



# Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)  
(Stock Code :115)

Annual Report 2006



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## Corporate Information

### EXECUTIVE DIRECTORS

Mr. Tsang Wai Lun, Wayland (*Chairman*)  
Mr. Huang Bing Huang  
(*Chief Executive Officer and Chief Operation Officer*)  
Madam Kwok Wai Man, Nancy  
Mr. Siu King Nin, Peter  
Mr. Wong King Lam, Joseph  
Mr. Au Kwok Chuen, Vincent

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Pui Wai, Kimber  
Mr. Lum Pak Sum  
Dr. Wong Yun Kuen

### COMPANY SECRETARY

Madam Leung Lai Si, Rosena

### QUALIFIED ACCOUNTANT

Mr. Cheng Mei Chau

### AUDIT COMMITTEE/REMUNERATION COMMITTEE

Mr. Hui Pui Wai, Kimber  
Mr. Lum Pak Sum  
Dr. Wong Yun Kuen

### ASSISTANT SECRETARY

Mr. Ira Stuart Outerbridge III

### AUTHORISED REPRESENTATIVE

Mr. Wong King Lam, Joseph  
Madam Leung Lai Si, Rosena

### REGISTERED OFFICE IN BERMUDA

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1201 Righteous Centre  
585 Nathan Road, Kowloon  
Hong Kong

### LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place  
Hong Kong

### AUDITORS

Baker Tilly Hong Kong Limited  
Certified Public Accountants  
12/F China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

### PROPERTY VALUER

BMI Appraisals Limited  
Suites 06-12  
33/F Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

### SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11  
Bermuda

### SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Secretaries Limited  
26/F Tesbury Centre  
28 Queen's Road East  
Hong Kong  
Stock Code: 115

### PRINCIPAL BANKER

The Bank of East Asia, Limited

### WEBSITE

<http://www.irasia.com/listco/hk/grandfield/>

## Chairman's Statement

On behalf of the board of directors of the Company and its subsidiary companies (the "Group"), I am pleased to present the audited annual report of the Group for the year ended 31 December 2006 to the shareholders.

### FINANCIAL RESULTS

For the year ended 31 December 2006, the Group's turnover decreased by 30.6% to approximately HK\$6.8 million and recorded a loss attributable to shareholders of approximately HK\$23.8 million when compared to last year's turnover of approximately HK\$9.8 million and profit attributable to shareholders of HK\$3 million. No geographical and segment analysis is presented for the year ended 31 December 2006 as the Group's turnover and results were substantially derived from property business in the PRC except there are certain losses made by an impairment in value of project costs amounted to HK\$5 million derived from the late opening of the carnival event organised in the PRC. The decrease in turnover for the year ended 31 December 2006 was due to relative high portion of previous sale properties being returned from customers as a result of their non-performance in the mortgage loans when compared to last year. Faced with decrease in turnover and a loss position, the Group exercised a more stringent control over the cost elements such as distribution costs and finance costs that successfully kept the cost elements down by 28% and 79% to approximately HK\$2 million and HK\$0.63 million respectively compared to last year.

### BUSINESS REVIEW

In 2006, the PRC economy still enjoyed its rapid and steady growth. In turn, a continuing macroeconomic measures exercised by the PRC government during 2006 aiming to suppress the property market from over-booming due to excessive capital flowing into the property market. The property market was then inevitably subject to more strengthening on the levy of land appreciation tax ("LAT") and to the tightening of capital requirements by financial institutions to create credits. As a result of all the measures implemented by the PRC government, the Shenzhen property market price turned out to be reasonably upward in 2006.

Facing the current tightening occasion, the Directors believe that the appropriate strategies are to uphold the Group's existing resources and to take a prudent view in seeking for future suitable development opportunities.

For property development business, the Group commenced preliminary works on a project site located in Buji city of Shenzhen, the PRC for properties development into residential and commercial uses from a land with site area of approximately 26,000 sq.m. of which the Group already paid up the land premium and is awaiting the issue of land title certificate by Land Bureau of Shenzhen.

For the development of new business, in view of continuing growth on the personal income in the PRC leading to increasing willingness in personal entertainment expenditures and vast market potential to be foreseen in carnival business, the Group formed a joint-venture company in October 2006 to organise carnival events in the PRC.

## Chairman's Statement

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group's cash and bank deposits were approximately HK\$2.7 million (2005: HK\$1.4 million) and the percentage of cash and cash equivalent denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB") was 50% and 50% respectively (2005: 53% and 47%).

The Group had total current assets of approximately HK\$52 million (2005: HK\$68 million) and total current liabilities of approximately HK\$63 million (2005: HK\$49 million). The Group recorded total assets of approximately HK\$380 million (2005: HK\$376 million) and total bank loans and borrowings of approximately HK\$35.7 million (2005: HK\$31.7 million). As at 31 December 2006, the Group's total interest-bearing borrowings amounted to approximately HK\$35.7 million (2005: HK\$31.7 million), of which HK\$33.4 million was repayable within 1 year (2005: HK\$26.8 million), HK\$2.3 million was repayable from 1-2 years (2005: HK\$2 million) and nil was repayable from 2-5 years (2005: HK\$2.9 million).

As at 31 December 2006, the percentage of the Group's interest-bearing borrowings denominated in HKD and RMB was 34.5% and 65.5% (2005: 100%) respectively and such borrowings carried interest rates ranged from 7.25% to 12.6% (2005: 7.25% to 11.4%).

The gearing ratio for 31 December 2006, which was defined to be total interest-bearing borrowings over shareholders' equity, was 11.3% (2005: 10%).

The Group's major operations are located in the PRC and the main operational currencies are HKD and RMB. There was an exchange rate appreciation of RMB against HKD for about 4% in 2006 and there is no adverse movement of such trend foreseen by the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimise the foreign exchange risk and exposure.

### CHARGE OF ASSETS

Pledged bank deposits as at 31 December 2006 of the Group amounted to approximately HK\$9.4 million, of which HK\$3.4 million (2005: HK\$5.2 million) have been acting as a security for the mortgage loans made available from banks to the buyers of the Group's properties, HK\$1 million as a security for a security instrument issued to the PRC custom authority and HK\$5 million (2005: HK\$nil) acting as a security for the overdraft facility made available from a bank for the working capitals of the carnival business.

Investment properties of the Group amounted to approximately HK\$20.7 million (2005: HK\$24 million), properties held for sale of the Group amounted to approximately HK\$9.1 million (2005: HK\$8.5 million) and buildings of the Group amounted to approximately HK\$4.8 million (2005: HK\$4.9 million) have been pledged to banks to secure bank loans and facilities granted to the Group.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group engaged into a carnival business in the PRC by forming a joint-venture company named All Right Holdings Limited with the Group having 78.26% equity interest in the joint venture. This investment is considered as Discloseable Transaction under the Listing Rules and the details of which could be referred to the Company's Circular to shareholders on 2 November 2006.

Save as disclosed in the Company's announcement dated 18 October 2006 in relation to the forming of joint-venture company for carnival business, the Group did not have any acquisitions and disposals of subsidiary companies and affiliated companies during the year ended 31 December 2006.

## CONTINGENT LIABILITIES

The Company has given a corporate guarantee to a bank in respect of fully utilised general banking facilities granted to a subsidiary company amounting to HK\$10 million as at 31 December 2006 (2005: HK\$nil).

The local tax authorities of Shenzhen, the PRC commenced to levy LAT on property developers since 1 November 2005. In the opinion of the Directors, the total LAT related to the properties sold during the years ended 1999, 2000 and 2001 in the amount of HK\$17,254,000 has not yet been levied by the tax authorities of Shenzhen, the PRC and the Directors consider that there is low possibility that LAT will be levied. Should the levies applied to the properties sold in 1999, 2000 and 2001, then additional LAT attributable to the Group would amount to HK\$17,254,000 (2005: HK\$17,254,000).

During the year ended 31 December 2006, one of the Company's wholly-owned subsidiary companies has given a security instrument in favour of the PRC custom authority for any custom duties arisen in the case of disposal of the imported machines and associated equipments operated in the carnival event within the territory of the PRC to the amount limited to RMB 5 million.

## EMPLOYEES

As of end of 2006, the Group employed 58 employees (2005: 62) and the staff costs for the year amounted to approximately HK\$3.8 million (2005: HK\$3.7 million). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered discretionary bonus based on the results of the Group and their individual performance.

# Chairman's Statement

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## PROSPECT

China is seen to be one of the world's highest growth economy entities in terms of gross domestic product ("GDP") in the coming decade and strong demands for the PRC properties shall certainly be the outcome.

The Group's properties portfolio with its existing land related resources will probably be benefited in appreciation of asset value from such strong demands.

Besides the development of the current projects, the Group is also actively to explore other development opportunities in the PRC.

## APPRECIATION

On behalf of the Board, I would like to extend our wholehearted gratitude to the Group's employees for their dedication and efforts in servicing the Group for the year as well as to our customers, suppliers, bankers and shareholders for their continued valuable supports.

**Tsang Wai Lun, Wayland**

*Chairman*

Hong Kong, 24 April 2007

# Profiles of Directors and Senior Management

## (I) DIRECTORS

### Executive Directors

**TSANG Wai Lun, Wayland**, aged 49, is the Chairman and Managing Director of the Group. Before founding the Group in 1992, Mr. Tsang was engaged in the trading of camera equipment in the PRC. In late 1991, Mr. Tsang began to explore opportunities in the property development business in Guangdong Province. Mr. Tsang has accumulated more than 15 years' experience in the field of property development and investment in the PRC. Mr. Tsang is responsible for formulating the overall strategy of the Group. Mr. Tsang was first appointed Director of the Company on 20 May 1999 and was last re-elected at the annual general meeting on 23 June 2006.

**KWOK Wai Man, Nancy**, aged 46, is responsible for overseeing the overall financial management of the Group. Madam Kwok has more than 21 years' experience in the field of financial management and property development in the PRC. Before founding the Group, Madam Kwok worked for her father's garment trading business and was in charge of accounting. Madam Kwok is the spouse of Mr. Tsang Wai Lun, Wayland. Madam Kwok was first appointed Director of the Company on 20 May 1999 and was last re-elected at the annual general meeting on 23 June 2006.

**SIU King Nin, Peter**, aged 66, is responsible for maintaining the banking relationships of the Group in Hong Kong. Mr. Siu has more than 30 years' experience in banking field serving at senior management level in various leading banks in the US, Canada and Hong Kong and amongst others, he was previously the Assistant General Manager of Union Bank of Hong Kong Limited. He had also acted as an executive director and independent non-executive director in various listed companies in Hong Kong. Mr. Siu was appointed Director of the Company on 6 September 2006, will retire and will not be seeking re-election to the board of directors of the Company at the forthcoming annual general meeting.

**HUANG Bing Huang**, aged 36, is responsible for the management of property business of the Group. Mr. Huang has been in the architecture and decoration business for 10 years and he is specialised in the property development business. Mr. Huang is the managing director of Hongkong Zhongxing Group Company Limited (a company which Mr. Huang is holding 60% of its shares) of which currently holding 180,500,000 Company's shares. Mr. Huang was appointed Director of the Company on 5 February 2007 and will be seeking re-election to the board of directors of the Company at the forthcoming annual general meeting.

He was also appointed Chief Executive Officer and Chief Operation Officer of the Company on 17 April 2007.

## Profiles of Directors and Senior Management

**WONG King Lam, Joseph**, aged 54, is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 24 years' extensive experience in auditing, corporate and financial management with a number of companies in different business sectors which include an international accounting firm and a local listed company. He is also an independent non-executive director of Tungtex (Holdings) Company Limited, China Strategic Holdings Limited, Hanny Holdings Limited, Wing On Travel Holdings Limited and Honesty Treasure International Holdings Limited. Mr. Wong was appointed Director of the Company on 16 March 2007 and will be seeking re-election to the board of directors of the Company at the forthcoming annual general meeting.

**AU Kwok Chuen, Vincent**, aged 53, is the Chartered Member of The Chartered Institute of Logistic & Transport of UK, Certified Professional Marketer of Asia Pacific and a member of the Hong Kong Institute of Human Resources Management. He has over 20 years' extensive experience in senior-level management at large multinational organisations and local listed companies for different industries in airlines and railway transportation, car parking management, sports & recreation, education, and information technology. Mr. Au was appointed Director of the Company on 16 March 2007 and will be seeking re-election to the board of directors of the Company at the forthcoming annual general meeting.

### Independent Non-Executive Directors

**HUI Pui Wai, Kimber**, aged 36, is an Independent Non-executive Director. Mr. Hui holds a Bachelor of Arts Degree majoring in Economics and Political Science from The University of New South Wales in Australia. He has over 10 years' experience in the marketing industry. Mr. Hui was first appointed Director of the Company on 4 August 1999 and was last re-elected at the annual general meeting on 27 June 2005.

**LUM Pak Sum**, aged 46, is an Independent Non-executive Director. He is a professional accountant. He holds a master degree in business administration from the University of Warwick, UK and a LLB (Honor) degree from the University of Wolverhampton, UK. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, HK and the Association of Chartered Certified Accountants, UK. He is a registered person with Securities and Futures Commission in Hong Kong. Mr. Lum has over 19 years' experience in the financial field, the money market and capital market. He is also the independent non-executive director of two other listed companies in HK. Mr. Lum was first appointed Director of the Company on 5 July 2004 and was last re-elected at the annual general meeting on 27 June 2005.

**WONG Yun Kuen**, aged 49, is an Independent Non-executive Director. He received a Ph.D. Degree from Harvard University, and was “Distinguished Visiting Scholar” at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in Corporate Finance, Investment and Derivative Products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and an INED respectively of Harmony Asset Limited, Golden Resorts Group Limited, Bauhaus International (Holdings) Limited, Ultra Group Holdings Limited, Tak Shun Technology Group Limited, Poly Investments Holdings Limited and Kong Sun Holdings Limited. Dr. Wong was an INED of Haywood Investments Limited until July 7, 2005. Dr. Wong was first appointed Director of the Company on 2 September 2004 and was last re-elected at the annual general meeting on 27 June 2005.

## (II) QUALIFIED ACCOUNTANT

**CHENG Mei Chau**, aged 50, joined the Group as Financial Controller in April 2007. He has over 20 years experience in finance and accounting fields. Mr. Cheng holds a Bachelor’s Degree in Management & Marketing from Curtin University of Technology and a Master’s Degree in Accounting from Monash University in Australia. He is also an associate member of The Hong Kong Institute of Certified Public Accountants and CPA Australia.

## (III) COMPANY SECRETARY

**LEUNG Lai Si, Rosena**, aged 51, was appointed as the Company Secretary of the Company on 4 April 2007. Madam Leung is a fellow member of The Institute of Chartered Secretaries & Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 30 years of experience in the company secretarial field. Prior to the joining to this Company, she was the company secretary of a company listed on the Main Board of The Stock Exchange of Hong Kong Limited for over 13 years.

## Corporate Governance Report

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in Appendix 14 Code on Corporate Governance (“the Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”) throughout the year ended 31 December 2006. This report describes its corporate governance practices and explains the applications of the principles on the Code of the Listing Rules except for the deviations from Code Provisions A.2.1, A.4.1, B.1.4 and C.3.4 which are explained in the relevant paragraphs as below.

### **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (“the Model Code”). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2006.

### **BOARD OF DIRECTORS**

The Board comprises a total of seven Directors, of whom four are executive Directors and three are Independent Non-executive Directors. More than one third of the Board is Independent Non-executive Directors and one of them has appropriate professional qualifications. Reviews are made regularly of the Board composition to ensure that it has a balance of expertises, skills and experience appropriate for the requirements of the business of the Company. 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.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group’s overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company’s affairs. One of the important roles of the Chairman is to provide leadership to the Board to ensure the Board acts in the best interests of the Group

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board’s approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

During the year ended 31 December 2006, the Board met and held eight meetings in April, May, September, October and November 2006. The attendance records of the abovementioned eight Board meetings are as follows:

<b>Directors</b>	<b>Attendance</b>
<b>Executive Directors:</b>	
Tsang Wai Lun, Wayland	7/8
Kwok Wai Man, Nancy	8/8
Lau Tam Wah	3/8
Siu King Nin, Peter	6/8
<b>Independent Non-executive Directors:</b>	
Hui Pui Wai, Kimber	4/8
Lum Pak Sum	4/8
Wong Yun Kuen	4/8

Minutes of Board/committee members would be maintained, and draft minutes would be circulated to all Directors members for comments before being approved by the Chairman. Minutes of the Board meetings are kept by the Company Secretary and shall open for inspection by Directors. Minutes of the Audit Committee and the Remuneration Committee are kept by the secretary of these two Committees. Where Directors have a material or conflict of interests in any transaction discussed in the Board meeting would not be dealt with by way of written resolutions. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with and for advising the Board on compliance matter.

## **CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER ("CEO")**

Under the code provision A.2.1 of the Code stipulates that the role of both the Chairman and CEO should be separate and should not be performed by the same individual. During the year ended 31 December 2006, the Company does not have any officer with title of chief executive officer and Mr. Tsang Wai Lun, Wayland is the founder of the Group who assumes the role of both the Chairman and Managing Director of the Group and has been carrying out the duties of both the Chairman and CEO since the establishment of the Group. The Board has full confidence in Mr. Tsang that the Board can have the benefit of a Chairman who is knowledgeable about the business of the Group and is most capable to formulate and implement business strategies in a timely manner without compromising the balance of power and authority between the Board and the management. He as Chairman ensures that:

All Directors are properly briefed on issues arising at Board meetings.

## Corporate Governance Report

Directors receive adequate information, which must be complete and reliable, in a timely manner.

Although there is a deviation from the Code of the Listing Rules of not having a clear division of responsibilities between the chairman and the CEO, the Board is of the view that this has not compromised accountability and independent decision making for the following grounds:

More than one third of Board composition is Independent Non-executive Directors.

Audit Committee composed exclusively of Independent Non-executive Directors.

Independent Non-executive Directors have free and direct access to the Company's external auditors and seek independent professional advice as necessary at the Company's expenses.

Subsequent to the year end date, Mr. Huang Bing Huang has been appointed by the Board as the Chief Executive Officer and Chief Operation Officer with effect from 17 April 2007 to separate the role of both the Chairman and CEO.

### NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1 of the Code, the appointment of Independent Non-executive Directors should have been appointed for a specific term.

During the year ended 31 December 2006, the Independent Non-executive Directors were not appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-Laws.

### REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprised of three Independent Non-executive Directors, namely Mr. Hui Pui Wai, Kimber ("Mr. Hui"), Mr. Lum Pak Sum ("Mr. Lum") and Dr. Wong Yun Kuen ("Dr. Wong") with written terms of reference in compliance with the requirement stipulated in the Code of the Listing Rules. About the written terms of reference of the Remuneration Committee, it is not currently posted on the Company's website and a copy of which will be made available upon request.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of all Directors and senior management on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his associates is involved in deciding his own remuneration and advising shareholders on how to vote with respect to any service contracts of directors that requires shareholder's approval.

Two Remuneration Committee meetings were held in 2006 to review the remuneration of executive Directors and senior management for the financial year ended 31 December 2006 and all the Committee members attended the meetings.

## AUDIT COMMITTEE

The Audit Committee was established with written terms of reference with the requirement stipulated in the Code of the Listing Rules. About the written terms of reference of the Audit Committee, it is not currently posted on the Company's website and a copy of which will be made available upon request.

The Audit Committee has three members comprising three Independent Non-executive Directors, Mr. Hui, Mr. Lum and Dr. Wong and its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the committee reveal cause for concern or scope for improvement.

During the year ended 31 December 2006, the Audit Committee met and held two meetings in April and September 2006 and the attendance records of the two Audit Committee meetings are as follows:

<b>Members</b>	<b>Attendance</b>
Hui Pui Wai, Kimber	2/2
Lum Pak Sum	2/2
Wong Yun Kuen	2/2

For the meeting held in April 2006, the members of Audit Committee reviewed the Group's annual report 2005 and met with external auditors to discuss auditing, internal control and financial reporting matters before recommending the report for Board's approval.

For the meeting held in September 2006, the members of Audit Committee reviewed the Group's interim report 2006 and the internal control system review report conducted by the Company on the effectiveness of the Company's internal controls. The Audit Committee had the opinion that the report was prepared in accordance with applicable accounting standards and requirement before recommending the report for Board's approval.

## INTERNAL CONTROLS

The Board believes that the system of internal controls maintained by the Company's management, which was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with appropriate legislation and regulation and the identification of business risk. The Board is aware that no system of internal controls could provide absolute assurance against the occurrence of material errors, human errors, improper judgement in decision-making, fraud or irregularities.

## Corporate Governance Report

The Audit Committee has reviewed the internal control system review report conducted by the Company on the effectiveness of the Company's internal controls during the financial year.

### EXTERNAL AUDITORS

The external auditors of the Company for the two years ended 2006 and 2005 was Baker Tilly Hong Kong Limited and the auditor's responsibility is to form an independent opinion based on their audit results on the Company's financial statement and to report their opinion to the Company, as a body, and for no other purposes. They do not assume responsibilities towards or accept liability to any other person for the contents of the report of auditors.

The auditor's remuneration for the provision of annual audit services of approximately HK\$350,000 was charged to the Group's income statement for the year ended 31 December 2006 (2005: HK\$280,000). Apart from the provision of annual audit services, the Group's external auditor also performed tax consultancy works and accounting review works to the Group and approximately HK\$30,000 was charged to the Group's income statement for the year ended 31 December 2006 (2005: HK\$nil).

### SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company values communication with shareholders and investors. Enquires and suggestions from shareholders or investors are welcomed through the following channels to the Company Secretary:

Telephone number: (852) 2399 0223

Fax number: (852) 2380 1996

Postal address: Room 1201 Righteous Centre  
585 Nathan Road, Kowloon  
Hong Kong

E-mail: [gfgcosec@biznetvigator.com](mailto:gfgcosec@biznetvigator.com)

Website: <http://www.irasia.com/listco/hk/grandfield/>

On behalf of the Board

**Tsang Wai Lun, Wayland**

*Chairman*

Hong Kong, 24 April 2007

## Report of the Directors

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The directors have pleasure in presenting their annual report and the audited financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiary companies (together referred to as the "Group") for the year ended 31 December 2006.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiary companies of the Company are set out in the note 16 to the financial statements. There have been no significant changes in the nature of the Group's principal activities during the year.

### SEGMENT INFORMATION

The Group's turnover and the loss from operations are substantially derived from the sale of properties in the People's Republic of China ("PRC"). No segment information is therefore presented in the financial statements.

### RESULTS

The consolidated results of the Group for the year ended 31 December 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 67.

### DIVIDENDS

The directors do not recommend the payment of final dividend in respect of the year ended 31 December 2006 (2005: HK\$nil). No interim dividend was declared for the six months ended 30 June 2006 (2005: HK\$nil)

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of the movements in fixed assets and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements respectively.

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

# Report of the Directors

## RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the statements of changes in equity on page 30 of the financial statements respectively.

## FINANCIAL SUMMARY

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2006.

### Consolidated results

	Year ended 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	6,814	9,776	138,628	68,956	72,161
(Loss)/Profit before taxation	(24,340)	3,103	47,707	(66,118)	(5,051)
Taxation	141	(68)	(7,089)	(733)	(383)
(Loss)/Profit after taxation	(24,199)	3,035	40,618	(66,851)	(5,434)

### Consolidated assets and liabilities

	As at 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Total assets	379,859	375,851	411,956	456,795	611,109
Total liabilities	(65,591)	(53,810)	(79,702)	(171,716)	(268,620)
Net assets	314,268	322,041	332,254	285,079	342,489

## MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2006 are set out on pages 68 to 72.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made from the five largest customers of the Group accounted for approximately 7% (2005: 19%) of the Group's total turnover for the year. Turnover from the Group's largest customer accounted for approximately 2% (2005: 6%) of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 100% (2005: 91%) of the Group's total purchases for the year. Purchases from the Group's largest supplier accounted for approximately 78% (2005: 43%) of the Group's total purchases for the year.

As far as the directors are aware, neither the directors, their associates, nor the 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 during the year.

## BANK LOANS AND OTHER BORROWINGS

Details of bank and other borrowings are set out in note 25 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiary companies purchased, sold, redeemed or cancelled any of the Company's listed securities.

# Report of the Directors

## DIRECTORS

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

### Executive Directors

Mr. Tsang Wai Lun, Wayland (*Chairman*)

Madam Kwok Wai Man, Nancy

Mr. Lau Tam Wah (Deceased on 25 December 2006)

Mr. Siu King Nin, Peter (Appointed on 6 September 2006)

Mr. Huang Bing Huang (Appointed on 5 February 2007)

Mr. Wong King Lam, Joseph (Appointed on 16 March 2007)

Mr. Au Kwok Chuen, Vincent (Appointed on 16 March 2007)

Mr. Huang Bing Huang was appointed as Chief Executive Officer and Chief Operation Officer on 17 April 2007.

### Independent Non-executive Directors

Mr. Hui Pui Wai, Kimber

Mr. Lum Pak Sum

Dr. Wong Yun Kuen

In accordance with clauses 111A and 115 of the Company's Bye-Laws, Mr. Siu King Nin, Peter, Mr. Huang Bing Huang, Mr. Wong King Lam, Joseph and Mr. Au Kwok Chuen, Vincent will retire by rotation. Save and except for Mr. Siu King Nin, Peter, all retiring directors being eligible, offer themselves for re-election.

The Company has received from the Independent Non-executive Directors their annual confirmation of independence in accordance with rule 3.13 of the Listing Rules. The Company has assessed their independence and concluded that all Independent Non-executive Directors are independent within the definition of the Listing Rules.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 9 of the Company's annual report.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

### (i) Long positions in shares of the Company

At 31 December 2006, the interests and long positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Listing Rules were as follows:

Name of director	Number of ordinary shares held			Total interests	Total interests as percentage of the issued share capital
	Personal Interests	Family interests	Corporate interests		
Mr. Tsang Wai Lun, Wayland	64,210,000	–	735,050,000 (Note)	799,260,000	38.12%
Madam Kwok Wai Man, Nancy	13,170,000	–	735,050,000 (Note)	748,220,000	35.69%

Note: These shares are held through Rhenfield Development Corp, the entire issued capital of which is owned by Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy in equal shares. By virtue of the provisions of Part XV of the SFO, Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy are deemed to be interested in the Company shares in which Rhenfield Development Corp is interested.

Subsequent to the balance sheet date, on 5 February 2007, Mr. Huang Bing Huang has been appointed as a director of the Company and he has beneficially owned 180,500,000 shares of the Company through his 60% interest in Hongkong Zhongxing Group Company Limited.

### (ii) Share options in the Company

Details of the share options granted to the directors of the Company under the share option scheme are set out on pages 21 to 22.

## Report of the Directors

### (iii) Share in subsidiary companies

Each of Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy also has interests in the following non-voting deferred shares in the following subsidiary companies of the Company:

	<b>Grand Field Group Limited</b>	<b>Ka Fong Industrial Company Limited</b>	<b>Kwan Cheung Holdings Limited</b>	<b>Shing Fat Hong Limited</b>
Mr. Tsang Wai Lun, Wayland	1 share of HK\$100	1,000 shares of HK\$100 each	1 share of HK\$100	1 share of HK\$1
Madam Kwok Wai Man, Nancy	1 share of HK\$100	1,000 shares of HK\$100 each	1 share of HK\$100	1 share of HK\$1

Other than the shareholdings disclosed above and nominee shares in certain subsidiary companies held in trust for the Group, at 31 December 2006, neither the directors nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the headings "Directors' interests in shares and options" above, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any rights to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiary companies was a party during the year or at the end of the year.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2006, other than the interests disclosed above in respect of certain directors, so far as is known to the directors, the following parties (other than the directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

Name of shareholders	Number of ordinary shares	Percentage of interest
Worldgate Developments Ltd.	126,000,000	6%
Logistics China Enterprises Ltd.	126,000,000	6%

## SHARE OPTION SCHEME

- (I) Pursuant to the Company's share option scheme which became effective on 4 August 1999 (the "Old Share Option Scheme"), the board of directors of the Company (the "Board") may, at its discretion, grant options to eligible employees, including executive directors, of the Company and its subsidiary companies to subscribe for shares in the Company at a price not less than the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of the grant of options and the nominal value of shares .

The maximum number of shares in respect of which options may be granted under the Old Share Option Scheme may not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted.

The Board had granted 79,050,000 options to certain directors and employees of the Group under the Old Share Option Scheme and no option remained outstanding as of 31 December 2006 as follows:-

Name or category of participant	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options		
				Outstanding at 1/1/2006	Exercised during the period	Outstanding at 31/12/2006
Mr. Tsang Wai Lun, Wayland	25/11/2003	0.065	25/11/2003 to 24/11/2006	4,950,000	(4,950,000)	-
Madam Kwok Wai Man, Nancy	25/11/2003	0.065	25/11/2003 to 24/11/2006	4,950,000	(4,950,000)	-
Mr. Lau Tam Wah	25/11/2003	0.065	25/11/2003 to 24/11/2006	3,200,000	(3,200,000)	-
Other employees, in aggregate	25/11/2003	0.065	25/11/2003 to 24/11/2006	36,560,000	(36,560,000)	-
				<u>49,660,000</u>	<u>(49,660,000)</u>	<u>-</u>

## Report of the Directors

The Old Share Option Scheme was terminated by the Company in the Company's Annual General Meeting held on 23 June 2006.

- (II) On 23 June 2006, the Company adopted a new share option scheme (the "New Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contract to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the parties set out in (i) above. The subscription price for the shares under the New Share Option Scheme will be determined by the Board in its absolute discretion but shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The New Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Scheme from 23 June 2006. As at 31 December 2006, no options have been granted under the New Share Option Scheme.

### MANAGEMENT CONTRACTS

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

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2006.

## PRE-EMPTIVE RIGHTS

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

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance in Appendix 14 of the Listing Rules throughout the year except deviations stated in the Corporate Governance Report on pages 10 to 14.

## AUDIT COMMITTEE

The Audit Committee has reviewed with Group management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters including the review of the audited financial statements for the year ended 31 December 2006, with external auditors. There were no disagreements from the Auditors or the Audit Committee with the accounting policies adopted by the Company.

## AUDITORS

Baker Tilly Hong Kong Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Tsang Wai Lun, Wayland**

*Chairman*

Hong Kong  
24 April 2007

# Report of the Independent Auditors



**TO THE SHAREHOLDERS OF  
GRAND FIELD GROUP HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Grand Field Group Holdings Limited set out on pages 26 to 67 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 principal accounting policies and other explanatory notes.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

## RESPONSIBILITIES OF AUDITORS

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other reason. 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 Company's and the Group'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 Company's and the Group'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 financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2006 and of its loss 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 Hong Kong Companies Ordinance.

Without qualifying our opinion we draw attention to note 33 to the financial statements. Two directors of the Company are under investigation by the Independent Commission Against Corruption (the "ICAC") in connection with their involvement in a transaction entered into by the Company regarding a gas pipeline business in Chongqing in 2002. The ICAC's investigation is currently ongoing. Further details of the ICAC investigation were included in the Company's announcement dated 21 March, 2007 (the "Announcement"). At the date of this report, save as disclosed above and in the Announcement, the Company is not aware of the current status of the ICAC Investigation, and hence cannot comment on any possible impact on the Group's operations and financial position.

### **BAKER TILLY HONG KONG LIMITED**

*Certified Public Accountants*

Hong Kong, 24 April 2007

**Andrew David Ross**

Practising Certificate number P01183

## Consolidated Income Statement

For the year ended 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
Turnover	5	6,814	9,776
Cost of sales		(9,502)	(4,242)
Gross (loss)/profit		(2,688)	5,534
Other revenue	6	1,700	661
Distribution costs		(2,042)	(2,841)
Administrative expenses		(12,557)	(11,926)
Fair value (losses)/gains on investment properties		(182)	13,307
Gain/(Loss) on forfeiture of land deposits		340	(1,650)
Impairment loss on properties under development		(560)	–
Impairment loss on prepaid premium for land leases		(1,409)	–
Impairment loss on prepaid carnival expenses and deposits		(5,000)	–
Impairment loss on other receivables, deposits and prepayments		(1,653)	–
Reversal of impairment loss on mortgage loans receivable		343	3,030
(Loss)/Profit from operations	7	(23,708)	6,115
Finance costs	8	(632)	(3,012)
(Loss)/Profit before taxation		(24,340)	3,103
Taxation	10	141	(68)
(Loss)/Profit after taxation		(24,199)	3,035
Attributable to:			
Shareholders of the Company	11	(23,799)	3,035
Minority interests		(400)	–
		(24,199)	3,035
Dividends	12	–	–
(Loss)/Earnings per share			
– Basic	13	(1.16) cents	0.15 cent
– Diluted		N/A	N/A

The accompanying notes form an integral part of these financial statements.

# Consolidated Balance Sheet

As at 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	14	<b>20,693</b>	21,149
Investment properties	15	<b>79,264</b>	73,924
Properties under development	17	<b>34,156</b>	10,559
Prepaid premium for land leases	18	<b>175,939</b>	4,815
Deposits for acquisition of land	19	–	179,669
Mortgage loans receivable due after one year	20	<b>8,452</b>	12,501
Pledged bank deposits	21	<b>9,433</b>	5,212
		<b>327,937</b>	307,829
<b>CURRENT ASSETS</b>			
Completed properties held for sale	22	<b>23,770</b>	32,242
Mortgage loans receivable	20	<b>8,583</b>	12,622
Prepaid carnival expenses and deposits		<b>6,797</b>	–
Other receivables, deposits and prepayments		<b>10,061</b>	21,783
Cash and bank balances		<b>2,711</b>	1,375
		<b>51,922</b>	68,022
<b>CURRENT LIABILITIES</b>			
Trade and other payables	23	<b>15,907</b>	10,957
Deposits received on properties held for sale		<b>613</b>	302
Amounts due to directors	24	<b>8,407</b>	6,578
Current portion of interest-bearing borrowings	25	<b>23,415</b>	26,776
Taxes payable		<b>4,881</b>	4,197
Bank overdrafts – secured		<b>9,988</b>	–
Dividend payable		<b>42</b>	42
		<b>63,253</b>	48,852

## Consolidated Balance Sheet

As at 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(11,331)</b>	19,170
<b>NON-CURRENT LIABILITIES</b>			
Non-current portion of interest-bearing borrowings	25	<b>2,338</b>	4,958
<b>NET ASSETS</b>		<b>314,268</b>	322,041
Represented by:			
<b>SHARE CAPITAL</b>	26	<b>41,926</b>	40,933
<b>RESERVES</b>	27	<b>272,342</b>	281,108
		<b>314,268</b>	322,041

**Wong King Lam, Joseph**  
Director

**Au Kwok Chuen, Vincent**  
Director

The accompanying notes form an integral part of these financial statements.

## Balance Sheet

As at 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiary companies	16	<b>159,056</b>	159,056
<b>CURRENT ASSETS</b>			
Other receivables, deposits and prepayments		<b>37</b>	290
Amounts due from subsidiary companies	16	<b>162,478</b>	160,460
Cash and bank balances		<b>42</b>	41
		<b>162,557</b>	160,791
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>343</b>	196
Dividend payable		<b>42</b>	42
		<b>385</b>	238
<b>NET CURRENT ASSETS</b>			
		<b>162,172</b>	160,553
<b>NET ASSETS</b>			
		<b>321,228</b>	319,609
Represented by:			
<b>SHARE CAPITAL</b>	26	<b>41,926</b>	40,933
<b>RESERVES</b>	27	<b>279,302</b>	278,676
		<b>321,228</b>	319,609

**Wong King Lam, Joseph**  
Director

**Au Kwok Chuen, Vincent**  
Director

The accompanying notes form an integral part of these financial statements.

## Statement of Changes in Equity

For the year ended 31 December 2006

### The Group

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Investment property revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2005 as previously reported	40,933	163,446	(2,215)	7,679	3,255	119,156	332,254	-	332,254
Effect on adoption of:									
- HKAS 32 and 39	-	-	-	-	-	(4,221)	(4,221)	-	(4,221)
- HKAS 40	-	-	-	(7,679)	-	7,679	-	-	-
As restated	40,933	163,446	(2,215)	-	3,255	122,614	328,033	-	328,033
Net profit for the year	-	-	-	-	-	3,035	3,035	-	3,035
Exchange difference arising on translation of foreign operations	-	-	-	-	7,346	-	7,346	-	7,346
2004 final dividend	-	-	-	-	-	(16,373)	(16,373)	-	(16,373)
At 31 December 2005 and 1 January 2006	40,933	163,446	(2,215)	-	10,601	109,276	322,041	-	322,041
Issue of share capital	993	2,235	-	-	-	-	3,228	-	3,228
Acquisition of a subsidiary company	-	-	-	-	-	-	-	400	400
Net loss for the year	-	-	-	-	-	(23,799)	(23,799)	(400)	(24,199)
Exchange difference arising on translation of foreign operations	-	-	-	-	12,798	-	12,798	-	12,798
<b>At 31 December 2006</b>	<b>41,926</b>	<b>165,681</b>	<b>(2,215)</b>	<b>-</b>	<b>23,399</b>	<b>85,477</b>	<b>314,268</b>	<b>-</b>	<b>314,268</b>

### The Company

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2005	40,933	163,446	140,281	(7,607)	337,053
Net loss for the year	-	-	-	(1,071)	(1,071)
2004 final dividend	-	-	-	(16,373)	(16,373)
At 31 December 2005 and 1 January 2006	40,933	163,446	140,281	(25,051)	319,609
Issue of share capital	993	2,235	-	-	3,228
Net loss for the year	-	-	-	(1,609)	(1,609)
<b>At 31 December 2006</b>	<b>41,926</b>	<b>165,681</b>	<b>140,281</b>	<b>(26,660)</b>	<b>321,228</b>

## Consolidated Cash Flow Statement

For the year ended 31 December 2006

Note	2006 HK\$'000	2005 HK\$'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	<b>(24,340)</b>	3,103
<b>Adjustments for:</b>		
Amortisation of prepaid premium for land leases	<b>77</b>	74
Depreciation	<b>1,429</b>	1,306
Interest income	<b>(100)</b>	(67)
Interest expenses	<b>632</b>	2,979
Loss/(Gain) on disposals of fixed assets	<b>27</b>	(25)
Fair value losses/(gains) on investment properties	<b>182</b>	(13,307)
Impairment loss on properties under development	<b>560</b>	–
Impairment loss on prepaid premium for land leases	<b>1,409</b>	–
Impairment loss on prepaid carnival expenses and deposits	<b>5,000</b>	–
Impairment loss on other receivables, deposits and prepayments	<b>1,653</b>	–
Reversal of impairment loss on mortgage loans receivable	<b>(343)</b>	(2,137)
Write-back of other receivables	–	(203)
	<b>(13,814)</b>	(8,277)
<b>Operating loss before working capital changes</b>		
Decrease/(Increase) in completed properties held for sale	<b>9,502</b>	(2,216)
Decrease in mortgage loans receivable	<b>9,623</b>	9,966
Increase in prepaid carnival expenses and deposits	<b>(11,797)</b>	–
Decrease in other receivables, deposits and prepayments	<b>10,477</b>	29,404
Increase/(Decrease) in trade payables and other payables	<b>4,539</b>	(18,219)
Decrease in deposits received on properties held for sale	<b>299</b>	49
	<b>8,829</b>	10,707
Cash generated from operations		
Interest received	<b>100</b>	67
Interest paid	<b>(632)</b>	(2,979)
Overseas tax refund/(paid)	<b>725</b>	(561)
	<b>9,022</b>	7,234
<b>Net cash generated from operating activities</b>		

## Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>Cash flows from investing activities</b>			
Purchases of fixed assets		(365)	(897)
Proceeds from disposals of fixed assets		–	56
Acquisition of a subsidiary company	28	400	–
Additions to investment properties		(2,800)	(2,460)
(Increase)/Decrease in properties under development		(11,729)	282
Proceeds from disposal of prepaid premium for land leases		2,310	–
Decrease in investments in a property development joint venture		–	6,488
(Increase)/Decrease in pledged bank deposits		(4,042)	396
<b>Net cash (used in)/generated from investing activities</b>		<b>(16,226)</b>	<b>3,865</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares		3,228	–
New loans raised		24,818	26,923
Repayments of loans		(32,069)	(35,626)
Advance from/(repayment to) directors		2,622	(50)
Dividend paid		–	(16,373)
<b>Net cash used in financing activities</b>		<b>(1,401)</b>	<b>(25,126)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(8,605)</b>	<b>(14,027)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,375</b>	<b>15,131</b>
<b>Effect of foreign exchange rate changes</b>		<b>(47)</b>	<b>271</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>(7,277)</b>	<b>1,375</b>
<b>Analysis of the balance of cash and cash equivalents</b>			
Cash and bank balances		2,711	1,375
Bank overdrafts – secured		(9,988)	–
		<b>(7,277)</b>	<b>1,375</b>

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

*For the year ended 31 December 2006*

## **1 CORPORATE INFORMATION**

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

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

## **2 BASIS OF PREPARATION**

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

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 2 BASIS OF PREPARATION (continued)

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

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

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

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

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

## 2 BASIS OF PREPARATION *(continued)*

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

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

## 3 PRINCIPAL ACCOUNTING POLICIES

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

### (a) Basis of consolidation

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

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

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

### (b) Subsidiary companies

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

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

### (c) Fixed assets

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

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

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

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

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

### (d) Investment properties

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

### 3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (e) Properties under development

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

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

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

#### (f) Prepaid premium for land leases and operating leases

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

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

#### (g) Completed properties held for sale

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

### (h) Mortgage loans receivable

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

### (i) Impairment of assets

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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

### 3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (j) Trade and other payables

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

#### (k) Taxation

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

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

#### (l) Translation of foreign currencies

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

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

### (m) Borrowing costs

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

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

### (n) Provisions and contingencies

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

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

### 3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (o) Revenue recognition

- (i) Revenue derived from properties held for sale is recognised upon completion of sales agreements.
- (ii) Revenue derived from properties under development and investment properties is recognised upon the completion of the sales agreement and deposits are received.
- (iii) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.
- (iv) Interest income is recognised on a time apportionment basis.

#### (p) Cash and cash equivalents

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

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

#### (q) Employee benefits

##### (i) *Employee leave entitlements*

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

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

### (q) Employee benefits *(continued)*

#### (ii) Employee retirement benefits

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

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

#### (iii) Share-based payment transactions

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### (a) Income taxes and deferred taxation

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

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

### (b) Land appreciation taxes

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

### (c) Depreciation

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

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

## 5 TURNOVER

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

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

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

## 6 OTHER REVENUE

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

## 7 (LOSS)/PROFIT FROM OPERATIONS

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

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 8 FINANCE COSTS

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

## 9 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

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

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

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

### (a) Directors' emoluments *(continued)*

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2006

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

### (b) Five highest paid individuals

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

	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Basic salaries and other benefits	<b>626</b>	601
Provident fund contributions	<b>23</b>	22
	<b>649</b>	623

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

### Emoluments bands

	<b>Number of individuals</b>	
	<b>2006</b>	2005
HK\$Nil to HK\$1,000,000	<b>2</b>	2

## 10 TAXATION

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2006

### 10 TAXATION (continued)

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

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

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

## 11 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

## 12 DIVIDENDS

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

## 13 (LOSS)/EARNINGS PER SHARE

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

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 14 FIXED ASSETS

### The Group

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

## 14 FIXED ASSETS *(continued)*

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

	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Buildings situated in Hong Kong	<b>4,787</b>	4,882
Buildings situated in the PRC	<b>14,400</b>	14,716
	<b>19,187</b>	19,598

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

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

## 15 INVESTMENT PROPERTIES

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

## Notes to the Financial Statements

For the year ended 31 December 2006

### 15 INVESTMENT PROPERTIES *(continued)*

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

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

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

### 16 INVESTMENTS IN SUBSIDIARY COMPANIES

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

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

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

## 16 INVESTMENTS IN SUBSIDIARY COMPANIES *(continued)*

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

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

## Notes to the Financial Statements

For the year ended 31 December 2006

### 16 INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

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

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

### 17 PROPERTIES UNDER DEVELOPMENT

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

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

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

## 18 PREPAID PREMIUM FOR LAND LEASES

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

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

## 19 DEPOSITS FOR ACQUISITION OF LAND

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

## 20 MORTGAGE LOANS RECEIVABLE

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

## Notes to the Financial Statements

For the year ended 31 December 2006

### 20 MORTGAGE LOANS RECEIVABLE *(continued)*

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

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

### 21 PLEDGED BANK DEPOSITS

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

### 22 COMPLETED PROPERTIES HELD FOR SALE

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

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

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

### 23 TRADE AND OTHER PAYABLES

An ageing analysis of trade payables is set out below:

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

## 24 AMOUNTS DUE TO DIRECTORS

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

## 25 INTEREST-BEARING BORROWINGS

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

## Notes to the Financial Statements

For the year ended 31 December 2006

### 25 INTEREST-BEARING BORROWINGS (continued)

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

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

- (a) Certain investment properties of the Group with an aggregate carrying amount of approximately HK\$20,717,000 (2005: HK\$23,927,000); and
- (b) Certain completed properties held for sale of the Group with an aggregate carrying amount of approximately HK\$9,072,000 (2005: HK\$8,531,000).

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

### 26 SHARE CAPITAL

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

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

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

## 27 RESERVES

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

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

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

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

- (a) it is, or would be after the payments, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Contributed surplus	<b>140,281</b>	140,281
Accumulated losses	<b>(26,660)</b>	(25,051)
	<b>113,621</b>	115,230

## Notes to the Financial Statements

For the year ended 31 December 2006

### 28 ACQUISITION OF A SUBSIDIARY COMPANY

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

### 29 OPERATING LEASE COMMITMENTS

#### (a) The Group as lessee

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

	2006 HK\$'000	2005 HK\$'000
Within one year	235	282
In the second to fifth years inclusive	–	235
	<u>235</u>	<u>517</u>

No arrangements have been entered into for contingent rental payments.

## 29 OPERATING LEASE COMMITMENTS *(continued)*

### (b) The Group as lessor

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

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

No arrangements have been entered into for contingent rental payments.

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

## 30 CAPITAL COMMITMENTS

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

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

# Notes to the Financial Statements

For the year ended 31 December 2006

## 31 CONTINGENT LIABILITIES

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

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

- (a) With effect from 1 November 2005, land appreciation tax (LAT) is levied on sales of property according to the local tax authorities of Shenzhen. Based on the best estimate of directors, the LAT on the properties sold in the years 1999, 2000 and 2001 amounted to HK\$17,254,000 which has not yet been provided for in the financial statements.
- (b) The Group has provided guarantees in favour of the PRC custom authority for custom duties in respect of fairground machines and equipment imported for the carnival event.

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

## 32 FINANCIAL INSTRUMENTS

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

### (a) Foreign currency risk

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

## 32 FINANCIAL INSTRUMENTS *(continued)*

### (b) Price risk

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

### (c) Credit risk

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

### (d) Liquidity risk

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

### (e) Cash flow and fair value interest rate risk

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

### (f) Fair values

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

## Notes to the Financial Statements

*For the year ended 31 December 2006*

### **33 INVESTIGATION BY THE INDEPENDENT COMMISSION AGAINST CORRUPTION**

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

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

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

### **34 POST BALANCE SHEET EVENT**

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

## **35 COMPARATIVE FIGURES**

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

## **36 APPROVAL OF FINANCIAL STATEMENTS**

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

## Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
<b>PROPERTIES HELD FOR DEVELOPMENT</b>				
A parcel of land in Hua Du Da Dao and Yi An Street Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Bai Guo Dong Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Cao Bu Xi Huan Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential and commercial	50%	Planning stage	N/A

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
<b>PROPERTIES HELD FOR SALE</b>				
Various units in Rado Garden Phase II Zhenxing Road Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A

## Particulars of Properties

<b>Name/location</b>	<b>Type</b>	<b>Effective % held</b>	<b>Stage of completion</b>	<b>Anticipated completion</b>
Various units in Riviera Garden Phase II Lijing Dao Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A
Various units in Tao Ran Ju Longjin Zhuguang Industrial Area Maotou Shan Nan Shan District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A
Various units in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A
Various units in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
<b>PROPERTIES HELD FOR INVESTMENT</b>				
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Riviera Garden Phase I Lijing Dao Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A

## Particulars of Properties

<b>Name/location</b>	<b>Type</b>	<b>Effective % held</b>	<b>Stage of completion</b>	<b>Anticipated completion</b>
Various units in Rado Garden Phase II Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units and car parking spaces in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
Flat A, 6th Floor and Car Parking Space No. 11 on the 2nd Lower Ground Floor Fortune Well Height 152 Boundary Street Hong Kong	Residential	100%	N/A	N/A