1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of directors, 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 (the "PRC").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as the "new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 July 2005. The new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice 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 disclosure provisions of The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). 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 as modified for the revaluation of certain properties as explained in the accounting policies set out below.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(b) Basis of consolidation *(Continued)*

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.

(c) Goodwill

Goodwill arising on consolidation 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(f) Fixed assets and depreciation

Fixed assets are stated at cost less depreciation and amortisation and accumulated impairment losses.

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 – 33⅓%
Plant and machinery	10%

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.

(g) Operating leases

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(i) Properties under development *(Continued)*

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.

(j) Properties for sale

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

(k) 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(k) 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 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.

(l) 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.

(m) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(n) 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 exchange rates 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.

(o) 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.

(p) 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.

(q) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(q) Contingent liabilities and assets *(Continued)*

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.

A contingent asset is not recognised but is 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.

(r) 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 can be utilised. Such assets and liabilities are not recognised if the 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.

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 and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(r) Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable 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 to 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.

(s) 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 for the purpose of the cash flow statement.

(t) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(u) Employee benefits

(i) 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.

(ii) 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.

(iii) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(v) 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.

3. TURNOVER AND REVENUE

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 and other revenue is as follows:

	2005 HK$'000	2004 HK$'000
Turnover:		
Continuing operations:		
Sales of properties in the PRC	**3,182**	4,747
Provision of medical and health services in the PRC	**17,335**	14,715
Operation of a golf resort	**4,500**	3,949
	25,017	23,411
Other revenue:		
Interest income	**1,557**	402
Rental income	**2,865**	2,785
Sundry income	**1,440**	1,953
	5,862	5,140
	30,879	28,551

4. 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

2005

Results

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Consolidated HK$'000
Segment revenue	3,182	17,335	4,500	25,017
Segment results	(17,643)	3,525	(13,363)	(27,481)
Unallocated corporate expenses				(21,983)
Loss from operations				(49,464)
Share of results of associates				(6,221)
Finance costs				(2,831)
Loss before taxation				(58,516)
Taxation				10,200
Loss before minority interests				(48,316)
Minority interests				(70)
Net loss for the year				(48,386)

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2005

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	856	–	1,029	1,094	2,979
Depreciation and amortisation	3	4	3,232	2,457	5,696

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	258,747	5,946	146,324		411,017
Interests in an associate					29,382
Unallocated corporate assets					57,600
					497,999
LIABILITIES					
Segment liabilities	41,052	2,326	927		44,305
Amount due to an associate					185
Unallocated corporate liabilities					81,416
					125,906

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

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				–
Loss before minority interests				(66,191)
Minority interests				–
Net loss for the year				(66,191)

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2004

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	–	–	–	876	876
Depreciation and amortisation	5	43	2,421	3,600	6,069

Balance sheet

	Property development	Medical and health services	Golf resort	Unallocated	Consolidated
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

4. 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**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
By geographical market:				
Hong Kong	**–**	–	**(23,015)**	(11,537)
PRC	**25,017**	23,411	**(26,449)**	(34,646)
	25,017	23,411	**(49,464)**	(46,183)

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**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**73,981**	206,032	**261**	–
PRC	**424,018**	448,667	**2,718**	876
	497,999	654,699	**2,979**	876

5. LOSS FROM OPERATIONS

	2005 HK$'000	2004 HK$'000
Loss from operations is stated at after charging:		
Auditors' remuneration	**500**	500
Depreciation and amortisation on owned assets	**5,696**	6,069
Operating lease rentals in respect of land and buildings	**426**	265
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions	**105**	256
Salaries and other benefits	**12,300**	12,267
and after crediting:		
Other income:		
Reversal of impairment losses in respect of fixed assets	**515**	10,300
Reversal of other payables	**5,779**	–
Gain on disposal of fixed assets	**272**	140
Exchange gain	**4**	3
	6,570	10,443

6. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**2,395**	3,141
Interest on bank borrowings wholly repayable beyond five years	**436**	556
	2,831	3,697

7. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2005	2004
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**168**	96
	168	96
Other emoluments to executive directors:		
Salaries and other benefits	**4,316**	5,262
Retirement benefits scheme contributions	**18**	24
	4,334	5,286
Total emoluments	**4,502**	5,382

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**6**	3
HK$2,000,001 – HK$2,500,000	**1**	2

No remuneration was 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 waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2004: four) directors, details of whose remuneration set out in note 7 above. Details of the remuneration of the remaining one (2004: one) highest paid employee are as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other benefits	487	420
Retirement benefits scheme contributions	12	12
Total emoluments	499	432

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

	Number of employee	
	2005	2004
Nil – HK$1,000,000	1	1

9. TAXATION

No provision for Hong Kong Profits Tax has been provided as the Group had no assessable profits arising in Hong Kong for the year (2004: Nil).

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

	2005	2004
	HK$'000	HK$'000
Current taxation	–	–
Deferred taxation:		
Reversal for the year *(note 30)*	10,200	–
	10,200	–

9. TAXATION *(Continued)*

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

	2005		2004	
	HK$'000		HK$'000	
Loss before tax	**(58,516)**		(66,191)	
Tax at Hong Kong profit tax rate of 17.5% (2004: 17.5%)	**(10,240)**	**(17.5%)**	(11,583)	(17.5%)
Estimated tax effect of income and expenses not taxable or deductible in determining profits tax	**587**	**1.0%**	8,003	12.1%
Estimated tax effect of reversal of temporary differences previously recognised	**(10,200)**	**(17.4%)**	–	–
Tax effect of unrecognised tax losses	**9,653**	**16.5%**	3,580	5.4%
Tax (income)/expenses and effective tax rate for the year	**(10,200)**	**(17.4%)**	–	–

10. NET LOSS FOR THE YEAR

Of the Group's loss of approximately HK$48,386,000 (2004: HK$66,191,000), a loss of approximately HK$178,500,000 (2004: HK$15,138,000) is dealt with in the financial statements of the Company.

11. DIVIDEND

The directors do not recommend payment of a final dividend for the year ended 31 July 2005 (2004: Nil).

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of approximately HK$48,386,000 (2004: HK$66,191,000) and the weighted average number of approximately 421,705,994 (2004: (restated) 397,173,250) ordinary shares in issue during the year after adjusting the effects of rights issue and share consolidation (note 27). The basic loss per share for 2004 has been adjusted accordingly.

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.

13. INVESTMENT PROPERTIES

	The Group	
	2005	2004
	HK$'000	HK$'000
At beginning of the year	**140,500**	155,417
Additions during the year	**856**	–
Deficit arising from revaluation	**(10,700)**	(14,917)
At end of the year	**130,656**	140,500

13. INVESTMENT PROPERTIES *(Continued)*

Investment properties were revalued at their open market values at 31 July 2005 by Chesterton Petty Limited, an independent valuer, on an open market value basis. This valuation gave rise to a revaluation decrease of HK$10,700,000 (2004: HK$14,917,000) which has been charged to the income statement.

The Group's investment properties with an aggregate carrying value of approximately HK$22,414,000 (2004: 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 approximately HK$1,417,000 (2004: HK$980,000). The Group leases its investment properties under operating lease arrangement, with lease terms ranging from one to three years.

14. FIXED ASSETS

The Group	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 2004	57,729	6,771	3,262	1,399	69,161
Additions	–	354	254	486	1,094
Disposals	(4,886)	(425)	–	–	(5,311)
Exchange alignment	418	18	230	25	691
At 31 July 2005	53,261	6,718	3,746	1,910	65,635
Depreciation and impairment loss					
At 1 August 2004	15,337	6,406	2,708	412	24,863
Provided for the year	2,346	271	659	269	3,545
Reversal of impairment loss	(515)	–	–	–	(515)
On disposal written back	(2,802)	(350)	–	–	(3,152)
Exchange alignment	196	10	25	15	246
At 31 July 2005	14,562	6,337	3,392	696	24,987
Net book value					
At 31 July 2005	**38,699**	**381**	**354**	**1,214**	**40,648**
At 31 July 2004	42,392	365	554	987	44,298

Reversal of impairment loss of HK$515,000 (2004: HK$10,300,000) in respect of leasehold land and buildings was recognised during the year by reference to the valuation report issued by Chesterton Petty Limited dated 22 November 2005, which valued the properties on an open market value basis as at 31 July 2005.

The Group's leasehold land and buildings with an aggregate carrying value of approximately HK$26,664,000 (2004: HK$27,000,000) have been pledged to secure credit facilities granted to the Group.

As at 31 July 2005, the leasehold land and building in the PRC with carrying value of approximately HK$12,035,000 was restricted for title transfer.

14. FIXED ASSETS *(Continued)*

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

	2005	2004
	HK$'000	HK$'000
Long leases in Hong Kong	**26,664**	29,072
Medium-term leases in the PRC	**12,035**	13,320
	38,699	42,392

15. GOLF RESORT

	The Group
	HK$'000
Cost	
At the beginning of the year	162,789
Addition during the year	1,029
Exchange alignment	1,732
	165,550
Depreciation and impairment	
At the beginning of the year	10,964
Depreciation provided for the year	2,151
Impairment loss	8,800
	21,915
Net book value	
At 31 July 2005	**143,635**
At 31 July 2004	151,825

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

Impairment loss of HK$8,800,000 (2004: HK$1,500,000) was recognised by reference to the valuation report issued by Chesterton Petty Limited dated 22 November 2005, which valued the golf resort on an open market value basis as at 31 July 2005.

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$10,800,000 (2004: HK$13,418,000) in respect of properties under development was recognised during the year by reference to the valuation report issued by Chesterton Petty Limited dated 22 November 2005, which valued the properties on an open market value basis as at 31 July 2005.

Up to 31 July 2005, properties under development included net interest capitalised of approximately HK$3,968,000 (2004: HK$3,968,000).

17. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at carrying value	**10**	10
Unlisted shares, at cost	**140,000**	140,000
	140,010	140,010
Less: Impairment losses recognised	**(46,200)**	(34,000)
	93,810	106,010

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 impairment losses made as considered to be necessary by the directors.

Details of the Company's principal subsidiaries as at 31 July 2005 are set out in note 38 to the financial statements.

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

18. AMOUNTS DUE FROM/TO SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	HK$'000
Amounts due from subsidiaries	**963,858**	922,738
Amounts due to subsidiaries	**(175,870)**	(174,130)
Allowances for bad and doubtful debts	**(765,127)**	(615,154)
	22,861	133,454
Carrying amount analysed for reporting purposes as:		
Amounts due from subsidiaries	**198,731**	307,584
Amounts due to subsidiaries	**(175,870)**	(174,130)
	22,861	133,454

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

19. INTERESTS IN AN ASSOCIATE

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed shares, at cost	**–**	–	**8,840**	8,840
Share of net assets	**29,382**	35,603	**–**	–
	29,382	35,603	**8,840**	8,840
Market value of listed securities *(Note)*	**43,937**	43,937	**40,364**	40,364

Note: The trading of listed securities was suspended during the year ended 31 July 2004 and as at 31 July 2005 and thus the market value could not be determined by reference to the closing price at 31 July 2005. The market value of these listed securities was determined 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 AN ASSOCIATE *(Continued)*

Details of the Group's associates at 31 July 2005 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:

	2005 HK$'000	2004 HK$'000
Non-current assets	119,748	76,275
Current assets	46,547	115,577
Current liabilities	26,564	70,845
Net loss for the year	19,586	51,354

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.

No provision for the non-current portion of trade receivables has been provided as, in the opinion of directors, the Group retain the ownership and legal title of the properties sold to those trade debtors as collateral, and the net realisable value of those properties is not less the amount due by those trade debtors.

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	
	2005	2004
	HK$'000	HK$'000
Aged:		
0 to 30 days	**369**	209
31 to 60 days	**367**	–
61 to 90 days	**–**	144
91 to 180 days	**9**	106
181 to 365 days	**101**	112
Over 365 days	**1,858**	5,607
	2,704	6,178

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 Construction Company Limited ("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 Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other creditors	**14,011**	11,156	**1,514**	2,111
Amount due to an ex-director	**16,439**	10,941	**16,439**	10,941
	30,450	22,097	**17,953**	13,052

The amount due to an ex-director is unsecured, interest free and repayable on demand. To conform with the current year's presentation, the amount due at 31 July 2004 is classified from "Amounts due to directors".

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

	The Group	
	2005	2004
	HK$'000	HK$'000
Aged:		
0 to 30 days	**1,044**	1,047
31 to 60 days	**808**	556
61 to 90 days	**17**	373
91 to 180 days	**27**	581
181 to 365 days	**71**	138
Over 365 days	**12,044**	8,461
	14,011	11,156

24. BANK BORROWINGS, SECURED

	The Group	
	2005	2004
	HK$'000	HK$'000
Bank loans	**30,105**	33,373

The maturity of the above bank borrowings is as follows:

On demand or within one year	**18,844**	20,280
More than one year but not exceeding two years	**1,885**	1,852
More than two years but not exceeding five years	**6,170**	5,962
More than five years	**3,206**	5,279
	30,105	33,373
Less: Amount due within one year shown under current liabilities	**(18,844)**	(20,280)
Amount due after one year	**11,261**	13,093

25. BANK OVERDRAFTS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts, secured	**20,222**	171,708	**–**	–
Bank overdrafts	**147**	110	**129**	84
	20,369	171,818	**129**	84

26. AMOUNT DUE TO A DIRECTOR

The amount due to a director is interest-free, unsecured and will not be repaid within the next twelve months of the balance sheet date.

27. SHARE CAPITAL

	Number of shares	Amount HK$'000
Share of HK$0.05 each		
Authorised:		
At 31 July 2003 and at 31 July 2004	8,000,000,000	800,000
Effect of decrease in nominal value of shares from HK$0.10 each to HK$0.01 each *(Note (a))*	72,000,000,000	–
Share consolidation *(Note (c))*	(64,000,000,000)	–
At 31 July 2005	16,000,000,000	800,000
Issued and fully paid:		
At 31 July 2003 and at 31 July 2004	2,256,666,196	225,667
Effect of decrease in nominal value of shares from HK$0.10 each to HK$0.01 each *(Note (a))*	–	(203,100)
Rights issue *(Note (b))*	1,128,333,098	11,283
Share consolidation *(Note (c))*	(2,707,999,435)	–
At 31 July 2005	676,999,859	33,850

Notes:

(a) Pursuant to a special resolution passed at a special general meeting of the Company held on 12 May 2005, the nominal value of each of the shares (the "Existing Shares") of HK$0.10 each in the capital of the Company in issue reduced from HK$0.10 to HK$0.01 by cancelling HK$0.09 of the capital paid up on each of such Existing Shares (the "Capital Reduction").

(b) Pursuant to a special resolution passed at a special general meeting of the Company held on 12 May 2005, the Company issued 1,128,333,098 ordinary shares of HK$0.01 each by way of rights issue ("Rights Share(s)") at an issue price of HK$0.04 per Rights Share in the basis of one Rights Share for every two Existing Shares.

(c) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 12 May 2005, every five issued and unissued reorganised shares of HK$0.01 each be consolidated into one share of HK$0.05 in the share capital of the Company.

Unissued reorganised shares represent the ordinary shares of HK$0.01 each in the capital of the Company immediately after (i) the Capital Reduction; (ii) the subdivision of each authorised but unissued Existing Share of HK$0.10 each into 10 shares of HK$0.01 each; (iii) the application of the total credit of approximately HK$203,010,000 arising from the Capital Reduction to set off part of the accumulated losses of the Company; and (iv) the cancellation of the entire share premium account and application of the credit arising as to approximately HK$256,281,000 to eliminate the balance of the accumulated losses of the Company and as to approximately HK$143,218,000 to the Company's contributed surplus account.

28. SHARE OPTION SCHEME

Pursuant to a special general meeting of the Company held on 30 September 1994, the Company adopted an old share option scheme (the "Old Scheme") pursuant to which the directors were authorised to grant options to employees, including executive directors, of the Company or its subsidiaries to subscribe for shares of the Company at a price equal to the higher of the nominal value of the shares and an amount not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

Options granted under the Old Scheme entitled the holder to subscribe for shares from the date of grant up to 30 September 2004.

On 10 January 2002, the Company passed an ordinary resolution regarding the termination of the Old Scheme and adopted a new share option scheme (the "New Scheme") for the primary purpose of providing incentive to the eligible employees and directors of the Company. Under the terms of the New Scheme, the board of directors of the Company may, at their discretion, grant options to the participants who fall within the definition prescribed in the New Scheme including the employees and executive directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) an amount not less than 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 grant of the options; (ii) the closing price of the shares on the Stock Exchange on the day of the offer of grant of the options; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to 9 January 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No options were granted to any directors and employees of the Company during the year ended 31 July 2005 pursuant to the New Scheme.

28. SHARE OPTION SCHEME *(Continued)*

The following table disclosed movements in the Company's share options during the year:

			Number of share options		
Name of director	**Date of grant**	**Exercise price**	**Outstanding at 1 August 2004**	**Lapsed during the year**	**Outstanding at 31 July 2005**
Mr. Yip Kwong, Robert	5 March 1997	0.43	5,000,000	(5,000,000)	–
	26 January 2000	0.30	8,000,000	(8,000,000)	–
	22 March 2000	0.33	10,000,000	(10,000,000)	–
Mr. Kam Shing	26 January 2000	0.30	3,000,000	(3,000,000)	–
Dr. Wong King Keung, Peter	26 January 2000	0.30	5,000,000	(5,000,000)	–
Employees	5 March 1997	0.43	5,000,000	(5,000,000)	–
(Note (a))	26 January 2000	0.30	4,800,000	(4,800,000)	–
	22 March 2000	0.33	10,000,000	(10,000,000)	–
Total			50,800,000	(50,800,000)	–

The options may be exercised at any time within the exercise period provided that the options have been vested. Generally, the options are vested in different trenches and are cancelled where the grantee ceased to be employed by the Group.

Notes:

(a) This included share options granted to a former executive director, Ms. Cheng Kit Yin, Kelly, who resigned on 7 January 2005.

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 21 of the financial statements.

(b) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000 *(Note (a))*	Accumulated losses HK$'000	Total HK$'000
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 and at 1 August 2004	399,499	–	77,033	(459,381)	17,151
Capital reduction *(Note (b))*	–	–	–	203,100	203,100
Cancellation of share premium accounts *(Note (c))*	(399,499)	143,218	–	256,281	–
Premium arising from rights issue, net of expenses *(Note (d))*	31,879	–	–	–	31,879
Net loss for the year	–	–	–	(178,500)	(178,500)
At 31 July 2005	31,879	143,218	77,033	(178,500)	73,630

Notes:

(a) The distributable 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.

(b) Pursuant to a special resolution passed at a special general meeting of the Company held on 12 May 2005, the Existing Shares of HK$0.10 each in the capital of the Company in issue reduced from HK$0.10 to HK$0.01 by cancelling HK$0.09 of the capital paid up on each of such Existing Shares. The entire amount of approximately HK$203,010,000 was applied to set off part of the accumulated losses of the Company.

29. RESERVES *(Continued)*

(b) The Company *(Continued)*

(c) Pursuant to a special resolution passed at a special general meeting of the Company held on 12 May 2005, the entire amount standing to the credit of the share premium account of the Company as at 31 July 2004, represented by an amount of approximately HK$399,499,000 was cancelled. The entire amount as a result was applied as to approximately HK$256,281,000 to eliminate the balance of the accumulated losses of the Company and approximately HK$143,218,000 to the Company's contributed surplus account.

(d) Pursuant to a special resolution passed at a special general meeting of the Company held on 12 May 2005, the Company issued 1,128,333,098 ordinary shares of HK$0.01 each Rights Share at an issue price of HK$0.04 per rights share in the basis of one rights share for every two Existing Shares.

30. DEFERRED TAXATION

	The Group	
	2005	2004
	HK$'000	HK$'000
Balance brought forward	**10,200**	10,200
Transfer to income statement *(note 9)*	**(10,200)**	–
Balance carried forward	**–**	10,200

At 31 July 2004, deferred taxation of 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.

Estimated tax losses arising in Hong Kong of approximately HK$55,159,000 (2004: HK$20,162,000) are available to offset future profits. Deferred tax assets have not been recognised due to the unpredictability of future profit streams.

The Company

The Company did not have any significant unprovided deferred tax liabilities at 31 July 2005 (2004: Nil).

Estimated tax losses arising in Hong Kong of approximately HK$52,305,000 (2004: HK$35,978,000) are available to offset future profits. Deferred tax assets have not been recognised due to the unpredictability of future profit steams.

31. PROVISION FOR CLAIMS

	The Group HK$'000
Provision for the year and as at 31 July 2005	2,000

A provision of HK$2,000,000 for claims has been made in the Group's financial statements for the Group's exposure to a legal action. Details of the legal action are set out in note 36.

32. INTEREST BEARING BORROWINGS – DUE AFTER ONE YEAR

The interest bearing borrowing was borrowed from an independent third party and bears an interest rate of 1.5% per annum. The date of repayment of the borrowing will not be earlier than 31 July 2006.

33. DISPOSAL OF SUBSIDIARIES

Net liabilities disposed of:

	2005 HK$'000	2004 HK$'000
Other receivables	–	14
Cash and bank balances	–	134
Other payables	–	(2,259)
	–	(2,111)
Gain on disposal of subsidiaries	–	2,161
Sales proceeds	–	50
Satisfied by:		
Cash	–	50

Net cash outflow in respect of the disposal of subsidiaries:

	2005 HK$'000	2004 HK$'000
Cash consideration received	–	50
Cash and bank balances disposed of	–	(134)
	–	(84)

34. COMMITMENTS

Operating leases commitments:

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

	2005	2004
	HK$'000	HK$'000
Operating leases which expire:		
– within one year	**187**	225
– in the second to fifth year inclusive	**–**	187
	187	412

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.

Capital commitments:

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

35. PLEDGE OF ASSETS

The Group

At 31 July 2005, the Group's leasehold land and buildings with a carrying value of approximately HK$26,644,000 (2004: HK$27,000,000), bank deposits of approximately HK$54,991,000 (2004: HK$171,842,000), certain investment properties (note 13) and certain properties for sale (note 16) of the Group have been pledged to banks to secure credit facilities granted to the Group.

36. CONTINGENT LIABILITIES AND ASSETS

The Group

(a) The liquidators of Wing Fai and Wai Shun Construction Company Limited ("Wai Shun") refused to recognise the effect of set off of the 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 (the "Wing Fai Subsidiaries") on 22 April 2002. As a result, the liquidators had taken up legal action against the Company and several of its subsidiaries.

In the opinion of the Company's legal advisors, 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. In the opinion of the Company's legal advisors, there would not be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable on taxation.

In the opinion of the directors, the Group has valid grounds to defence the actions and as such, no provision is made in the financial statements of the Group for its exposure to the above actions.

(b) The liquidators of Wing Fai have taken legal action against the Group and three directors (one is by now ex-director) for alleged financial assistance. Wing Fai then decided to discontinue its claim against one of the directors.

In the opinion of the Company's legal advisors, a provision for HK$2,000,000 plus costs to be assessed (not less than HK$1,500,000) be made.

A provision of HK$2,000,000 for claims has been made in the Group's financial statements for the Group's exposure to the above action. In the opinion of the directors, the provision is not excessive and is adequate to cover the Group's exposure in the above action.

36. CONTINGENT LIABILITIES AND ASSETS *(Continued)*

The Group *(Continued)*

(c) Wing Fai has 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 alleged that this letter evidenced a contract and that in breach of the same, the Company failed to provide funds to Wing Fai so as to allow it to meet its obligations as they fell due.

In the opinion of the Company's legal advisors, the Company has a very good defence and therefore it is unlikely that there would be any contingent liability, except that part of the legal costs incurred which may not be recoverable or in the event that Wing Fai does not have funds to reimburse the Company costs. No developments have taken place up to 31 July 2005 and the date of approval of these financial statements.

In the opinion of the directors, the Group has valid grounds to defence the above action and as such, no provision is made in the financial statements of the Group for its exposure to the above action.

(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 purchase price for shares of Wing Fai Subsidiaries in the sum of HK$5.1 million by Sino Glister International Investments Limited ("Sino Glister"), this sum 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 $3.1 million of the HK$5.1 million purchase price for the shares of Wing Fai Subsidiaries.

Benefit took legal action against Mr. Chim for the sum of HK$40 million plus HK$3 million balance purchase price and obtained a judgement against Sino Glister and Mr. Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Chim. Mr. Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 July 2005 and the date of approval of these financial statements, no further action has taken place.

36. CONTINGENT LIABILITIES AND ASSETS *(Continued)*

The Group *(Continued)*

In the opinion of the legal advisors of the Company, the action against Mr. Chim is likely to win but no recoveries are likely to be made in respect of the claim or legal costs in view of Mr. Chim's lack of funds.

In the opinion of the directors, it is uncertain to what extent the sums will be recoverable from either Mr. Chim or Sino Glister. As such, no asset is recognised in the Group's financial statements.

The Company

The Company has given corporate guarantees to banks in respect of banking facilities granted to its subsidiaries of which approximately HK$11,261,000 (2004: HK$15,028,000) were utilised at the balance sheet date.

37. MATERIAL RELATED PARTY TRANSACTIONS

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

(i) The Group paid information technology advisory fee of approximately HK$53,000 (2004: HK$183,000) to the GreaterChina and its subsidiaries (the "GreaterChina Group"). The fee was determined at prices agreed between the parties.

(ii) The Group received rental income of approximately HK$930,000 and management fee income of approximately HK$1,044,000 from a related company in which Mr. Yip Kwong, Robert, has beneficial interests.

(iii) At 31 July 2005, an amount of approximately HK$185,000 (2004: HK$994,000) was due to the GreaterChina Group. Amount due to GreaterChina Group is unsecured, non-interest bearing and repayable on demand.

(iv) At 31 July 2005 included in trade and other creditors were amounts of HK$977,000 (2004: HK$977,000) due to a related company in which Mr. Yip Kwong, Robert, has beneficial interests and approximately HK$250,000 (2004: HK$356,000) due to a related company in which Mr. Yip Kwong, Robert has a beneficial interest. These amounts are unsecured, non-interest bearings and are repayable on demand.

37. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(v) The Group received rental of HK$Nil (2004: approximately HK$578,000) from 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.

(vi) The Group received administrative service fee of HK$Nil (2004: approximately HK$548,000) 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.

(vii) The Group received website development fee of HK$Nil (2004: approximately HK$240,000) 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.

38. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2005 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

38. PRINCIPAL 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
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
Fitzroya Finance Company Limited	Hong Kong	100%	Ordinary HK$1,000,000	Money lending
Loyal Communication Limited	British Virgin Islands	100%	Ordinary US$1,001	Investment holding
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

38. PRINCIPAL 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
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.

Notes:

(a) Except for Benefit Holdings International Limited, Loyal Communication Limited, Evergreen Holdings Limited and China Rich Technology (HK) Holdings Limited which are directly held by the Company, all other companies are indirectly held by the Company.

(b) The non-voting deferred shares are held by Loyal Communication 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.

38. PRINCIPAL SUBSIDIARIES *(Continued)*

(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.

(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 from 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.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 November 2005.