sheet;

(b) income and expenses for each profit and loss account are translated at average exchange rates; and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity under exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates ruling at the balance sheet date.

(t) 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.

(u) Revenue recognition

Revenue comprises the fair value of the consideration for sales of goods and services provided in the normal course of business activities of the Group. Revenue is recognised when the amount can be reliably measured; it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity have been resolved. Revenue is shown net of sales tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

Revenue from sale of completed properties for sale is recognised when the relevant sales contracts are concluded and the risk and rewards of the property have been passed to the purchasers. Rental income net of any incentives given to the lessees is recognised on a straight-line basis over the period of the leases. Estate management income is recognised when services are provided. Interest income is recognised on a time proportion basis using the effective interest method, taking into account the principal amounts outstanding and the effective interest rates applicable. Dividend income is recognised when the right to receive payment is certain.

3. Summary of Significant Accounting Policies (Continued)

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other environments.

(w) Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements in the financial period in which the dividend payable becomes legal and constructive obligations of the Company.

4. Financial Risk Management

The activities of the Group expose it to a variety of financial risks, including foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use any derivative financial instruments to hedge for its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments, and investing excess liquidity.

(a) Foreign exchange risk

The Group operates primarily in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various transactions with respect to Hong Kong dollar and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency risk. Currency exposure arising from the net assets of the foreign operations of the Group in Mainland China is managed primarily through borrowings denominated in the relevant foreign currencies.

(b) Credit risk

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

4. Financial Risk Management (Continued)

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, the income and operating cash flows of the Group are substantially independent of changes in market interest rates.

The interest rate risk of the Group arises from bank loans and overdrafts. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group maintains most of the borrowings in variable rate instruments.

(e) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year; debtors and prepayments, cash and cash equivalents, creditors and accruals and current borrowings are assumed to approximate their fair values.

5. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities of the Group are discussed below.

(1) Investment properties

The fair value of each investment property individually is determined at each balance sheet date by independent valuers by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income or net income, after allowing for outgoings. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

5. Critical Accounting Estimates and Judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(2) Available-for-sale financial assets

The fair value of each asset is reviewed whenever events or changes in circumstances indicate that the carrying amount of the asset has been affected. The fair value also reflects the market conditions existing at each balance sheet date. For unlisted equity investments, the Group establishes fair value by using valuation techniques, including the use of arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, or the underlying net assets to reflect the specific circumstances.

(3) Claims payable

The Group has provided for certain claims payable in respect of the disputes over the sales of properties in the previous years. The provision has been made based on information available to the Group and reflects the estimation of the amount that would potentially payable in the circumstances. In addition, these claims are the subject of litigation, of which the Group has appealed against the ruling, and the final settlement is also pending on the proposed liquidation of a subsidiary. The outcome of these matters may have consequential effect on the claims payable.

(4) Accounts receivable

Impairment of accounts receivable is established when there is objective evidence on the ultimate recoverability of the amount due according to the original terms. Estimates are made based on the assessments of the financial position of the debtors, probability of the debtor being bankrupt, default or delinquent. The provision takes into account the present value of the estimated future cashflows, discounted at the effective interest rate.

(5) Taxation

The Group is subject to taxation in Hong Kong and Mainland China. Significant judgement is required in determining the provision for taxation for each entity in the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxation payable and deferred taxation provisions in the period in which such determination is made.

(b) Critical judgements in applying accounting policies

The Group determines whether a property qualifies as investment property or classifies as properties for development or for sale. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

The classification of properties is determined based on judgement on the intention of future usage by management. The Group considers each property separately in making its judgement, and the property is accounted for accordingly.

6. Turnover

	2006 HK$'000	2005 HK$'000
Rental	22,435	26,929
Estate management fees	5,492	4,808
Interest	590	360
Dividend from unlisted investments	467	467
	28,984	32,564

7. Segment Information

The principal activities of the Group are property development, property investment, estate management and holding of investments. There are no other significant identifiable separate businesses. In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets primarily consist of property, plant and equipment, other non-current assets, properties for sale, debtors and prepayments and mainly exclude certain investments and cash and bank balances. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

(a) Business segments

	Property development HK$'000	Property investment HK$'000	Estate management HK$'000	Investment holding HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31st December 2006						
Turnover	3,213	19,222	5,492	1,057		28,984
Operating profit	3,874	43,341	5,775	28,041	(15,534)	65,497
Finance costs						(5,542)
Share of (losses)/profits of associated companies	(50,684)	49,640	—	—		(1,044)
Profit before taxation						58,911
Taxation						(6,018)
Profit for the year						52,893
Capital expenditure	—	—	—	—	380	380
Depreciation and amortisation	28	1	—	—	107	136
Write back of provision for amount due from minority shareholder of a former subsidiary	—	—	—	20,888	—	20,888
Write back of provision for properties for sale	2,067	—	—	—	—	2,067
Write back of provision for other debtors	—	—	895	—	—	895

7. Segment Information (Continued)

(a) Business segments (Continued)

	Property development HK$'000	Property investment HK$'000	Estate management HK$'000	Investment holding HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31st December 2005						
Turnover	—	26,929	4,808	827		32,564
Operating profit	12,637	77,494	4,163	10,428	(16,216)	88,506
Finance costs						(6,643)
Share of profits/(losses) of associated companies	(39,166)	153,744	—	—		114,578
Profit before taxation						196,441
Taxation						(18,568)
Profit for the year						177,873
Capital expenditure	—	—	—	—	112	112
Depreciation and amortisation	52	—	1	—	309	362
Provision for trade debtors	3,069	—	—	—	—	3,069
Write back of provision for properties for sale	14,041	—	—	—	—	14,041
At 31st December 2006						
Segment assets	**254,362**	**711,758**	**3,828**	**107,958**		**1,077,906**
Associated companies	**—**	**1,040,500**	**—**	**—**		**1,040,500**
Unallocated assets					**99,140**	**99,140**
Total assets						**2,217,546**
Segment liabilities	**229,106**	**69,309**	**2,527**	**33,926**		**334,868**
Unallocated liabilities					**7,432**	**7,432**
Total liabilities						**342,300**
At 31st December 2005						
Segment assets	296,779	700,278	1,754	175,193		1,174,004
Associated companies	—	990,861	—	—		990,861
Unallocated assets					19,421	19,421
Total assets						2,184,286
Segment liabilities	254,879	72,406	2,224	24,405		353,914
Unallocated liabilities					6,935	6,935
Total liabilities						360,849

7. Segment Information (Continued)

(b) Geographical segments

	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
2006				
Hong Kong	**25,350**	**35,740**	**1,806,731**	**353**
Mainland China	**3,634**	**29,757**	**410,815**	**27**
	28,984	**65,497**	**2,217,546**	**380**
2005				
Hong Kong	28,734	67,244	1,730,493	69
Mainland China	3,830	21,262	453,793	43
	32,564	88,506	2,184,286	112

8. Operating Profit

	2006 HK$'000	2005 HK$'000
Operating profit is arrived at after crediting:		
Exchange gain	**4,722**	3,928
Gain on disposal of property, plant and equipment	**61**	—
Write back of provision for amount due from minority shareholder of a former subsidiary	**20,888**	—
Write back of provision for other debtors	**895**	—
and after charging:		
Staff costs, including Directors' remuneration (note 9)	**10,712**	10,752
Depreciation and amortisation	**136**	362
Direct operating expenses of investment properties that generate rental income	**5,131**	5,414
Direct operating expenses of investment properties that did not generate rental income	**2,334**	1,162
Operating lease rental for land and buildings	**1,985**	1,734
Loss on disposal of property, plant and equipment	**—**	5
Provision for trade debtors	**—**	3,069
Auditors' remuneration		
Audit services	**850**	850
Non-audit services	**115**	116

9. Staff Costs (including Directors' Remuneration)

	2006 HK$'000	2005 HK$'000
Wages and salaries	**10,180**	10,359
Social security cost	**320**	195
Defined contribution plans (note 10)	**212**	198
	10,712	10,752

10. Retirement Benefit Costs

The Group operates a defined contribution provident fund scheme (the "Scheme"), which is available to certain employees who joined the Group before 1st December 2000, and a mandatory provident fund scheme (the "Fund"), which is available to all employees in Hong Kong effective 1st December 2000. The assets of the Scheme and the Fund are held separately from those of the Group in independently administered funds. Contributions to the Scheme and the Fund by the Group and the employees are calculated as a percentage of the monthly salaries of the employees. Contributions to the Scheme are reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions. During the year, forfeited contributions in respect of the Scheme totalling HK$19,000 (2005: HK$40,000) were utilised with no contribution being refunded to the Group (2005: HK$22,000). There was no forfeited contribution available to reduce future contributions (2005: Nil).

The Group also participates in the employee pension schemes of the respective municipal government in Mainland China where the Group operates. The Group is required to make monthly defined contributions at rates calculated as a percentage of the monthly payroll. The respective municipal government will assume the retirement benefit obligations of all existing and future retired employees of the Group.

The cost charged to the profit and loss account represents contributions payable by the Group to the above schemes.

11. Directors Emoluments and Five Highest Paid Individuals

(a) Directors emoluments

Name	Fees	Salaries and allowances	Discretionary bonuses	Defined contribution plans	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2006					
DAI Xiaoming	**10**	**2,811**	**194**	**12**	**3,027**
Kenneth Hiu King KON	**10**	**2,030**	**169**	**12**	**2,221**
Jesse Nai Chau LEUNG	**220**	**—**	**—**	**—**	**220**
XIANG Bing	**220**	**—**	**—**	**—**	**220**
Edward SHEN	**220**	**—**	**—**	**—**	**220**
	680	**4,841**	**363**	**24**	**5,908**
2005					
DAI Xiaoming	10	2,797	194	12	3,013
Kenneth Hiu King KON	10	2,030	169	12	2,221
Jesse Nai Chau LEUNG	220	—	—	—	220
XIANG Bing	220	—	—	—	220
Edward SHEN	220	—	—	—	220
	680	4,827	363	24	5,894

None of the Directors of the Company has waived the right to receive their emoluments during the year. The Directors represent key management personnel of the Company having authority and responsibility for planning, directing and controlling the activities of the Group.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2005: two) Directors whose emoluments are reflected in note (a) above. The emoluments for the remaining three (2005: three) individuals are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and allowances	**1,890**	1,890
Discretionary bonuses	**158**	158
Defined contribution plans	**92**	92
	2,140	2,140

The emoluments of these individuals fell within the following bands:

Emolument bands	**Number of individuals**	
	2006	2005
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

12. Finance Costs

	2006 HK$'000	2005 HK$'000
Interest on bank loans and overdrafts	5,469	6,518
Incidental borrowing costs	73	125
	5,542	6,643

13. Share of (Losses)/Profits of Associated Companies

Share of (losses)/profits of associated companies include the following:

	2006 HK$'000	2005 HK$'000
Change in fair value of investment properties (a)	37,968	176,933
Provision for properties under development	(48,883)	(33,384)
Taxation charge (b)	(2,656)	(30,205)

(a) The investment properties of the associated companies were valued by DTZ Debenham Tie Leung Limited, independent professional qualified surveyors, on an open market value basis.

(b) Taxation charge include a write back of taxation provision in respect of the previous years amounting to HK$8,794,000 (2005: nil), which was in dispute with the Inland Revenue Department and was finally determined in favour of the associated company by the Court of Final Appeal in Hong Kong.

14. Taxation

	2006 HK$'000	2005 HK$'000
Current		
Hong Kong profits tax	55	352
Mainland China	—	8,487
Deferred (note 26)	5,963	9,729
	6,018	18,568

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on profits generated in Mainland China has been provided at the prevailing rates applicable to those subsidiaries which operate in Mainland China.

14. Taxation (Continued)

The taxation on the profit before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates, as follows:

	2006 HK$'000	2005 HK$'000
Profit before taxation	58,911	196,441
Share of losses/(profits) of associated companies	1,044	(114,578)
	59,955	81,863
Tax charge at the rate of 17.5% (2005: 17.5%)	10,492	14,326
Effect of different taxation rates	(274)	340
Income not subject to taxation	(4,392)	(6,249)
Expenses not deductible for taxation purposes	149	369
Utilisation of previously unrecognised tax losses	(31)	(631)
Temporary differences not recognised	19	1,870
Under provision in respect of previous years	55	8,543
Taxation charge	6,018	18,568

15. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to equity holders of HK$52,893,000 (2005: HK$177,873,000) and 1,135,606,132 (2005: 1,135,606,132) shares in issue during the year. The diluted earnings per share equals to the basic earnings per share since there are no dilutive potential shares in issue during both years.

16. Property, Plant and Equipment

	Buildings HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Group					
Cost					
At 31st December 2004	54	1,656	6,469	2,827	11,006
Changes in exchange rates	—	6	70	5	81
Additions	—	112	—	—	112
Disposals	—	(49)	(13)	(1,664)	(1,726)
At 31st December 2005	54	1,725	6,526	1,168	9,473
Changes in exchange rates	—	10	110	7	127
Additions	—	380	—	—	380
Disposals	—	(122)	—	(50)	(172)
At 31st December 2006	54	1,993	6,636	1,125	9,808
Accumulated depreciation and impairment					
At 31st December 2004	50	1,474	6,342	2,636	10,502
Changes in exchange rates	—	3	70	4	77
Charge for the year	4	95	121	139	359
Disposals	—	(47)	(10)	(1,664)	(1,721)
At 31st December 2005	54	1,525	6,523	1,115	9,217
Changes in exchange rates	—	8	110	6	124
Charge for the year	—	128	1	4	133
Disposals	—	(122)	—	(45)	(167)
At 31st December 2006	54	1,539	6,634	1,080	9,307
Net book value					
At 31st December 2006	—	454	2	45	501
At 31st December 2005	—	200	3	53	256

16. Property, Plant and Equipment (Continued)

	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Company				
Cost				
At 31st December 2004	472	2,045	897	3,414
Additions	112	—	—	112
Disposals	(40)	—	—	(40)
At 31st December 2005	544	2,045	897	3,486
Changes in exchange rates	1	—	—	1
Additions	214	—	—	214
At 31st December 2006	759	2,045	897	3,701
Accumulated depreciation and impairment				
At 31st December 2004	409	1,925	763	3,097
Charge for the year	47	120	134	301
Disposals	(40)	—	—	(40)
At 31st December 2005	416	2,045	897	3,358
Charge for the year	74	—	—	74
At 31st December 2006	490	2,045	897	3,432
Net book value				
At 31st December 2006	269	—	—	269
At 31st December 2005	128	—	—	128

17. Investment Properties

	Group	
	2006 HK$'000	2005 HK$'000
At beginning of the year	**415,270**	354,370
Change in fair value	**31,627**	60,900
At end of the year	**446,897**	415,270
Comprising:		
Hong Kong		
Leases of over 50 years	**418,600**	386,600
Leases of between 10 to 50 years	**25,000**	25,000
Mainland China		
Leases of over 50 years	**1,317**	1,490
Leases of between 10 to 50 years	**1,980**	2,180
	446,897	415,270

17. Investment Properties (Continued)

The investment properties were revalued at 31st December 2006 by DTZ Debenham Tie Leung Limited, independent professional qualified surveyors, based on current prices in an active market for all properties.

Investment properties with net book value of HK$415,384,000 (2005: HK$383,400,000) have been pledged as securities for the banking facilities of the Group.

18. Prepayments of Leasehold Land

	Group	
	2006	2005
	HK$'000	HK$'000
At beginning of the year	**328**	331
Amortisation	**(3)**	(3)
At end of the year	**325**	328

Prepayments of leasehold land represent prepaid operating lease payments for land held in Hong Kong under leases of over 50 years. Amortisation during the year is included under administrative expenses.

19. Subsidiaries

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**1,904**	1,904
Amounts receivable, net of provision	**453,330**	455,929
Amounts payable	**464**	594

Particulars of the principal subsidiaries as at 31st December 2006 are set out in note 32(a).

The amounts receivable are unsecured, interest free, except for HK$51,455,000 (2005: HK$51,455,000), which carried interest at 6% (2005: 6% per annum), and HK$140,000,000 (2005: HK$180,000,000), which carries interest at prime rate minus 0.5% (2005: prime rate), and have no fixed terms of repayment. The amounts payable are unsecured, interest free and have no fixed terms of repayment. The amounts receivable and payable are denominated in Hong Kong dollar and their fair values approximate to the carrying amounts.

20. Associated Companies

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets		
At beginning of the year	**990,861**	847,974
Changes in exchange rates	**(1,802)**	(509)
Share of results for the year		
Profit before taxation	**1,612**	144,783
Taxation	**(2,656)**	(30,205)
Transfer from amounts receivable	**52,485**	28,818
At end of the year	**1,040,500**	990,861
Amounts receivable, net of provision	**284,374**	357,309
Amounts payable	**5,947**	12,417

Particulars of the principal associated companies as at 31st December 2006 are set out in note 32(b).

The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment or repayable on demand. Approximate 10% (2005: 22%) of the amounts receivable are denominated in US dollar, and the remaining are denominated in Hong Kong dollar. The fair values of the amounts receivable and payable approximate to their carrying amounts.

The share of the assets, liabilities and results of the associated companies attributable to the Group are set out below:

	Total assets HK$'000	**Total liabilities HK$'000**	**Turnover HK$'000**	**(Loss)/profit after taxation HK$'000**
2006				
Zeta Estates Limited	**1,219,484**	**(266,001)**	**27,436**	**44,174**
Beijing Jing Yuan Property Development Company Limited	**227,991**	**(227,991)**	**2,255**	**(50,684)**
Others	**89,132**	**(2,115)**	**3,424**	**5,466**
	1,536,607	**(496,107)**	**33,115**	**(1,044)**

20. Associated Companies (Continued)

	Total assets	Total liabilities	Turnover	Profit/(loss) after taxation
	HK$'000	HK$'000	HK$'000	HK$'000
2005				
Zeta Estates Limited	1,194,857	(285,548)	21,809	128,270
Beijing Jing Yuan Property Development Company Limited	247,995	(247,995)	453	(39,166)
Others	83,245	(1,693)	3,035	25,474
	1,526,097	(535,236)	25,297	114,578

21. Available-for-sale Financial Assets

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**37,477**	34,020	**3,090**	2,880
Change in fair value transferred to equity	**1,907**	3,457	**—**	210
At end of the year	**39,384**	37,477	**3,090**	3,090

Available-for-sale financial assets represent unlisted equity securities.

22. Investment for Sale

The investment represents the Group's 25.5% (2005: 61.1%) equity interest in Beijing Lucky Building Company Limited ("Beijing Lucky"), formerly a subsidiary of the Group. On 26th April 2004, Turbo Dragon Limited ("Turbo Dragon"), a wholly-owned subsidiary of the Group, entered into a sale and purchase supplemental agreement, which was supplemental to the sale and purchase agreement dated 30th July 2003 and subsequently amended by supplemental agreements (collectively the "Agreements"), with China Yintai Investment Company Limited ("China Yintai") to sell its entire equity interest of 61.1% in Beijing Lucky, at an aggregate consideration, as subsequently amended on 22nd June 2004, of RMB134,070,000 (approximately HK$130,821,000). On execution of the Agreements, a deposit of RMB25,000,000 (approximately HK$24,038,000) was received and the remaining of RMB109,070,000 (approximately HK$106,783,000) is receivable by instalments, which carry interest at agreed rates. On 21st November 2005, Turbo Dragon entered into another supplemental agreement with China Yintai, under which, inter alia, the payment schedule for the balance of the sale consideration was revised and the method of calculating interest on the instalments was agreed. According to the terms of the Agreements, Turbo Dragon will transfer the equity interest in Beijing Lucky to China Yintai in stages in proportion to the amount of consideration actually received, commencing in 2006. In addition, 2 out of the 4 directors representing Turbo Dragon in the board of directors of Beijing Lucky were replaced by those representing China Yintai following the execution of the Agreements in 2004.

22. Investment for Sale (Continued)

During 2006, the Group received from China Yintai the instalments of RMB86,200,000 (approximately HK$84,139,000) together with the accrued and penalty interest of RMB9,269,000 (approximately HK$9,055,000). The remaining consideration of RMB22,870,000 (approximately HK$22,644,000) was subsequently received in 2007. In accordance with the Agreements, the Group has transferred 35.6% equity interest to China Yintai during 2006 and the remaining 25.5% will be transferred in 2007. In addition, two directors representing Turbo Dragon in the board of directors of Beijing Lucky resigned in 2006 and 2007, respectively.

23. Debtors and Prepayments

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**6,521**	4,733	**—**	—
Other debtors	**8,720**	12,382	**—**	—
Prepayments and deposits	**15,565**	6,529	**1,543**	1,541
	30,806	23,644	**1,543**	1,541

Trade debtors represent rental charges and estate management fees due from tenants which are payable on presentation of invoices. The ageing analysis of the trade debtors of the Group is as follows:

	2006	2005
	HK$'000	HK$'000
Within 30 days	**986**	1,434
31 to 60 days	**912**	354
61 to 90 days	**279**	194
Over 90 days	**4,344**	2,751
	6,521	4,733

Other debtors of the Group include an amount receivable from an investee company, which is held by the Group under available-for-sale financial assets of HK$3,530,000 (2005: HK$3,969,000). This amount receivable is unsecured, carry interest at prime rate (2005: prime rate) and have no fixed terms of repayment. The fair values of debtors and prepayments approximate to their carrying amounts. Approximate 61% (2005: 24%) and 6% (2005: 10%) of the debtors and prepayments of the Group and the Company are denominated in RMB with the remaining denominated in Hong Kong dollar.

24. Share Capital

	2006	2005
	HK$'000	HK$'000
Authorised:		
1,600,000,000 shares of HK$0.50 each	**800,000**	800,000
Issued and fully paid:		
1,135,606,132 shares of HK$0.50 each	**567,803**	567,803

25. Reserves

	Share premium HK$'000	Investments revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profit HK$'000	Total HK$'000
Group					
At 1st January 2005	694,070	21,428	3,793	356,202	1,075,493
Changes in exchange rates	—	—	(1,189)	—	(1,189)
Change in fair value of available-for-sale financial assets	—	3,457	—	—	3,457
Profit for the year	—	—	—	177,873	177,873
At 31st December 2005	694,070	24,885	2,604	534,075	1,255,634
Changes in exchange rates	—	—	(2,991)	—	(2,991)
Change in fair value of available-for-sale financial assets	—	1,907	—	—	1,907
Profit for the year	—	—	—	52,893	52,893
At 31st December 2006	694,070	26,792	(387)	586,968	1,307,443
Retained by:					
Company and subsidiaries	694,070	26,792	(1,194)	(47,390)	672,278
Associated companies	—	—	807	634,358	635,165
	694,070	26,792	(387)	586,968	1,307,443

	Share premium HK$'000	Investments revaluation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
Company				
At 1st January 2005	694,070	1,475	(814,760)	(119,215)
Change in fair value of available-for-sale financial assets	—	210	—	210
Loss for the year	—	—	(36,794)	(36,794)
At 31st December 2005	694,070	1,685	(851,554)	(155,799)
Profit for the year	—	—	131,489	131,489
At 31st December 2006	694,070	1,685	(720,065)	(24,310)

The Company does not have any distributable reserve calculated under section 79B of the Hong Kong Companies Ordinance (2005: nil).

26. Deferred Taxation Liabilities

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**48,937**	39,208	**–**	142
Charged to the profit and loss account (note 14)	**5,963**	9,729	**–**	(142)
At end of the year	**54,900**	48,937	**–**	—

Deferred taxation liabilities are calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date. Deferred taxation assets and liabilities are offset when there is a legal right to set off and when the deferred tax relates to the same taxation jurisdiction. All deferred taxation liabilities are expected to be settled after twelve months.

The movements in deferred tax liabilities of the Group during the year are as follows:

	Fair value gains		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**48,148**	38,245	**789**	963	**48,937**	39,208
Charged/(credited) to the profit and loss account	**5,598**	9,903	**365**	(174)	**5,963**	9,729
At end of the year	**53,746**	48,148	**1,154**	789	**54,900**	48,937

Deferred taxation assets of the Group in respect of taxation losses of HK$16,730,000 (2005: HK$18,565,000) have not been recognised in the financial statements. Unused taxation losses have no expiry date.

27. Creditors and Accruals

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors	**48,830**	48,010	**–**	—
Other creditors	**160,391**	146,809	**225**	24,082
Accrued operating expenses	**13,757**	9,068	**1,773**	1,214
	222,978	203,887	**1,998**	25,296

27. Creditors and Accruals (Continued)

The ageing analysis of the trade creditors of the Group is as follows:

	2006 HK$'000	2005 HK$'000
Within 30 days	479	448
31–60 days	—	247
61–90 days	—	326
Over 90 days	48,351	46,989
	48,830	48,010

Other creditors of the Group include RMB33,100,000 (approximately HK$32,772,000) (2005: HK$24,038,000) received from China Yintai in respect of the sale of Beijing Lucky (note 22). These also include provision for claims payable of HK$104,549,000 (2005: HK$101,394,000) as more fully detailed in note 31 below.

Approximately 91% (2005: 91%) of the creditors and accruals of the Group are denominated in RMB with the remaining denominated in Hong Kong dollar. The fair values of creditors and accruals of the Group approximate to their carrying amounts.

28. Bank Loans and Overdrafts

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Short term bank loans, secured (note a)	52,376	50,866	—	—
Bank overdrafts, secured (note b)	—	38,823	—	38,823
	52,376	89,689	—	38,823

(a) The short term bank loans are secured by the properties of a subsidiary, Beijing Dan Yao Property Company Limited, and denominated in RMB.

(b) The bank overdrafts were secured by first legal charges over the properties held by a wholly-owned subsidiary and share charges over the issued shares of certain subsidiaries.

(c) The fair values of the short-term loans approximate to their respective carrying amounts and the effective interest rates of the bank loans and overdrafts are as follows:

	2006	2005	
	RMB	HK$	RMB
Short-term loans	5.6%	—	5.5%
Bank overdrafts	—	8.3%	—

29. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of operating profit to net cash generated from operations

	2006 HK$'000	2005 HK$'000
Operating profit	65,497	88,506
Depreciation and amortisation	136	362
(Gain)/loss on disposal of property, plant and equipment	(61)	5
Write back of provision for properties for sale	(2,067)	(14,041)
Change in fair value of investment properties	(31,627)	(60,900)
Dividend income	(467)	(467)
Interest income	(590)	(360)
Operating profit before working capital changes	30,821	13,105
Increase in debtors and prepayments	(15,458)	(7,969)
Increase in creditors and accruals	1,246	2,872
Cash generated from operations	16,609	8,008

(b) Analysis of changes in financing

	Bank loans	
	2006 HK$'000	2005 HK$'000
At beginning of the year	50,866	49,905
Changes in exchange rates	1,510	961
At end of the year	52,376	50,866

(c) Analysis of cash and cash equivalents

	2006 HK$'000	2005 HK$'000
Cash and bank balances	96,394	16,727
Bank overdrafts	—	(38,823)
	96,394	(22,096)

30. Commitments

(a) Operating lease commitments

The future aggregate minimum lease rental payments under non-cancellable operating leases in respect of land and buildings are payable in the following periods:

	Group and Company	
	2006	2005
	HK$'000	HK$'000
Within one year	**2,434**	1,095
One to five years	**261**	—
	2,695	1,095

(b) Operating lease rental receivable

The future minimum lease rental receipts under non-cancellable operating leases in respect of investment and other properties are receivable in the following periods:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**14,833**	10,555
One year to five years	**31,916**	9,646
Over five years	**4,041**	3,424
	50,790	23,625

31. Litigation

In February 2003, a purchaser of the properties developed by Beijing Dan Yao Property Company Limited ("Dan Yao"), a 85% subsidiary of the Group, lodged claims against Dan Yao for the refund of purchase consideration and penalties for reasons, among others, that Dan Yao was not able to obtain the property title certificate within the time stated in the relevant sale and purchase agreement. The first court judgement ruled in favour of the purchaser and as a result, the Group has made a full provision (note 27) for the claims while Dan Yao appealed against this ruling. In order to enable the interest of all creditors of Dan Yao, including the Group, be dealt with fairly and properly, the Company has applied in December 2004 for the liquidation of Dan Yao. In March 2005, the Second Intermediate People's Court of Beijing Municipality (the "PRC Court") accepted for consideration of the application of the Company to liquidate Dan Yao, which is then operating under the supervision of the PRC Court. Thereafter, certain creditors of Dan Yao have filed objections against placing Dan Yao under liquidation. The PRC Court has ordered Dan Yao to carry out an assessment of its financial affairs and valuation of its assets while a creditors meeting was held in September 2006 under the supervision of the PRC Court. Currently, the PRC Court has not yet made a determination whether or not to grant an order for the liquidation of Dan Yao. However, the Directors are of the opinion that the proposed liquidation of Dan Yao will not have any significant negative impact on the financial statements of the Group as a whole.

32. Principal Subsidiaries and Associated Companies

(a) Subsidiaries

Name	Place of incorporation/ operation	Issued share capital	Percentage of attributable equity Company	Group	Principal activities
AsiaSec Finance Limited	Hong Kong	HK$10,000	—	100	Financing
AsiaSec Property Management Limited	Hong Kong	HK$300,000	—	100	Property management
Beijing Dan Yao Property Company, Limited(1)	Mainland China	US$11,670,000(2)	—	85	Property development
Citigrand Investment Limited	Hong Kong	HK$2	—	100	Property investment
Dan Form (China) Limited	Hong Kong	HK$2	100	100	Investment holding
Dan Form (Hong Kong) Limited	Hong Kong	HK$1,000,000	100	100	Investment holding
Dawna Range Company Limited	Hong Kong	HK$20	—	100	Investment holding
Diamond Property Management Company Limited	Hong Kong	HK$10,000	—	100	Property management
Dun Man Enterprises Limited	Hong Kong	HK$1,000,000	—	100	Property investment
Harcape Limited	Hong Kong	HK$10,000	—	100	Property investment
Keen Safe Investment Limited	Hong Kong	HK$1,010,000	—	100	Investment holding
Kirshman Limited	Hong Kong	HK$2	100	100	Investment holding
Landfine Investment Limited	Hong Kong	HK$2	—	100	Property investment
Man Lee Offshore Limited	British Virgin Islands/ Mainland China	US$1	—	100	Property investment
Oriental Dragon Investment Limited	British Virgin Islands/ Mainland China	US$1	—	100	Property investment
Top Power Development Limited	Hong Kong	HK$2	—	100	Property investment
Turbo Dragon Limited	Hong Kong	HK$2	—	100	Investment holding
Winshine Properties Limited	British Virgin Islands/ Mainland China	US$1	—	100	Property investment

(b) Associated companies

Name	Place of incorporation/ operation	Issued share capital	Percentage of attributable equity Company	Group	Principal activities
Beijing Jing Yuan Property Development Company, Limited(1)	Mainland China	US$61,220,000(2)	—	29.4	Property development
Ho Pok Investment Company Limited	Hong Kong	HK$10,000	—	50	Investment holding
Kin Tong Land Investment Company	Hong Kong	HK$10,000,000	—	50	Property investment
Zeta Estates Limited	Hong Kong	HK$990,000	—	33.33	Property investment

(1) Sino-foreign joint venture companies

(2) Paid-up registered capital