丹楓控股有限公司
DAN FORM HOLDINGS COMPANY LIMITED

Annual Report 2006

Stock Code: 271

Contents

Corporate Information

Directors

Dai Xiaoming *(Chairman & Chief Executive)*
Kenneth Hiu King Kon *(Deputy Chief Executive)*
Jesse Nai Chau Leung**
Xiang Bing**
Edward Shen**

** *Independent Non-Executive Directors*

Audit Committee

Jesse Nai Chau Leung *(Chairman)*
Xiang Bing
Edward Shen

Remuneration Committee

Edward Shen *(Chairman)*
Jesse Nai Chau Leung
Xiang Bing

Company Secretary and Financial Controller

Fung Man Yuen

Auditors

PricewaterhouseCoopers

Principal Bankers

Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited

Solicitors

Stephenson Harwood & Lo
Hampton, Winter & Glynn

Registrars

Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Registered Office

Room 901-903, Harbour Centre
25 Harbour Road, Wanchai, Hong Kong

Website

http://www.danform.com.hk

Board of Directors of Dan Form Holdings Company Limited

Front Row (from left to right)

Mr. Dai Xiaoming
(Chairman & Chief Executive)

Mr. Xiang Bing

Back Row (from left to right)

Mr. Edward Shen

Mr. Kenneth Hiu King Kon

Mr. Jesse Nai Chau Leung

Mr. Dai Xiaoming
Chairman & Chief Executive

Results

Dan Form Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a turnover of HK$28,984,000 for the year ended 31st December 2006, which represented a decrease of approximately HK$3,580,000 or 11% as compared with last year. The decrease in turnover was mainly due to the decrease in rental income from Hong Kong.

The Group's profit attributable to equity holders in this year was HK$52,893,000, as compared to HK$177,873,000 in last year. The decrease in profit of this year was mainly due to comparatively less increase in fair value of investment properties, and properties held by the associated companies of the Company, coupled with increase in loss of an associated company of the Company. The decrease is partly offset by the recovery of the amount due from a minority shareholder of a former subsidiary during the year.

Management Discussion and Analysis

Review of Operation

Hong Kong Business

Property

The Group's residential properties situated at Red Hill Peninsula (33.33% owned) and South Horizons recorded average occupancy levels of approximately 68% and 94% respectively, while the commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 68%. During the year, the Group's net rental income from property leasing was more or less the same when compared with that in the last year.

Beijing Business

The Wangfujing Project

Lot F1 (25.5% owned)

As requested by the Beijing Municipal Bureau of Commerce on approving the sale and purchase agreement, the Group's wholly-owned subsidiary Turbo Dragon Limited ("Turbo Dragon") entered into a supplementary sale and purchase agreement with China Yintai Investment Company Limited ("China Yintai") on 8th February 2006. According to the contents of the relevant sale and purchase agreements, Turbo Dragon would sell its 61.1% interest in Beijing Lucky Building Company Limited ("Beijing Lucky") to China Yintai for a total consideration of RMB134,070,000 (approximately HK$130,821,000) and the accrued interest of RMB12,225,000 (approximately HK$11,982,000).

Turbo Dragon received a deposit of RMB25,000,000 (approximately HK$24,038,000) from China Yintai on 9th May 2004. For the year ended 31st December 2006, Turbo Dragon have received a total of four instalments of consideration and the accrued interest from China Yintai representing 50.6% shareholding of Beijing Lucky, of which the three instalments representing 35.6% shareholding has been transferred to China Yintai before the year end and the balance of 15% shareholding has been transferred to China Yintai after the year end. The first instalment of RMB10,000,000 (approximately HK$9,615,000) together with the accrued interest and penalty of approximately RMB975,000 (approximately HK$937,000) were received on 27th February 2006; the second instalment of RMB10,000,000 (approximately HK$9,615,000) together with the accrued interest of approximately RMB903,000 (approximately HK$868,000) were received on 9th May 2006; the third instalment of RMB33,100,000 (approximately HK$32,136,000) together with the accrued interest of approximately RMB3,558,000 (approximately HK$3,455,000) were received on 4th August 2006; the forth instalment of RMB33,100,000 (approximately HK$32,772,000) together with the accrued interest of approximately RMB3,833,000 (approximately HK$3,795,000) were received on 6th November 2006. The remaining sale consideration of RMB22,870,000 (approximately HK$22,644,000) together with the accrued interest and the penalty of approximately RMB2,956,000 (approximately HK$2,927,000) were also received on 9th February 2007. The interest of the Group in Beijing Lucky has been transferred in stages in proportion to the actual amount received from China Yintai.

In addition, on 20th July 2006, Turbo Dragon also entered into a supplemental agreement with Beijing Energy Investment Holdings Company Ltd. ("Beijing Energy") and on 27th July 2006, Turbo Dragon also entered into an assignment of debt with China Yintai, in which Turbo Dragon assigned the debt to China Yintai relating to its advance to Beijing Energy at a consideration of RMB21,504,000 (approximately HK$20,877,000). Turbo Dragon has received the amount of RMB21,504,000 (approximately HK$20,877,000) relating to the assignment of debt and the accrued interest and penalty of approximately RMB11,000 (approximately HK$11,000) on 8th September 2006.

Dan Yao Building (85% owned)
Since the defaults in repayment of the debts due are not caused by and under the control of Beijing Dan Yao Property Company Limited ("Dan Yao"), and in order to deal with this matter in an open and fair manner, the Company has applied for the liquidation of Dan Yao so as to protect the legitimate rights of the creditors of Dan Yao, including the debt due to the Group. The Second Intermediate People's Court of Beijing Municipality (the "PRC Court") has convened the first creditors' meeting following the application of liquidation of Dan Yao on 28th September 2006. Currently, the examination of the application of the liquidation of Dan Yao is still in progress and the PRC Court has not yet made a decision on whether or not to grant an order for the liquidation of Dan Yao. If the PRC Court grants an order for the liquidation of Dan Yao, the PRC Court will form a liquidation team and will entirely take over the management of Dan Yao.

The assets of Dan Yao are placed in the custody of the PRC Court. The operations of the shopping mall of Dan Yao Building are basically stable. For the year ended 31st December 2006, the rental income of Dan Yao was RMB3,484,000 (approximately HK$3,383,000), while the rental expenses (excluding finance expenses and non-recurring expenses) were approximately RMB3,587,000 (approximately HK$3,483,000).

Dan Yao will be committed to maintain the stability and safety in the operations of the building.

The Xidan Project (29.4% owned)
During the year of 2006, ruled by the China International Economic and Trade Arbitration Commission which was in favor of Beijing Jing Yuan Property Development Co., Ltd. ("Jing Yuan"), the dispute between Jing Yuan and China Telecom Group Beijing Telecom Co., Ltd. in respect of the sale value of the building located at Lot No. 1 was resolved, and the remaining outstanding amount of RMB37,504,000 (approximately HK$37,133,000) according to the sale and purchase agreement has been received. Regarding the separation of real estate certificates for commercial units in respect of the building located at Lot No. 2, two out of sixteen units have been completed, while for individual business units, fifteen out of twenty-six units have also been completed. According to the sale and purchase agreement of the land located at Lot No. 4, Jing Yuan has received RMB1,110,000,000 (approximately HK$1,049,075,000) out of the sales of RMB1,220,000,000 (approximately HK$1,150,943,000), whereas the remaining outstanding amount of RMB110,000,000 (approximately HK$108,911,000) which is entitled to be received on or before 31st December 2006 has not yet been received. As mentioned in the sale and purchase agreement of the building located at Lot No. 5, RMB30,000,000 (approximately HK$29,703,000) out of the remaining outstanding of RMB69,244,000 (approximately HK$68,558,000) has been received. The final stage for the development of the building located at Lot No. 9 is nearly completed, and the facilities installed for the building, including maintenance works, have been tested

for several times. The marketing of the building is still in progress. A preliminary agreement of assignment of land at Lot. No. 10 has been entered with Beijing Yonganxingye Property Development Co., Ltd. ("Yonganxingye"). The intended price for the sale of land is RMB110,000,000 (approximately HK$108,911,000) and RMB15,000,000 (approximately HK$14,851,000) has been received as deposit and the transfer of title is in process.

In the year 2007, it is expected that the separation of real estate certificates for the commercial and individual business units of the project at Lot No. 2 will be carried on. As stipulated in the sale and purchase agreement of the land at Lot No. 4, it is expected that the total remaining outstanding amount of RMB110,000,000 (approximately HK$108,911,000) will be received. The outstanding amount of RMB39,244,000 (approximately HK$38,855,000) for Lot No. 5 as stated in the sale and purchase agreement of the property will be received. The marketing of the building at Lot No. 9 will be carried on. The assignment of land at Lot No. 10 to Yonganxingye is in process and will be implemented according to the agreement of assignment. The balance of the sale consideration of the assignment of RMB95,000,000 (approximately HK$94,059,000) will be collected.

Group Assets Position and Charge

The total assets of the Group have increased from HK$2,184,286,000 in last year to HK$2,217,546,000 in this year. The net assets of the Group have also increased from HK$1,823,437,000 to HK$1,875,246,000. The amount of the bank borrowings of the Group, on which the property assets are pledged, has decreased from HK$89,689,000 in last year to HK$52,376,000 in the current year.

Group Financial Position, Liquidity and Financial Resources

The total liabilities of the Group have decreased from HK$360,849,000 as at 31st December 2005 to HK$342,300,000 as at 31st December 2006. The Group had cash and bank balances of HK$96,394,000 as at 31st December 2006 (2005: HK$16,727,000). The ratio of total liabilities to total assets was approximately 15% (2005: 16%). As at 31st December 2006, the aggregated amount of bank loans was HK$52,376,000 (2005: HK$89,689,000) which are repayable on demand and the amount of total equity was HK$1,875,246,000 (2005: HK$1,823,437,000), and therefore the capital gearing ratio was 3% (2005: 5%).

As at 31st December 2006, the current assets of the Group, amounting to HK$689,939,000 (2005: HK$740,094,000), exceeded its current liabilities by HK$402,539,000 (2005: HK$428,182,000). Given that Dan Yao has been in the application for liquidation as explained above and no further payments except for a small amount of liquidation expenses are required for Dan Yao, the other operations of the Group can generate sufficient cash flows to meet its requirements.

For the year ended 31st December 2006, the Group has no exposure to fluctuation in exchange rates and related hedges and there were no contingent liabilities.

Employees

As at 31st December 2006, the Group, excluding associated companies, employed 51 people of which 39 were employed in Hong Kong.

In addition to basic salaries, employees in Hong Kong are provided with medical insurance and some of them are included under a defined contribution provident fund scheme and mandatory provident fund scheme.

Prospects

Basically, the adjustment of the business strategy of the Group was nearly completed in the last two years. The structure and the liquidity of the Group's assets have also been improved. The Group's capabilities of risk minimization and opportunity maximization have also been enhanced. As a result, the Group would establish a foundation to integrate such capacities into the globalised and highly-technical economic trends.

The Group will also be beware of the situations and environment and will actively and reliably seek for its development.

Finally, I would like to take this opportunity to express my sincere thanks to my fellow Directors for their guidance and support and to all members of the staff for their loyalty and dedication during the year.

Dai Xiaoming
Chairman

Hong Kong, 19th April 2007

Harbour Industrial Centre, Ap Lei Chau, Hong Kong

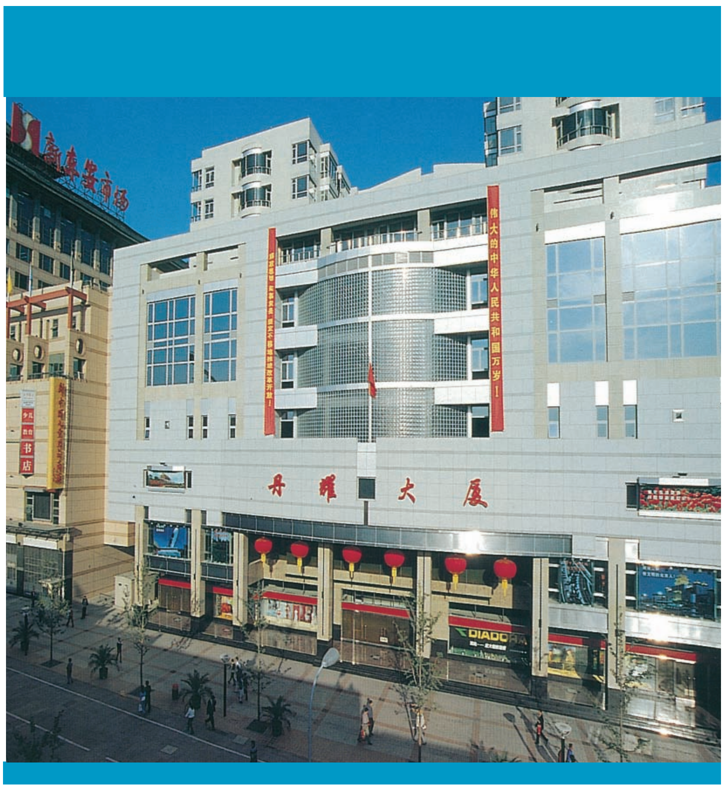
The Red Hill, Tai Tam, Hong Kong

Oceanic Industrial Centre, Ap Lei Chau, Hong Kong

Harbour Crystal Centre, Tsimshatsui East, Kowloon

Xidan and Wangfujing Projects

Jing Yuan International Mansion erected on Lot No. 9 of the Xidan Project



Danyao Building erected on Lot No. B3 of the Wangfujing Project

Biographic Details of Directors and Senior Management

Directors

Mr. Dai Xiaoming, *Chairman and Chief Executive*

Aged 60. Appointed as a Director, Chairman and Chief Executive in October, 1994. Awarded a Master's Degree in Engineering from The China University of Science and Technology. He has involved for the past twenty-one years in property development and investment in the PRC and Hong Kong and has over twenty-one years' experience in property investment and corporate management. Currently, he is also a major shareholder and a managing director of Fabulous Investments Limited ("Fabulous") and Dan Form International Limited, which is the ultimate holding company of Fabulous.

Mr. Kenneth Hiu King Kon, *Deputy Chief Executive*

Aged 45. Appointed as a Director and Deputy Chief Executive in October, 1994. Mr. Kon graduated from Middlesex University in the United Kingdom with a Bachelor's Degree in Business Studies. He has been involved in the planning of many large-scale investment and development projects in the PRC and Hong Kong and has over twenty years' experience in investment and management in manufacturing industries and property development. He also has extensive experience in securities trading, corporate finance, mergers and acquisitions and corporate restructuring. He is the Deputy Managing Director of Dan Form Group Limited, an associate of Dan Form International Limited. He is also the General Manager of Dan Form (Hong Kong) Limited, a wholly-owned subsidiary of the Company. Since 1999, Mr. Kon has been the independent non-executive director of Jingwei Textile Machinery Company Limited, which is a company listed on the Main Board of the Stock Exchange.

Mr. Jesse Nai Chau Leung, *Independent Non-Executive Director*

Aged 56. Appointed as a Director in May, 1993. Mr. Leung holds a Master's Degree in Business Administration. He is a fellow of the Institute of Chartered Accountants in England and Wales as well as the Hong Kong Institute of Certified Public Accountants. He has extensive experience in public practice, finance and commerce. He is also a member of the Supervisory Board of The Macau Chinese Bank.

Mr. Xiang Bing, *Independent Non-Executive Director*

Aged 44. Appointed as a Director in May, 1995. Dr. Xiang graduated with a University Golden Medal from Xi'an Jiaotong University, the People's Republic of China, in 1983 and obtained his Ph.D. in Management from the University of Alberta, Canada in 1991. Dr. Xiang is currently the founding dean of Cheung Kong Graduate School of Business and a professor at Guanghua School of Management, Beijing University. Before joining the Beijing University, Dr. Xiang has visited the University of Columbia and the Chinese University of Hong Kong and has served as professor at the Hong Kong University of Science and Technology and the China Europe International Business School in Shanghai. Dr. Xiang is a well-known management expert, especially in finance, and he is very familiar with management theories and practice in the East and West. He has extensive experience in executive training and has conducted seminars for several leading executive programs. He has worked with many Chinese and multinational corporations on executive training, merger and acquisition strategies and managerial control systems. He has also been consulted by the China's government organizations responsible for formulating and implementing state enterprise reform in China.

Mr. Edward Shen, *Independent Non-Executive Director*

Aged 56. Appointed as a Director in October, 1995. Mr. Shen graduated from Washington State University in the United States with a Bachelor's Degree in Science in Architectural Studies as well as Bachelor's Degree in Architecture. He is a member of the Royal Architectural Institute of Canada, the Ontario Association of Architects, the Royal Institute of British Architects and the Chartered Institute of Arbitrators. He is also a fellow of the Hong Kong Institute of Architects and the Architects Regional Council of Asia. He has been registered as an authorised person under the Buildings Ordinance and a professional architect under the Architects Ordinance since 1982 and 1990 respectively. He is also a member of Hong Kong General Chamber of Commerce. He was elected as President of the Hong Kong Institute of Architects in 2004.

Senior Management

Mr. Albert Man Yuen Fung, *Financial Controller and Company Secretary*

Aged 58. Joined the Company in September, 1988. Mr. Fung is a holder of Master's Degree in International Accounting (City University of Hong Kong). He is an associate of the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants, and a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over thirty years' experience in finance and accounting.

Mr. Ge Xiaoguo, *Assistant to Chairman & Chief Executive*

Aged 55. Joined the Company in May, 1996. He graduated from Beijing Foreign Studies University. He has been involved in the management of the computer technology development and operation for many years during which time he has worked in Germany for more than four years. He has over twenty-two years' experience in enterprises management.

Mr. Zhao Sheng Li, *Deputy General Manager*

Aged 60. Joined the Group in September, 1995. Mr. Zhao graduated from the Trade and Economics Faculty of the People's Republic University. Currently he is the Deputy General Manager of Dan Form (China) Limited, a wholly-owned subsidiary of the Company. He has around twenty-nine years' experience in enterprises management.

Corporate Governance Report

Corporate Governance Practices

Compliance with Code on Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance within a sensible framework. The Company has complied with all the code provisions as set out in Appendix 14 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December 2006, except for the following deviation:

Code Provision A.2.1

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive ("CE") are managed by the same individual, Mr. Dai Xiaoming. Given that the Group is still adjusting its business strategy and structure, the roles of chairman and CE have not been separated in order to maintain the effectiveness and efficiency of the governance and management of the Group. The Board would review this arrangement at regular intervals.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. Following specific enquiry made with all directors, the Company has confirmed that they have complied with the Model Code for the year ended 31st December 2006.

Written guidelines on no less exacting terms than the Model Code relating to securities transaction for employees have been distributed to all employees of the Group.

Board of Directors

The Board of the Company comprises a total of five directors of which two are executive directors. The chairman and the CE is Mr. Dai Xiaoming and the deputy chief executive is Mr. Kenneth Hiu King Kon. The three independent non-executive directors are Mr. Jesse Nai Chau Leung, Mr. Xiang Bing and Mr. Edward Shen. Mr. Jesse Nai Chau Leung has contributed to the Board his appropriate professional qualifications in accounting and related financial management expertise. On 18th May 2005, the Company issued an appointment letter to each of the three independent non-executive directors in which their appointments would be valid for a period of three years but subject to retirement by rotation at each general meeting pursuant to Article 102 of the Articles of Association of the Company. The Directors participates in the affairs of the Board and the Board always acts in the best interests of the Group as a whole.

The chairman ensures that the Board works effectively and that all key and appropriate issues are discussed in a timely manner. Members of the Board have been provided with appropriate and sufficient information at an opportune moment so that they would be updated with the latest development of the Group to discharge of their duties. Any matters proposed for inclusion in the agenda has been consulted with all directors. The chairman has delegated to the Company Secretary the responsibility for drawing up the agenda for each Board meeting. The chairman ensures that all directors have received complete and reliable information in a timely manner and are properly briefed on issues arising at the Board meetings. In addition, in order to protect the directors and officers of the Group from their risk exposure arising from the business of the Group, appropriate insurance cover on directors' and officers' liability has been in force.

The Board delegates the day-to-day management and operations of the Group's businesses to the management under the supervision of the CE. The CE together with deputy chief executive are responsible for managing the businesses of the Group, including implementation of the annual budget and strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.

As at the date of this Report for the year 2006, the Board held five meetings on 18th April 2006, 20th June 2006, 8th September 2006, 12th December 2006 and 19th April 2007.

Members of the Board	**Attendance**
Executive Directors	
Dai Xiaoming (Chairman and CE)	5/5
Kenneth Hiu King Kon (Deputy Chief Executive)	5/5
Independent Non-executive Directors	
Jesse Nai Chau Leung	5/5
Xiang Bing[(1)]	4/5
Edward Shen	5/5

Note:

(1) Absent on 8th September 2006.

Apart from the directorship with the Company, there is no other relationship, including financial, business, family or other material/relevant relationship(s), among the five directors of the Board.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence requirements in accordance with the terms of the guidelines.

Remuneration Committee

The Company has established the Remuneration Committee on 13th September 2005. The Remuneration Committee comprises the chairman, Mr. Edward Shen, being an independent non-executive director, and the two independent non-executive directors, namely Mr. Jesse Nai Chau Leung and Mr. Xiang Bing.

The principal responsibility of the Remuneration Committee includes making recommendation to the Board on the policy and structure of the Company for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board. The emoluments of directors are based on the skill and contribution to the Company's affairs and are determined by reference to the duties and responsibilities of the executive and non-executive directors after considering the performance of the Group and prevailing market conditions including salaries paid by comparable companies. Terms of reference of the Remuneration Committee are available at the website of the Company.

Particulars of the emoluments of the Directors are set out in note 11 of the financial statements.

As at the date of this Report for the year 2006, three Remuneration Committee Meetings were held on 4th April 2006, 20th October 2006 and 4th April 2007. The attendance record of each member of the Remuneration Committee is set out as below.

Members of the Remuneration Committee	Attendance
Independent Non-executive Directors	
Edward Shen (Chairman)	3/3
Xiang Bing	3/3
Jesse Nai Chau Leung	3/3

The Remuneration Committee reviewed the remuneration of all staff, including the two executive directors, of the Company and its subsidiaries in the Remuneration Committee Meeting held on 20th October 2006. Management decided that the remuneration of all staff of the Company and its subsidiaries would remain unchanged in the financial year ending 31st December 2007.

Employees

The long-term remuneration policy of the Group for all employees is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees.

In addition to basic salaries, employees in Hong Kong are provided with medical insurance and some of them are included under defined contribution provident fund scheme and mandatory provident fund scheme.

Directors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements for the Group.

Management has provided adequate explanations and information to the Board on a timely basis which enables the Board to make an informed assessment on the financial statements of the Group. In addition, with the assistance of the Finance Department and under the supervision of the Financial Controller of the Company, the directors ensures that financial statements of the Group, which is prepared on a going concern basis, are in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is on a timely basis.

Audit Committee

The Audit Committee was established on 15th September 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises the Chairman, Mr. Jesse Nai Chau Leung, and other two independent non-executive directors, namely Mr. Xiang Bing and Mr. Edward Shen. Terms of reference of the Audit Committee, which are the same as the provisions set out in the Code on Corporate Practices, are available at the Company's website.

As at the date of this Report for the year 2006, three Audit Committee Meetings were held on 4th April 2006, 7th September 2006 and 4th April 2007 respectively. The attendance record of each member of the Audit Committee is set out as below.

Members of the Audit Committee	Attendance
Independent Non-executive Directors	
Jesse Nai Chau Leung (Chairman)	3/3
Xiang Bing[(2)]	2/3
Edward Shen	3/3

Note:

(2) Absent on 7th September 2006.

The following is a summary of the work of the Audit Committee:

(i) review and supervision of the financial reporting system of the Group;

(ii) review of the procedures and effectiveness of internal control of the Group;

(iii) review of the Group's financial information, including review of the continuing connected transactions;

(iv) review of the relationship between the Auditors and the Company;

(v) review of the financial reports for the year ended 31st December 2005 and for the six months ended 30th June 2006 and for the year ended 31st December 2006;

(vi) review of the annual report of the Group for the year ended 31st December 2006; and

(vii) consideration and approval of the 2006 audit fees.

The Audit Committee has meetings twice a year and additional meetings are held as the work of the committee demands.

Internal Control

During the year, the Board reviewed the effectiveness of the internal control system of the Group (the "ICS"). The review covers all material controls, including financial operation and compliance controls and risk management functions. The Audit Committee proposed that an external consultant for reviewing the ICS should be appointed and the review of the ICS should be mainly focus on the Hong Kong business of the Group and the aforesaid review should be phased over a period of 2 to 3 years in order to improve the ICS at a sensible pace. The Company Secretary of the Company has invited, compared the fee quotes and given recommendation in respect of the most suitable external consultant to the Audit Committee.

Auditors' Remuneration

For the year ended 31st December 2006, the Auditors of the Company will receive HK$900,000 for the audit of the financial statements of the Group.

Report of the Directors

The Directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2006.

Principal Activities

The Company is an investment holding company and the principal activities of the Group are property investment and development, estate management and investment holding.

Results and Appropriations

The results of the Group for the year ended 31st December 2006 are set out in the consolidated profit and loss account on page 25.

An analysis of the performance of the Group for the year by business and geographical segments is set out in note 7 to the financial statements.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 62.

Dividends

The Directors do not recommend the payment of a dividend.

Share Capital and Reserves

Details of the share capital of the Company are set out in note 24 to the financial statements.

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

Principal Properties

Details of the major properties of the Group are set out on pages 60 to 61.

Properties, Plant and Equipment

Details of the movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

Bank Loans and Overdrafts

Details of the bank loans and overdrafts of the Group as at 31st December 2006 are set out in note 28 to the financial statements.

Directors

The Directors during the year and at the date of this report are:

Mr DAI Xiaoming
Mr Kenneth Hiu King KON
Mr Jesse Nai Chau LEUNG**
Mr XIANG Bing**
Mr Edward SHEN**

** Independent Non-executive Directors

In accordance with Article 102 of the Articles of Association of the Company, Messrs. Kenneth Hiu King Kon and Jesse Nai Chau Leung will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 10 to 11.

Connected Transactions

The Group has entered into the following continuing connected and connected transactions, which are disclosed in accordance with Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

(a) Loans previously granted by Enfort Company Limited ("Enfort"), a wholly-owned subsidiary to Beijing Dan Yao Property Co. Ltd. ("Dan Yao"), a 85% owned subsidiary for the purpose of financing Dan Yao's working capital were subsequently assigned to its holding company, Dan Form Holdings Company Limited ("Dan Form"), on 30th April 2003, since the loans were financed by Dan Form. The loans are unsecured, interest bearing at 6% per annum and repayable on demand. As at 31st December 2006, the unpaid loan due by Dan Yao to Dan Form was HK$51,455,000 and the amount of interest payable by Dan Yao to the Company during the year ended 31st December 2006 was HK$3,087,300.

Connected Transactions (Continued)

(b) On 7th March 2006, Man Lee Offshore Limited ("Man Lee") the purchaser, which is a wholly owned subsidiary of Dan Form, entered into two property pre-sale agreements with the seller Beijing Yintai Property Company Ltd. ("Beijing Yintai") for the acquisition of two apartments located at 1802 and 1809, Block A, Yintai Centre, No. 4 Jianguomenwai Street, Chaoyang District, Beijing, PRC, at an aggregate consideration of RMB9,743,000 (approximately HK$9,647,000), of which RMB4,947,000 (approximately HK$4,898,000) was the consideration for Unit 1802 and RMB4,796,000 (approximately HK$4,749,000) was the consideration for Unit 1809. Beijing Yintai is a 60% owned subsidiary of China Yintai Investment Company Limited ("China Yintai") which is a substantial shareholder of Beijing Lucky. Turbo Dragon Limited, being a wholly owned subsidiary of Dan Form (China) Limited which is a wholly owned subsidiary of the Dan Form, previously held 61.1% of the equity interest in Beijing Lucky and agreed to sell its interest in Beijing Lucky to China Yintai in stages in proportion to the amount of consideration actually received.

The Independent Non-executive Directors of the Company have reviewed the continuing connected transaction relating to item (a) as stated above pursuant to rule 14A.37 of the Listing Rules and confirmed that the transaction has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the Auditors of the Company to perform certain agreed-upon procedures on the continuing connected transaction relating to item (a) above in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The Auditors have reported to the Board of Directors of the Company that:

(1) the transaction has received the approval of the Board of Directors of the Company;

(2) the transaction has been entered into in accordance with the relevant agreements governing the transaction;

(3) the transaction showed that, as recorded in the accounting records of the Group, the loan outstanding as at 31st December 2006 between the Company and Dan Yao was HK$51,455,000 and there was no movement during the year then ended; and

(4) the transaction showed that, as recorded in the accounting records of the Group, the amount of interest payable by Dan Yao to the Company during the year ended 31st December 2006 was HK$3,087,300.

Directors' and Controlling Shareholders' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party, and in which any Director or controlling shareholder had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and any Associates

As at 31st December 2006, the interests and short positions of the each Director, Chief Executive and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

	Number of ordinary shares				
Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total Interest
DAI Xiaoming (Note)	23,000,000	—	388,720,881	—	411,720,881

Note: Being the ultimate beneficial owner of shares representing 95% of the issued share capital of Dan Form International Limited ("DFIL"), the ultimate holding company of Fabulous Investments Limited ("Fabulous"), Mr. Dai Xiaoming ("Mr. Dai") is deemed to be interested in the 2,660,000 and 386,060,881 ordinary shares in the Company beneficially held by DFIL and Fabulous respectively.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

At no time during the year was the Company, its subsidiaries, its associates, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Chief Executive, Directors or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

1. Aggregate long position in the shares and underlying shares of the Company

As at 31st December 2006, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being 5% or more of the issued share capital of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Number of ordinary shares held	Percentage of the issued share capital of the Company
DAI Xiaoming	(1)	411,720,881	36.26
Harlesden Limited	(2)	388,720,881	34.23
DFIL	(2)	388,720,881	34.23
Value Plus Holdings Limited	(2)	386,060,881	34.00
Fathom Limited	(2)	386,060,881	34.00
Fabulous	(2)	386,060,881	34.00
Nina KUNG	(3)	261,808,697	23.05
Greenwood International Limited	(3)	245,094,197	21.58
China National Foreign Trade Transportation (Group) Corporation	(4)	94,836,971	8.35
Focus-Asia Holdings Limited	(4)	94,836.971	8.35

Notes:

(1) Mr. Dai was beneficially interested in a total of 411,720,881 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above.

(2) By virtue of SFO, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 386,060,881 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,660,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.

(3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.58% of the issued share capital of the Company. Ms. Nina Kung (Mrs. Nina T.H. Wang) was beneficially interested in a total of 261,808,697 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.05% of the issued share capital of the Company. Ms. Nina Kung passed away on 3rd April 2007.

(4) Focus-Asia Holdings Limited ("Focus-Asia") was beneficially interested in a total of 94,836,971 ordinary shares in the Company. China National Foreign Trade Transportation (Group) Corporation, being holding company of Focus-Asia, is deemed to be interested in the 94,836,971 ordinary shares in the Company beneficially held by Focus-Asia.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company (Continued)

2. Aggregate short position in the shares and underlying shares of the Company

As at 31st December 2006, the Company had not been notified of any short position being held by any substantial equity holders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 31st December 2006, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

Advances to Entities

In accordance with Rule 13.20 of the Listing Rules, details of advances by the Group for the benefit of the following entities as at 31st December 2006, which in aggregate exceeded 8% of the total assets of the Group as at 31st December 2006 as follows:

Name of entity	**Date of advance**	**Percentage of equity held by the Group**	**Remaining amount of the advance**
			HK$'000
Zeta Estates Limited ("Zeta")	1st July 1998	33.33	257,237

Note:

The advance is unsecured, interest-free and has no fixed terms of repayment.

Proforma Combined Balance Sheet of Affiliated Companies

In accordance with Rule 13.16 of the Listing Rules, the proforma combined balance sheet of the affiliated companies of the Group mentioned above and the interest attributable to the Group as at 31st December 2006 (the latest practicable date) are as follows:

Description	**Combined total**	**Interest attributable to the Group**
	HK$'000	HK$'000
Investment properties	3,611,906	1,203,969
Properties under development for sale	614,002	180,517
Properties, plant and equipment	3,579	1,052
Long-term receivables	4,532	1,379
Current assets	199,913	60,558
Current liabilities	(897,254)	(295,181)
Non-current liabilities	(676,229)	(198,811)
Net assets	2,860,449	953,483

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Purchase, Sale or Redemption of the Company's Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Major Customers and Suppliers

The turnover attributable to the largest and the five largest customers accounted for 15% and 44% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for 46% and 77% respectively of the total purchases of the Group for the year.

None of the Directors, their associates or those shareholders who, to the knowledge of the Directors, own more than 5% of the Company's share capital, had interest in any of the five largest customers or suppliers, except that Ms. Nina Kung held a 33.33% interest in the share capital of one of the five largest customers.

Audit Committee

The Audit Committee comprises of three independent non-executive Directors, Mr. Jesse Nai Chau Leung, Mr. Xiang Bing and Mr. Edward Shen. During the year, the Audit Committee has discussed the financial reporting matters with management, including the review of the Group's financial reporting process, the adequacy and effectiveness of the Group's systems of internal control, and the interim and annual financial statements of the Group.

The annual results of the Group for the year ended 31st December 2006 have been reviewed by the Audit Committee.

Corporate Governance

The Company's corporate governance report are set out on pages 12 to 15 of this Annual Report.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

DAI XIAOMING
Chairman

Hong Kong, 19th April 2007

Report of the Independent Auditors

PRICEWATERHOUSECOOPERS

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TO THE SHAREHOLDERS OF
DAN FORM HOLDINGS COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Dan Form Holdings Company Limited (the "Company") set out on pages 25 to 59, which comprise the consolidated and company balance sheets as at 31st December 2006, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Directors for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditors

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the auditors, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31st December 2006 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th April 2007

Consolidated Profit and Loss Account

For the year ended 31st December 2006

	Note	2006 HK$'000	2005 HK$'000
Turnover	6	**28,984**	32,564
Cost of sales		**(10,291)**	(9,896)
Gross profit		**18,693**	22,668
Other income		**30,533**	8,679
Administrative expenses		**(17,423)**	(17,782)
Change in fair value of investment properties		**31,627**	60,900
Write back of provision for properties for sale		**2,067**	14,041
Operating profit	8	**65,497**	88,506
Finance costs	12	**(5,542)**	(6,643)
Share of (losses)/profits of associated companies	13	**(1,044)**	114,578
Profit before taxation		**58,911**	196,441
Taxation	14	**(6,018)**	(18,568)
Profit for the year attributable to equity holders		**52,893**	177,873
		HK cents	HK cents
Earnings per share			
Basic and diluted	15	**4.7**	15.7

Consolidated Balance Sheet

As at 31st December 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**501**	256
Investment properties	17	**446,897**	415,270
Prepayments of leasehold land	18	**325**	328
Associated companies	20	**1,040,500**	990,861
Available-for-sale financial assets	21	**39,384**	37,477
		1,527,607	1,444,192
Current assets			
Properties for sale		**222,613**	213,501
Investment for sale	22	**55,416**	128,913
Debtors and prepayments	23	**30,806**	23,644
Amounts due from associated companies	20	**284,374**	357,309
Taxation recoverable		**336**	—
Cash and bank balances		**96,394**	16,727
		689,939	740,094
Total assets		**2,217,546**	2,184,286
EQUITY			
Share capital	24	**567,803**	567,803
Reserves	25	**1,307,443**	1,255,634
Total equity		**1,875,246**	1,823,437
LIABILITIES			
Non-current liabilities			
Deferred taxation liabilities	26	**54,900**	48,937
Current liabilities			
Creditors and accruals	27	**222,978**	203,887
Amounts due to associated companies	20	**5,947**	12,417
Bank loans and overdrafts	28	**52,376**	89,689
Taxation payable		**6,099**	5,919
		287,400	311,912
Total liabilities		**342,300**	360,849
Total equity and liabilities		**2,217,546**	2,184,286

Dai Xiaoming
Director

Kenneth Hiu King Kon
Director

Balance Sheet

As at 31st December 2006

	Note	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**269**	128
Subsidiaries	19	**1,904**	1,904
Available-for-sale financial assets	21	**3,090**	3,090
		5,263	5,122
Current assets			
Debtors and prepayments	23	**1,543**	1,541
Amounts due from subsidiaries	19	**453,330**	455,929
Taxation recoverable		**336**	—
Cash and bank balances		**85,483**	14,125
		540,692	471,595
Total assets		**545,955**	476,717
EQUITY			
Share capital	24	**567,803**	567,803
Reserves	25	**(24,310)**	(155,799)
Total equity		**543,493**	412,004
LIABILITIES			
Current liabilities			
Creditors and accruals	27	**1,998**	25,296
Amounts due to subsidiaries	19	**464**	594
Bank overdrafts	28	**—**	38,823
Total liabilities		**2,462**	64,713
Total equity and liabilities		**545,955**	476,717

Dai Xiaoming
Director

Kenneth Hiu King Kon
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2006

	Share capital HK$'000	Reserves HK$'000	Total HK$'000
At 1st January 2005	567,803	1,075,493	1,643,296
Changes in exchange rates	—	(1,189)	(1,189)
Change in fair value of available-for-sale financial assets	—	3,457	3,457
Profit for the year	—	177,873	177,873
At 31st December 2005	567,803	1,255,634	1,823,437
Changes in exchange rates	—	(2,991)	(2,991)
Change in fair value of available-for-sale financial assets	—	1,907	1,907
Profit for the year	—	52,893	52,893
At 31st December 2006	**567,803**	**1,307,443**	**1,875,246**

Consolidated Cash Flow Statement

For the year ended 31st December 2006

	Note	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	**16,609**	8,008
Interest and incidental borrowing costs paid		**(1,667)**	(2,878)
Hong Kong profits tax paid		**(382)**	(171)
Net cash from operating activities		**14,560**	4,959
Cash flows from investing activities			
Proceeds of investment for sale		**84,139**	—
Interest received from investment for sale		**9,055**	—
Proceeds on disposal of property, plant and equipment		**66**	—
Purchase of property, plant and equipment		**(380)**	(112)
Interest received		**584**	360
Repayments from associated companies		**13,978**	7,891
Dividends received from unlisted investments		**467**	467
Net cash from investing activities		**107,909**	8,606
Increase in cash and cash equivalents		**122,469**	13,565
Cash and cash equivalents at beginning of the year		**(22,096)**	(31,876)
Changes in exchange rates		**(3,979)**	(3,785)
Cash and cash equivalents at end of the year	29(c)	**96,394**	(22,096)

1. General Information

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

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

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

2. Basis of Preparation

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

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

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

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

3. Summary of Significant Accounting Policies

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

(a) Consolidation

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

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

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

3. Summary of Significant Accounting Policies (Continued)

(b) Subsidiaries

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

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

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

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

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

(c) Minority interests

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

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

(d) Associated companies

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

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

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

3. Summary of Significant Accounting Policies (Continued)

(d) Associated companies (Continued)

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

(e) Goodwill

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

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

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

(f) Property, plant and equipment

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

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

(g) Investment properties

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

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

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

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

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

(h) Operating leases

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

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

(i) Impairment of assets

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

3. Summary of Significant Accounting Policies (Continued)

(j) Properties for sale

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

(k) Investments

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

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

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

(b) Loans and receivable

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

(c) Available-for-sale financial assets

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

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

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

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

3. Summary of Significant Accounting Policies (Continued)

(k) Investments (Continued)

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

(l) Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the debtor and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account within the cost of sales and administrative expenses.

(m) Cash and cash equivalents

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

(n) Borrowings

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

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

(o) Trade payables

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

(p) Provisions

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

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

3. Summary of Significant Accounting Policies (Continued)

(q) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

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

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

(r) Employee benefits

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

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

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

(s) Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

3. Summary of Significant Accounting Policies (Continued)

(s) Foreign currency translation (Continued)

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

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

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

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

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

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

(t) Contingent liabilities

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

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

(u) Revenue recognition

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

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

3. Summary of Significant Accounting Policies (Continued)

(v) Segment reporting

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

(w) Dividend distribution

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

4. Financial Risk Management

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

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

(a) Foreign exchange risk

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

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

(b) Credit risk

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

(c) Liquidity risk

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

4. Financial Risk Management (Continued)

(d) Cash flow and fair value interest rate risk

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

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

(e) Fair value estimation

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

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

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

5. Critical Accounting Estimates and Judgements

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

(a) Critical accounting estimates and assumptions

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

(1) Investment properties

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

5. Critical Accounting Estimates and Judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(2) Available-for-sale financial assets

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

(3) Claims payable

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

(4) Accounts receivable

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

(5) Taxation

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

(b) Critical judgements in applying accounting policies

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

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

6. Turnover

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

7. Segment Information

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

(a) Business segments

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

7. Segment Information (Continued)

(a) Business segments (Continued)

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

7. Segment Information (Continued)

(b) Geographical segments

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

8. Operating Profit

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

9. Staff Costs (including Directors' Remuneration)

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

10. Retirement Benefit Costs

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

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

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

11. Directors Emoluments and Five Highest Paid Individuals

(a) Directors emoluments

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

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

(b) Five highest paid individuals

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

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

The emoluments of these individuals fell within the following bands:

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

12. Finance Costs

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

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

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

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

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

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

14. Taxation

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

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

14. Taxation (Continued)

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

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

15. Earnings per Share

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

16. Property, Plant and Equipment

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

16. Property, Plant and Equipment (Continued)

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

17. Investment Properties

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

17. Investment Properties (Continued)

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

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

18. Prepayments of Leasehold Land

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

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

19. Subsidiaries

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

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

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

20. Associated Companies

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

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

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

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

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

20. Associated Companies (Continued)

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

21. Available-for-sale Financial Assets

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

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

22. Investment for Sale

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

22. Investment for Sale (Continued)

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

23. Debtors and Prepayments

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

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

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

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

24. Share Capital

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

25. Reserves

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

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

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

26. Deferred Taxation Liabilities

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

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

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

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

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

27. Creditors and Accruals

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

27. Creditors and Accruals (Continued)

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

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

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

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

28. Bank Loans and Overdrafts

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

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

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

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

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

29. Notes to the Consolidated Cash Flow Statement

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

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

(b) Analysis of changes in financing

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

(c) Analysis of cash and cash equivalents

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

30. Commitments

(a) Operating lease commitments

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

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

(b) Operating lease rental receivable

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

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

31. Litigation

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

32. Principal Subsidiaries and Associated Companies

(a) Subsidiaries

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

(b) Associated companies

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

(1) Sino-foreign joint venture companies

(2) Paid-up registered capital

Particulars of Major Properties

	Location	Lot No.	Use	Total gross floor area (sq. ft.)	Car parking spaces	Percentage owned
(1)	**Investment properties**					
	Hong Kong					
	Harbour Crystal Centre (portion) 100 Granville Road, Tsimshatsui East, Kowloon	K.I.L. 10600	Commercial	138,459 8,881	— — 30	80 40 100
	Harbour Industrial Centre (portion) Ap Lei Chau, Aberdeen, Hong Kong	A.I.L.116	Industrial/Godown	266,315	59	33.33
	Oceanic Industrial Centre (portion) Ap Lei Chau, Aberdeen, Hong Kong	A.I.L.116	Industrial/Godown	741,703	74	33.33
	Queen's Centre (portion) 58–64 Queen's Road East Wanchai, Hong Kong	I.L.2243R.P.	Commercial/Offices	27,457	—	50
	Red Hill, Phase 1 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	11,001	—	33.33
	Red Hill, Phase 2 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	100,819	—	33.33
	Red Hill, Phase 3 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	181,698	—	33.33
	Red Hill, Phase 4 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	220,195	271	33.33
	Wah Shun Industrial Centre (portion) 4 Cho Yuen Street Yau Tong, Kowloon	Y.T.I.L.29	Industrial	134,236	10	50
(2)	**Properties for sale**					
	People's Republic of China					
	Dan Yao Building (portion) South of Dongan Market north of Shuaifuyuan Lane Wangfujing Avenue Dongcheng District	B3	Commercial/ Residential	209,059	85	85

	Location	Lot No.	Use	Total gross floor area (sq. ft.)	Car parking spaces	Percentage owned	Estimate completion date	Stage of development as at 31st December 2006
(3)	**Property under development**							
	People's Republic of China							
	Jing Yuan International Mansion South-west corner of the intersection of Da Mu Cang Hu Tong and the proposed Da Mu Cang Nan Lane	9	Residential	336,583	—	29.4	2007	Internal decoration in progress

Summary of Financial Information

	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000
Turnover	**28,984**	32,564	36,990	57,770	67,096
Operating profit/(loss) after finance cost	**59,955**	81,863	(6,796)	(293,779)	5,432
Share of (losses)/profits of associated companies	**(1,044)**	114,578	(167,087)	(66,292)	730
Profit/(loss) before taxation	**58,911**	196,441	(173,883)	(360,071)	6,162
Taxation	**(6,018)**	(18,568)	(282)	(408)	(5,271)
Profit/(loss) for the year	**52,893**	177,873	(174,165)	(360,479)	891
Attributable to:					
Equity holders	**52,893**	177,873	(174,081)	(292,935)	1,019
Minority interests	**—**	—	(84)	(67,544)	(128)
	52,893	177,873	(174,165)	(360,479)	891
Earning/(loss) per share	**4.7**	15.7	(15.3)	(25.8)	0.1
Total assets	**2,217,546**	2,184,286	1,839,483	2,159,224	2,548,120
Total liabilities	**(342,300)**	(360,849)	(344,096)	(588,442)	(541,964)
Net assets	**1,875,246**	1,823,437	1,495,387	1,570,782	2,006,156