Notes to the Consolidated Financial Statements

31st December, 2006

1. GENERAL INFORMATION

Great China Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in general trading and property investment.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 6th Floor, 9 Des Voeux Road West, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in units of HK dollars (HK$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20th April, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

The consolidated financial statements of Great China Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets (including derivative instruments) at fair value through profit or loss.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

a. Basis of preparation *(Cont'd)*

(i) Changes in accounting policies as a result of amendments to published standards effective in 2006

The adoption of HKAS 39 Amendment, "The fair value option" has restricted the circumstances in which a financial asset or liability may be designated as at fair value through profit or loss and has resulted in a change in accounting policy relating to the recognition of financial assets at fair value through profit or loss. The date of de-designation of financial asset at fair value through profit or loss is deemed to be its date of initial recognition, which is 1st January, 2005. At the date of de-designation, the fair value of the financial asset at fair value through profit or loss was HK$862,360. The adoption of this amendment resulted in an increase in retained earnings and a decrease in available-for-sale financial assets revaluation reserve at 1st January, 2005 by HK$2,007,696. The details of the impact on the balance sheets at 31st December, 2006 and 2005 and income statements for the year ended 31st December, 2006 and 2005 are as follows:

	As at	
	31st December, 2006	31st December, 2005
	HK$	*HK$*
Decrease in financial assets at fair value through profit or loss	**2,274,360**	894,360
Increase in available-for-sale financial assets	**2,274,360**	894,360
Increase in retained earnings	**595,696**	1,975,696
Decrease in available-for-sale financial assets revaluation reserve	**595,696**	1,975,696

	For the year ended	
	31st December, 2006	31st December, 2005
	HK$	*HK$*
Decrease in fair value gains on financial assets at fair value through profit or loss	**1,380,000**	32,000

The following standards and amendments are mandatory for accounting periods beginning on or after 1st January 2006 but have no material impact on the Group's accounting policies.

- HKAS 21 Amendment – Net Investment in a Foreign Operation; and
- HKAS 39 and HKFRS 4 Amendment – Financial Guarantee Contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

a. Basis of preparation *(Cont'd)*

(i) Changes in accounting policies as a result of amendments to published standards effective in 2006 (Cont'd)

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant to the Company's operations:

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

(ii) Standards, amendment and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1st March 2006 or later periods but that the Company has not early adopted.

The management is currently assessing the impact of these new standards, amendments and interpretations on the Company's operations.

- HKAS 1 Amendment – Capital Disclosures;
- HKFRS 7 – Financial Instruments: Disclosures;
- HKFRS 8 – Operating Segments;
- HK(IFRIC)-Int 7 – Applying the Restatement Approach under HKAS 29 – Financial Reporting in Hyperinflationary Economies;
- HK(IFRIC)-Int 8 – Scope of HKFRS 2;
- HK(IFRIC)-Int 9 – Reassessment of embedded derivatives;
- HK(IFRIC)-Int 10 – Interim Financial Reporting and Impairment;
- HK(IFRIC)-Int 11 – HKFRS 2 – Group and Treasury Share Transactions; and
- HK(IFRIC)-Int 12 – Service Concession Arrangements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

b. Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st, December.

(i) Subsidiaries

Subsidiaries 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are 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 Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2(e)). 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 income statement.

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 Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(h)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

b. Consolidation *(Cont'd)*

(ii) Transactions with minority interests

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 consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2(e)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (Note 2(h)). The results of associates are accounted for by the Company on the basis of dividends received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

c. 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 economic environments.

d. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale financial assets revaluation reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

d. Foreign currency translation *(Cont'd)*

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– 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 operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement 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 closing rate.

e. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

e. Goodwill *(Cont'd)*

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Great China Holdings Limited allocates goodwill to each business segment in each country in which it operates (Note 2(h)).

f. Property, plant and equipment

Buildings comprise mainly staff quarters and offices. All property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

Buildings	2.5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	25%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains, net, in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

g. Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by companies in the consolidated Group, is classified as investment property.

Investment property comprises 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 active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers, A.G. Wilkinson & Associates. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active, continues to be measured at fair value.

The fair value of 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. Some of those outflows are reflected in the liability whereas others relate to outflows that are not recognised in the financial statements until a later date.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item 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 income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement as part of other gains, net.

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 property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

g. Investment properties *(Cont'd)*

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

h. Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. 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. 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 have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

i. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

i. Financial assets *(Cont'd)*

(ii) Loans and receivables

Loans and receivables 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 maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2(l)).

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; these are classified as current assets.

(iv) 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 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within "other gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

i. Financial assets *(Cont'd)*

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other gains, net. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other gains, net when the Group's right to receive payment is established.

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 securities), 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, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2(l).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

j. Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs attributable to the unsold units. It excludes borrowing costs. Net realisable value is determined on the basis of anticipated sales proceeds, or management estimates based on the prevailing market conditions, less all estimated costs to completion and selling expenses.

k. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises invoiced price from suppliers and related overheads. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

l. Trade and other receivables

Trade and other receivables 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 trade and other receivables 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 the receivables. 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 trade receivable is impaired. 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

m. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

n. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o. Trade payables

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

p. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement 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 12 months after the balance sheet date.

q. Deferred income tax

Deferred income tax 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 consolidated financial statements. However, the deferred income tax is not accounted for if it 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. Deferred income tax 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 subsidiaries and associates, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

r. Employee benefits

(i) Retirement benefit costs

The Group operates defined contribution plans which are available to all employees. The plans are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's liability in respect of these funds is limited to the contributions payable in each period. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Bonus plans

The Group recognises a liability and an expense for bonuses by taking into consideration the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

s. Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

t. Financial Guarantees

A financial guarantees (a type of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee resulted in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

u. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) sale of goods – when risks and rewards of ownership have been transferred to customers, which generally coincides with the time when the goods are delivered to customers and title has passed;

(ii) sale of properties – when the sale agreement is completed;

(iii) rental income – over the term of the lease on a straight-line basis;

(iv) agency fee income – when services are rendered;

(v) interest income – on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

v. Operating leases

As the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

v. Operating leases *(Cont'd)*

As the lessor

When assets are leased out under an operating lease, the asset is included as investment properties in the balance sheet.

Lease income is recognised over the term of the lease on a straight-line basis (net of any incentives paid to the lessee).

w. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

x. Borrowing costs

All borrowing costs are expensed in the income statement.

3. FINANCIAL RISK MANAGEMENT

a. Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. Risk management is carried out by closely monitoring the daily operations by the Directors.

(i) Foreign exchange risk

The Group mainly operates in the Asia Pacific Region and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Reminbi ("RMB"). The HK dollar is pegged to the US dollar at an exchange rate of approximately 7.8, the foreign exchange exposure between US dollar and HK dollar is therefore minimal. For assets and transactions denominated in RMB, the Group is exposed to foreign exchange risk arising from the exposure of the RMB against the HK dollar. The Group manages its foreign exchange risk by monitoring foreign currency fluctuations.

(ii) Credit risk

The majority of the Group's sales are on letter of credit or documents against payment. The credit terms given to the customers vary and are generally based on the financial strength of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

3. FINANCIAL RISK MANAGEMENT *(Cont'd)*

a. Financial risk factors *(Cont'd)*

(iii) Liquidity risk

The Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

(iv) Cash flow and fair value interest rate risk

The Group's interest-bearing assets are principally the loan to an associate and bank saving balances. The interest income is dependent on changes in market interest rates.

The Group's interest rate risk arises from bank borrowings. 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 has not hedged its exposure to interest rate risk.

b. 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 fair value of financial instruments that are not traded in an active market (for example, club debentures) 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. Quoted market prices or dealer quotes for similar instruments are used. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Taxes

The Group is subject to taxes in several jurisdictions. Significant judgment is required in determining the provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues 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 income tax and deferred tax provisions in the period in which such determination is made.

(ii) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. The valuation is reviewed annually by qualified valuers by considering information from a variety of sources including:

– current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

– recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

– discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from the external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Cont'd)*

a. Critical accounting estimates and assumptions *(Cont'd)*

(ii) Estimate of fair value of investment properties (Cont'd)

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(iii) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, club debentures) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(iv) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 14).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Cont'd)*

b. Critical judgements in applying the entity's accounting policies

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated variable selling expenses. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, significant judgements are required. In making this judgement, the Company evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions.

5. SALES AND SEGMENT INFORMATION

The Group is principally engaged in general trading and property investment.

Analysis of sales by category is as follows:

	GROUP	
	2006	2005
	HK$	*HK$*
Sales		
Sales of goods	**1,419,826,179**	1,541,815,786
Sales of properties	**12,360,150**	14,042,954
Rental income from investment properties	**25,467,454**	24,028,944
Agency fee income	**2,294,016**	506,334
	1,459,947,799	1,580,394,018

5. SALES AND SEGMENT INFORMATION *(Cont'd)*

Primary reporting format – business segments

At 31st December, 2006, the Group is organised on a worldwide basis into two main business segments:

(1) General trading – trading of animal feed (mainly fishmeal and tapioca chips)

(2) Property investment – rental income from investment properties, sale of properties held for sale and provision of real estate agency services

There are no sales or other transactions between the business segments.

Unallocated costs represent corporate expenses, including gains and losses of derivative financial instruments held for trading.

Segment assets consist primarily of goodwill, investment properties, property, plant and equipment, leasehold land and land use rights, properties held for sale, inventories, receivables and operating cash. Unallocated assets comprise available-for-sale financial assets, financial assets at fair value through profit or loss, held-to-maturity financial assets and other corporate assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as current income tax liabilities, deferred income tax liabilities and corporate borrowings.

Capital expenditure comprises goodwill (Note 14), additions to investment properties (Note 15), property, plant and equipment (Note 16) and leasehold land and land use rights (Note 17).

Secondary reporting format – geographical segments

The Group's two business segments operate in three main geographical areas:

Hong Kong	–	rental income from investment properties
Mainland China	–	trading of animal feed, rental income from investment properties, sale of properties held for sale and provision of real estate agency services
Other countries	–	trading of animal feed and sale of properties held for sale

There are no sales or other transactions between the geographical segments.

Sales are allocated based on the countries in which the customer is located.

Total assets are allocated based on where the assets are located.

Capital expenditure is allocated based on where the assets are located.

5. SALES AND SEGMENT INFORMATION *(Cont'd)*

Primary reporting format – business segments

	General trading 2006 *HK$*	Property investment 2006 *HK$*	GROUP 2006 *HK$*
The segment results for the year ended 31st December, 2006 are as follows:			
Sales	1,419,826,179	40,121,620	1,459,947,799
Segment results	38,138,771	40,940,084	79,078,855
Unallocated corporate expenses			(1,731,114)
Operating profit			77,347,741
Finance costs *(Note 8)*			(12,242,242)
Share of profit of associates *(Note 19)*			662,842
Profit before income tax			65,768,341
Income tax expense *(Note 9)*			(2,822,105)
Profit for the year			62,946,236
Other segment items included in the income statement are as follows:			
Depreciation of property, plant and equipment *(Note 16)*	147,590	887,728	1,035,318
Amortisation of leasehold land and land use rights *(Note 17)*	–	16,264	16,264
Amortisation of properties held for sale – leasehold land and land use rights *(Note 21)*	–	77,950	77,950
Impairment charge of properties held for sale – buildings *(Note 6)*	–	1,074,461	1,074,461
Impairment charge and write-off of trade and other receivables *(Note 6)*	2,616,641	303,035	2,919,676
Write-off of inventories and write-downs of inventories to net realisable value *(Note 6)*	11,035,418	–	11,035,418

The segment assets and liabilities at 31st December, 2006 and capital expenditure for the year then ended are as follows:

	General trading 2006 *HK$*	Property investment 2006 *HK$*	GROUP 2006 *HK$*
Segment assets	317,370,149	713,105,547	1,030,475,696
Interests in associates		50,714,982	50,714,982
Unallocated assets			23,002,967
Total assets			1,104,193,645
Segment liabilities	231,566,198	132,412,549	363,978,747
Unallocated liabilities			172,461,116
Total liabilities			536,439,863
Capital expenditure *(Notes 14, 15, 16 and 17)*	23,913,085	129,325	24,042,410

5. SALES AND SEGMENT INFORMATION *(Cont'd)*

Primary reporting format – business segments *(Cont'd)*

	General trading 2005 *HK$*	**Property investment** 2005 *HK$*	**GROUP** 2005 *Restated* *HK$*
The segment results for the year ended 31st December, 2005 are as follows:			
Sales	1,541,815,786	38,578,232	1,580,394,018
Segment results	23,159,942	44,886,479	68,046,421
Unallocated corporate expenses			(19,500,378)
Operating profit			48,546,043
Finance costs *(Note 8)*			(7,002,661)
Share of loss of associates *(Note 19)*			(4,481,624)
Profit before income tax			37,061,758
Income tax expense *(Note 9)*			(7,638,323)
Profit for the year			29,423,435
Other segment items included in the income statements are as follows:			
Depreciation of property, plant and equipment *(Note 16)*	126,783	1,003,693	1,130,476
Amortisation of leasehold land and land use rights *(Note 17)*	–	27,243	27,243
Amortisation of properties held for sale – leasehold land and land use rights *(Note 21)*	–	81,414	81,414
Impairment charge of leasehold land and land use rights *(Note 17)*	–	102,211	102,211
Impairment charge of properties held for sale – buildings *(Note 6)*	–	799,500	799,500
Impairment charge and write-off of trade and other receivables *(Note 6)*	–	2,034,348	2,034,348
Write-off of inventories and write-downs of inventories to net realisable value *(Note 6)*	1,639,934	–	1,639,934
The segment assets and liabilities at 31st December, 2005 and capital expenditure for the year then ended are as follows:			
Segment assets	170,245,232	691,287,496	861,532,728
Interests in associates		48,759,030	48,759,030
Unallocated assets			19,922,562
Total assets			930,214,320
Segment liabilities	145,858,684	122,188,657	268,047,341
Unallocated liabilities			162,901,769
Total liabilities			430,949,110
Capital expenditure *(Notes 14, 15, 16 and 17)*	–	757,796	757,796

5. SALES AND SEGMENT INFORMATION *(Cont'd)*

Secondary reporting format – geographical segments

	Turnover 2006 HK$	Segment results 2006 HK$	Total assets 2006 HK$	Capital expenditure 2006 HK$
Hong Kong	**14,346,316**	**34,043,571**	**439,929,587**	**67,553**
Mainland China	**1,407,175,477**	**39,434,546**	**613,430,099**	**23,974,857**
Other countries	**38,426,006**	**5,600,738**	**118,977**	**–**
	1,459,947,799	**79,078,855**	**1,053,478,663**	**24,042,410**
Unallocated corporate expenses		**(1,731,114)**		
Operating profit		**77,347,741**		
Interests in associates			**50,714,982**	
Total assets			**1,104,193,645**	

GROUP

	Sales 2005 HK$	**Segment results** 2005 Restated HK$	**Total assets** 2005 HK$	**Capital expenditure** 2005 HK$
Hong Kong	13,625,693	49,981,517	414,758,292	35,583
Mainland China	1,535,498,475	17,636,823	457,889,916	722,213
Other countries	31,269,850	428,081	8,807,082	–
	1,580,394,018	68,046,421	881,455,290	757,796
Unallocated corporate expenses		(19,500,378)		
Operating profit		48,546,043		
Interests in associates			48,759,030	
Total assets			930,214,320	

6. OPERATING PROFIT

Operating profit is stated after charging the following:

	2006	2005
	HK$	*HK$*
Cost of inventories sold	**1,243,147,384**	1,307,444,976
Freight charges	**94,761,665**	183,247,789
Depreciation of property, plant and equipment *(Note 16)*	**1,035,318**	1,130,476
Amortisation of leasehold land and land use rights *(Note 17)*	**16,264**	27,243
Amortisation of properties held for sale – leasehold land and land use rights *(Note 21)*	**77,950**	81,414
Impairment charge of leasehold land and land use rights *(Note 17)*	**–**	102,211
Impairment charge of properties held for sale – buildings	**1,074,461**	799,500
Employee benefit expense (excluding directors' emoluments)		
Wages and salaries	**10,464,389**	8,510,432
Retirement benefit costs – defined contribution plan	**142,742**	108,836
Operating lease rentals in respect of land and buildings	**–**	906,977
Direct operating expenses arising from investment properties that generate rental income	**3,192,855**	2,277,670
Auditors' remuneration	**900,000**	798,371
Impairment charge and write-off of trade and other receivables	**2,919,676**	2,034,348
Write-off of inventories and write-downs of inventories to net realisable value	**11,035,418**	1,639,934

7. OTHER GAINS, NET

	2006	2005
		Restated
	HK$	*HK$*
Fair value gains on investment properties *(Note 15)*	**22,158,274**	31,824,000
Interest income	**5,958,218**	997,640
Loss on forward foreign exchange contracts	**–**	(11,355,856)
Financial assets at fair value through profit or loss:		
– fair value losses (unrealised)	**–**	(17,160)
– fair value gains (realised)	**204,985**	210,176
Net foreign exchange gains	**981,628**	1,168,858
Gain on disposal of investment properties	**18,420**	–
Loss on disposal of property, plant and equipment	**(91,089)**	(66,522)
Others	**918,200**	510,693
	30,148,636	23,271,829

8. FINANCE COSTS

	2006	2005
	HK$	*HK$*
Interest expense on bank borrowings:		
– wholly repayable within 5 years	**4,394,257**	1,354,862
– not wholly repayable within 5 years	**7,847,985**	5,647,799
	12,242,242	7,002,661

9. INCOME TAX EXPENSE

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 overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006	2005
	HK$	*HK$*
Current income tax:		
– Hong Kong profits tax	**270,000**	–
– Overseas taxation	**–**	708,839
Deferred income tax *(Note 30)*	**2,552,105**	6,929,484
	2,822,105	7,638,323

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2006	2005
		Restated
	HK$	*HK$*
Profit before income tax	**65,768,341**	37,061,758
Calculated at a tax rate of 17.5% (2005: 17.5%)	**11,509,460**	6,485,808
Effect of different tax rate in other countries	**(31,905)**	1,325,542
Income not subject to tax	**(441,525)**	(136,594)
Expenses not deductible for tax purposes	**1,256,859**	2,656,712
Reversal of deferred income tax upon the transfer of property held for sale to investment property	**(3,403,045)**	–
Tax losses for which no deferred income tax asset was recognised	**2,283,837**	3,172,265
Utilisation of previously unrecognised tax losses	**(8,351,576)**	(5,865,410)
Income tax expense	**2,822,105**	7,638,323

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$29,342,189 (2005: HK$3,160,077).

11. DIVIDENDS

	2006	2005
	HK$	*HK$*
Interim dividend paid of HK$0.01 (2005: HK$0.01) per ordinary share	**2,616,849**	2,616,849
Proposed final dividend of HK$0.01 (2005: HK$0.01) per ordinary share	**2,616,849**	2,616,849
	5,233,698	5,233,698

The dividends paid in 2006 and 2005 were both HK$5,233,698 (HK$0.02 per share). A final dividend in respect of the year ended 31st December, 2006 of HK$0.01 per ordinary share, amounting to a total dividend of HK$2,616,849, is to be proposed at the Annual General Meeting on 18th May, 2007. These financial statements do not reflect this dividend payable.

12. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
		Restated
Profit attributable to equity holders of the Company	**HK$62,946,236**	HK$30,150,799
Weighted average number of ordinary shares in issue	**261,684,910**	261,684,910
Basic earnings per share	**HK$0.2405**	HK$0.1152

Diluted

Diluted earnings per share is the same as basic earnings per share since the Company has no dilutive potential ordinary shares.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

a. Directors' emoluments

The remuneration of each Director is set out below:

Name of Director	Fees	Salaries	Discretionary Bonus	Benefits in Kind	Retirement Benefit Costs	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31st December, 2006						
Mr John Ming Tak HO	**–**	**3,400,478**	**1,120,000**	**1,164,647**	**12,000**	**5,697,125**
Mr Rustom Ming Yu HO	**–**	**600,000**	**–**	**156,600**	**–**	**756,600**
Mr Patrick Kwok Wai POON	**–**	**573,075**	**490,400**	**–**	**22,068**	**1,085,543**
Mr. Chiu Yi CHIU	**–**	**46,800**	**–**	**–**	**–**	**46,800**
Mr David Hon To YU	**240,000**	**–**	**–**	**–**	**–**	**240,000**
Mr Lawrence Kam Kee YU	**240,000**	**–**	**–**	**–**	**–**	**240,000**
Mr Hsu Chou WU	**60,000**	**–**	**–**	**–**	**–**	**60,000**
Year ended 31st December, 2005						
Mr John Ming Tak HO	–	2,956,381	280,000	1,173,124	12,000	4,421,505
Mr Rustom Ming Yu HO	–	755,692	50,000	–	–	805,692
Mr Chui Yi CHIU	–	–	–	–	–	–
Mr David Hon To YU	240,000	–	–	–	–	240,000
Mr Lawrence Kam Kee YU	240,000	–	–	–	–	240,000
Mr Hsu Chou WU	60,000	–	–	–	–	60,000

b. Five highest paid individuals

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

	2006	2005
	HK$	*HK$*
Salaries and other benefits	**1,205,640**	1,846,514
Discretionary bonus	**749,440**	468,000
Retirement benefit costs – defined contribution plan	**24,000**	43,500
	1,979,080	2,358,014

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Cont'd)*

b. Five highest paid individuals *(Cont'd)*

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Nil to HK$1,000,000	**1**	3
HK$1,000,000 to HK$1,500,000	**1**	–

14. GOODWILL

	2006	2005
	HK$	*HK$*
At 1st January	**–**	–
Acquisition of additional interest in a subsidiary	**22,308,000**	–
At 31st December	**22,308,000**	–

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below:

	2006			2005		
	General trading	**Property investment**	**Total**	General trading	Property investment	Total
Mainland China	**22,308,000**	**–**	**22,308,000**	–	–	–

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated by assuming steady cash flow at the 5th year. The growth rate does not exceed the long-term average growth rate for the general trading business in which the CGU operates.

14. GOODWILL *(Cont'd)*

The key assumptions used for value-in-use calculations are as follows:

Gross margin:	11%
Growth rate:	–
Discount rate:	5%

These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted gross margin based on past performance and its expectations for market growth. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. No write-down of goodwill was required as a result of the impairment test.

15. INVESTMENT PROPERTIES

	GROUP	
	2006	2005
	HK$	*HK$*
At 1st January	**565,473,500**	531,266,400
Net exchange differences	**7,262,476**	832,100
Additions	**92,825**	–
Fair value gains (included in other gains, net) *(Note 7)*	**22,158,274**	31,824,000
Transfer from property, plant and equipment and leasehold land and land use rights	**–**	1,551,000
Transfer from properties held for sale	**19,500,030**	–
Disposals	**(13,324,575)**	–
At 31st December	**601,162,530**	565,473,500

Investment properties were revalued at 31st December, 2006 by independent, professionally qualified valuers, A.G. Wilkinson & Associates. Valuations were based on current prices in an active market or discounted cash flow projections.

The period of leases whereby the Group leases out its investment property under operating leases is two years or more.

At 31st December 2006, Unit Nos. 404, 504, 604, 704 and 804 of Block 2, Kingswell Garden, Lane 3887 Hong Mei Road, Chiang Ning District, Shanghai were transferred from properties held for sale to investment properties as the Group has changed their intention to hold the properties for long-term yields purpose.

15. INVESTMENT PROPERTIES *(Cont'd)*

The Group's interests in investment properties at their net book values are analysed as follows:

	2006			2005		
	Hong Kong	**Outside Hong Kong**	**Total**	Hong Kong	Outside Hong Kong	Total
	HK$	***HK$***	***HK$***	*HK$*	*HK$*	*HK$*
Held on:						
Leases of between 10 to 50 years	**99,300,000**	**–**	**99,300,000**	62,000,000	–	62,000,000
Leases of over 50 years	**300,300,000**	**201,562,530**	**501,862,530**	330,200,000	173,273,500	503,473,500
	399,600,000	**201,562,530**	**601,162,530**	392,200,000	173,273,500	565,473,500

Bank borrowings are secured on certain investment properties valued at HK$580,029,000 (2005: HK$563,906,000) (Note 29).

16. PROPERTY, PLANT AND EQUIPMENT

a. GROUP

	Buildings	**Leasehold Improvements**	**Furniture, Fixtures and Office Equipment**	**Motor Vehicles**	**Total**
	HK$	***HK$***	***HK$***	***HK$***	***HK$***
Cost:					
At 1st January, 2006	**10,927,915**	**8,283,596**	**5,415,106**	**2,365,044**	**26,991,661**
Exchange differences	**57,895**	**59,728**	**119,927**	**51,503**	**289,053**
Additions	**–**	**–**	**55,645**	**1,585,940**	**1,641,585**
Disposals	**–**	**(674,942)**	**(144,425)**	**–**	**(819,367)**
At 31st December, 2006	**10,985,810**	**7,668,382**	**5,446,253**	**4,002,487**	**28,102,932**
Accumulated depreciation and impairment:					
At 1st January, 2006	**2,229,211**	**7,850,918**	**4,771,250**	**1,147,729**	**15,999,108**
Exchange differences	**57,895**	**47,573**	**101,982**	**28,276**	**235,726**
Charge for the year	**269,551**	**165,962**	**197,612**	**402,193**	**1,035,318**
Disposals	**–**	**(602,689)**	**(125,589)**	**–**	**(728,278)**
At 31st December, 2006	**2,556,657**	**7,461,764**	**4,945,255**	**1,578,198**	**16,541,874**
Net book amount at 31st December, 2006	**8,429,153**	**206,618**	**500,998**	**2,424,289**	**11,561,058**
Net book amount at 31st December, 2005	**8,698,704**	**432,678**	**643,856**	**1,217,315**	**10,992,553**

16. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

a. GROUP *(Cont'd)*

	Buildings	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Motor Vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost:					
At 1st January, 2005	11,633,423	8,197,420	5,698,650	2,240,491	27,769,984
Exchange differences	–	501	14,520	12,875	27,896
Additions	–	85,675	136,503	535,618	757,796
Transfer to investment properties	(705,508)	–	–	–	(705,508)
Disposals	–	–	(434,567)	(423,940)	(858,507)
At 31st December, 2005	10,927,915	8,283,596	5,415,106	2,365,044	26,991,661
Accumulated depreciation and impairment:					
At 1st January, 2005	2,109,571	7,620,280	4,931,726	990,835	15,652,412
Exchange differences	–	184	8,467	4,468	13,119
Charge for the year	278,561	230,454	257,634	363,827	1,130,476
Transfer to investment properties	(158,921)	–	–	–	(158,921)
Disposals	–	–	(426,577)	(211,401)	(637,978)
At 31st December, 2005	2,229,211	7,850,918	4,771,250	1,147,729	15,999,108
Net book amount at 31st December, 2005	8,698,704	432,678	643,856	1,217,315	10,992,553
Net book amount at 31st December, 2004	9,523,852	577,140	766,924	1,249,656	12,117,572

Bank borrowings are secured on buildings valued at HK$5,983,411 (2005: HK$6,187,742 (Note 29)).

16. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

b. COMPANY

	Furniture, Fixtures and Office Equipment	
	2006	2005
	HK$	*HK$*
Cost:		
At 1st January	**1,187,680**	1,187,680
Exchange differences	**7,042**	–
Addition	**380**	–
At 31st December	**1,195,102**	1,187,680
Accumulated depreciation:		
At 1st January	**1,186,393**	1,182,647
Exchange differences	**7,012**	–
Charge for the year	**1,026**	3,746
At 31st December	**1,194,431**	1,186,393
Net book amount at 31st December	**671**	1,287

17. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2006			2005		
		Outside			Outside	
	Hong Kong	**Hong Kong**	**Total**	Hong Kong	Hong Kong	Total
	HK$	***HK$***	***HK$***	*HK$*	*HK$*	*HK$*
Held on leases of over 50 years	**10,539,782**	**300,161**	**10,839,943**	10,551,600	304,607	10,856,207

Bank borrowings are secured on leasehold land and land use rights with a carrying amount of HK$10,539,782 (2005: HK$10,551,600 (Note 29)).

17. LEASEHOLD LAND AND LAND USE RIGHTS *(Cont'd)*

	GROUP	
	2006	2005
	HK$	*HK$*
At 1st January	**10,856,207**	11,990,074
Amortisation of prepaid operating lease payment	**(16,264)**	(27,243)
Impairment charge	**–**	(102,211)
Transfer to investment properties	**–**	(1,004,413)
At 31st December	**10,839,943**	10,856,207

18. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES - COMPANY

a. Interests in subsidiaries

	2006	2005
	HK$	*HK$*
Unlisted shares, at cost	**51,216,045**	51,215,849
Less: Provision for impairment losses	**(3,871,965)**	–
	47,344,080	51,215,849

The following is a list of the principal subsidiaries:

Name of company	Issued and fully paid share/registered capital		Interest held 2006	Interest held 2005	Principal activities
Incorporated in Hong Kong					
Alliance Pacific Investment Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Beijing, China
Capital Head Investment Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Shanghai, China
Concord Trinity Development Limited *	Ordinary Non-voting deferred	HK$2 HK$2	**100%**	100%	Property investment in Shanghai, China

18. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Cont'd)*

a. Interests in subsidiaries *(Cont'd)*

Name of company	Issued and fully paid share/registered capital		Interest held 2006	Interest held 2005	Principal activities
G.C. Luckmate Trading Limited *	Ordinary	HK$4,000,000	**100%**	95%	General trading
G.C. Luckmate Trading (Asia) Limited *	Ordinary	HK$2	**100%**	100%	General trading
G.C. Luckmate Trading (China) Limited (formerly known as Allon Trading Limited)	Ordinary	HK$2	**100%**	100%	General trading (2005: Securities trading)
G.C. Luckmate Trading (International) Limited *	Ordinary	HK$2	**100%**	100%	General trading
G.C. Nominees Limited	Ordinary	HK$100	**100%**	100%	Inactive
Glory South Investment Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Hainan, China
Halesite Limited	Ordinary	HK$4,000,000	**100%**	100%	Property investment
Honour Alliance Development Limited *	Ordinary	HK$100	**100%**	100%	Property investment
Jelson Enterprises Limited *	Ordinary Non-voting deferred	HK$2 HK$2	**100%**	100%	Property investment in Shanghai, China
New Solution Consultants Limited	Ordinary	HK$2	**100%**	100%	Investment holding
Silver Regent Development Limited *	Ordinary	HK$100	**100%**	100%	Property investment
Star Talent Investment Limited *	Ordinary	HK$2	**100%**	100%	Property investment in Beijing, China
Sunison Development Limited	Ordinary	HK$100	**100%**	100%	Investment holding
Tai Loy Trading Company Limited	Ordinary	HK$43,344,000	**100%**	100%	Investment holding
Incorporated in the British Virgin Islands					
Adamgate Limited *	Ordinary	US$1	**100%**	100%	Investment holding
Dajen Properties Limited	Ordinary	US$1	**100%**	100%	Investment holding
Fairlight Limited *	Ordinary	US$1	**100%**	100%	Ship chartering
Great China Commodities Limited *	Ordinary	US$10,000	**100%**	95%	Investment holding
Great China Development (Shanghai) Limited	Ordinary	US$10	**100%**	100%	Investment holding
Jasmine Ocean Limited*	Ordinary	US$1	**100%**	–	Ship chartering
Poppins Properties Limited *	Ordinary	US$55,603	**100%**	100%	Investment holding

18. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Cont'd)*

a. Interests in subsidiaries *(Cont'd)*

Name of company	Issued and fully paid share/registered capital		Interest held 2006	Interest held 2005	Principal activities
Incorporated in Canada					
549653 B. C. Limited	Common	CAD1	**100%**	100%	Property investment in Vancouver, Canada
Established in the People's Republic of China ("PRC")					
Haode Property Management (Shanghai) Company Limited *(a wholly foreign owned investment enterprise)*	Registered capital	US$500,000	**100%**	100%	Real estate agent in Shanghai, China
Qingdao Parada International Heating Company Limited * *(a foreign equity joint venture enterprise)*	Registered capital	US$360,000	**63%**	63%	Boiler trading in Qingdao, China
博平置業(上海)有限公司* *(a wholly foreign owned investment enterprise)*	Registered capital	US$8,460,000	**100%**	100%	Property investment in Shanghai, China

All subsidiaries operate in Hong Kong unless otherwise stated.

Except for those subsidiaries marked with an asterisk "*", the above subsidiaries are all held directly by the Company.

b. Amounts due from/(to) subsidiaries

	2006 *HK$*	2005 *HK$*
Amounts due from subsidiaries:		
Non-current assets	**246,036,360**	–
Less: provision for impairment losses	**(4,387,880)**	–
	241,648,480	–
Current assets	–	325,349,077
	241,648,480	325,349,077

The amounts due from/(to) subsidiaries are unsecured, interest-free and not repayable within twelve months from the balance sheet date. The carrying amounts of amounts due from/(to) subsidiaries approximate their fair values.

19. INTERESTS IN ASSOCIATES

	GROUP	
	2006	2005
	HK$	*HK$*
At 1st January	**48,759,030**	53,068,492
Share of profit/(loss)		
– profit/(loss) before income tax	**1,429,739**	(6,405,991)
– income tax (expense)/credit	**(766,897)**	1,924,367
	49,421,872	48,586,868
Exchange differences *(Note 28)*	**1,293,110**	172,162
At 31st December	**50,714,982**	48,759,030

The Group's interests in its associates, both of which are unlisted, are as follows:

Name of company	Place of incorporation/ establishment	Issued and fully paid shares/registered capital	Interest held 2006	Interest held 2005	Principal activities
Samstrong International Limited[1]	British Virgin Islands	Ordinary US$100	**43%**	43%	Investment holding
Da Da Development (Shanghai) Corporation[2] *(a wholly foreign owned investment enterprise)*	The PRC	Registered capital US$10,200,000	**43%**	43%	Property investment in Shanghai, China

[1] Out of the total 43 shares held by the Group, 7 shares (2005: 7 shares) are charged to another shareholder of Samstrong International Limited in exchange for the consent from such shareholder to pledge the investment properties of the associate as security for banking facilities used by the Group.

[2] Da Da Development (Shanghai) Corporation is a wholly owned subsidiary of Samstrong International Limited.

19. INTERESTS IN ASSOCIATES *(Cont'd)*

Consolidated financial information of the associates is as follows:

	2006	2005
	HK$	*HK$*
Turnover	**7,365,058**	5,921,914
Profit/(loss) for the year	**1,541,493**	(10,422,382)
Investment properties	**326,700,000**	312,000,000
Property, plant and equipment	**293,134**	201,259
Current assets	**9,856,679**	7,465,425
Current liabilities	**(14,507,321)**	(16,464,471)
Shareholders' loans	**(143,198,418)**	(132,826,414)
Deferred income tax liabilities	**(61,202,255)**	(56,982,706)
Total equity	**117,941,819**	113,393,093

The investment properties were revalued at 31st December, 2006 by independent, professionally qualified valuers, A. G. Wilkinson & Associates. The investment properties are pledged to banks to secure the associates' banking facilities of approximately HK$11,068,200 (2005: HK$13,304,200).

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006	2005
		Restated
	HK$	*HK$*
At 1st January, as previously reported	**–**	–
Adoption of HKAS 39 Amendment, "The fair value option"	**894,360**	862,360
At 1st January, as restated	**894,360**	862,360
Net gains transferred to equity *(Note 28)*	**1,380,000**	32,000
At 31st December	**2,274,360**	894,360

There were no disposals or impairment provisions on available-for-sale financial assets in 2006 or 2005.

Available-for-sale financial assets consist of club debentures in Hong Kong and the PRC, denominated in HK dollars	**2,274,360**	894,360

21. PROPERTIES HELD FOR SALE

	GROUP	
	2006	2005
	HK$	*HK$*
Properties held for sale		
– Leasehold land and land use rights *(Note)*	**5,539,313**	5,397,280
– Buildings	**36,405,160**	58,347,385
	41,944,473	63,744,665

Note:

	GROUP	
	2006	2005
	HK$	*HK$*
Held on leases of over 50 years and located outside Hong Kong	**5,539,313**	5,397,280

	GROUP	
	2006	2005
	HK$	*HK$*
At 1st January	**5,397,280**	1,659,871
Exchange differences	**219,983**	–
Additions	**–**	5,191,150
Amortisation of prepaid operating lease payment	**(77,950)**	(81,414)
Disposals	**–**	(1,372,327)
At 31st December	**5,539,313**	5,397,280

Bank borrowings are secured on properties held for sale with a carrying amount of HK$39,211,837 (2005: HK$54,632,103).

22. INVENTORIES

	2006	2005
	HK$	*HK$*
Finished goods, at cost	**132,660,762**	48,301,141
Less: provision to reduce inventories to net realisable value	**(11,035,418)**	(2,092,802)
	121,625,344	46,208,339

23. TRADE AND OTHER RECEIVABLES

	GROUP		**COMPANY**	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Trade and bills receivable	**103,083,464**	82,429,470	**–**	–
Provision for impairment of receivables	**(1,889,552)**	(1,862,970)	**–**	–
Trade and bills receivable, net	**101,193,912**	80,566,500	**–**	–
Prepayments and deposits	**22,669,327**	17,762,530	**441,060**	308,940
Other receivables	**1,432,599**	588,622	**–**	–
	125,295,838	98,917,652	**441,060**	308,940

The carrying amounts of trade and other receivables approximate their fair values.

23. TRADE AND OTHER RECEIVABLES *(Cont'd)*

Certain subsidiaries of the Group transferred receivable balances amounting to HK$5,055,180 (2005: HK$16,473,600) to a bank in exchange for cash as at 31st December, 2006. The transaction has been accounted for as a collateralised borrowing under which the bank has the right to recourse to the Group if the customers default on payment of the trade receivables to the bank (Note 29).

At 31st December, 2006 and 2005, the ageing analysis of the trade and bills receivable was as follows:

	GROUP	
	2006	2005
	HK$	*HK$*
Less than 30 days	**94,973,013**	79,948,815
30-60 days	**–**	9,866
61-90 days	**–**	9,134
Over 90 days	**6,220,899**	598,685
	101,193,912	80,566,500

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies.

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
RMB	**53,079,909**	20,680,415	**–**	–
USD	**70,438,556**	77,444,449	**–**	–
HKD	**1,741,828**	784,756	**441,060**	308,940
CAD	**35,545**	8,032	**–**	–
	125,295,838	98,917,652	**441,060**	308,940

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2006	2005
		Restated
	HK$	*HK$*
Listed Securities held for trading:		
Equity securities – United States of America	–	762,840
Equity securiteis – PRC	**74,765**	–
Market value of listed securities	**74,765**	762,840

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 32(a)). Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains, net, in the income statement (Note 7).

25. HELD-TO-MATURITY FINANCIAL ASSETS

	2006	2005
	HK$	*HK$*
Unlisted securities:		
Equity linked note with variable interest and maturity date of 21st May, 2007 – UK	**3,900,000**	–

The movement in held-to-maturity financial assets may be summarised as follows:

	2006	2005
	HK$	*HK$*
At 1st January	–	–
Additions	**3,900,000**	–
At 31st December	**3,900,000**	–

The held-to-maturity financial assets are denominated in US dollars.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for purposes of the cash flow statement:

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Cash at bank and on hand	57,715,164	34,125,759	875,365	1,925,069
Bank overdrafts *(Note 29)*	(4,686,048)	–	(4,686,048)	–
At 31st December	53,029,116	34,125,759	(3,810,683)	1,925,069

As at the balance sheet date, HK$6,035,690 (2005: HK$9,242,715) and HK$475,689 (2005: HK$474,747) of the Group's and the Company's cash at bank and on hand were denominated in RMB and placed with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

27. SHARE CAPITAL

	2006	2005
	HK$	*HK$*
Authorised:		
500,000,000 (2005: 500,000,000) ordinary shares of HK$0.20 each	**100,000,000**	100,000,000
Issued and fully paid:		
261,684,910 (2005: 261,684,910) ordinary shares of HK$0.20 each	**52,336,982**	52,336,982

28. OTHER RESERVES

a. Group

	Note	Share premium HK$	Available-for-sale financial assets revaluation reserve HK$	Exchange fluctuation reserve HK$	Total HK$
Balance at 1st January, 2006, as previously reported as equity		**19,516,419**	**–**	**4,060,515**	**23,576,934**
Adoption of HKAS 39 Amendment, "The fair value option"	*2(a)(i)*	**–**	**(1,975,696)**	**–**	**(1,975,696)**
Balance at 1st January, 2006, as restated		**19,516,419**	**(1,975,696)**	**4,060,515**	**21,601,238**
Currency translation differences:					
– Group		**–**	**–**	**8,102,924**	**8,102,924**
– Associates	*19*	**–**	**–**	**1,293,110**	**1,293,110**
Revaluation of available-for-sale financial assets		**–**	**1,380,000**	**–**	**1,380,000**
Balance at 31st December, 2006		**19,516,419**	**(595,696)**	**13,456,549**	**32,377,272**

28. OTHER RESERVES *(Cont'd)*

a. Group *(Cont'd)*

	Note	Share premium *HK$*	Available-for-sale financial assets revaluation reserve *HK$*	Exchange fluctuation reserve *HK$*	Total *HK$*
Balance at 1st January, 2005, as previously reported as equity		19,516,419	–	3,418,141	22,934,560
Adoption of HKAS 39 Amendment "The fair value option"	*2(a)(i)*	–	(2,007,696)	–	(2,007,696)
Balance at 1st January, 2005, as restated		**19,516,419**	**(2,007,696)**	**3,418,141**	**20,926,864**
Currency translation differences:					
– Group		–	–	470,212	470,212
– Associates	*19*	–	–	172,162	172,162
Revaluation of available-for-sale financial assets		–	32,000	–	32,000
Balance at 31st December, 2005, as restated		**19,516,419**	**(1,975,696)**	**4,060,515**	**21,601,238**

b. Company

	Share premium *HK$*
Balance at 1st January, 2005, 31st December, 2005 and 31st December, 2006	**19,516,419**

29. BORROWINGS, SECURED

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Non-current				
Bank borrowings	**145,624,531**	153,468,878	**71,734,182**	84,699,901
Current				
Bank overdrafts *(Note 26)*	**4,686,048**	–	**4,686,048**	–
Collateralised borrowings *(Note 23)*	**5,055,180**	16,473,600	**–**	–
Bank borrowings	**44,592,243**	26,620,369	**21,333,371**	6,097,607
	54,333,471	43,093,969	**26,019,419**	6,097,607
Total borrowings	**199,958,002**	196,562,847	**97,753,601**	90,797,508

Bank borrowings mature through 2019.

At 31st December 2006, the Group's borrowings were repayable as follows:

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Within 1 year	**54,333,471**	43,093,969	**26,019,419**	6,097,607
Between 1 and 2 years	**38,133,166**	12,818,115	**6,469,135**	6,200,187
Between 2 and 5 years	**33,674,345**	46,178,875	**20,322,860**	19,300,919
Wholly repayable within 5 years	**126,140,982**	102,090,959	**52,811,414**	31,598,713
Over 5 years	**73,817,020**	94,471,888	**44,942,187**	59,198,795
	199,958,002	196,562,847	**97,753,601**	90,797,508

29. BORROWINGS, SECURED *(Cont'd)*

The effective interest rates at the balance sheet date were as follows:

	GROUP			COMPANY	
	HK$	*US$*	*RMB*	*HK$*	*US$*
2006					
Bank overdrafts	7.75%	–	–	–	–
Collateralised borrowings	–	5.89%	–	–	–
Bank borrowings	4.97%	6.98%	6.56%	4.73%	6.98%
2005					
Collateralised borrowings	–	4.90%	–	–	–
Bank borrowings	5.49%	5.61%	5.87%	5.59%	5.99%

Bank borrowings were secured by certain investment properties (Note 15), certain buildings (Note 16), leasehold land and land use rights (Note 17) and properties held for sale (Note 21). Guarantees were also given by the Company in respect of certain subsidiaries' borrowings (Note 33). Collateralised borrowings are secured by trade and bills receivables (Note 23).

The carrying amounts of borrowings approximate their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong dollar	**134,318,444**	135,450,239	**68,888,823**	60,190,000
US dollar	**33,919,958**	47,081,108	**28,864,778**	30,607,508
RMB	**31,719,600**	14,031,500	**–**	–
	199,958,002	196,562,847	**97,753,601**	90,797,508

The Group has the following undrawn borrowing facilities:

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Floating rate				
– expiring within one year	**316,923,971**	238,714,985	**202,008,640**	181,466,488

The facilities expiring within one year are annual facilities subject to review at various dates during 2007.

30. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax liabilities are to be settled after more than 12 months.

The gross movement on the deferred income tax account is as follows:

	GROUP	
	2006	2005
	HK$	*HK$*
At 1st January	**68,315,307**	61,234,853
Exchange differences	**782,720**	150,970
Charged to the income statement *(Note 9)*	**2,552,105**	6,929,484
At 31st December	**71,650,132**	68,315,307

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Accelerated tax depreciation allowances		**Revaluation of properties**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
At 1st January	**1,458,748**	1,333,373	**66,856,559**	59,901,480	**68,315,307**	61,234,853
Exchange differences	**217,135**	–	**565,585**	150,970	**782,720**	150,970
Charged to the income statement	**3,082,472**	125,375	**3,158,363**	6,804,109	**6,240,835**	6,929,484
At 31st December	**4,758,355**	1,458,748	**70,580,507**	66,856,559	**75,338,862**	68,315,307

Deferred tax assets:

	Revaluation of properties		**Tax losses**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
At 1st January	**–**	–	**–**	–	**–**	–
Credited to the income statement	**349,540**	–	**3,339,190**	–	**3,688,730**	–
At 31st December	**349,540**	–	**3,339,190**	–	**3,688,730**	–

30. DEFERRED INCOME TAX *(Cont'd)*

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of HK$11,887,892 (2005: HK$20,630,689) in respect of losses amounting to HK$60,887,590 (2005: HK$117,889,649) that can be carried forward against future taxable income. Losses amounting to HK$7,455,444 (2005: HK$4,156,732) will expire from 2007 to 2012 and losses amounting to HK$53,432,146 (2005: HK$113,732,917) have no expiry date.

31. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Trade and bills payable	**120,229,322**	74,824,483	**74,072,880**	–
Other payables and accrued expenses	**137,736,168**	85,453,869	**1,697,264**	2,573,027
Rental deposits received	**5,370,047**	4,588,534	**–**	–
	263,335,537	164,866,886	**75,770,144**	2,573,027

The carrying amounts of trade and other payables approximate their fair values.

At 31st December, 2006 and 2005, the ageing analysis of the trade and bills payable was as follows:

	GROUP	
	2006	2005
	HK$	*HK$*
Less than 30 days	**119,793,548**	74,398,503
30-60 days	**13,923**	28,034
Over 90 days	**421,851**	397,946
	120,229,322	74,824,483

The carrying amounts of the Group's trade and other payables are denominated in the following currencies.

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
RMB	**48,670,343**	32,999,609	**2,970**	2,850
USD	**205,646,891**	124,028,645	**74,072,880**	–
HKD	**8,968,842**	7,831,306	**1,694,294**	2,570,177
CAD	**49,461**	7,326	**–**	–
	263,335,537	164,866,886	**75,770,144**	2,573,027

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of profit before income tax to cash generated from/(used in) operations

	2006	2005
		Restated
	HK$	*HK$*
Profit before income tax	**65,768,341**	37,061,758
Adjustment for:		
Fair value gains on investment properties	**(22,158,274)**	(31,824,000)
Interest income	**(5,958,218)**	(997,640)
Depreciation of property, plant and equipment	**1,035,318**	1,130,476
Amortisation of leasehold land and land use rights	**16,264**	27,243
Amortisation of properties held for sale – leasehold land and land use rights	**77,950**	81,414
Impairment charge of leasehold land and land use rights	**–**	102,211
Impairment charge of properties held for sale – buildings	**1,074,461**	799,500
Gain on disposal of investment properties	**(18,420)**	–
Loss on disposal of property, plant and equipment	**91,089**	66,522
Financial assets at fair value through profit or loss:		
– fair value losses (unrealised)	**–**	17,160
Interest expense	**12,242,242**	7,002,661
Share of (profit)/loss of associates	**(662,842)**	4,481,624
Operating profit before working capital changes	**51,507,911**	17,948,929
Decrease/(increase) in properties held for sale	**1,367,734**	(22,897,831)
Increase in inventories	**(75,417,005)**	(30,235,155)
Increase in trade and other receivables	**(26,378,186)**	(10,224,722)
Decrease in financial assets at fair value through profit or loss	**688,075**	2,718,998
Increase in held-to-maturity financial assets	**(3,900,000)**	–
Increase/(decrease) in trade and bills payable	**45,404,839**	(26,922,518)
Increase in other payables and accrued expenses	**52,282,299**	28,866,325
Increase/(decrease) in rental deposits received	**781,513**	(8,669)
Net cash generated from/(used in) operations	**46,337,180**	(40,754,643)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

b. Analysis of changes in financing during the year

	Bank borrowings, secured		Minority interest		Pledged bank deposit	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
At 1st January	**196,562,847**	165,035,030	**–**	727,364	**–**	(7,946,935)
Cash (outflow)/inflow	**(1,290,893)**	31,527,817	**–**	–	**–**	7,946,935
Minority interests' share of loss	**–**	–	**–**	(727,364)	**–**	–
At 31st December	**195,271,954**	196,562,847	**–**	–	**–**	–

33. CONTINGENT LIABILITIES AND COMMITMENTS

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
a. Contingent liabilities:				
Guarantees for banking facilities utilised by:				
– subsidiaries	**–**	–	**375,290,581**	352,946,762
– an associate	**11,068,200**	13,304,200	**11,068,200**	13,304,200
	11,068,200	13,304,200	**386,358,781**	366,250,962

Management anticipate that no material liabilities will arise from the above bank guarantees.

33. CONTINGENT LIABILITIES AND COMMITMENTS *(Cont'd)*

b. Commitments:

	GROUP	
	2006	2005
	HK$	*HK$*
(i) Capital commitments relating to acquisition of property, plant and equipment, investment properties and properties held for sale:		
Contracted but not provided for	**1,065,715**	1,628,725

(ii) Future aggregate minimum lease payments and receipts under non-cancellable operating leases in respect of land and buildings and investment properties are as follows:

	GROUP	
	2006	2005
	HK$	*HK$*
As lessees:		
Rental payments		
– Not later than one year	**276,000**	276,000

	GROUP	
	2006	2005
	HK$	*HK$*
As lessors:		
Rental receipts		
– Not later than one year	**22,878,046**	14,140,925
– Later than one year and not later than five years	**41,994,062**	20,527,749
– Later than five years	**15,122,335**	7,975,035
	79,994,443	42,643,709

34. RELATED-PARTY TRANSACTIONS

The Group is controlled by Fulcrest Limited (incorporated in Hong Kong), which owns 52.87% of the Company's shares. The remaining 47.13% of the shares are widely held. The ultimate parent of the Group is Asian Pacific Investment Corporation (incorporated in Panama).

The following is a summary of significant related party transactions carried out in the normal course of the Group's business during the year.

34. RELATED-PARTY TRANSACTIONS *(Cont'd)*

a. Associates

		GROUP	
	Note	**2006** **HK$**	2005 *HK$*
Interest income from associates	*(i)*	**2,704,423**	391,617

		GROUP AND COMPANY	
	Note	**2006** **HK$**	2005 *HK$*
Loan to an associate	*(ii)*	**12,019,126**	8,768,664
Amount due from an associate	*(iii)*	**42,758,062**	40,710,751

Note:

(i) Interest income was charged at prevailing market rates on the outstanding balance with the associates.

(ii) The loan to an associate bears interest at rates determined by shareholders of the associate with reference to the prevailing market rates. The loan is unsecured and has no fixed term of repayment.

(iii) The amount due from an associate is unsecured, interest-free and repayable on demand. The carrying amount approximates its fair value.

b. Key management compensation

	2006 **HK$**	2005 *HK$*
Salaries and other employee benefits	**7,783,273**	6,106,704