1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Everbest Holdings Group Limited, a company incorporated in the British Virgin Islands. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is an investment holding company. Its subsidiaries are principally engaged in the property development, operation of a golf resort and the provision of medical and health services in the People's Republic of China ("PRC").

2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

In the current year, the Group adopted the following revised SSAP issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised) : Income taxes

This SSAP prescribes new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting this SSAP, which have had a significant effect on the financial statements, are summarised as follows:

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (revised) has no material impact on the Group's financial statements in prior years and comparative figures have not been restated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable SSAPs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable discourse provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 July each year. A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(c) Goodwill

Goodwill arising on consideration represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 August 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after 1 August 2001 is capitalised and amortised on a straight line basis over its estimated useful life.

On disposal of an investment in a subsidiary, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

(d) Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

(e) Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserves unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(e) Investment properties *(Continued)*

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

(f) Fixed assets and depreciation

Fixed assets other than properties under construction are stated at cost less depreciation and amortisation and accumulated impairment losses.

Properties in the course of construction are carried at cost less any identified impairment loss. Cost includes professional and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease, or 20 years
Furniture, fixtures and equipment	10 – 20%
Motor vehicles	20 – $33^1/_3$%
Plant and machinery	10%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and carrying amount of the asset and is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(g) Leased assets

Assets held under finance leases and hire purchase contracts have been capitalised. The interest element of the rental payments is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Depreciation is provided in accordance with the Group's depreciation policy *(Note 3(f))*.

All other leases and hire purchase contracts are accounted for as operating leases and the lease payments are charged to the income statement on a straight-line basis over the periods of the leases.

(h) Golf resort

The golf resort is stated at cost less identified impairment loss. Depreciation on the golf resort is provided over the lease term to write off its costs over its estimated useful live on a straight line basis.

(i) Properties under development

Properties under development are stated at lower of cost and estimated net realisable value.

Revenue from pre-sales of properties under development is recognised based on the construction costs of a development project incurred up to the end of a financial period as a proportion of the estimated total construction costs. Income recognised is limited to the amount of pre-sale deposits received. In any case, income is only recognised when it is reasonably certain.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sale deposits received in advance of completion are forfeited. The excess of the sale deposits forfeited over the profits recognised up to the date of forfeiture is credited to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(j) Properties for sale

Properties for sale are stated at lower of cost and estimated net realisable value.

(k) Investments in securities

All securities other than held-to-maturity debt securities are initially recorded at cost and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is calculated in net profit or loss for the year.

(l) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets (excluding inventories, investment properties and financial assets other than interests in subsidiaries, associates and joint ventures), or whether there is any indication that an impairment loss previously recognised no longer existed or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

1. *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(l) Impairment of assets *(Continued)*

2. Reversal of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined and had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessary takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(n) Revenue recognition

1) Revenue from the sale of completed properties is recognised upon the execution of a binding sale and purchase agreement.

2) Medical and examination fee income is recognised when services are provided.

3) Income from golf resort is recognised when golf course and catering services are provided to customers.

4) Property rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

5) Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(o) 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 expressed in foreign currencies at the balance sheet are translated at the rates exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income and expenses items are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(p) Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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 of a provision is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(r) Contingent liabilities and assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that effects neither the tax profit nor the accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(s) Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents of the purpose of the cash flow statement.

(u) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(v) Employee benefits

1) The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. 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 Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

2) The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 18% to 22% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

3) The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. The allocation of revenue reflects the benefits of capital and other funding resources allocated to the business or geographical segments by way of internal capital allocation and fund transfer mechanisms. Intra-group pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

4. TURNOVER

Turnover represents the aggregate of sales revenue from the sales of properties in the PRC, the service income from the provision of medical and health services in the PRC and the service income from the operation of golf resort.

An analysis of the Group's turnover is as follows:

	2004	2003
	HK$'000	HK$'000
Turnover:		
Continuing operations:		
Sales of properties in the PRC	**4,747**	3,996
Provision of medical and health services in the PRC	**14,715**	13,689
Operation of a golf resort	**3,949**	4,054
	23,411	21,739

5. SEGMENT INFORMATION

The Group is engaged in property development, operation of golf resort and the provision of medical and health services in the PRC.

Segment information about these businesses is presented below:

Business segments

2004

Results

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Consolidated HK$'000
Segment revenue	4,747	14,715	3,949	23,411
Segment results	(30,502)	(417)	(3,727)	(34,646)
Unallocated corporate expenses				(11,537)
Loss from operations				(46,183)
Share of results of associates				(16,311)
Finance costs				(3,697)
Loss before taxation				(66,191)
Taxation credit				–
Loss before minority interests				(66,191)
Minority interests				–
Net loss for the year				(66,191)

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2004

Other information

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to fixed assets	–	–	–	876	876
Depreciation and amortisation	5	43	2,421	3,600	6,069

Balance sheet

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	248,078	5,893	194,696		448,667
Interests in associates					35,603
Unallocated corporate assets					170,429
					654,699
LIABILITIES					
Segment liabilities	114,905	4,722	1,223		120,850
Amount due to an associate					994
Unallocated corporate liabilities					159,914
					281,758

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2003

Results

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Consolidated HK$'000
Segment revenue	3,996	13,689	4,054	21,739
Segment results	(88,167)	659	(7,266)	(94,774)
Unallocated corporate expenses				(22,568)
Gain realised on expiry of warrants				38,845
Loss from operations				(78,497)
Loss on deemed disposal of an associate				(1,742)
Loss on disposal of an associate				(3,706)
Share of results of associates				(42,132)
Finance costs				(5,936)
Loss before taxation				(132,013)
Taxation credit				45,024
Loss before minority interests				(86,989)
Minority interests				46
Net loss for the year				(86,943)

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2003

Other information

	Property development	Medical and health services	Golf resort	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions to fixed assets	–	31	962	–	993
Depreciation and amortisation	41	27	2,043	4,086	6,197

Balance sheet

	Property development	Medical and health services	Golf resort	Unallocated	Consolidated
ASSETS					
Segment assets	284,566	3,828	207,694		496,088
Interests in associates					41,927
Unallocated corporate assets					164,833
					702,848
LIABILITIES					
Segment liabilities	69,436	5,343	2,189		76,968
Amount due to an associate					1,018
Unallocated corporate liabilities					195,716
					273,702

5. SEGMENT INFORMATION *(Continued)*

Geographical segments

The following tables provide an analysis of the Group's turnover by geographic market, irrespective of the origin of the goods/services.

	Revenue		Loss from operations	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
By geographical market:				
Hong Kong	**–**	–	**(34,646)**	(15,983)
PRC	**23,411**	21,739	**(11,537)**	(101,359)
	23,411	21,739	**(46,183)**	(117,342)
Gain realised on expiry of warrants			**–**	38,845
Loss from operations			**(46,183)**	(78,497)

The following is an analysis of the carrying amount of segment assets and additions to fixed assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to fixed assets	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**206,032**	206,760	**–**	–
PRC	**448,667**	496,088	**876**	993
	654,699	702,848	**876**	993

6. LOSS FROM OPERATIONS

	2004	2003
	HK$'000	HK$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	**500**	1,064
Depreciation and amortisation on owned assets	**6,069**	6,197
Operating lease rentals in respect of land and buildings	**265**	320
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions	**256**	315
Salaries and other benefits	**12,267**	15,522
and after crediting:		
Net exchange gain	**3**	37
Interest income	**402**	2,716
Gain on disposal of fixed assets	**140**	–
Gain on disposal of subsidiaries	**2,161**	–

7. FINANCE COSTS

	2004	2003
	HK$'000	HK$'000
Finance charges in respect of finance leases	**–**	17
Interest on bank borrowings wholly repayable within five years	**3,697**	5,919
	3,697	5,936

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2004 HK$'000	2003 HK$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	96	96
	96	96
Other emoluments to executive directors:		
Salaries and other benefits	5,262	5,238
Retirement benefits scheme contributions	24	24
	5,286	5,262
Total emoluments	5,382	5,358

The emoluments of the above directors fell within the following bands:

	Number of director(s)	
	2004	2003
Nil – HK$1,000,000	3	3
HK$2,000,001 – HK$2,500,000	2	2

No remuneration were paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group.

There was no arrangement under which a director had waived or agreed to waive any remuneration in both years.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2003: four) were directors of the Company whose emoluments are set out above. The emolument of the remaining one (2003: one) individual was as follows:

	2004 HK$'000	2003 HK$'000
Salaries and other benefits	420	960
Retirement benefits scheme contributions	12	12
Total emoluments	432	972

The emoluments of the above employee fell within the following bands:

	Number of employee 2004	2003
Nil – HK$1,000,000	1	1

9. TAXATION

	2004 HK$'000	2003 HK$'000
Current taxation:		
Profits tax for the year arising in the PRC	–	(376)
Overprovision of profits tax in prior years – Hong Kong	–	35,000
	–	34,624
Deferred taxation:		
Reversal for the year *(note 31)*	–	10,400
	–	45,024

No provision for Hong Kong Profits Tax has been provided as the Group incurred taxation loss for the year (2003: Nil).

9. TAXATION *(Continued)*

Taxation arising in the PRC is calculated at the rates prevailing in the respective regions.

The charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2004		2003	
	HK$'000		HK$'000	
Loss before tax	**(66,191)**		(132,013)	
Tax at Hong Kong profit tax rate of 17.5% (2003: 17.5%)	**(11,583)**	**(17.5%)**	(23,102)	(17.5%)
PRC tax	**–**	**–**	376	0.1%
Estimated tax effect of income and expenses not taxable or deductible in determining profits tax	**8,003**	**12.1%**	6,520	5.1%
Overprovision in prior year	**–**	**–**	(35,000)	(26.5%)
Tax effect on opening deferred tax liability of revaluation	**–**	**–**	(10,400)	(7.9%)
Tax effect of unrecognised tax losses	**3,580**	**5.4%**	16,582	12.6%
Tax expenses and effective tax rate for the year	**–**	**–**	(45,024)	(34.1%)

10. NET LOSS FOR THE YEAR

Of the Group's loss of HK$66,191,000, a loss of HK$15,138,000 (2003: HK$258,333,000) is dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK$66,191,000 (2003: HK$86,943,000) and the number of 2,256,666,196 (2003: 2,256,666,196) shares in issue during the year.

The computation of diluted loss per share does not assume the exercise of the potential shares since their exercise would result in a reduction in loss per share.

12. INVESTMENT PROPERTIES

	The Group	
	2004	2003
	HK$'000	HK$'000
At beginning of the year	**155,417**	181,623
Deficit arising from revaluation	**(14,917)**	(26,206)
At end of the year	**140,500**	155,417

Investment properties were revalued at their open market values at 31 July 2004 by Chesterton Petty Limited, an independent valuer, on an open market value basis. This valuation gave rise to a revaluation decrease of HK$14,917,000 (2003: HK$26,206,000) which has been charged to the income statement.

The Group's investment properties with an aggregate carrying value of approximately HK$19,548,000 (2003: HK$19,548,000) have been pledged to secure credit facilities granted to the Group.

The investment properties are situated in the PRC under long leases.

Property rental income earned during the year was HK$980,000 (2003: HK$1,111,000). The property held had committed tenants for the next two years. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receivables:

	2004	2003
	HK$'000	HK$'000
Within one year	**1,134**	410
In the second to fifth year inclusive	**1,270**	2,395
	2,404	2,805

13. FIXED ASSETS

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost					
At 1 August 2003	67,070	6,732	2,950	1,399	78,151
Additions	516	48	312	–	876
Disposals	(9,857)	(9)	–	–	(9,866)
At 31 July 2004	57,729	6,771	3,262	1,399	69,161
Depreciation and impairment loss					
At 1 August 2003	30,432	5,700	2,106	341	38,579
Provided for the year	2,262	713	602	71	3,648
Reversal of impairment loss	(10,300)	–	–	–	(10,300)
On disposal written back	(7,057)	(7)	–	–	(7,064)
At 31 July 2004	15,337	6,406	2,708	412	24,863
Net book value					
At 31 July 2004	**42,392**	**365**	**554**	**987**	**44,298**
At 31 July 2003	36,638	1,032	844	1,058	39,572

Reversal of impairment loss of HK$10,300,000 (2003: HK$1,230,000) in respect of leasehold land and buildings was recognised during the year by reference to the valuation report issued by Chesterton Petty Limited dated 26 November 2004, which valued the properties on an open market value basis as at 31 July 2004.

No impairment loss was recognised (2003: Nil) in respect of leasehold land and buildings.

13. FIXED ASSETS *(Continued)*

The Group's leasehold land and buildings included above are held under the following terms:

	2004	2003
	HK$'000	HK$'000
Long leases in Hong Kong	**29,072**	23,900
Medium-term leases in the PRC	**13,320**	12,738
	42,392	36,638

14. GOLF RESORT

	The Group
	HK$'000
Cost	
At the beginning and the end of the year	162,789
Depreciation and impairment	
At the beginning of the year	7,043
Depreciation provided for the year	2,421
Impairment loss	1,500
At the end of the year	10,964
Net book value	
At 31 July 2004	**151,825**
At 31 July 2003	155,746

The golf resort is situated in the PRC under a long term land use rights.

Impairment loss of HK$1,500,000 (2003: HK$5,000,000) at 31 July 2004 was recognised by reference to the valuation report issued by Chesterton Petty Limited dated 26 November 2004, which valued the golf resort on an open market value basis.

15. GOLF RESORT UNDER CONSTRUCTION

	The Group	
	2004	2003
	HK$'000	HK$'000
Cost		
At beginning of the year	–	159,540
Transfer to golf resort	–	(159,540)
At end of the year	–	–

16. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

The Group

Properties under development/properties for sale are situated in the PRC and are held under long term land use rights.

Impairment loss of HK$13,418,000 (2003: HK$12,000,000) in respect of properties under development was recognised during the year by reference to the valuation report issued by Chesterton Petty Limited dated 26 November 2004, which valued the properties on an open market value basis as at 31 July 2004.

Up to 31 July 2004, properties under development included net interest capitalised of approximately HK$3,968,000 (2003: HK$3,968,000).

17. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at carrying value	**10**	2
Unlisted shares, at cost	**140,000**	140,000
	140,010	140,002
Less: Allowances	**(34,000)**	(32,000)
	106,010	108,002

The carrying value of the Company's subsidiaries is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation in 1994, less allowances made as considered to be necessary by the directors.

Details of the Company's principal subsidiaries as at 31 July 2004 are set out in note 37 to the financial statements.

None of the subsidiaries had any debt securities outstanding at the balance sheet date at any time during the year.

18. AMOUNTS DUE FROM/TO SUBSIDIARIES

	The Company 2004 HK$'000	The Company 2003 HK$'000
Amounts due from subsidiaries	**922,738**	917,597
Amounts due to subsidiaries	**(174,130)**	(171,458)
Allowances for bad and doubtful debts	**(615,154)**	(615,154)
	133,454	130,985
Carrying amount analysed for reporting purposes as:		
Amounts due from subsidiaries	**307,584**	302,443
Amounts due to subsidiaries	**(174,130)**	(171,458)
	133,454	130,985

The amounts are unsecured, non-interest bearing and the amounts will not be repaid within the next twelve months.

19. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed shares, at cost	**–**	–	**8,840**	8,840
Share of net assets	**35,603**	41,927	**–**	–
	35,603	41,927	**8,840**	8,840
Market value of listed securities *(Note)*	**43,937**	36,183	**40,364**	33,036

Note: The market value of listed securities in prior year was determined with reference to the closing prices as at 31 July 2003. However, in current year, the trading of listed securities was suspended before 31 July 2004 and thus the market value could not be determined by reference to the closing price at 31 July 2004. The market value of these listed securities by reference to their latest available quoted market prices attributable to the Group and the Company amounted to HK$43,937,000 and HK$40,364,000 respectively. Up to the date of approval of these financial statements, the trading of these listed securities has not yet been resumed.

19. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates at 31 July 2004 are as follows:

Name of associate	Place of Incorporation/ registration	Place of operation	Proportion of ownership interest Directly	Proportion of ownership interest Indirectly	Proportion of voting power held	Principal activities
GreaterChina Technology Group Limited ("GreaterChina")	Cayman Islands	Hong Kong	29%	3%	32%	Manufacturing and trading of traditional Chinese medicine products and provision of advertising, portal development and information technology advisory and consultation services

Financial information of GreaterChina as extracted from its audited financial statements are as follows:

	2004 HK$'000	2003 HK$'000
Non-current assets	**76,275**	126,356
Current assets	**115,577**	87,805
Current liabilities	**70,845**	73,240
Net loss for the year	**51,354**	129,226

19. INTERESTS IN ASSOCIATES *(Continued)*

The auditors of GreaterChina issued a qualified opinion on the financial statements of GreaterChina for the year ended 31 July 2004. In their report, the auditors states that

(i) they were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of the inventory as at 31 July 2003 as they were appointed auditors subsequent to 31 July 2003;

(ii) they were unable to carry out alternative procedures to satisfy themselves that the gain on disposal of a subsidiary of approximately HK$1,055,000 have been fairly stated in the consolidated income statement for the year as the consolidated financial statements incorporated the unaudited management accounts of the subsidiary up to the date of disposal based on the unaudited management accounts for the year ended 31 July 2001 and the management represented that the subsidiary was dormant with no material transactions during the period; and

(iii) they were unable to ascertain the recoverable amount of a deposit of HK$15,630,000 paid to a contractor for the construction of a pharmaceutical production facilities in the PRC as the completion of the construction work is depending on the granting of the relevant Good Manufacturing Practice certificates by the PRC government and there is no information available to indicate the stage of completion of the work performed. Moreover, they were unable to assess the recoverability of the amount of HK$17,300,000 due from the subsidiary which recorded the aforementioned deposit and whether or not the provision made by GreaterChina against the subsidiary's net deficit of approximately HK$1,600,000 as at 31 July 2004 is adequate.

20. TRADE DEBTORS – DUE AFTER ONE YEAR

The Group

The amounts represent non-current portion of trade receivables from sales of completed properties. The amounts bear interest at commercial rates.

21. TRADE AND OTHER DEBTORS

The credit terms of the Group range from 30 to 90 days. The aged analysis of trade and other debtors is as follows:

	The Group	
	2004	2003
	HK$'000	HK$'000
Aged:		
0 to 30 days	**209**	3,010
61 to 90 days	**144**	724
91 to 180 days	**106**	520
181 to 365 days	**112**	175
Over 365 days	**5,607**	9,955
	6,178	14,384

22. OTHER DEPOSIT

The Group and the Company

A sum of HK$12,500,000 was deposited into an interest bearing client's account kept by a legal firm as security in favour of the joint and several provisional liquidators ("Provisional Liquidators") of Wing Fai or any subsequently appointed liquidators of Wing Fai, for any judgement that may be obtained by the Provisional Liquidators and subsequent liquidators of Wing Fai of any action commenced within twelve months from 14 July 2002 and thereafter until the determination of the proceedings against the Company and/or any of the wholly owned subsidiaries of the Company in existence as at 14 July 2002.

23. TRADE AND OTHER CREDITORS

The aged analysis of trade and other creditors is as follows:

	The Group	
	2004	2003
	HK$'000	HK$'000
Aged:		
0 to 30 days	**1,047**	2,914
31 to 60 days	**556**	70
61 to 90 days	**373**	279
91 to 180 days	**581**	601
181 to 365 days	**138**	261
Over 365 days	**8,461**	11,425
	11,156	15,550

24. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance Leases:				
Within one year	–	32	–	25
More than one year but not exceeding two years	–	–	–	–
	–	32	–	25
Less: Future finance charges	–	(7)	–	–
	–	25	–	25
Less: Amount due within one year shown under current liabilities			–	(25)
Amount due after one year			–	–

25. BANK BORROWINGS, SECURED

	The Group	
	2004	2003
	HK$'000	HK$'000
Bank loans	**33,373**	37,126

The maturity of the above bank borrowings is as follows:

On demand or within one year	**20,280**	1,727
More than one year but not exceeding two years	**1,852**	22,306
More than two years but not exceeding five years	**5,962**	5,922
More than five years	**5,279**	7,171
	33,373	37,126
Less: Amount due within one year shown under current liabilities	**(20,280)**	(1,727)
Amount due after one year	**13,093**	35,399

26. BANK OVERDRAFTS

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts, secured	**171,708**	171,648	**–**	–
Bank overdrafts	**110**	273	**84**	273
	171,818	171,921	**84**	273

27. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are interest-free, unsecured and will not be repaid within the next twelve months.

28. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Share of HK$0.10 each		
Authorised:		
At 31 July 2003 and 31 July 2004	8,000,000,000	800,000
Issued and fully paid:		
At 31 July 2003 and 31 July 2004	2,256,666,196	225,667

Options

At 31 July 2004, the following options to subscribe for shares were outstanding under the Company's share option schemes.

Number of share options	Date of grant	Exercise price per share	Exercise period
		HK$	
10,000,000	5 March 1997	0.43	From date of grant to 30 September 2004
20,800,000	26 January 2000	0.30	From date of grant to 30 September 2004
20,000,000	22 March 2000	0.33	From date of grant to 30 September 2004
50,800,000			

29. RESERVES

(a) The Group

The amounts of the Group reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 27 of the financial statements.

(b) The Company

	Share Premium HK$'000	Distributable reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 July 2002	399,499	77,033	38,845	(185,910)	329,467
Realised upon expiry of warrants	–	–	(38,845)	–	(38,845)
Net loss for the year	–	–	–	(258,333)	(258,333)
At 31 July 2003	399,499	77,033	–	(444,243)	32,289
Net loss for the year	–	–	–	(15,138)	(15,138)
At 31 July 2004	399,499	77,033	–	(459,381)	17,151

The capital reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1994.

30. DEEMED DISPOSAL OF AN ASSOCIATE

During the year ended 31 July 2003, GreaterChina issued 135,616,000 ordinary shares of HK$0.01 each as partial consideration at fair value of HK$0.28 each in the acquisition of a 100% interest in a subsidiary whose principal assets comprised investment in a 80% equity interest in an equity joint venture registered in the PRC which is engaged in the manufacturing and distribution of western medicines and healthcare products.

Consequently, the ownership interest held in GreaterChina was diluted from 38% to 32%.

The effect of the deemed disposal to the financial statements were as follows:

Net assets disposed of:

	2004	2003
	HK$'000	HK$'000
Fixed assets	–	290
Intangible assets	–	3,851
Long term investments	–	2,432
Inventories	–	571
Trade receivables	–	368
Prepayments, deposits and other receivables	–	3,350
Short term investments	–	1,539
Amount due from the China Rich Group	–	49
Amounts due from the fellow subsidiaries	–	1
Pledged deposits	–	2,150
Bank balances and cash	–	(8,547)
Bills payable	–	(67)
Other payables and accruals	–	(778)
Interest –bearing bank borrowings	–	(3,467)
	–	1,742
Loss on deemed disposal of an associate	–	(1,742)
Cash inflow from dilution of interest in an associate	–	–

31. DEFERRED TAXATION

	The Group	
	2004	2003
	HK$'000	HK$'000
Balance brought forward	**10,200**	20,600
Transfer to income statement	–	(10,400)
Balance carried forward	**10,200**	10,200

At the balance sheet date, deferred taxation of HK$10,200,000 (2003: HK$10,200,000) recognised in the financial statements represents tax effect of temporary differences because of the surplus on revaluation of properties in the PRC upon acquisition by the Group.

A deferred tax asset of approximately HK$20,162,000 (2003: HK$16,582,000) has not been recognised in the financial statements in respect of estimated tax losses available to offset future profits due to the unpredictability of future profit streams.

The Company

The Company did not have any significant unprovided deferred tax liabilities at 31 July 2004 (2003: Nil).

32. DISPOSAL OF SUBSIDIARIES

Net liabilities disposed of:

	2004	2003
	HK$'000	HK$'000
Other receivables	14	–
Bank balances and cash	134	–
Other payables	(2,259)	–
	(2,111)	–
Gain on disposal of subsidiaries	2,161	–
	50	–
Sale proceeds	50	–

33. COMMITMENTS

At the balance sheet date, the Group had the following future minimum lease payments under operating leases in respect of rented premises as follows:

	2004	2003
	HK$'000	HK$'000
Operating leases which expire:		
– within one year	225	301
– in the second to fifth year inclusive	187	563
	412	864

Operating leases payments in respect of land and buildings represent rental payables by the Group for its office premises. Leases are negotiated for an average term of four years.

At the balance sheet date, the Company did not have any significant commitments.

34. PLEDGE OF ASSETS

The Group

At the balance sheet date leasehold land and buildings having a net book value of approximately HK$27,000,000 (2003: HK$21,840,000), bank deposits of approximately HK$171,842,000 (2003: HK$172,455,000), certain investment properties and certain properties for sale of the Group have been pledged to banks to secure credit facilities granted to the Group.

35. CONTINGENT LIABILITIES AND ASSETS

The Group

(a) The liquidators of Wing Fai Construction Company Limited ("Wing Fai") and Wai Shun Construction Company Limited ("Wai Shun") refused to recognise the effect of set off of inter-company accounts pursuant to a Set Off Agreement (the "Agreement") dated 23 November 2001 and the extinguishment of intra-group indebtedness and incidental transactions and arrangements upon the Group's sale of its interest in Wing Fai, Wai Shun and Zhukuan Wing Fai Construction Company Limited on 22 April 2002. As a result, the liquidators had taken up legal action against the Company and against several of its subsidiaries.

In the opinion of the Company's legal advisor, the Group has a good defence on all the claims which, on the balance of probabilities, are likely to be resolved in favour of the Group companies. It is therefore unlikely that there would be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable on taxation.

(b) The liquidator of Wing Fai has taken legal action against the Group and against three directors of the Group for alleged financial assistance. As at the date of approval of these financial statements, Wing Fai has yet to identify the payments and actions attributable to the Group and to three of its directors under which the claim is made, following a recent decision by the High Court, Wing Fai has now decided to discontinue its claim against one of the directors. In the opinion of the Company's legal advisor, in any event, the Group's liability should not exceed HK$2,000,000 plus interest and costs.

35. CONTINGENT LIABILITIES AND ASSETS *(Continued)*

The Group *(Continued)*

(c) Wing Fai has recently issued proceedings against the Company on 25 October 2004, in respect of a comfort letter issued by the Company to the directors of Wing Fai on 23 November 2001. The liquidators of Wing Fai maintain that this letter constitutes a contract by which the Company became obliged to pay the debts of Wing Fai for 12 months thereafter.

The Company's legal advisors are still at the formative stage of investigating the claim and in the process of demanding Wing Fai's solicitors to properly formulate their claim, failing which an application will be made to strike it out. As the claim has yet to be re-formulated, the Company's legal advisors do not consider it appropriate to comment further on it. However, their preliminary view is that the Company has a good defence which is likely to be resolved in its favour.

It is therefore unlikely that there would be any material contingent liability except that the legal costs incurred by the Company may not be recoverable given the insolvent status of Wing Fai.

In the opinion of the directors, the Group has valid grounds to defense the action and as such, no provision has been made in the financial statements for the Group's exposure to the above actions.

(d) In respect of the sum of HK$40 million due from Wing Fai to Benefit Holdings International Limited ("Benefit"), a subsidiary of the Company, repayment was personally guaranteed by Mr. Eric Chim Kam Fai ("Mr. Chim"). In respect of the payment of the purchase price for the shares of the Wing Fai, Zhukuan Wing Fai Construction Company Limited and Wai Shun Construction Company Limited in the sum of HK$5.1 million by Sino Glister International Investments Limited ("Sino Glister"), this was also personally guaranteed by Mr. Chim.

Wing Fai defaulted in repayment of HK$40 million due to Benefit and is now in liquidation. Sino Glister defaulted as to HK$3.1 million of the HK$5.1 million purchase price for the shares of the Wing Fai Subsidiaries.

Benefit commenced High Court proceedings against Mr. Chim and Sino Glister on 30 May 2004 and has obtained a Judgment against Mr. Chim and Sino Glister in the sum of HK$43 million plus interest and costs. It is unknown to what extent if any the sums adjudicated in favour of Benefit will be recoverable from either Sino Glister or Mr. Chim and the sum of HK$43 million is therefore treated as a contingent receivable of Benefit.

The Company

The Company has given corporate guarantees to banks in respect of banking facilities granted to its subsidiaries of which approximately HK$15,028,000 (2003: HK$16,610,000) were utilised at the balance sheet date.

36. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following material related party transactions:

(i) The Group received rental of HK$578,000 (2003: HK$2,063,000) from GreaterChina and its subsidiaries (the "GreaterChina Group"). The charge is based on the areas occupied by the GreaterChina Group pursuant to the agreement entered into between the parties. The unit rate per square feet was determined by the directors based on estimated market rates.

(ii) The Group received administrative service fee of approximately HK$548,000 (2003: HK$1,472,000) from the GreaterChina Group. The fee is charged at a fixed monthly fee pursuant to the agreement entered into between the parties. The fee was determined by directors based on estimated time spent by the staff of the Group on the affairs of the GreaterChina Group.

(iii) The Group received website development fee of HK$240,000 (2003: HK$600,000) from the GreaterChina Group pursuant to the agreement entered into between the parties dated 3 January 2000. The fee was determined at prices agreed between the parties.

(iv) The Group paid information technology advisory fee of HK$183,000 (2003: HK$269,000) to the GreaterChina Group. The fee was determined at prices agreed between the parties.

(v) At 31 July 2004, an amount of approximately HK$994,000 (2003: HK$1,018,000) was due to the GreaterChina Group. Amount due to GreaterChina Group is unsecured, non-interest bearing and repayable on demand.

(vi) At 31 July 2004 included in trade and other creditors were amounts of HK$977,000 (2003: HK$2,417,000) due to a related company in which Mr. Yip Kwong, Robert and Ms. Cheng Kit Yin, Kelly have beneficial interests and approximately HK$356,000 (2003: HK$159,000) due to a related company in which Mr. Yip Kwong, Robert has a beneficial interest and Mr. Kam Shing is a director. These amounts are unsecured, non-interest bearing and are repayable on demand.

(vii) In the prior year, the Group sold a motor vehicle of HK$200,000 to the GreaterChina Group.

37. SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2004 are as follows:

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
Benefit Holdings International Limited *(note a)*	British Virgin Islands	100%	US$200	Investment holding
Bright Success Enterprises Limited	British Virgin Islands	100%	US$1	Investment holding
Build Policy Limited	Hong Kong	100%	Ordinary HK$100 Non-voting deferred *(note b)* HK$2	Investment holding
Business Rootis Limited	Hong Kong	100%	Ordinary HK$100 Non-voting deferred *(note b)* HK$2	Property holding
China Rich Construction Company Limited	Hong Kong	100%	Ordinary HK$2	Investment holding
China Rich Properties Limited ("China Rich")	Hong Kong	100%	Ordinary HK$10,000,000	Property development
Condor Holdings Limited	Hong Kong	100%	Ordinary HK$10,000	Investment holding
Evergreen Club Limited	Hong Kong	100%	Ordinary HK$2	Operation of a retirement club

37. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
Fitzroya Finance Company Limited	Hong Kong	100%	Ordinary HK$1,000,000	Money lending
Marvelink Limited	British Virgin Islands	100%	US$2	Investment holding
Mega Pacific Holdings Limited ("Mega")	Hong Kong	98%	Ordinary HK$38,747,557	Investment holding
Shunde China Rich Properties Limited ("Shunde China Rich")	PRC	100%	*(note c)*	Property development
Tammerworth Development Limited	Hong Kong	100%	Ordinary HK$1,500,000	Investment holding
Wing Fai (China) Development Limited	Hong Kong	100%	Ordinary HK$10	Investment holding
廣州市紫霞山莊有限公司 ("紫霞山莊")	PRC	51% *(note d)*	Registered HK$9,330,000	Operation of a recreational park
廣東協和醫療中心	PRC	*(note e)*	Registered RMB10,015,863	Operation of a medical centre in the PRC
高明銀海高爾夫球俱樂部有限公司 Gaoming Silver Ocean Golf Club Co., Ltd. ("Gaoming Silver Ocean") *(note f)*	PRC	100%	Registered US$5,264,000	Operation of a golf resort in the PRC

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the subsidiaries of the Company which principally affected the results of the Group or formed a substantial portion of the net assets of the Group.

37. SUBSIDIARIES *(Continued)*

Notes:

(a) Except for Benefit Holdings International Limited which is directly held by the Company, all other companies are indirectly held by the Company.

(b) The non-voting deferred shares are held by Benefit Holdings International Limited and carry minimal right to dividend or to receive notice of or to attend or vote at any general meeting of the Company. On a winding-up, the holders of the non-voting deferred shares shall be entitled out of the surplus assets of the Company to a return of the capital paid up to the non-voting deferred shares held by them respectively after a total sum of HK$100,000,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the Company.

(c) Shunde China Rich was established in the PRC in March 1996 in accordance with a cooperative joint venture agreement entered into between China Rich and a PRC party on 18 June 1994. The principal activities of Shunde China Rich are the development, sales and leasing of the property development project currently undertaken by China Rich. Pursuant to the joint venture agreement, China Rich is entitled to the entire profit or loss of Shunde China Rich and on liquidation of Shunde China Rich, China Rich is entitled to all the assets and liabilities of Shunde China Rich.

(d) 紫霞山莊 is a foreign owned equity joint venture for a period of 20 years from 26 December 1993 and there are provisions for extension of its period under the terms of its memorandum and articles of association.

(e) This is a joint venture for a period of 12 years up to December 2007 established under a joint venture agreement with another PRC party. Under the joint venture agreement, there are provisions to extend the period of the joint venture, the Group is required to contribute the entire registered capital of the joint venture, and is also required to guarantee that the profit payable to the PRC joint venture partner is not less than RMB700,000 per annum or 20% of the annual net profit of the joint venture, whichever is higher. This joint venture is 100% owned by Mega.

37. SUBSIDIARIES *(Continued)*

(f) Gaoming Silver Ocean was established in the PRC in August 1993 in accordance with a Sino-foreign cooperative joint venture agreement ("JV agreement") entered into between Norton International Limited and a PRC party on 29 July 1993. Pursuant to the agreement entered into between the Group and the relevant PRC parties on 26 July 1997, the entire interest of Norton International Limited in Gaoming Silver Ocean was transferred to the Group. Pursuant to the JV agreement and the supplemental agreement, the joint venture is for a period of 30 years form August 1993 and can be extended to a period subject to the negotiation between the parties. The Group is entitled to a profit sharing ratio of 80%. However, if Gaoming Silver Ocean operates at a loss, all the loss will be borne by the Group. Gaoming Silver Ocean has a registered capital of US$8,000,000. Up to 31 July 2004, the Group has contributed an aggregate investment of HK$40,954,000.

38. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 November 2004.