

Multifield

Multifield International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0898)

2006
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lau Chi Yung, Kenneth

(Chairman)

Lau Michael Kei Chi

(Vice-Chairman)

Independent Non-executive Directors

Choy Tak Ho

Lee Siu Man, Ervin

Wong Yim Sum

COMPANY SECRETARY

Poon Chun Shing, Edwin

PRINCIPAL BANKERS

The Bank of China (Hong Kong) Limited

Wing Hang Bank Limited

United Commercial Bank

AUDITORS

HLB Hodgson Impey Cheng

SOLICITORS

Cheung, Tong & Rosa

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

PRINCIPAL PLACE OF BUSINESS

8th Floor

Multifield House

54 Wong Chuk Hang Road

Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

CHAIRMAN'S STATEMENT

2006 was a fruitful and challenging year since two particularly noteworthy events were transacted under our proactive and well-planned business strategies.

On 15 May 2006, the Group disposed of the property of Multifield Building at North Point, Hong Kong for a consideration of HK\$329 million and generated a strong cash flow for funding future development projects. The gain accrued to the Group upon completion of the disposal was approximately HK\$26.8 million.

On 12 June 2006, the Group acquired a land area of approximately 36,808 square metres in Zhuhai, PRC for a consideration of approximately RMB134 million (equivalent to approximately HK\$129 million) by acquisition of a 100% equity interest of a property project development company in Zhuhai. The land is planned to be developed into a fully integrated shopping mall after completion of demolition and removal of existing constructions thereon.

Apart from the above events, the Group remained very focused in its core rental business and concentrated its effort in maintaining its market position in both Hong Kong and Shanghai. We are proud of the performance of the Group's property investment in Shanghai since the Group's Shanghai serviced-apartment chain continuously contributed a strong return of investment with consistently high occupancy rate of approximately 90%.

Looking ahead, we anticipate that the future is bright for the Group in view of our good achievements in the past several years, and the future steady economic growth in both PRC and Hong Kong. The Board and management of the Group are dedicated to rewarding the shareholders and have decided to propose a final dividend of 0.4 HK cents per share at the forthcoming annual general meeting. Taking this opportunity, I would like to thank all stakeholders and employees for their support and contribution in the past year.

Lau Chi Yung, Kenneth
Chairman

Hong Kong, 25 April 2007

MANAGEMENT

DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year of 2006, the Group continued to focus principally on its core property investment business and recorded a net profit of approximately HK\$193 million (2005: HK\$148 million), an increase of 30.4% as compared with 2005.

PROPERTY INVESTMENT

Shanghai, PRC

The Group's Shanghai service apartment chain, operating under the name "Windsor Renaissance", has already built up a market niche in Shanghai and has continued to contribute a strong return of investment with occupancy rate consistently maintained over 90%. Our trademark, "Windsor Renaissance", which represents a symbol of high quality service apartments, has been nicely accepted by the expatriate community in Shanghai and our tenant base covers hundreds of multinational corporations from over the world. At present, a portfolio of around 400 service apartments and villas are under our management.

Zhuhai, PRC

The Group remains interested in its long-term property development strategy in the PRC despite the introduction of macro-economic measures to regulate property activities. On 12 June 2006, the Group acquired a land area of approximately 36,808 square metres in Zhuhai, PRC for a consideration of approximately RMB134 million (equivalent to approximately HK\$129 million) by acquisition of a 100% equity interest of a property project development company in Zhuhai. The land is planned to be developed into a fully integrated shopping mall after completion of the demolition and removal of existing constructions thereon.

The Management believes that the acquisition will present a good opportunity for the Group to strengthen its business in the field of property development in the PRC and has confidence that the development of the land will bring reasonable profit to the Group.

Hong Kong

The investment properties in Hong Kong continued to maintain an occupancy rate of 70% and generated a steady rental revenue of approximately HK\$26 million (2005: HK\$31 million) to the Group for the year ended 31 December 2006.

On 15 May 2006, the Group disposed of the property of Multifield Building at North Point, Hong Kong for a consideration of HK\$329 million. The disposal was completed on 8 August 2006 and the gain accrued to the Group upon completion was approximately HK\$26.8 million. The net sale proceeds of approximately HK\$326.8 million would be used to provide funding for the Group's development projects on hand and contemplated and to further strengthen the liquidity assets mix and the overall financial position of the Group.

STEEL TRADING

The Group did not engage in steel trading during the year under review since the management adopted a prudent approach to minimize risk exposure of steel prices which fluctuated significantly. Indeed, the PRC continued to implement macroeconomic control measures to rein in economic development during 2006, with bank borrowing rates raised and export tax rebate rates for steel products reduced. The management forecasted that the coming year would still be a hard time for international steel market and accordingly, much more effort has to be devoted to explore business opportunities.

PORTFOLIO INVESTMENTS

The Group continued to undertake portfolio investments during the year under review since the Group believes that substantial cash balances can be generated from time to time and limited portfolio investing activities will improve the return on cash balances and enhance the Group's profitability. However, the Hong Kong and other overseas stock markets were very volatile and vulnerable during the year and as a result, the Group only performed to an acceptable level when marking the investment portfolios to the market valuation as at 31 December 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and Shanghai. As at 31 December 2006, the Group had outstanding bank loans amounting to approximately HK\$859 million (2005: HK\$794 million), which were secured by legal charges on certain investment properties and properties held for sale in Hong Kong and Shanghai. As at 31 December 2006, among the total outstanding bank borrowings, HK\$144 million (2005: HK\$66 million) are repayable within one year, HK\$64 million (2005: HK\$65 million) are repayable in the second year with the remaining balance repayable beyond the second year. The Group's cash and bank balances and short term bank deposits as at 31 December 2006 amounted to approximately HK\$444 million. The Group's gearing ratio as at 31 December 2006 was approximately 29% (2005: 29%) based on the total bank borrowings of approximately HK\$859 million (2005: HK\$794 million) and the aggregate of the shareholders' funds, minority interests and total bank borrowings of approximately HK\$2,993 million (2005: HK\$2,726 million).

PERSONNEL

As at 31 December 2006, the Group had a total of 420 employees, of whom 390 were based in the PRC and 30 in Hong Kong. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

PROSPECTS

Hong Kong's economy continued to prosper, boosted by thriving global markets and the territory's ongoing economic ties with the PRC. Demand continued to outstrip supply in office sector, pushing up rents and occupancy rates in commercial districts. The Group will continue to enhance its investment portfolio through its progressive yet steady growth strategy, focused on seeking for good investment opportunities.

In 2006, the real estate industry in the PRC moved into the consolidation stage after the PRC had continued to implement macro-economic control measures on the real estate market. Yet, according to the preliminary calculation of the State Statistics Bureau in the PRC, the national GDP for the year 2006 recorded an increase of 10.7% compared to that of 2005 based on comparable price basis. In fact, we are very optimistic about our serviced-apartment chain operation in Shanghai, as we have already established a firm footing and a strategic presence in Shanghai to deliver solid performance in this sector of business.

In the coming year of 2007, the Group will under the principle of prudence carefully while actively identify development projects that have good potential for development, and put much effort on identifying new development projects opportunities and high quality land banks for future growth in the Pearl River Delta. The Group will also enhance central administration and segment operations for its entities. We strongly believe that the Group has laid a solid foundation for transforming itself into an integrated real estate operator that develops and leases offices, residential and shopping malls.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LAU Chi Yung, Kenneth, aged 47, is the Chairman, Managing Director and founder of the Company. Mr Lau has over 21 years' experience in property investment and development and is responsible for the overall policymaking, investment and business development of the Group. Mr. Lau is currently the Chairman of Oriental Explorer Holdings Limited ("Oriental Explorer"), a company engaged in metal trading and manufacturing businesses and its shares are listed on The Stock Exchange of Hong Kong Limited.

Mr. LAU Michael Kei Chi, aged 53, is the Vice Chairman and Deputy Managing Director of the Company. He is responsible for the overall planning, marketing and operations of the Group's service apartment business. Prior to joining the Group in 1997, he had over 14 years' experience in project development and management. Mr. Lau is currently the Vice Chairman of Oriental Explorer and is the brother of Mr. Lau Chi Yung, Kenneth.

Independent Non-executive Directors

Mr. CHOY Tak Ho, aged 78, joined the Group in May 1999. He is a member of the 9th National Committee of the Chinese People's Political Consultation Conference, the Executive Committee Member of the 8th All China Federation of Industry and Commerce and the Executive Committee Member of the Chinese Manufacture Association of Hong Kong. He also served as a member of the Selection Committee of the First Government of the Hong Kong Special Administrative Region. He is the Honorary Life Chairman of the Chinese General Chamber of Commerce H.K., the Charter President of Hong Kong and Overseas Chinese Association of Commerce Limited and the Charter President of Hong Kong Kwun Tong Industries and Commerce Association Limited.

Mr. LEE Siu Man, Ervin, aged 50, is a Registered Architect and Authorized Person in Hong Kong. He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects, and the founder and currently the Managing Director of Fotton-ELA Architects Ltd. and Fotton-ELA Consultants Ltd. which provide comprehensive services including architecture, civil, structural and geotechnical engineering, town planning and estate surveying in the building and development field. In early 1999, Mr. Lee has also been elected as the Director of the Board of Directors of the Pok Oi Hospital and the President of North Kowloon Lions Club, both for the year 1999/2000.

Mr. WONG Yim Sum, aged 41 is currently the Managing Director of Conpak CPA Limited, a firm of certified public accountants in Hong Kong. Mr. Wong has extensive experience in the finance and auditing fields and is currently practicing as a certified public accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA).

Senior Management

Mr. POON Chun Shing, Edwin, aged 48, is the General Manager of the Group and is responsible for the overall activities in property investment, property development, project management and property management in Shanghai and Zhuhai. Further, Mr. Poon is the Group Financial Controller and Company Secretary of the Company. He joined the Group in 1996 and has extensive experience in corporate finance, auditing, accounting, company secretarial practice and property business in Shanghai and Zhuhai. He is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and the Institute of Chartered Secretaries and Administrators, and holds a bachelor's degree in commerce from University of Queensland, Australia.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management *(continued)*

Ms. SIU Wai King, Donna, aged 42, is the Deputy General Manager of Property and Leasing Division in Hong Kong and is responsible for the business of leasing commercial and residential properties in Hong Kong. She joined the Group in 1992 and has over 16 years' experience in property leasing.

Ms. ZHU Huai Jun, aged 58, is the Deputy General Manager of the Shanghai Division and is responsible for the property business in Shanghai. She joined the Group in 1996 and has over 26 years' experience in the areas of accounting and finance.

Mr. NAGATA Tetsuya, aged 51, joined the Group in September 2002 as the General Manager of the Electronics Division in the Group. He has over 29 years' experience in overseas marketing and business development. He graduated from Meiji University, Tokyo with a bachelor's degree in commerce and had been working at Japanese trading firm for 13 years and Hong Kong based electronics manufacturing firm for 12 years. He is the Associate Director of the Group and is responsible for marketing and business development of the Group.

Mr. YAU Yuk Kau, Benny, aged 34, joined the Group in 2006. He is the Assistant Financial Controller. He holds a master's degree in corporate governance. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators. He has over 10 years' experience in auditing, tax and accounting.

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 24.

The directors recommend the payment of a final dividend of 0.4 HK cents per ordinary share in respect of the year ended 31 December 2006 (2005: Nil), to shareholders whose name appeared on the register of members on 28 June 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets, liabilities and minority interests of the Group for the last five-financial years. The information has been extracted from the published audited financial statements of the Company, after appropriate adjustments and reclassifications. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	181,268	1,319,655	701,466	334,252	101,890
Cost of sales	(33,086)	(1,144,251)	(550,639)	(223,476)	(26,415)
Gross profit	148,182	175,404	150,827	110,776	75,475
Other income and gains	162,149	78,316	36,871	27,070	12,499
Operating and administrative expenses	(62,463)	(59,755)	(52,631)	(30,332)	(16,356)
Other operating expenses	—	(432)	(915)	(2,826)	(8,284)
Finance costs	(39,898)	(27,786)	(13,070)	(24,340)	(27,012)
Share of profits and losses of associates	—	—	—	(621)	1,696
Negative goodwill on acquisition of interest in an associate recognised as income	—	—	—	633	13,290
Profit before tax	207,970	165,747	121,082	80,360	51,308
Tax	(14,725)	(18,082)	(7,537)	1,521	(7,401)
Profit for the year	193,245	147,665	113,545	81,881	43,907
Attributable to:					
Equity holders of the Company	144,170	126,597	81,262	54,730	30,648
Minority interests	49,075	21,068	32,283	27,151	13,259
	193,245	147,665	113,545	81,881	43,907

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	3,702,476	3,332,662	2,981,132	2,781,803	2,200,944
Total liabilities	(1,568,122)	(1,400,830)	(1,312,713)	(1,499,922)	(1,257,121)
Minority interests	(694,717)	(697,523)	(667,104)	(564,648)	(288,662)
	1,439,637	1,234,309	1,001,315	717,233	655,161

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in note 16 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 77 to 79.

PROPERTIES HELD FOR SALE

Details of the Group's properties held for sale are set out in note 22 to the financial statements. Further details of the Group's properties held for sale are set out on page 64.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year are set out in notes 32 and 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company's reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK\$841,709,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein amounted to 51%. Purchases from the Group's five largest suppliers accounted for 90% of the total purchases for the year and purchases from the largest supplier included therein amounted to 28%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Lau Chi Yung, Kenneth *(Chairman)*
 Mr. Lau Michael Kei Chi *(Vice-Chairman)*

Independent non-executive directors

Mr. Choy Tak Ho
 Mr. Lee Siu Man, Ervin
 Mr. Wong Yim Sum

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

In accordance with the Company's bye-laws, Mr. Lau Michael Kei Chi, Mr. Choy Tak Ho, Mr. Lee Siu Man, Ervin and Mr. Wong Yim Sum will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 6 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director 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 statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transactions disclosed in note 40 to the financial statements, no director had a material interest, either directly or indirectly, in any material contract of significance to the business of the Group to which the Company, or any of its holding companies or subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2006, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(continued)*

Long position in ordinary shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Mr. Lau Chi Yung, Kenneth	Corporate	2,785,515,712	66.63

The above shares are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

Long position in shares and underlying shares of associated corporation

Name of director	Name of associated corporation	Relationship with the Company	Shares/Equity derivatives	Number of shares/equity derivatives held	Capacity and nature of interest	Percentage of associated corporation's issued share capital
Mr. Lau Chi Yung, Kenneth	Oriental Explorer Holdings Limited	Company's subsidiary	Ordinary shares	1,020,268,999	Corporate	56.68
			Share options	19,500,000	Directly beneficially owned	N/A

The interest of Mr. Lau Chi Yung, Kenneth in the shares of Oriental Explorer Holdings Limited are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 December 2006, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

	Notes	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Power Resources Holdings Limited	(a)	Through a controlled corporation	2,785,515,712	66.63
Lucky Speculator Limited	(a)	Directly beneficially owned	2,195,424,000	52.52
Desert Prince Limited	(a)	Directly beneficially owned	590,091,712	14.11

Notes:

- (a) Power Resources Holdings Limited was deemed to have a beneficial interest in 2,785,515,712 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and Desert Prince Limited, the wholly-owned subsidiaries, which held shares in the Company.

Save as disclosed above, as at 31 December 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 40 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

REPORT OF THE DIRECTORS

AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Messrs. Ernst & Young with effect from 31 December 2004. Save as aforesaid, there had been no other changes of the Company's auditors in the past three financial years.

A resolution for the reappointment of HLB Hodgson Impey Cheng as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lau Chi Yung, Kenneth

Chairman

Hong Kong

25 April 2007

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency and accountability to all shareholders.

BOARD COMPOSITION AND BOARD PRACTICE

The Board is mandated to promote the success of the Company by providing leadership and supervising control of Group's business.

Currently, the Board comprises two executive directors and three independent non-executive directors. The Board, led by Mr. Lau Chi Yung, Kenneth is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of Group; and oversight of management. The Chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2006.

- (a) Under the code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation a least once every three years.

Non-executive directors do not have a specific term of appointment and under the Bye-laws of the Company, at each general meeting, one third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant Bye-laws, if necessary, in order to ensure compliance with the Code on Corporate Governance Practices.

- (b) Under the code provision of A.2, the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company does not at present have any officer with the title of "chief executive officer". Mr Lau Chi Yung, Kenneth is the chairman and managing director of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to respond promptly and efficiently.

Under the Listing Rules, every listed issuer is required to have at least three Independent Non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of Independent Non-executive Directors represents more than one-third of the total board members.

CORPORATE GOVERNANCE REPORT

Each of the Independent Non-executive Director 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 guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The biographical details of the Directors are set out on page 6.

The Board has scheduled regular meetings per year and meets more frequently as and when required. During the financial year ended 31 December 2006, the attendance of individual director to the Board meeting is summarized below:-

Executive Directors	Meetings attended/ held
Lau Chi Yung, Kenneth	6/6
Lau Michael Kei Chi	6/6
Independent Non-executive Directors	
Choy Tak Ho	4/6
Lee Siu Man Ervin	4/6
Wong Yim Sum	4/6

The Company Secretary keeps the Board minutes of the Company for inspection by the Directors. The Board has arranged appropriate insurance cover for the directors and officers of the Group to protect them from the risk exposure arising from the business of the Group.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

AUDIT COMMITTEE

The Company has established an Audit Committee with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the CG Code.

The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Choy Tak Ho, Lee Siu Man, Ervin and Wong Yim Sum. The Chairman of the committee, Wong Yim Sum, has extensive experience in the finance and auditing fields.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts an important link between the Board and the Company's auditors in matters within the scope of the group audit. In fact, the Group's interim report for the six months ended 30 June 2006 and the annual report for the year ended 31 December 2006 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee on 16 September 2005 to ensure that there are formal and transparent procedures for setting policies on the remuneration of the Directors. The committee comprises 3 Independent Non-executive Directors namely, Choy Tak Ho, Lee Siu Man, Ervin, and Wong Yim Sum.

The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the CG Code, and no Director is involved in deciding his own remuneration.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislation and regulations.

AUDITORS' REMUNERATION

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

For the year ended 31 December 2006, the Auditors of the Company received approximately HK\$650,000 for audit service and HK\$Nil for tax and consultancy services.

INVESTOR RELATIONS AND COMMUNICATION

The Company continues to pursue a proactive policy of promoting investor relations communications. All shareholders have 21 clear days' notice of the Annual General Meeting and Special General Meeting for passing of a special resolution and 14 clear days' notice of all other general meetings at which the Company's Directors and Committee Chairmen or members are available to answer their questions. The results of the voting by poll are declared on the first business day after the meeting, and are published in newspapers, if applicable, together with details of meetings including the time and venue and major resolutions. As a channel to further promote effective communication, the Company's website is maintained to disseminate corporate information and other relevant financial and non-financial information electronically.

INDEPENDENT AUDITORS' REPORT



Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong SAR

To the shareholders of
MULTIFIELD INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Multifield International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 76, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, 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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 auditors' judgement, 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 entity's 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 entity's internal control. 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 25 April 2007

CONSOLIDATED
INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
REVENUE	6	181,268	1,319,655
Cost of sales		(33,086)	(1,144,251)
Gross profit		148,182	175,404
Other income and gains	6	162,149	78,316
Operating and administrative expenses		(62,463)	(59,755)
Other operating expenses		—	(432)
Finance costs	8	(39,898)	(27,786)
PROFIT BEFORE TAX		207,970	165,747
Tax	10	(14,725)	(18,082)
PROFIT FOR THE YEAR		193,245	147,665
Attributable to:			
Equity holders of the Company	11	144,170	126,597
Minority interests		49,075	21,068
		193,245	147,665
DIVIDENDS			
Proposed final	12	16,721	—
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	13	3.45cents	3.03 cents
Diluted	13	N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	212,177	16,072
Investment properties	16	2,498,930	2,672,840
Prepaid land lease payments	17	476	484
Goodwill	18	—	—
Available-for-sale investments	19	9,270	11,023
Equity-linked notes	20	74,236	—
Total non-current assets		<u>2,795,089</u>	<u>2,700,419</u>
CURRENT ASSETS			
Inventories	21	1,325	2,341
Properties held for sale	22	281,851	281,851
Trade receivables	23	9,968	9,233
Prepayments, deposits and other receivables	24	40,270	17,357
Equity investments at fair value through profit or loss	25	130,407	102,058
Tax recoverable		—	1,164
Pledged deposits	26	167,354	25,463
Cash and cash equivalents	26	276,212	192,776
Total current assets		<u>907,387</u>	<u>632,243</u>
TOTAL ASSETS		<u>3,702,476</u>	<u>3,332,662</u>
CURRENT LIABILITIES			
Trade payables	27	1,726	1,908
Accrued expenses and other payables	28	110,454	44,604
Deposits received		43,816	45,878
Interest-bearing borrowings	29	203,125	66,314
Tax payable		113,053	101,640
Total current liabilities		<u>472,174</u>	<u>260,344</u>
NET CURRENT ASSETS		<u>435,213</u>	<u>371,899</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,230,302</u>	<u>3,072,318</u>

CONSOLIDATED BALANCE SHEET (CONT'D)

As at 31 December 2006

	<i>Notes</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	29	655,698	727,736
Due to a director	30	1,058	17,634
Deferred tax liabilities	31	439,192	395,116
		<hr/>	<hr/>
Total non-current liabilities		1,095,948	1,140,486
		<hr/>	<hr/>
Net assets		2,134,354	1,931,832
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	32	41,804	41,804
Reserves	34	1,381,112	1,192,505
Proposed final dividend	12	16,721	—
		<hr/>	<hr/>
		1,439,637	1,234,309
		<hr/>	<hr/>
Minority interests		694,717	697,523
		<hr/>	<hr/>
Total equity		2,134,354	1,931,832
		<hr/>	<hr/>

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to equity holders of the Company								
	Share capital <i>HK\$'000</i> <i>(Note 32)</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Available- for-sale investment revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2005	41,804	39,116	293,372	7,701	(140)	685,732	13,586	676,862	1,758,033
Changes in fair value of available-for-sale investments	—	—	—	(289)	—	—	—	(220)	(509)
Exchange realignment	—	—	—	—	40,416	—	—	—	40,416
Total income and expense recognised directly in equity	—	—	—	(289)	40,416	—	—	(220)	39,907
Profit for the year	—	—	—	—	—	126,597	—	21,068	147,665
Total income and expense for the year	—	—	—	(289)	40,416	126,597	—	20,848	187,572
Acquisition of minority interests	—	—	—	—	—	—	—	(187)	(187)
Final 2004 dividend declared	—	—	—	—	—	—	(13,586)	—	(13,586)
As at 31 December 2005	<u>41,804</u>	<u>39,116*</u>	<u>293,372*</u>	<u>7,412*</u>	<u>40,276*</u>	<u>812,329*</u>	<u>—</u>	<u>697,523</u>	<u>1,931,832</u>

	Attributable to equity holders of the Company								
	Share capital <i>HK\$'000</i> <i>(Note 32)</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Available- for-sale investment revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2006	41,804	39,116	293,372	7,412	40,276	812,329	—	697,523	1,931,832
Changes in fair value of available-for-sale investments	—	—	—	(197)	—	—	—	(151)	(348)
Exchange realignment	—	—	—	—	61,355	—	—	—	61,355
Total income and expense recognised directly in equity	—	—	—	(197)	61,355	—	—	(151)	61,007
Profit for the year	—	—	—	—	—	144,170	—	49,075	193,245
Total income and expense for the year	—	—	—	(197)	61,355	144,170	—	48,924	254,252
Acquisition of minority interests	—	—	—	—	—	—	—	(51,730)	(51,730)
Proposed final 2006 dividend	—	—	—	—	—	(16,721)	16,721	—	—
As at 31 December 2006	<u>41,804</u>	<u>39,116*</u>	<u>293,372*</u>	<u>7,215*</u>	<u>101,631*</u>	<u>939,778*</u>	<u>16,721</u>	<u>694,717</u>	<u>2,134,354</u>

* These reserve accounts comprise the consolidated reserves of approximately HK\$1,381,112,000 (2005: HK\$1,192,505,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
Net cash inflow from operating activities	35	112,640	126,784
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(3,392)	(2,998)
Purchases of investment properties		(781)	(68,405)
Purchases of available-for-sale investments		(60,684)	(11,202)
Purchases of equity-linked notes		(117,368)	—
Increase in time deposits with maturity over three months		(141,891)	(17,663)
Proceeds from disposal of items of property, plant and equipment		361	559
Proceeds from disposal of investment properties		326,846	38,769
Proceeds from disposal of available-for-sale investments		62,640	15,600
Acquisition of a subsidiary	36	(79,920)	—
Disposal of a subsidiary	37	4,787	—
Dividends received from listed investments		3,426	3,174
Interest received		32,559	7,248
Net cash inflow/(outflow) from investing activities		26,583	(34,918)
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing borrowings		141,248	642,156
Repayment of interest-bearing borrowings		(71,175)	(449,711)
Repayment to a director		(16,576)	(110,887)
Repayment to minority shareholders		(51,730)	(187)
Interest paid		(39,898)	(27,786)
Dividends paid		—	(13,586)
Net cash (outflow)/inflow from financing activities		(38,131)	39,999
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		192,776	83,468
Effect of foreign exchange rate changes, net		(17,656)	(22,557)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	128,032	38,016
Non-pledged time deposits with original maturity of less than three months when acquired	26	148,180	154,760
		276,212	192,776

COMPANY
BALANCE SHEET

As at 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	14	<u>656,622</u>	<u>656,622</u>
CURRENT ASSETS			
Due from subsidiaries	14	244,648	244,164
Prepayments, deposits and other receivables	24	449	449
Cash and bank balances		380	442
Total current assets		<u>245,477</u>	<u>245,055</u>
TOTAL ASSETS		<u>902,099</u>	<u>901,677</u>
CURRENT LIABILITIES			
Due to a subsidiary	14	1,800	1,800
Accrued expenses and other payables	28	65	53
Total current liabilities		<u>1,865</u>	<u>1,853</u>
NET CURRENT ASSETS		<u>243,612</u>	<u>243,202</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>900,234</u>	<u>899,824</u>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	32	41,804	41,804
Reserves	34	841,709	858,020
Proposed final dividend	12	16,721	—
Total equity		<u>900,234</u>	<u>899,824</u>

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. CORPORATE INFORMATION

Multifield International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year, the Company and its subsidiaries (collectively, the “Group”) were involved in the following principal activities:

- property investment
- provision of service apartment and property management services
- trading of steel
- manufacturing and trading of electronic products

In the opinion of the directors, the holding company of the Company is Lucky Speculator Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). They have been prepared under the historical cost convention, except for available-for-sale investments and equity investments at fair value through profit or loss and investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of 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.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) *Amendment for financial guarantee contracts*

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) *Amendment for the fair value option*

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) *Amendment for cash flow hedge accounting of forecast intragroup transactions*

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)**(c) HKFRS-Int 4 *Determining whether an Arrangement contains a Lease***

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 *Leases*. However, the adoption of this interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but not yet effective, in these financial statements.

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

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires disclosures of the information about the entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008 respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Goodwill** *(continued)*

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Related parties**

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of an item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5% or over the lease terms, if shorter
Leasehold improvements	Over the lease terms
Plant and machinery	10% - 20%
Furniture, fixtures and office equipment	20% - 33 $\frac{1}{3}$ %
Motor vehicles	20% - 33 $\frac{1}{3}$ %
Vessels	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Properties under development

Properties in the course of development are classified as non-current assets and are stated at cost less accumulated amortisation and accumulated impairment loss. Cost comprises acquisition cost relating to the leasehold interests in lands and direct development costs attributable to such properties. Interests in lands are amortised over the expected useful life and are included as part of cost of properties under development.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, capitalised interest during the period of development and other direct costs attributable to such properties. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Investments and other financial assets**

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading or these financial assets are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Investments and other financial assets** *(continued)**Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Impairment of financial assets** *(continued)**Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Share capital**

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Income tax** *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income from property letting, in the period in which the properties are let and on a straight-line basis over the lease terms;
- (c) income from the provision of service apartments and property management services, and project management, in the period in which such services are rendered;
- (d) interest income, on accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Employee benefits***Share-based payment transactions*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provision of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Employee benefits** *(continued)**Retirement benefits scheme*

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing spending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. FINANCIAL RISK MANAGEMENT**(a) Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group operates mainly in Mainland China and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars, Japanese Yen and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's risk management policy is to have the liquid assets mainly denominated in Hong Kong dollars, United States dollars and Renminbi.

3. FINANCIAL RISK MANAGEMENT *(continued)***(a) Financial risk factors** *(continued)**(ii) Price risk*

The Group is exposed to equity securities price risk because investments held by the Group are classified on the balance sheet either as available-for-sale investments or as investments at fair value through profit or loss. The Group manages this exposure by maintaining a portfolio of investments with different risk profiles.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in the future as may be necessary.

(iv) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. It has policies in place to ensure that credits are granted to customers with an appropriate credit history. For the property letting and management business, the credit risk is relatively low because the Group obtained rental deposits from the tenants. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and equity-linked notes, arises from default of the counterparty, with maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

(v) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

3. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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 carrying values less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)***Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair values of financial instruments

Financial instruments such as equity, debt and derivative instruments are carried at the balance sheet at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

Impairment of trade receivables

Provision for doubtful debts is made based on assessment of the recoverability of trade receivables and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and doubtful debt expenses/write-back in the period in which such estimate has been changed.

Impairment of property, plant and equipment

The carrying value of the property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable in accordance with the accounting policies as disclosed at section 2.4. The recoverable amount of the property, plant and equipment is the greater of fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Estimation of fair value of investment properties

As described in note 16, the investment properties were revalued at the balance sheet date on market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In marking the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately according to the location of assets and customers. Each of the Group's geographical segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other geographical segments. Summary details of the geographical segments are as follows:

- (a) Hong Kong;
- (b) elsewhere in the PRC; and
- (c) Thailand

In determining the Group's business segments, revenue is attributed to the segments based on the nature of their operations and the products and services they provide.

There were no intersegment sales and transfer during the year (2005: Nil).

5. SEGMENT INFORMATION (continued)

(a) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Group	Hong Kong		Elsewhere in the PRC		Thailand		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:								
Sales to external customers	43,609	38,288	137,659	137,974	—	1,143,393	181,268	1,319,655
Segment results	6,781	13,748	99,856	93,250	150	3,835	106,787	110,833
Interest and dividend income and unallocated gains							141,175	86,431
Unallocated expenses							(94)	(3,731)
Finance costs							(39,898)	(27,786)
Profit before tax							207,970	165,747
Tax							(14,725)	(18,082)
Profit for the year							193,245	147,665
Segment assets	874,804	912,457	2,722,516	2,189,779	—	—	3,597,320	3,102,236
Available-for-sale investments	9,270	11,023	—	—	—	—	9,270	11,023
Equity-linked notes	74,236	—	—	—	—	—	74,236	—
Unallocated assets							21,650	219,403
Total assets							3,702,476	3,332,662
Segment liabilities	258,298	34,127	876,457	58,264	—	—	1,134,755	92,391
Unallocated liabilities							433,367	1,308,439
Total liabilities							1,568,122	1,400,830
Other segment information:								
Depreciation and amortisation	1,349	722	1,328	1,369	—	—	2,677	2,091
Change in fair value of investment properties	19,940	(89,780)	33,670	34,875	—	—	53,610	(54,905)
Capital expenditure	1,918	65,946	150,607	1,582	—	—	152,525	67,528
Impairment losses recognised in the income statement	—	—	—	432	—	—	—	432

5. SEGMENT INFORMATION (continued)

(b) Business segments

The following tables present revenue and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005:

Group	Property investment		Provision of service apartment and property management services		Steel trading		Electronic products		Corporate and others		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	147,551	156,622	17,253	12,206	—	1,143,393	16,464	7,434	—	—	181,268	1,319,655
Other segment information:												
Segment assets	2,967,580	2,366,477	15,392	5,529	69	18,112	5,530	5,136	608,749	732,446	3,597,320	3,127,700
Segment liabilities	(1,077,293)	(47,697)	(1,889)	(9,770)	(3,028)	(3,982)	(4,925)	(4,335)	(47,620)	(26,607)	(1,134,755)	(92,391)
Capital expenditure	151,300	65,203	897	861	—	—	80	23	248	1,441	152,525	67,528

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, the total amounts received and receivable from the provision of service apartment and property management services, and rental income, net of PRC business taxes, from property letting, after elimination of all significant intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	2006 HK\$'000	2005 HK\$'000
Revenue		
Rental income from property letting	147,551	156,622
Service apartment and property management	17,253	12,206
Trading of steel	—	1,143,393
Manufacturing and trading of electronic products	16,464	7,434
	181,268	1,319,655
Other income and gains		
Interest income from available-for-sale investments	3,675	1,513
Interest income from equity-linked notes	17,728	—
Other interest income	11,156	5,735
Fair value gains on investment properties	53,610	54,905
Fair value gains, net:		
Available-for-sale investments (transfer from equity)	551	—
Equity investments at fair value through profit or loss	32,631	1,434
Gain on disposal of investment properties	26,846	—
Gain on disposal of a subsidiary (<i>note 37</i>)	11	—
Dividend income from listed investments	3,426	3,174
Others	12,515	11,555
	162,149	78,316

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2006	2005
	HK\$'000	HK\$'000
Cost of inventories sold	12,593	1,121,317
Cost of services provided	20,493	22,934
Depreciation of owned assets	2,669	2,578
Impairment of goodwill (<i>Note (i)</i>)	—	432
Amortisation of prepaid land lease payments	8	9
Minimum lease payments under operating leases for land and buildings	1,225	1,130
Auditors' remuneration	650	600
Impairment of trade receivables	110	327
Loss on disposal of items of property, plant and equipment	94	20
Loss on disposal of investment properties	—	21,456
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	12,885	12,754
Foreign exchange differences, net	(18,950)	(18,786)
Fair value losses, net:		
Equity-linked notes	43,132	—
Employee benefits expense (including directors' remuneration (<i>note 9</i>))		
Wages and salaries	12,513	11,515
Pension scheme contributions (<i>Note (ii)</i>)	212	91
	12,725	11,606

Notes:

- (i) The impairment of goodwill for the year ended 31 December 2005 is included in "Other operating expenses" on the face of the consolidated income statement.
- (ii) As at 31 December 2006, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2005: Nil).

8. FINANCE COSTS

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	6,397	4,080
Interest on bank borrowings not wholly repayable within five years	33,054	23,370
	<u>39,451</u>	<u>27,450</u>
Interest on other loans	447	—
Interest on discounted bills	—	336
	<u>39,898</u>	<u>27,786</u>

9. COMPENSATION TO KEY MANAGEMENT PERSONNEL

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Short-term employee benefits	4,332	7,162
Post-employment benefits	80	95
	<u>4,412</u>	<u>7,257</u>

(a) Directors' remuneration

The remuneration of every director of the Company for the year ended 31 December 2006 is set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<i>Executive directors</i>				
Mr. Lau Chi Yung, Kenneth	—	1,680	12	1,692
Mr. Lau Michael Kei Chi	—	950	12	962
<i>Independent non-executive directors</i>				
Mr. Choy Tak Ho	120	—	—	120
Mr. Lee Siu Man, Ervin	60	—	—	60
Mr. Wong Yim Sum	120	—	—	120
	<u>300</u>	<u>2,630</u>	<u>24</u>	<u>2,954</u>

9. COMPENSATION TO KEY MANAGEMENT PERSONNEL (continued)**(a) Directors' remuneration** (continued)

The remuneration of every director of the Company for the year ended 31 December 2005 is set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<i>Executive directors</i>				
Mr. Lau Chi Yung, Kenneth	1,380	1,620	12	3,012
Mr. Lau Michael Kei Chi	850	650	12	1,512
<i>Independent non-executive directors</i>				
Mr. Choy Tak Ho	120	—	—	120
Mr. Lee Siu Man, Ervin	120	—	—	120
Mr. Wong Yim Sum	120	—	—	120
	<u>2,590</u>	<u>2,270</u>	<u>24</u>	<u>4,884</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

(b) Five highest paid employees

The five highest paid employees during the year included two (2005: two) directors, details of whose remuneration are set out in note 9(a) above. Details of the remuneration of the remaining three (2005: three) non-director, highest paid employees for the year are as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,620	1,834
Pension scheme contributions	36	36
	<u>1,656</u>	<u>1,870</u>

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2006	2005
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

9. COMPENSATION TO KEY MANAGEMENT PERSONNEL (continued)

- (c) During the year ended 31 December 2006, no emoluments were paid by the Group to the directors of the Company and the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2005: Nil).

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2006 HK\$'000	2005 HK\$'000
Current tax – Hong Kong		
Charge for the year	4,090	751
Underprovision in prior years	637	—
Current tax – Mainland China		
Charge for the year	12,145	11,260
Deferred tax (note 31)	(2,147)	6,071
	<hr/>	<hr/>
Total tax charge for the year	14,725	18,082

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, is as follows:

Group – 2006

	Hong Kong HK\$'000	Elsewhere in the PRC HK\$'000	Total HK\$'000
Profit before tax	46,326	161,644	207,970
Tax at the statutory tax rate	8,107	53,350	61,457
Income not subject to tax	(12,080)	(53,422)	(65,502)
Expenses not deductible for tax	7,151	13,296	20,447
Tax losses not recognised	3,143	142	3,285
Tax losses utilised from prior years	(128)	—	(128)
Others	(3,613)	(1,221)	(4,834)
	<hr/>	<hr/>	<hr/>
Tax charge at the Group's effective rate	2,580	12,145	14,725

10. TAX (continued)**Group – 2005**

	Hong Kong <i>HK\$'000</i>	Elsewhere in the PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
Profit before tax	91,500	74,247	165,747
Tax at the statutory tax rate	16,013	24,502	40,515
Income not subject to tax	(14,171)	(58,107)	(72,278)
Expenses not deductible for tax	2,130	44,606	46,736
Tax losses not recognised	3,426	85	3,511
Tax losses utilised from prior years	395	—	395
Others	(971)	174	(797)
Tax charge at the Group's effective rate	6,822	11,260	18,082

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2006 includes a profit of approximately HK\$410,000 (2005: HK\$152,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. DIVIDENDS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Proposed final dividend of 0.4 HK cents (2005: Nil) per ordinary share	16,721	—

The proposed final dividend for the year ended 31 December 2006 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of approximately HK\$144,170,000 (2005: HK\$126,597,000) and the weighted average number of 4,180,371,092 (2005: 4,180,371,092) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2005 and 2006 have not been disclosed as no diluting events existed during both years.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Unlisted shares, at cost	<u>656,622</u>	<u>656,622</u>

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from/(to) subsidiaries approximate their fair values.

Particulars of the principal subsidiaries as at 31 December 2006 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Alphatronics Limited	Hong Kong	HK\$6,000,000	42.51 <i>(Note (i))</i>	Trading of electronic products
Alphatronics Electronic (Shenzhen) Co., Ltd. <i>(Note (vi))</i>	PRC	US\$3,310,000	42.51 <i>(Note (i))</i>	Manufacture of electronic components
Call Rich Investments Limited	British Virgin Islands	US\$50,000	59.19 <i>(Note (ii))</i>	Investment holding
Charter Million Investment Limited	Hong Kong/ PRC	HK\$2	62.83	Property investment
Conrad Shipping Limited	Hong Kong	HK\$1	100	Property investment
East Winner Limited	British Virgin Islands	US\$1	56.68	Investment holding
Ever Ford Development Limited	Hong Kong/ PRC	HK\$10,000	61.20 <i>(Note (iv))</i>	Property investment
Fexlink Limited	Hong Kong	HK\$100	100	Property investment
Forever Richland Limited	British Virgin Islands	US\$50,000	75	Investment holding

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Fortune Text Holdings Limited	Hong Kong/ PRC	HK\$2	62.83	Property investment
Godfrey Investments Limited	British Virgin Islands	US\$1	100	Investment holding
Good Connection Investments Limited	British Virgin Islands/ PRC	US\$50,000	45.51 (Notes (i) & (iii))	Property investment
Grandfield Nominees Limited	Hong Kong	HK\$1,000,000	100	Property investment
Head Wonder International Limited	British Virgin Islands	US\$10,000	62.83	Investment holding
Inter China Limited	British Virgin Islands	US\$100	32.30 (Note (i))	Investment holding
Kiuson Development Limited	Hong Kong	HK\$100	45.51 (Note (i) & (iii))	Investment holding
Kiuson Development (Shanghai) Ltd. (Note (vi))	PRC	US\$10,000,000	100	Property investment
Lau & Partners Consultants Limited	Hong Kong/ PRC	HK\$10,000	100	Property investment
Limitless Investment Limited	British Virgin Islands	US\$2	100	Investment holding
Linkful Electronics Limited	British Virgin Islands	US\$1	56.68	Investment holding
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$20,000,000	56.68	Investment holding
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	56.68	Investment holding

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Linkful Management Services Limited	Hong Kong	HK\$2	56.68	Provision of management services
Linkful Metals Trading Limited	British Virgin Islands/Thailand	US\$1	56.68	Metal trading
Linkful Properties Company Limited	Hong Kong/ PRC	HK\$2	56.68	Investment and property holding
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	56.68	Investment holding
Lucky River Limited	British Virgin Islands	US\$1	100	Investment holding
Maxlord Limited	Hong Kong	HK\$10,000	100	Property Investment
Million Growth Investment Limited	Hong Kong	HK\$10,000	100	Provision of recreational services
Multifield (Holdings) Limited	Hong Kong	HK\$1,000,000	100	Investment holding, provision of management services and agency services
Multifield Hotel Serviced Apartment Management (Shanghai) Ltd. (Note (vi))	PRC	US\$200,000	100	Provision of property management and administration services

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Multifield International Hotel Management Limited	Hong Kong	HK\$10,000	100	Provision of property management and administration services
Multifield Investment (HK) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Investment (PRC) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Management Services Limited	British Virgin Islands	US\$2	100	Investment holding
Multifield Properties Holdings Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Properties Limited	Hong Kong	HK\$9,000	100	Investment holding
Multifield Property Agency Limited	Hong Kong	HK\$2	100	Provision of property agency services
Multifield Property Management Limited	Hong Kong	HK\$2	100	Provision of property management services
Multifield International Holdings (B.V.I.) Limited	British Virgin Islands	US\$40	100	Investment holding
Nichiyu Consultants Limited	British Virgin Islands	US\$2	100	Investment holding
Oriental Explorer Holdings Limited	Bermuda	HK\$18,000,000	56.68	Investment holding

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Prince Properties Limited	Hong Kong	HK\$10,000	78.34 (Note (v))	Investment holding
Quick Profits Limited	British Virgin Islands	US\$2	100	Investment holding
Quick Returns Group Limited	British Virgin Islands	US\$1	100	Investment holding
Rich Returns Limited	British Virgin Islands	US\$100	61.20 (Note (iv))	Investment holding
Richwell Properties Limited	Hong Kong	Ordinary HK\$110,000 Non-voting deferred HK\$10,000	100	Property investment
Snowdon Worldwide Limited	British Virgin Islands	US\$1	56.68	Investment holding
Silver Nominees Limited	Hong Kong	HK\$2	100	Property investment
Sino Yield Investments Limited	British Virgin Islands	US\$3	66.7	Investment holding
Skilful Investments Limited	British Virgin Islands/ PRC	US\$50,000	45.51 (Notes (i) & (iii))	Property letting
Tellink Development Limited	Hong Kong/ PRC	HK\$100	100	Property investment
Triple Luck Investments Limited	British Virgin Islands	US\$50,000	100	Investment holding
Verywell Properties Limited	British Virgin Islands/ Hong Kong	US\$1	100	Property investment

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Win Channel Enterprises Limited	Hong Kong	HK\$2	66.7	Property investment
Windsor Property Management (Shanghai) Co., Ltd. <i>(Note (vi))</i>	PRC	US\$200,000	100	Provision of property management services
Windsor Renaissance Hotel Property Management (Shanghai) Ltd. <i>(Note (vi))</i>	PRC	US\$140,000	100	Provision of property management services
Winner Strong Limited	Hong Kong	HK\$100	100	Property investment
Wise Chance Limited	Hong Kong	HK\$100	100	Property investment
Wise Success Limited	Hong Kong	HK\$100	100	Property investment
Zhuhai Century West Sea Estates Investment Limited <i>(Note (vii))</i>	PRC	RMB10,000,000	100	Property development

Except for Multifield International Holdings (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

14. INTERESTS IN SUBSIDIARIES *(continued)**Notes:*

- (i) These companies are subsidiaries of non wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over the entities.
- (ii) The Group holds a direct equity interest of 45% in this subsidiary, and an indirect equity interest of 14.19% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds a 25.04% equity interest in this subsidiary.
- (iii) The Group holds a direct equity interest of 37% in these subsidiaries, and an indirect equity interest of 8.51% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds 15.02% equity interest in these subsidiaries.
- (iv) The Group holds a direct equity interest of 51% in these subsidiaries, and an indirect equity interest of 10.20% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds 18% equity interest in these subsidiaries.
- (v) The Group holds a direct equity interest of 50% in this subsidiary, and an indirect equity interest of 28.34% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds a 50% equity interest in this subsidiary.
- (vi) These subsidiaries are registered as wholly-foreign owned enterprises under the PRC law.
- (vii) This subsidiary is a limited liability company established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Property under development HK\$'000	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Vessels HK\$'000	Total HK\$'000
31 December 2006								
As at 31 December 2005 and 1 January 2006								
Cost	—	10,429	3,068	20,167	5,357	841	2,266	42,128
Accumulated depreciation	—	(1,293)	(2,341)	(17,756)	(2,637)	(705)	(1,324)	(26,056)
Net carrying amount	—	9,136	727	2,411	2,720	136	942	16,072
As at 1 January 2006, net of accumulated depreciation	—	9,136	727	2,411	2,720	136	942	16,072
Additions	—	—	—	739	2,584	69	—	3,392
Acquisition of a subsidiary (note 36)	195,356	—	—	—	—	—	—	195,356
Depreciation provided for the year	—	(239)	(27)	(1,031)	(907)	(75)	(390)	(2,669)
Disposals	—	—	—	(94)	(361)	—	—	(455)
Exchange realignment	—	350	35	67	29	—	—	481
As at 31 December 2006, net of accumulated depreciation	195,356	9,247	735	2,092	4,065	130	552	212,177
As at 31 December 2006								
Cost	195,356	10,815	2,877	20,212	6,310	909	2,266	238,745
Accumulated depreciation	—	(1,568)	(2,142)	(18,120)	(2,245)	(779)	(1,714)	(26,568)
Net carrying amount	195,356	9,247	735	2,092	4,065	130	552	212,177

Note: Included in property under development is interest in a piece of land situated in the PRC.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)***Group**

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2005							
As at 1 January 2005							
Cost	10,246	3,177	19,539	4,735	818	2,266	40,781
Accumulated depreciation	(1,043)	(2,423)	(17,166)	(2,661)	(541)	(934)	(24,768)
Net carrying amount	<u>9,203</u>	<u>754</u>	<u>2,373</u>	<u>2,074</u>	<u>277</u>	<u>1,332</u>	<u>16,013</u>
As at 1 January 2005, net of accumulated depreciation							
	9,203	754	2,373	2,074	277	1,332	16,013
Additions	—	—	1,122	1,853	23	—	2,998
Depreciation provided for the year	(231)	(44)	(1,080)	(669)	(164)	(390)	(2,578)
Disposals	—	—	(23)	(556)	—	—	(579)
Exchange realignment	164	17	19	18	—	—	218
As at 31 December 2005, net of accumulated depreciation	<u>9,136</u>	<u>727</u>	<u>2,411</u>	<u>2,720</u>	<u>136</u>	<u>942</u>	<u>16,072</u>
As at 31 December 2005							
Cost	10,429	3,068	20,167	5,357	841	2,266	42,128
Accumulated depreciation	(1,293)	(2,341)	(17,756)	(2,637)	(705)	(1,324)	(26,056)
Net carrying amount	<u>9,136</u>	<u>727</u>	<u>2,411</u>	<u>2,720</u>	<u>136</u>	<u>942</u>	<u>16,072</u>

16. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK\$'000	HK\$'000
Carrying amount as at 1 January	2,672,840	2,547,000
Additions	781	68,405
Disposals	(300,000)	(60,225)
Disposal of a subsidiary (note 37)	(13,200)	—
Net gain from fair value adjustment	53,610	54,905
Exchange realignment	84,899	62,755
	<hr/> 2,498,930 <hr/>	<hr/> 2,672,840 <hr/>
Carrying amount as at 31 December	2,498,930	2,672,840

The Group's investment properties as at 31 December 2006 are situated in Hong Kong and the PRC and are held under the following lease terms:

	Hong Kong	Elsewhere	Total
	HK\$'000	in the PRC HK\$'000	HK\$'000
Long term leases	38,340	2,243,300	2,281,640
Medium term leases	217,290	—	217,290
	<hr/> 255,630 <hr/>	<hr/> 2,243,300 <hr/>	<hr/> 2,498,930 <hr/>

The Group's investment properties were revalued on 31 December 2006 by B.I. Appraisals Limited, an independent firm of professional qualified valuers, on an open market value, existing use basis. B.I. Appraisals Limited has staff who are members of the Hong Kong Institute of Valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The investment properties held by the Group are leased to third parties under operating leases, further summary details of which are included in note 39 to the financial statements.

As at 31 December 2006, certain of the Group's investment properties with a value of approximately HK\$1,960,540,000 (2005: HK\$1,847,200,000) were pledged to secure general banking facilities granted to the Group (note 29).

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK\$'000	HK\$'000
Carrying amounts as at 1 January	484	493
Recognised during the year	(8)	(9)
	<hr/> 476 <hr/>	<hr/> 484 <hr/>
Carrying amount as at 31 December	476	484

The Group's leasehold land as at 31 December 2006 is situated in the PRC and is held under the long lease terms.

18. GOODWILL

Group	<i>HK\$'000</i>
31 December 2006	
As at 1 January 2006 and 31 December 2006	
Cost	432
Accumulated impairment	(432)
	<hr/>
Net carrying amount	—
	<hr/>
31 December 2005	
As at 1 January 2005	
Cost	432
Accumulated impairment	—
	<hr/>
Net carrying amount	432
	<hr/>
Cost as at 1 January 2005, net of accumulated impairment	432
Impairment during the year	(432)
	<hr/>
Net carrying amount as at 31 December 2005	—
	<hr/>
As at 31 December 2005	
Cost	432
Accumulated impairment	(432)
	<hr/>
Net carrying amount	—
	<hr/>

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed debt investments, at fair value	8,600	10,353
Club debentures, at fair value	670	670
	<hr/>	<hr/>
	9,270	11,023
	<hr/>	<hr/>

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to approximately HK\$203,000 (2005: gross loss of HK\$289,000) and approximately HK\$551,000 (2005: Nil) was removed from equity and recognised in the income statement for the year.

As at 31 December 2006, the Group's listed debt investments with a carrying value of approximately HK\$8,600,000 (2005: HK\$10,353,000) were pledged to secure the Group's interest-bearing borrowings, further details of which are disclosed in note 29 to the financial statement.

20. EQUITY-LINKED NOTES

Equity-linked notes are designated as financial assets at fair value through profit or loss.

Carrying amount analysed for reporting purposes as:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Non-current	74,236	—

Major terms of the equity-linked notes are as follows:

Notional amount	Maturity
US\$6,500,000	2008
JPY1,000,000,000	2008

The equity-linked notes are callable and bear interest which range from 22.20% to 41.04% per annum with guaranteed coupon for the 1st quarter. The equity-linked notes are linked with various Hong Kong and overseas listed securities at various strike prices.

The above equity-linked notes are measured at fair value at the balance sheet date. Their fair values are determined based on the quoted prices provided by the securities' broker for equivalent instruments at the balance sheet date.

As at 31 December 2006, the Group's equity-linked notes with a carrying value of approximately HK\$74,236,000 (2005: Nil) were pledged to secure the Group's interest-bearing borrowings, further details of which are disclosed in note 29 to the financial statements.

21. INVENTORIES

	Group	
	2006	2005
	HK\$'000	HK\$'000
Raw materials	679	1,614
Work in progress	7	10
Finished goods	639	717
	1,325	2,341

22. PROPERTIES HELD FOR SALE

The properties held for sale are stated at the lower of cost and net realisable value, and are held under medium term leases in Hong Kong.

23. TRADE RECEIVABLES

An aged analysis of trade receivables as at the balance sheet date, based on invoice date and stated net of provision for impairment, is as follows:

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within three months	6,653	4,548
Four to six months	628	884
Over six months	2,687	3,801
	<u>9,968</u>	<u>9,233</u>

For the Group's property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rentals in order to secure any default in their rental payments.

The Group's trading terms with steel customers are mainly on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The fair values of the Group's trade receivables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The fair value of the Group's and the Company's prepayments, deposits and other receivables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity investments, at market value		
Hong Kong	101,786	79,056
Elsewhere	28,621	23,002
	<u>130,407</u>	<u>102,058</u>

The above equity investments as at 31 December 2005 and 2006 were classified as held for trading. As at 31 December 2006, the Group's listed equity investments with a carrying value of approximately HK\$15,526,000 (2005: HK\$17,048,000) were pledged to secure the Group's interest-bearing borrowings, further details of which are disclosed in note 29 to the financial statements.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cash and bank balances	128,032	38,016
Time deposits	315,534	180,223
	<hr/>	<hr/>
	443,566	218,239
Less: Pledged time deposits	(167,354)	(25,463)
	<hr/>	<hr/>
Cash and cash equivalents	<u>276,212</u>	<u>192,776</u>

The time deposits of HK\$167,354,000 (2005: HK\$25,463,000) were pledged as security for banking facilities granted.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate their fair values.

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$54,506,000 (2005: HK\$7,305,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within three months	1,360	1,530
Four to six months	79	114
Over six months	287	264
	<hr/>	<hr/>
	<u>1,726</u>	<u>1,908</u>

The trade payables are non-interest-bearing and are normally settled on 60-days terms. The fair values of the Group's trade payables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

28. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are non-interest-bearing and have an average term of two months.

The fair values of the Group's and the Company's accrued expenses and other payables approximate their corresponding carrying amounts.

29. INTEREST-BEARING BORROWINGS

	Group					
	2006			2005		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Secured bank loans denominated in Hong Kong dollars	HIBOR plus a range of 0.65 to 1.3	2007	64,072	HIBOR plus a range of 0.65 to 1.375	2006	64,711
Secured bank loans denominated in Renminbi	Prevailing interest rate of the People's Bank of China	2007	79,920			—
Secured short term loans denominated in Japanese Yen	0.97	January 2007	59,133	0.58	4 January 2006	1,603
			<u>203,125</u>			<u>66,314</u>
Non-current						
Secured bank loans denominated in Hong Kong dollars	HIBOR plus a range of 0.65 to 1.3	2007-2015	655,698	HIBOR plus a range of 0.65 to 1.375	2007 – 2015	727,736
			<u>858,823</u>			<u>794,050</u>

29. INTEREST-BEARING BORROWINGS (continued)

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Analysed into:		
Bank loans repayable:		
Within one year	143,992	64,711
In the second year	64,192	64,812
In the third to fifth years, inclusive	179,355	177,698
After five years	412,151	485,226
	<u>799,690</u>	<u>792,447</u>
Other borrowings repayable within one year	<u>59,133</u>	<u>1,603</u>
	<u>858,823</u>	<u>794,050</u>

The Group's banking facilities were secured by:

- (i) first legal charges over certain of the Group's investment properties with an aggregate carrying amount of approximately HK\$1,960,540,000 as at the 31 December 2006;
- (ii) personal guarantees given by certain directors of the Company and its subsidiaries and the minority shareholders; and
- (iii) corporate guarantees issued by the Company.

As at 31 December 2006, the Group's short term loans with an investment bank are secured by certain cash deposits and investments with an aggregate carrying amount of approximately HK\$177,109,000 as at 31 December 2006.

Other interest rate information:

	Group			
	2006		2005	
	Fixed rate <i>HK\$'000</i>	Floating rate <i>HK\$'000</i>	Fixed rate <i>HK\$'000</i>	Floating rate <i>HK\$'000</i>
Bank loans – secured	—	799,690	—	792,447
Other loans – secured	—	59,133	1,603	—
	<u>—</u>	<u>799,690</u>	<u>1,603</u>	<u>—</u>

29. INTEREST-BEARING BORROWINGS (continued)

The carrying amounts of the Group's current borrowings approximate their fair values. The carrying amounts and fair value of the Group's non-current borrowings are as follows:

	Carrying amounts		Fair value	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Floating rate bank loans	<u>655,690</u>	<u>727,736</u>	<u>545,512</u>	<u>603,596</u>

The fair value of non-current borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

30. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and is not repayable within one year. The carrying amount of the amount due approximates its fair value.

31. DEFERRED TAX LIABILITIES

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

Group

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Total HK\$'000
As at 1 January 2006	7,642	353,428	34,046	395,116
Acquisition of a subsidiary (note 36)	—	46,223	—	46,223
Deferred tax credited to the income statement during the year (note 10)	(2,147)	—	—	(2,147)
As at 31 December 2006	<u>5,495</u>	<u>399,651</u>	<u>34,046</u>	<u>439,192</u>
As at 1 January 2005	1,571	353,428	34,046	389,045
Deferred tax charged to the income statement during the year (note 10)	6,071	—	—	6,071
As at 31 December 2005	<u>7,642</u>	<u>353,428</u>	<u>34,046</u>	<u>395,116</u>

31. DEFERRED TAX LIABILITIES (continued)

As at 31 December 2006, the Group's tax losses of approximately HK\$332,695,000 (2005: HK\$322,739,000) are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL**Shares**

	Number of shares		Value	
	2006	2005	2006 HK\$'000	2005 HK\$'000
Authorised				
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	<u>50,000,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>4,180,371,092</u>	<u>4,180,371,092</u>	<u>41,804</u>	<u>41,804</u>

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

33. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, other employees, adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group. The Scheme became effective on 27 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of securities available for issue under the Scheme is 400,052,632, which is equivalent to 10% of the issued share capital of the Company as at the date of adoption of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's share at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

33. SHARE OPTION SCHEMES (continued)

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the higher of (i) the nominal value of the shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options have been granted, exercised, lapsed or cancelled since the establishment of the Scheme.

The following share options of Oriental Explorer Holdings Limited, a subsidiary of the Company, were outstanding during the year:

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$ Per share (Note)	Number of share	Exercise period of share options
			options as at 1 January 2006 and 31 December 2006	
Director				
Lau Chi Yung, Kenneth	7 February 1998	0.112	19,500,000	7 February 1998 to 6 February 2008
Others				
Tsang Pak Chung, Eddy	7 February 1998	0.112	19,500,000	7 February 1998 to 6 February 2008
Leung Wei San, Saskia	7 February 1998	0.112	19,500,000	7 February 1998 to 6 February 2008
			58,500,000	

No share options of Oriental Explorer Holdings Limited were granted, exercised, lapsed or cancelled during the year.

34. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2005	39,116	802,254	16,498	857,868
Profit for the year	—	—	152	152
As at 31 December 2005 and 1 January 2006	39,116	802,254	16,650	858,020
Profit for the year	—	—	410	410
Proposed final 2006 dividend	—	—	(16,721)	(16,721)
As at 31 December 2006	<u>39,116</u>	<u>802,254</u>	<u>339</u>	<u>841,709</u>

The contributed surplus of the Company originally arose as a result of the Group reorganisation in preparation for the public listing of the Company's shares and warrants on the Stock Exchange in 1998 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus may be distributed to the Company's shareholders under certain circumstances.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to net cash inflow from operating activities:

	2006 HK\$'000	2005 HK\$'000
Profit before tax	207,970	165,747
Adjustments for:		
Finance costs	39,898	27,786
Fair value gains on investment properties	(53,610)	(54,905)
Interest income	(32,559)	(7,248)
Dividend income from listed investments	(3,426)	(3,174)
Gain on disposal of subsidiary	(11)	—
Depreciation	2,669	2,578
Recognition of prepaid land lease payments	8	9
Impairment of goodwill	—	432
Fair value (gains)/losses, net:		
Available-for-sale investments (transfer from equity)	(551)	—
Equity investments at fair value through profit or loss	(32,631)	(1,434)
Equity-linked notes	43,132	—
(Gain)/Loss on disposal of investment properties	(26,846)	21,456
Loss on disposal of items of property, plant and equipment	94	20
PRC indirect taxes	25,695	16,574
	169,832	167,841
Decrease in inventories	1,016	399
Increase in trade receivables	(735)	(1,331)
(Increase)/decrease in prepayments, deposits and other receivables	(22,934)	11,338
(Decrease)/increase in equity investments at fair value through profit or loss	4,282	(22,744)
Decrease in trade payables	(182)	(2,618)
(Decrease)/increase in accrued expenses and other payables	(3,363)	3,091
(Decrease)/increase in deposits received	(2,062)	1,911
Cash generated from operations	145,854	157,887
Hong Kong profits tax paid	(575)	(1,173)
Hong Kong profits tax refunded	22	—
PRC taxes paid	(32,661)	(29,930)
Net cash inflow from operating activities	112,640	126,784

36. BUSINESS COMBINATION

On 11 June 2006, the Group acquired a 100% interest in Zhuhai Century West Sea Estates Investment Limited from independent third parties. Zhuhai Century West Sea Estates Investment Limited is engaged in property development. The purchase consideration for the acquisition was in the form of cash.

The fair values of the identifiable assets and liabilities of Zhuhai Century West Sea Estates Investment Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
Prepaid land lease payments	17	195,356	55,287
Other payables		—	(46,381)
Deferred tax liabilities	31	(46,223)	—
		<u>149,133</u>	<u>8,906</u>
Satisfied by:			
Cash		79,920	
Deferred consideration		69,213	
		<u>149,133</u>	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	(79,920)
Cash and bank balances acquired	—
	<u> </u>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>(79,920)</u>

Since its acquisition, Zhuhai Century West Sea Estates Investment Limited contributed approximately HK\$Nil to the Group's turnover and a profit of approximately HK\$1,200,000 to the Group's consolidated profit for the year ended 31 December 2006.

Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been approximately HK\$181 million and HK\$193 million, respectively.

37. DISPOSAL OF A SUBSIDIARY

	<i>Notes</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
Net assets disposed of:			
Investment properties	16	13,200	—
Cash and bank balances		23	—
Prepayments and other receivables		21	—
Interest-bearing borrowings		(8,445)	—
		4,799	—
Gain on disposal of a subsidiary	6	11	—
		4,810	—
Satisfied by:			
Cash		4,810	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2006 HK\$'000	2005 <i>HK\$'000</i>
Cash consideration	4,810	—
Cash and bank balances disposed of	(23)	—
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	4,787	—

38. CORPORATE GUARANTEES

As at 31 December 2006, the Company has given corporate guarantees in favour of banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$508,590,000, of which HK\$453,140,000 was utilised. In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

39. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties and properties held for sale (notes 16 and 22 to the financial statements, respectively) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rentals in order to secure any default in their rental payments.

As at 31 December 2006, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Within one year	95,084	107,063
In the second to fifth years, inclusive	49,882	36,910
	144,966	143,973

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

- (a) The Group received rental income of HK\$106,000 (2005: HK\$115,000) from Alpha Japan Limited ("Alpha Japan"), the minority shareholder of a subsidiary of the Group. The rental income was charged based on open market rental.
- (b) A subsidiary sold finished goods of approximately HK\$5,036,000 (2005: HK\$3,197,000) to and purchased raw materials and equipment parts of HK\$1,323,000 (2005: HK\$1,186,000) from a related company of Alpha Japan. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordinary course of business of the Group (in respect of the sales), and offered by a related company of Alpha Japan to its third party customers (in respect of the purchases).

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2007.

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Purpose	Group's effective holding	GFA (sq.ft.)	GFA attributable to the Group (sq.ft.)	Lease Term
1	G/F., Block 1B, Pine Villas, Nos. 118 & 118A, Castle Peak Road, Castle Peak Bay, Tuen Mun, N.T., Hong Kong.	Residential	100%	1,833	1,833	For a residual term up to 30 June 2047
2	Flat B, 7/F, Rose Mansion, No. 1 Prat Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.	Residential	100%	890	890	150 years from 25 December 1898
3	Multifield Centre, No. 426 Shanghai Street, Yau Ma Tei, Kowloon, Hong Kong.	Commercial	100%	46,351	46,351	150 years from 25 December 1887
4	Shops 1-9 on G/F., 1/F.-3/F., 5/F., 6/F., Unit 01 on 7/F., 20/F., 21/F., external wall and roof, Multifield Plaza, Nos. 3-7A Prat Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.	Commercial	100%	64,709	64,709	150 years from 25 December 1898
5	Units 14-15 on 17/F., Seapower Tower, Concordia Plaza, No. 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.	Commercial	66.7%	4,284	2,857	For a residual term up to 30 June 2047

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Purpose	Group's effective holding	GFA (sq.ft.)	GFA attributable to the Group (sq.ft.)	Lease Term
6	Whole building of 54 Wong Chuk Hang Road, Aberdeen, Hong Kong	Industrial/Commercial	100%	62,992	62,992	75 years from 10 May 1965 renewable for a further term of 75 years
7	Office 1 to 6 and 21 to 28 on 20/F., Pacific Link Tower, Southmark, No.11 Yip Hing Street, Aberdeen, Hong Kong	Commercial	100%	11,438	11,438	56 years from 17 December 1991
8	Flat B on 9/F of Tower 5 and Car Park No.53, Residence Bel Air, Island South, Hong Kong	Residential	100%	1,690	1,690	50 years from 22 May 2000
9	Flat B on 42/F of tower 8 and Car Park No.164 and 165, Residence Bel Air, Island South, Hong Kong	Residential	100%	2,180	2,180	50 years from 22 May 2000
10	58 units and 40 carpark spaces in Block B, Versailles de Shanghai, No. 123 Fa Hua Zhen Road, Lane 3, Changning District, Shanghai, the PRC	Service Apartment	62.83%	120,770	75,880	A term from 8 October 1992 to 7 October 2062
11	56 deluxe villas and a clubhouse, Windsor Park, No. 2279 Hongqiao Road, Changning District, Shanghai, the PRC	Service Apartment	45.50%	178,956	81,425	A term from 26 July 1994 to 7 November 2062

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Purpose	Group's effective holding	GFA (sq.ft.)	GFA attributable to the Group (sq.ft.)	Lease Term
12	Units A to F on 16/F., Tower II, Innotect Tower, No. 239 Nanjing Road, He Ping District, Tianjin, the PRC	Residential	100%	8,620	8,620	A term from 25 July 1992 to 24 July 2062
13	Units 806, 807 & 808 on 8/F., Super Ocean Finance Centre, No. 2067 Yan An Xi Road, Changning District, Shanghai, the PRC	Commercial	100%	4,670	4,670	A term from 22 January 1997 to 7 March 2043
14	1/F. and 2/F., Block B, Versailles de Shanghai, No. 123 Fa Hua Zhen Road, Lane 3, Changning District, Shanghai, the PRC	Commercial	62.83%	6,276	3,943	A term from 8 October 1992 to 7 October 2062
15	Windsor Court, No. 2290 Hongqiao Road, Changning District, Shanghai, the PRC	Service Apartment	100%	189,518	189,518	A term from 5 April 1997 to 7 November 2062
16	Windsor Place, No. 2018 Jianhe Road, Changning District Shanghai, the PRC	Service Apartment	61.19%	391,273	239,420	A term from 23 June 1997 to 24 June 2067
17	The land located to the north of Qian Shan Gang Qian Lu and to the west of San Tai Shi Lu Zhuhai, the PRC	Commercial	100%	475,446	475,446	50 year from 2 January 1994
				<u>1,571,896</u>	<u>1,273,862</u>	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Multifield International Holdings Limited (the “Company”) will be held at 8th Floor, Multifield House, No. 54 Wong Chuk Hang Road, Hong Kong on Thursday, 28 June 2007 at 3:30 p.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2006.
2. To declare a final dividend.
3. To re-elect Directors and authorise the Board of Directors to fix the remuneration of the Directors.
4. To appoint Auditors and authorise the Board of Directors to fix their remuneration.
5. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:

- (A) subject to paragraph (C) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to allot, issue and deal with shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (A) of this Resolution, otherwise than pursuant to (i) a Rights issue, (ii) the exercise of the subscription rights attaching to any warrants of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers or employees of the Company and/or any of its subsidiaries or other eligible persons of shares or rights to acquire shares in the capital of the Company, or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the dividend on shares of the Company in accordance with the Bye-laws of the Company, or (v) any offer, agreement or option made or granted prior to the date of passing this Resolution, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (D) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

“Rights issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares, subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised body or any stock exchange.”

6. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:

- (A) subject to paragraph (B) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to repurchase shares in the capital of the Company and warrants, if any, issued by the Company be and is hereby generally and unconditionally approved;
- (B) the amount of the securities of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (A) of this Resolution shall:
 - (i) in the case of shares, not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of the passing of this Resolution; and
 - (ii) in the case of warrants, if any, not exceed 10% of warrants outstanding as at the date of the passing of this Resolution

and the authority pursuant to paragraph (A) of this Resolution shall be limited accordingly; and

- (C) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

7. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** conditional upon resolutions nos. 5 and 6 set out in the notice convening this meeting being duly passed, the general mandate granted to the Directors of the Company to exercise the power of the Company to allot and issue shares pursuant to resolution no. 5 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 6 set out in the notice convening this meeting, provided that such an amount shall not exceed 10% of the nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution.”

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 25 April 2007

Notes:

- (i) The Register of Members of the Company will be closed from 26 June 2007 to 28 June 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 June 2007.
- (ii) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (iii) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney or authority, must be lodged at the Company's Branch Share Registrar in Hong Kong, Tengis Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or the adjourned meeting as the case may be).
- (iv) An explanatory statement containing further details regarding resolutions nos 4 to 6 will be sent to shareholders shortly together with the 2006 Annual Report.