Notes to the Financial Statements

1 General information

The Company was incorporated in Hong Kong with limited liability on 19th January 1971. The address of its registered office is Unit 901-2, 9th Floor, 59 Connaught Road Central, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are property investment, development and investment holding.

The financial statements were approved by the Board of Directors on 12th July 2006.

2 Basis of preparation

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

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

(a) Changes in accounting policies

For the financial year ended 30th April 2006, the Group adopted the new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretation ("HK(SIC) – Int") (collectively the "new HKFRSs"), which are relevant to the operations of the Group:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK(SIC)-12	Consolidation – Special Purpose Entities
HK(SIC)-15	Operating Leases – Incentives
HK(SIC)-21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 3	Business Combinations

Notes to the Financial Statements

2 Basis of preparation *(Continued)*

(a) Changes in accounting policies *(Continued)*

HKAS 1 has affected the presentation of minority interests, share of net after-tax results of an associated company and other disclosures. The adoption of the new and revised HKASs 2, 7, 8, 10, 21, 23, 24, 27, 28, 33, 36 and HK(SIC)-Int 12, 15, does not have any substantial changes to the accounting policies of the Group. The major changes to the principal accounting policies and effect of adopting these new policies are summarised as follows:

(i) Investment properties

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value and valuations are reviewed annually by external valuers. Changes in fair values are recognised in the profit and loss account.

In previous years, a deficit in valuation was charged to the profit and loss account; an increase was first credited to the profit and loss account to the extent of valuation deficit previously charged and thereafter was credited to the assets revaluation reserve. This accounting policy has been changed to conform with HKAS 40 "Investment Property". As at 30th April 2005, the investment properties revaluation surplus was credited to the revaluation reserve and, consequently, a prior year adjustment has been made to transfer such reserve of HK$3,998,000 to the accumulated loss.

(ii) Land held for development

The up-front prepayments made for leasehold land held for development are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account.

In previous years, the land held for development was stated at cost, less provisions for foreseeable losses. This accounting policy has been changed to conform with HKAS 17 "Leases". As a result, a prior period adjustment has been made for the amortisation of leasehold land for the previous years amounting to HK$15,444,000 and increasing accumulated loss as at 30th April 2005.

Notes to the Financial Statements

2 Basis of preparation *(Continued)*

(a) Changes in accounting policies *(Continued)*

(iii) Investments

The Group has reclassified its investments in the balance sheet following the adoption of HKAS 39 "Financial Instruments: Recognition and Measurement". In addition, available-for-sale financial assets and trading investments are subsequently carried at fair value. Derivatives are also categorised as trading investments unless they are designated as hedges. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account.

In previous years, the Group classified its investments, other than subsidiaries and associated companies, as long-term investments. Long-term investments were carried at cost less provision. This change in accounting policy does not have any significant impact to the Group.

(iv) Deferred taxation

The adoption of HK(SIC)-Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" has resulted in a change in the accounting policy for deferred taxation in relation to the revaluation of investment properties. Such deferred taxation arising from the revaluation of the property should be calculated on the basis that the recovery of the carrying amount of the property would be through use.

In previous years, deferred taxation arising from the revaluation of the investment properties was calculated on the basis that the recovery of the carrying amount of the property would be through sale. As a result, prior year adjustment has been made to increase both deferred taxation liabilities and accumulated loss as at 30th April 2005 by HK$700,000.

(v) Borrowings

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

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

Notes to the Financial Statements

2 Basis of preparation *(Continued)*

(a) Changes in accounting policies *(Continued)*

All changes in the accounting policies require retrospective application, except HKAS 39 for which transitional provisions are applied. As a result, the 2005 comparative figure have also been restated or amended in accordance with the relevant requirements. The effects of all the changes in accounting policies are summarised in notes (b) and (c) below.

(b) Impact to 2006 financial statements

The following summary sets out the increase/(decrease) of the relevant headings in the consolidated profit and loss account and consolidated balance sheet for the year ended 30th April 2006 following the adoption of new HKFRSs:

(i) Consolidated profit and loss account

	HKAS 17	**HKAS 40**	**HK(SIC)-Int 21**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Administrative expenses	975	–	–	975
Change in fair value of investment properties	–	4,079	–	4,079
Profit before taxation	(975)	4,079	–	3,104
Taxation	–	–	(714)	(714)
Profit for the year	(975)	4,079	(714)	2,390
Attributable to:				
Equity holders	(975)	4,079	(714)	2,390
(Loss)/earnings per share (HK cents)	(0.16)	0.69	(0.12)	0.40

Notes to the Financial Statements

2 Basis of preparation *(Continued)*

(b) Impact to 2006 financial statements *(Continued)*

(ii) Consolidated balance sheet

	HKAS 17	HKASs 32 and 39	HKAS 40	HK(SIC) -Int 21	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties	–	–	4,079	–	4,079
Leasehold land for development	(975)	–	–	–	(975)
Available-for-sale financial assets	–	295	–	–	295
Long-term investments	–	(295)	–	–	(295)
Total assets	(975)	–	4,079	–	3,104
Equity					
Reserves	(975)	–	4,079	(714)	2,390
Non-current liabilities					
Deferred tax liabilities	–	–	–	714	714
Total equity and liabilities	(975)	–	4,079	–	3,104

Notes to the Financial Statements

2 Basis of preparation *(Continued)*

(c) Impact to 2005 financial statements

The following summary sets out the impact made in accordance with the respective new HKFRSs as set out above to each of the relevant headings in consolidated profit and loss account and consolidated balance sheet as previously resorted in the financial statements for the year ended 30th April 2005:

(i) Consolidated profit and loss account

	As previously reported	**HKAS 17**	**HKAS 40**	**HK(SIC) -Int 21**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,957				1,957
Cost of sales	(475)				(475)
Gross profit	1,482				1,482
Administrative expenses	(2,628)	(1,392)			(4,020)
Change in fair value of investment properties	5,291		3,998		9,289
Operating profit	4,145				6,751
Share of profit of an associated company	218				218
Financial expenses	(4,415)				(4,415)
(Loss)/profit before taxation	(52)				2,554
Taxation	–			(1,626)	(1,626)
(Loss)/profit for the year	(52)	(1,392)	3,998	(1,626)	928
Attributable to:					
Equity holders	(4)	(1,392)	3,998	(1,626)	976
Minority shareholders	(48)	–	–	–	(48)
	(52)	(1,392)	3,998	(1,626)	928
(Loss)/earnings per share (HK cents)	(0.0007)	(0.24)	0.69	(0.28)	0.17

Notes to the Financial Statements

2 Basis of preparation *(Continued)*

(c) Impact to 2005 financial statements *(Continued)*

(ii) Consolidated balance sheet

	As previously reported	HKAS 17	As restated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	129		129
Investment properties	41,716		41,716
Leasehold land for development	69,647	(15,444)	54,203
Associated company	5,643		5,643
Long-term investments	295		295
Amount due from a shareholder	559		559
	117,989		102,545
Current assets			
Property held for sale	4,162		4,162
Debtors and prepayments	566		566
Cash and bank balances	1,345		1,345
	6,073		6,073
Total assets	124,062	(15,444)	108,618

Notes to the Financial Statements

2 Basis of preparation *(Continued)*

(c) Impact to 2005 financial statements *(Continued)*

(ii) Consolidated balance sheet (Continued)

	As previously reported HK$'000	HKAS 17 HK$'000	HK(SIC) -Int 21 HK$'000	As restated HK$'000
EQUITY				
Share capital	118,210			118,210
Reserves	(59,130)	(15,444)	(700)	(75,274)
Shareholders' funds	59,080			42,936
Liabilities				
Non-current liabilities				
Long-term liabilities	61,114			61,114
Deferred taxation liabilities	–		700	700
	61,114			61,814
Current liabilities				
Creditors and accruals	3,364			3,364
Current portion of long-term liabilities	504			504
	3,868			3,868
Total liabilities	64,982			65,682
Total equity and liabilities	124,062	(15,444)	–	108,618

Notes to the Financial Statements

2 Basis of preparation *(Continued)*

(d) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted, as follows:

Effective for the year ending 30th April 2007

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effect of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRSs 1 & 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waster Electrical and Electronic Equipment

Effective for the year ending 30th April 2008

HKFRS 7 and HKAS 1 (Amendment)	Financial Instruments: Disclosures, and a Complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

The HKFRS 4 (Amendment) and HKAS 39 (Amendment) requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Company regards its financial guarantees provided to its subsidiaries as insurance contracts.

The Group has already commenced an assessment of the impact of the other new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

Notes to the Financial Statements

3 Principal accounting policies

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to 30th April and the attributable share of post-acquisition results and reserves of the associated company.

The results of subsidiary companies and associated company acquired or disposed of during the year are included in the consolidated profit and loss account from the date on which control or significant influence is transferred to the Group or to the date control or significant influence ceases, as applicable.

The profits or losses on the disposal of subsidiary companies and associated company are determined as the difference between the net disposal proceeds and the share of net assets at the date of disposal including the attributable amount of goodwill which remains unamortised.

(b) Subsidiary companies

A company is a subsidiary company if more than 50% of the issued equity capital is held, directly and indirectly, for the long-term or if the composition of the board of directors is controlled by the Group. Investments in subsidiary companies are carried in the balance sheet of the Company at cost less provision for impairment losses. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature. The results of subsidiary companies are accounted by the Company on the basis of dividend income.

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

3 Principal accounting policies *(Continued)*

(c) Minority interests

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

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

Where the share of losses of the minority interest in a subsidiary exceeds the equity of the subsidiary, the minority interest does not share further losses, unless it has incurred obligations or made payments on behalf of the subsidiary.

(d) Associated companies

An associated company is a company, not being a subsidiary company, in which an equity interest is held for the long-term and significant influence is exercised in its management. Investments in associated companies are accounted for under the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

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

In the balance sheet of the Company, the investments in associate company is stated at cost less provision for impairment losses. The results of associated company are accounted for by the Company on the basis of dividend income.

Notes to the Financial Statements

3 Principal accounting policies *(Continued)*

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiary or associated company attributable to the Group at the effective date of acquisition. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

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

(f) Property, plant and equipment

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

Depreciation of property, plant and equipment is calculated using the straight-line method to write off their cost to their residual values over their estimated useful lives. The principle annual rates are as follows:

Buildings	2%
Furniture and fixtures	10%
Office equipment	20%

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

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

Notes to the Financial Statements

3 Principal accounting policies *(Continued)*

(g) Investment properties

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

Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value and valuations are reviewed annually by external independent valuers. Changes in fair values are recognised in the profit and loss account.

(h) Leasehold land for development

The up-front prepayments made for leasehold land for development are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss accounts. The amortisation of the leasehold land for development is capitalised under the relevant assets when the properties on the land are under construction. The remaining carrying amount of the leasehold land for development is recognised as cost of sales when the relevant properties are sold.

(i) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost, comprising land cost, development expenditure, professional fees, interest capitalised and other direct expenses, is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Investments

The Group classifies its investments in the balance sheet in accordance with HKAS 39 "Financial instruments: Recognition and measurement". Available-for-sale financial assets and trading investments are carried at fair value. Derivatives are also categorised as trading investments unless they are designated as hedges. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account.

Notes to the Financial Statements

3 Principal accounting policies *(Continued)*

(k) Impairment of assets

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

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(n) Operating lease

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

Notes to the Financial Statements

3 Principal accounting policies *(Continued)*

(o) Employee benefits

Contributions under the defined contribution retirement scheme, which are calculated as a percentage of basic salaries of the employees, are charged to the profit and loss account in the period to which the contributions relate.

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

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

(p) Revenue recognition

Revenue comprises the fair value of the consideration for the services and sales of goods in the ordinary course of activities of the Group.

Rental income, net of incentives paid to lessees, under operating leases is recognised over the periods of the respective leases on a straight-line basis.

Sale of properties is recognised when the sale agreement is completed and legal title passed to the purchasers.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend income is recognised when the right to receive payment is certain.

(q) Borrowing

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

Notes to the Financial Statements

3 Principal accounting policies *(Continued)*

(q) Borrowing *(Continued)*

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

Interest and related costs on borrowings directly incurred to finance the acquisition, construction and development of an asset that is required to take a substantial period of time to get ready and prepare for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are charged to the profit and loss account as they are incurred.

(r) Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the balance sheet date at exchange rates ruling at that date are recognised in the profit and loss account.

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

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

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

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

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

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

Notes to the Financial Statements

4 Financial risk management

(a) Financial risk factors

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

Risk management is carried out by an Executive Director under supervision by the Board of Directors of the Company. The Executive Director identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(i) Foreign exchange risk

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

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

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified in the balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

(iii) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

(iv) Liquidity risk

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

Notes to the Financial Statements

4 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(v) Cash flow and fair value interest rate risk

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

The interest-rate risk of the Group arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group maintains most of its borrowings in variable rate instruments.

(b) Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivable and payable is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Financial Statements

5 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are related to the estimate of fair value of investment properties as discussed below.

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

(b) Critical judgements in applying accounting policies

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

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

6 Turnover

	2006	2005
	HK$'000	*HK$'000*
Rental income	**1,515**	1,957
Sales of property held for sale	**4,162**	–
	5,677	1,957

Notes to the Financial Statements

7 Segment information

The Group is principally engaged in property investment, development and investment holding. In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets consist primarily of non-current assets, debtors and prepayments. Segment liabilities comprise creditors and accruals. There are no sales or trading transactions between the business segments. In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

A summary of business segment is set out as follows:

	Property investment *HK$'000*	Property development *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
Year ended 30th April 2006				
Turnover	5,677	–	–	5,677
Segment results	2,600	–	(10,610)	(8,010)
Share of loss of an associated company	–	–	(425)	(425)
Financial expenses				(5,883)
Loss before taxation				(14,318)
Taxation				(714)
Loss for the year				(15,032)
Equity holders				(14,945)
Minority interests	–	(87)	–	(87)
Segment assets	47,098	–	39,164	86,262
Associated company	–	–	5,633	5,633
Unallocated assets				966
Total assets				92,861
Segment liabilities	526	–	–	526
Unallocated liabilities				64,432
Total liabilities				64,958
Capital expenditure	–	–	139	139
Amortisation of leasehold land for development	–	–	975	975
Depreciation	–	–	20	20

Notes to the Financial Statements

7 Segment information *(Continued)*

	Property Investment *HK$'000*	Property development *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
Year ended 30th April 2005				
Turnover	1,957	–	–	1,957
Segment results	8,143	–	(1,392)	6,751
Share of profit of an associated company	–	–	218	218
Financial expenses				(4,415)
Profit before taxation				2,554
Taxation				(1,626)
Profit for the year				928
Equity holders				976
Minority interests	–	(48)	–	(48)
Segment assets	43,627	4,162	54,203	101,992
Associated company	–	–	5,643	5,643
Unallocated assets				983
Total assets				108,618
Segment liabilities	501	–	–	501
Unallocated liabilities				65,181
Total liabilities				65,682
Capital expenditure	–	–	59	59
Amortisation of leasehold land for development	–	–	1,392	1,392
Depreciation	–	–	23	23

Notes to the Financial Statements

7 Segment information *(Continued)*

A summary of geographical segment is set out as follows:

	Turnover *HK$'000*	**Operating profit/(loss)** *HK$'000*	**Total assets** *HK$'000*	**Capital expenditure** *HK$'000*
Year ended 30th April 2006				
Hong Kong	**1,405**	**3,618**	**47,445**	**10**
Malaysia/Singapore	**4,267**	**(51)**	**5,677**	**–**
Mainland China	**5**	**(11,577)**	**39,739**	**129**
	5,677	**(8,010)**	**92,861**	**139**

	Turnover *HK$'000*	Operating profit/(loss) *HK$'000*	Total assets *HK$'000*	Capital expenditure *HK$'000*
Year ended 30th April 2005				
Hong Kong	1,389	8,177	43,909	12
Malaysia/Singapore	458	118	9,870	–
Mainland China	110	(1,544)	54,839	47
	1,957	6,751	108,618	59

8 Operating (loss)/profit

	2006 *HK$'000*	2005 *HK$'000*
Operating (loss)/profit is stated after (crediting) and charging the following:		
Depreciation	**20**	23
Amortisation of leasehold land for development	**975**	1,392
Staff costs (including Directors' remuneration)		
Salaries and other allowances	**550**	538
Contributions to defined contribution scheme	**22**	21
Exchange difference	**469**	(41)
Auditors' remuneration		
Audit services	**310**	280
Non-audit services	**250**	–

Notes to the Financial Statements

9 Financial expenses

	2006 HK$'000	2005 HK$'000
Interest on bank loans	**638**	572
Interest on loans from shareholders *(note 32)*	**4,631**	3,321
Interest on loans from related companies *(note 32)*	**614**	522
	5,883	4,415

10 Emoluments of Directors and the five highest paid individuals

(a) Directors' emoluments

	2006 HK$'000	2005 HK$'000
Tan Ee Ling		
Salaries and other emoluments	**300**	300
Bonuses	**40**	40
Retirement benefits	**12**	12
	352	352
Wong Man Hong		
Fees	**24**	24
Retirement benefits	**1**	1
	25	25
	377	377

None of the Directors has waived the right to receive their emoluments. No fees has been paid to Independent Non-Executive Directors during the year (2005: HK$Nil).

The Directors represent key management personnel of the Company having authority and responsibility for planning, directing and controlling the activities of the Group.

Notes to the Financial Statements

10 Emoluments of Directors and the five highest paid individuals *(Continued)*

(b) Five highest paid individuals

Of the five highest paid individuals in the Group, two (2005: two) are Directors of the Company whose emoluments are shown in (a) above. The emoluments of the remaining individuals other than Directors out of the five highest paid individuals are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other emoluments	**186**	174
Retirement benefits	**9**	8
	195	182

The emoluments of each of the individuals were below HK$1,000,000.

11 Taxation

	2006	2005
	HK$'000	*HK$'000*
Current	**–**	–
Deferred *(note 27)*	**714**	1,626
	714	1,626

Provision for Hong Kong profits tax has been made at the rate of 17.5%. No provision for overseas taxation has been made as there is no assessable profit for the year (2005: HK$Nil). The taxation on the (loss)/profit before taxation of the Group differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006	2005
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(14,318)**	2,554
Tax (credit)/charge at the tax rate of 17.5%	**(2,506)**	447
Income not subject to taxation	**(56)**	(144)
Expenses not deductible for taxation purposes	**2,891**	1,032
Temporary differences not recognised	**473**	378
Taxation losses not recognised	**(88)**	(87)
Taxation charge	**714**	1,626

12 (Loss)/earnings per share

The calculation of (loss)/earnings per share is based on the loss attributable to equity holders for the year of HK$14,945,000 (2005: profit of HK$976,000) and on the 591,047,975 shares (2005: 591,047,975 shares) in issue during the year.

Notes to the Financial Statements

13 Property, plant and equipment

	Buildings	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Group			
Cost			
At 30th April 2004	3,450	485	3,935
Additions	–	12	12
Disposals	(3,450)	–	(3,450)
At 30th April 2005	–	497	497
Additions	–	10	10
Disposal of a subsidiary company	–	(49)	(49)
At 30th April 2006	–	458	458
Accumulated depreciation			
At 30th April 2004	1,764	345	2,109
Charge for the year	–	23	23
Disposals	(1,764)	–	(1,764)
At 30th April 2005	–	368	368
Charge for the year	–	20	20
Disposal of a subsidiary company	–	(42)	(42)
At 30th April 2006	–	346	346
Net book value			
At 30th April 2005	–	129	129
At 30th April 2006	–	112	112

Notes to the Financial Statements

13 Property, plant and equipment *(Continued)*

	Furniture, fixtures and equipment
	HK$'000
Company	
Cost	
At 30th April 2004	390
Additions	12
At 30th April 2005	402
Additions	10
At 30th April 2006	412
Accumulated depreciation	
At 30th April 2004	268
Charge for the year	20
At 30th April 2005	288
Charge for the year	19
At 30th April 2006	307
Net book value	
At 30th April 2005	114
At 30th April 2006	105

14 Investment properties

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
At valuation		
Beginning of the year	**41,716**	32,427
Change in fair value	**4,079**	9,289
End of the year	**45,795**	41,716
Representing:		
Hong Kong		
Leases of over 50 years	**41,620**	38,562
Leases of between 10 to 50 years	**3,600**	2,600
Mainland China		
Leases of over 50 years	**575**	554
Total	**45,795**	41,716

Investment properties were revalued on an open market value basis by Savills Valuation and Professional Services Limited (2005: Chesterton Petty Limited), independent professional valuers.

Investment properties with an aggregate carrying value of HK$43,620,000 (2005: HK$39,762,000) have been pledged to secure general banking facilities granted to the Company.

15 Leasehold land for development

	Group	
	2006	2005
	HK$'000	*HK$'000*
Net book value		
Beginning of the year	**54,203**	55,548
Exchange translation differences	**1,590**	–
Land refurbishment	**129**	47
Amortisation	**(975)**	(1,392)
Disposal of a subsidiary company	**(54,947)**	–
End of the year	**–**	54,203

The leasehold land, which was purchased in 1996, was located in the Pudong area in Shanghai, Mainland China, under a land use right with a term of 50 years expiring in 2044.

Notes to the Financial Statements

16 Subsidiary companies

	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**2,105**	2,105
Amounts receivable	**74,349**	74,308
Provision	**(37,946)**	(21,000)
Net receivable *(note 23)*	**36,403**	53,308
Amounts payable *(note 28)*	**(1,559)**	(1,659)

The amounts receivable and payable are mainly denominated in Hong Kong dollars, unsecured, interest free and have no specific repayment terms and the fair value approximates to their carrying value.

Particulars of the subsidiary companies are as follows:

Name	Place of incorporation/ operations	Issued and paid up capital	Effective percentage of equity interest held 2006	2005	Principal activities
Hopemore Development Limited	Hong Kong	HK$100	100	100	Dormant
Panluck Limited	Hong Kong	HK$100,000	100	100	Investment holding
Mallia Limited	Hong Kong	HK$2	100	100	Dormant
Berjaya U-Luck Investments Limited	Hong Kong	HK$10,000	51	51	Dormant
Shanghai Berjaya-Huitong Real Estate Development Company Limited #	Mainland China	US$8,407,432	–	82	Property holding
Wing Hung Kee Commodities Limited	Hong Kong	HK$2,000,000	100	100	Dormant
Zhong Freight Limited*	Hong Kong	HK$1,000,000	55	55	Dormant
C & C Freight International (Beijing) Limited*#	Mainland China	RMB3,750,000	28	28	Dormant

* Under creditors' voluntary liquidation since 1995.

\# All subsidiary companies are directly held by the Company, except C & C Freight International (Beijing) Limited and Shanghai Berjaya-Huitong Real Estate Development Company Limited.

Notes to the Financial Statements

17 Associated company

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**8,200**	8,200	**8,200**	8,200
Share of reserves	**(2,567)**	(2,557)	**–**	–
Share of net assets	**5,633**	5,643	**8,200**	8,200
Provision	**–**	–	**(2,570)**	(2,380)
	5,633	5,643	**5,630**	5,820

	Group	
	2006	2005
	HK$'000	*HK$'000*
Beginning of the year	**5,643**	5,425
Share of (loss)/profit before taxation	**(425)**	218
Share of taxation	**–**	–
Exchange differences	**336**	–
Share of changes in revaluation reserve	**79**	–
End of the year	**5,633**	5,643

The investment represents 20% equity interest in Greenland Timber Industries (Pte) Limited, incorporated in Singapore, whose principal activity is investment holding. The summarised unaudited financial information on the associated company is as follows:

	2006	2005
	HK$'000	*HK$'000*
Assets	**40,596**	39,310
Liabilities	**(12,430)**	(11,095)
Net assets	**28,166**	28,215
Revenues	**1,406**	1,050
(Loss)/profit after taxation	**(2,127)**	1,088

Notes to the Financial Statements

18 Available-for-sale financial assets

	2006 HK$'000
Group and Company	
Club debenture, at fair value	**295**

The fair value of the club debentures approximates to its cost.

19 Long-term investments

	2005 HK$'000
Group and Company	
Club debenture, at cost	295

Long-term investments as at 1st May 2005 have been accounted for as available-for-sale financial assets in accordance with HKASs 32 and 39.

20 Amount due from a shareholder

	Group and Company	
	2006 HK$'000	2005 HK$'000
Berjaya Group Berhad	**559**	559

The amount receivable is denominated in Hong Kong dollars unsecured, interest free and not repayable within the next twelve months.

21 Other receivable

This represents the withholding amount of the consideration for the disposal of a subsidiary company (note 31(b)) during the year. This amount will be released by the custodian after two years from the date of the completion of the change of the shareholders of the subsidiary company in 2008.

22 Property held for sale

	Group and Company	
	2006 HK$'000	2005 HK$'000
At cost, less provision	**–**	4,162

The property was freehold in Penang, Malaysia.

23 Debtors and prepayments

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade debtors *(note a)*	**17**	99	**17**	99
Amounts receivable from subsidiaries *(note 16)*	**–**	–	**36,403**	53,308
Amount due from a related company *(note b)*	**30,954**	–	**–**	–
Other debtors and prepayments	**524**	467	**518**	374
	31,495	566	**36,938**	53,781

(a) Trade debtors are denominated in Hong Kong dollars, and the carrying amount of the balance approximates its fair value.

The credit terms granted to trade debtors are usually 15 days. The ageing analysis of the trade debtors, based on the due date of the invoices, is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
31 to 90 days	**17**	99	**17**	99

(b) During the year, the Group disposed of its entire 82% equity interest in a subsidiary company to third parties (note 31(b)). In view of the foreign exchange control in Mainland China, part of the consideration amounting to RMB32,219,000 (equivalent to HK$30,954,000) has therefore been received by a related company in Mainland China on behalf of the Group since the Group does not have a Renminbi bank account in Mainland China. The Group is in the process of applying to the State Administration of Foreign Exchange, Shanghai Branch for the approval to remit the said consideration out of Mainland China.

24 Share capital

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
1,250,000,000 shares of HK$0.20 each	**250,000**	250,000
Issued and fully paid:		
591,047,975 shares of HK$0.20 each	**118,210**	118,210

Notes to the Financial Statements

25 Reserves

Group

	Share premium HK$'000	Revaluation reserve HK$'000	Exchange translation reserve HK$'000	Investment property revaluation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 30th April 2005						
As previously reported	12,282	–	503	3,998	(75,913)	(59,130)
Amortisation of leasehold land (HKAS 17)	–	–	–	–	(15,444)	(15,444)
Transfer of revaluation reserve (HKAS 40)	–	–	–	(3,998)	3,998	–
Increase in deferred taxation liabilities (HK(SIC)-Int 21)	–	–	–	–	(700)	(700)
As restated	12,282	–	503	–	(88,059)	(75,274)
Exchange translation difference	–	–	1,799	–	–	1,799
Share of reserve from an associated company	–	79	–	–	–	79
Disposal of a subsidiary company	–	–	(1,966)	–	–	(1,966)
Loss for the year	–	–	–	–	(14,945)	(14,945)
At 30th April 2006	12,282	79	336	–	(103,004)	(90,307)
At 30th April 2004						
As previously reported	12,282	–	503	–	(75,909)	(63,124)
Amortisation of leasehold land (HKAS 17)	–	–	–	–	(14,052)	(14,052)
Increase in deferred taxation liabilities (HK(SIC)-Int 21)	–	–	–	–	926	926
As restated	12,282	–	503	–	(89,035)	(76,250)
Profit for the year, as restated	–	–	–	–	976	976
At 30th April 2005	12,282	–	503	–	(88,059)	(75,274)

Notes to the Financial Statements

25 Reserves *(Continued)*

Company

	Share premium	Investment property revaluation reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30th April 2005				
As previously reported	12,282	3,998	(82,613)	(66,333)
Transfer of revaluation reserve (HKAS 40)	–	(3,998)	3,998	–
Increase in deferred taxation liabilities (HK(SIC)-Int 21)	–	–	(700)	(700)
As restated	12,282	–	(79,315)	(67,033)
Loss for the year	–	–	(21,266)	(21,266)
At 30th April 2006	12,282	–	(100,581)	(88,299)
At 30th April 2004				
As previously reported	12,282	–	(83,278)	(70,996)
Decrease in deferred taxation liabilities (HK(SIC)-Int 21)	–	–	926	926
As restated	12,282	–	(82,352)	(70,070)
Profit for the year, as restated	–	–	3,037	3,037
At 30th April 2005	12,282	–	(79,315)	(67,033)

Accumulated loss of the Group included loss retained by an associated company amounting to HK$2,982,000 (2005: HK$2,557,000). The Company does not have any reserves available for distribution to the shareholders as calculated under Section 79B of the Hong Kong Companies Ordinance.

Notes to the Financial Statements

26 Long-term liabilities

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Secured bank loan	**7,250**	7,711	**7,250**	7,711
Loans from shareholders				
Berjaya Group (Cayman) Limited	**51,990**	19,572	**25,174**	19,572
Berjaya Group Berhad	**–**	25,334	**25,405**	22,537
	51,990	44,906	**50,579**	42,109
Loans from related companies				
Berjaya Engineering and Construction (HK) Limited	**–**	3,272	**–**	3,272
Berjaya Sanhe Real Estate Development Co. Limited	**–**	3,494	**–**	–
Berjaya Group Berhad (China) Investment Company Limited	**–**	189	**–**	–
	–	6,955	**–**	3,272
Loans from minority shareholders	**1,959**	2,046	**–**	–
	61,199	61,618	**57,829**	53,092
Current portion included under current liabilities	**(475)**	(504)	**(475)**	(504)
	60,724	61,114	**57,354**	52,588
The bank loan is repayable in the following years:				
Within one year	**475**	504	**475**	504
One to two years	**524**	541	**524**	541
Two to five years	**1,914**	1,898	**1,914**	1,898
After five years	**4,337**	4,768	**4,337**	4,768
	7,250	7,711	**7,250**	7,711

The loans payable to the shareholders and related companies are unsecured, carry interest at 3% per annum above the Hong Kong Dollar prime lending rate of The Hongkong and Shanghai Banking Corporation Limited and are not repayable within the next twelve months. The loans from minority shareholders, which are unsecured, interest free and are not repayable within the next twelve months, include advances from the minority shareholders of a subsidiary company amounting to HK$11,000,000 and have been applied to set off their share of the losses incurred by the subsidiary company.

26 Long-term liabilities *(Continued)*

The loans are denominated in the following currencies and their effective interest rates are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**9,209**	13,029	**7,250**	10,983
US dollar	**25,174**	19,572	**25,174**	19,572
Renminbi	**26,816**	29,017	**25,405**	22,537
	61,199	61,618	**57,829**	53,092
Bank loans	**9.75%**	7.00%	**9.75%**	7.00%
Loans from shareholders and related companies	**11.00%**	8.50%	**11.00%**	8.50%

The carrying amounts of the loans approximate their fair values calculated using discount rates which represent the borrowing rates that the Group and the Company can obtain at the balance sheet dates.

27 Deferred taxation liabilities

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Deferred tax liabilities	**(1,414)**	(700)

Deferred taxation has been provided in respect of the revaluation of investment properties and is expected to be recovered or payable after more than twelve months. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Movements are set out as follows:

	Group and Company	
	2006	2005
	HK$'000	*HK$'000*
Beginning of the year	**(700)**	926
Recognised in the profit and loss accounts *(note 11)*	**(714)**	(1,626)
End of the year	**(1,414)**	(700)

The Group and the Company did not recognise deferred income tax assets of HK$7,525,000 (2005: HK$7,051,000) and HK$7,491,000 (2005: HK$7,017,000) respectively, in respect of losses of the Group and the Company amounting to HK$43,001,000 (2005: HK$40,296,000) and HK$42,804,000 (2005: HK$40,099,000), respectively. The losses can be carried forward against future taxable income and have no expiry dates.

Notes to the Financial Statements

28 Creditors and accruals

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable to subsidiaries *(note 16)*	**–**	–	**1,559**	1,659
Other creditors	**1,441**	2,739	**532**	2,603
Accrued expenses	**904**	625	**904**	625
	2,345	3,364	**2,995**	4,887

29 Commitments

(a) Operating lease rental receivable

The future aggregate minimum lease rental income in respect of investment properties under non-cancellable operating leases is receivable in the following years:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**1,043**	1,230
One to five years	**248**	420
	1,291	1,650

(b) Operating lease rental payable

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following years:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**259**	114
One to five years	**194**	–
	453	114

30 Litigation

In January 2004, a wholly owned subsidiary company entered into an agreement to sell its leasehold land and buildings to a third party (the "Plaintiff") at a consideration of HK$5.5 million. However, the subsidiary company was unable to complete the sale due to certain restrictions over the legal title of the properties and therefore rescinded from the agreement. The properties were sold in May 2004 to another third party at a consideration of HK$5.5 million in compliance with the above restrictions. As a result, the Plaintiff filed a claim against the subsidiary company for breach of the agreement and related damages. Following the disposal of the property, the subsidiary company became dormant. The subsidiary company has no meaningful assets and therefore will not have the ability to pay any claims should they become liable. No other company within the Group is liable to the liabilities of this subsidiary company and the rest of the Group would not provide funds to this subsidiary company to satisfy any such claims in question. Whilst there is no further proceedings by the Plaintiff since November 2004, the Directors are of the opinion, in view of the foregoing, that the ultimate liabilities, if any, will not materially affect the financial position of the Group.

31 Notes to consolidated cash flow statement

(a) Reconciliation of (loss)/profit before taxation to cash (used in)/generated from operations

	2006	2005
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(14,318)**	2,554
Share of loss/(profit) of an associated company	**425**	(218)
Surplus on revaluation of investment properties	**(4,079)**	(9,289)
Bank interest income	**(164)**	–
Depreciation	**20**	23
Amortisation of leasehold land for development	**975**	1,392
Interest expenses	**5,883**	4,415
Loss on disposal of a subsidiary company	**9,635**	–
Loss before working capital changes	**(1,623)**	(1,123)
Decrease in property held for sale	**4,162**	–
Increase in debtors and prepayments	**(31,005)**	(34)
(Decrease)/increase in creditors and accruals	**(2,203)**	1,963
Cash (used in)/generated from operations	**(30,669)**	806

Notes to the Financial Statements

31 Notes to consolidated cash flow statement *(Continued)*

(b) Disposal of a subsidiary company

	2006	2005
	HK$'000	*HK$'000*
Net assets/(liabilities) disposed of:		
Property, plant and equipment	**7**	–
Leasehold land for development	**54,947**	–
Debtors and prepayments	**76**	–
Cash and bank balances	**1**	–
Amount payable to immediate holding company	**(126)**	–
Creditors and accruals	**(504)**	–
Loans from related companies	**(5,614)**	–
	48,787	–
Waiver of amount receivable	**126**	–
Realisation of exchange translation reserve	**(1,966)**	–
Professional and other expenses	**1,688**	–
	48,635	–
Loss on disposal	**(9,635)**	–
	39,000	–
Satisfied by:		
Net cash consideration	**30,954**	–
Withholding amount *(note 21)*	**8,046**	–
	39,000	–
Net cash consideration received	**30,954**	–
Cash and bank balance disposed of	**(1)**	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary company	**30,953**	–

During the year, the Group disposed of its entire 82% equity interest in Shanghai Berjaya – Huitong Real Estate Development Company Limited, a subsidiary company, to third parties.

31 Notes to consolidated cash flow statement *(Continued)*

(c) Analysis of changes in financing activities

	Long-term bank loan *HK$'000*	Loans payable *HK$'000*	Total *HK$'000*
At 30th April 2004	13,706	46,454	60,160
Repayment of bank loan	(5,995)	–	(5,995)
New loans from related companies	–	199	199
New loans from shareholders	–	1,365	1,365
Interest payable to related companies and shareholders	–	3,843	3,843
At 30th April 2005	7,711	51,861	59,572
Exchange translation difference	–	661	661
Repayment of bank loan	(461)	–	(461)
Repayment of loans from related companies	–	(173)	(173)
New loans from shareholders	–	10	10
Interest payable to related companies and shareholders	–	5,245	5,245
Disposal of a subsidiary company	–	(5,614)	(5,614)
At 30th April 2006	7,250	51,990	59,240

32 Related-party transactions

During the year, interest expenses of HK$4,631,000 (2005: HK$3,321,000) and HK$614,000 (2005: HK$522,000) were paid to shareholders and related companies respectively for the loans advanced to the Group. The details of the loans and related terms have been provided in note 26 to the financial statements.