1. GENERAL

The Company is an exempted limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business of the Company is 12th Floor, 18 Cheong Lok Street, Jordan, Kowloon, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in travel related operations and property investment. In prior years, the Group also engaged in trade related operation and the Group ceased to operate in this segment in current year. The principal activities of its principal subsidiaries are set out in note 37.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statement is historical cost as modified for the revaluation of certain financial assets and financial liabilities at fair value through profit or loss, and investment properties which are carried at fair value.

The preparation of the financial statements requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involved a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2. BASIS OF PREPARATION (continued)

In preparing the financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK$116,300,000 as at 30 June 2006. The Directors are taking active steps to improve the liquidity position of the Group as described below. The financial statements do not include any adjustments that would result from a failure of implementation of the measures noted below. If these measures were not to be successful or insufficient, or if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The financial statements have been prepared on the assumption that the Group will continue to operate as going concern notwithstanding the conditions prevailing as at 30 June 2006 and subsequently thereto up to the date of approval of these financial statements. In order to improve the Group's financial position, immediate liquidity and cash flows, the Directors have adopted several financing measures together with other measures in progress at the date of this report which include, but are not limited to, the following:

(i) The Group is in the process of negotiation with a third party in respect of the disposal of certain subsidiaries of the Group which if agreed upon, shall constitute a very substantial cash inflow to the Group; and

(ii) Sourcebase Developments Limited, a shareholder of the Company and a company beneficially owned by Mr. Zhang Yang, the chairman and director of the Company agrees to provide continuing financial support to the Group.

As such, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

A summary of the new and revised HKFRSs which are adopted for the first time and are relevant to the Group's operation is set out as below:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
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 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS – Int 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
HKAS – Int 15	Operating Leases – Incentives
HKAS – Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKAS – Int 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of new and revised HKASs 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 33, 36 and 37, HKAS-Int 13, 15, 21 and 27 did not result in substantial changes to the Group's accounting policies. In summary:

3. IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior years, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

(b) HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

(c) The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

(i) Equity securities

In prior years, listed equity securities held for trading purpose were disclosed as investments in securities and stated at market value with changes to such value accounted through profit or loss. Under HKAS 39, listed equity securities held for trading purpose are classified as financial assets at fair value through profit or loss and are continued to be stated at closing price with all realised and unrealised gains or losses to be recognised in the income statement. Prospective application is required for adoption of HKAS 39.

(ii) Convertible notes

Under HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using a market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to retained earnings). The issuance costs incurred for the arrangement of convertible notes were charged to the income statement in the year of issue. Retrospective application is required for adoption of HKAS 32.

(d) In previous years, interests in jointly controlled entities were accounted for using the equity method. Following the adoption of HKAS 31 "Interests in Joint Ventures", it allows an entity to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to apply the equity method to account for its interests in jointly controlled entities.

3. IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(e) The adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as gain or loss on revaluation of investment properties. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

(f) The adoption of HKAS – Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

(g) The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for positive goodwill and negative goodwill and prospective application is required. Until 30 June 2005:

(i) positive goodwill was capitalised and amortised on a straight line basis over its useful economic life of 10 years and was subject to impairment testing when there were indications of impairment; and

(ii) negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

Following the adoption of HKFRS 3, HKAS 36 and HKAS 38:

(i) the Group ceased amortisation of remaining goodwill from 1 July 2005;

(ii) accumulated amortisation as at 30 June 2005 has been eliminated with a corresponding decrease in the cost of positive goodwill;

(iii) from the year ended 30 June 2006 onwards, positive goodwill is tested annually for impairment, as well as when there is indication of impairment; and

(iv) in accordance with the transitional provision in HKFRS 3, all negative goodwill was derecognised as at 1 July 2005 with a corresponding decrease in accumulated losses.

3. IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(h) In the current year, the Group has, for the first time, applied HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" which requires an entity to classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. The assets classified as held for sale should be measured at the lower of carrying amount and fair value, less costs to sell. The Group has applied the relevant transitional provisions in HKFRS 5 and elected to apply HKFRS 5 from 1 July, 2005 onwards.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

(i) HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

(ii) HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

(iii) HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 July 2005;

(iv) HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1 July 2005, including the reclassification of any amount held in revaluation surplus for investment property; and

(v) HKFRS 3 – prospectively after 1 July 2005.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The effect on the adoption of the new accounting policies in consolidated balance sheet and consolidated income statement were summarised as follows:

Effect on the consolidated balance sheet and balances of equity:

	Effect of adopting				
	HKAS 32 Convertible notes HK$'000	HKAS 36 Impairment of goodwill HK$'000	HKAS 39 Equity securities HK$'000	HKAS 40 Investment properties HK$'000	Total HK$'000
At 30 June 2006					
Assets					
Decrease in goodwill	**–**	**(76,800)**	**–**	**–**	**(76,800)**
Decrease in investment properties	**–**	**–**	**–**	**(15,655)**	**(15,655)**
	–	**(76,800)**	**–**	**(15,655)**	**(92,455)**
Liabilities/equities					
Decrease on convertible notes	**(7,396)**	**–**	**–**	**–**	**(7,396)**
Increase in convertible debt option reserve	**7,396**	**–**	**–**	**–**	**7,396**
	–	**–**	**–**	**–**	**–**
At 30 June 2005					
Assets					
Decrease in investment in securities	–	–	(650)	–	(650)
Decrease in impairment loss recognised in respect to investment in securities	–	–	650	–	650
Increase in available-for-sale financial assets	–	–	650	–	650
Increase in impairment loss recognised in respect to available-for-sale financial assets	–	–	(650)	–	(650)
	–	–	–	–	–
Liabilities/equities					
Decrease in convertible notes	(2,583)	–	–	–	(2,583)
Increase in convertible debt option reserve	2,583	–	–	–	2,583
	–	–	–	–	–

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

Effect on the consolidated income statement:

	Effect of adopting				
	HKAS 32 Convertible notes HK$'000	HKAS 36 Impairment of goodwill HK$'000	HKAS 39 Equity securities HK$'000	HKAS 40 Investment properties HK$'000	Total HK$'000
For the year ended 30 June 2006					
Increase in deficit on revaluation of investment properties	–	–	–	(15,655)	(15,655)
Increase in impairment of goodwill	–	(76,800)	–	–	(76,800)
	–	(76,800)	–	(15,655)	(92,455)
Decrease in earnings per share	–	(HK1.71 cents)	–	(HK0.35 cents)	(HK2.06 cents)
For the year ended 30 June 2005					
Decrease in impairment loss recognised in respect to investment in securities	–	–	650	–	650
Increase in impairment loss recognised in respect to available-for-sale financial assets	–	–	(650)	–	(650)
	–	–	–	–	–

There was no impact on earnings per share from the adoption of HKAS 39 for the year ended 30 June 2005.

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

There is no early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transaction
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosure
HKFRS – Int 4	Determining whether an Arrangement contain a Lease
HKFRS – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environment Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

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

HKAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated accounts, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated accounts as at 30 June 2006 and 2005.

HKAS 39 (Amendment) The Fair Value Option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on 1 July 2006.

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 39 and HKFRS 4 (Amendment) Financial Guarantee 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.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

(i) Subsidiaries

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 Group's share of the identifiable net assets acquired 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 income statement.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealized profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

(b) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

(c) Revenue recognition

(i) Service income is recognised when the services are rendered.

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvement	Over the shorter of the term of the leases, or 5 years
Furniture and fixtures and office equipment	15% to 20%
Motor vehicles	18%

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

(e) Investment properties

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

After initial recognition, investment property is carried at fair value. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the property being valued. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment properties (continued)

Any gain or loss arising from a change in the fair value of the investment properties is recognised directly in the income statement. Gain or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement upon disposal.

(f) 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, or whether there is any indication that an impairment loss previously recognised no longer exists 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.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher 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 any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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 affects neither the taxable 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.

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 realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(h) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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 or a joint venture at the date of acquisition.

Goodwill arising on the acquisition of a joint venture is included in the carrying amount of the joint venture. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

(j) Discount on acquisitions

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after 1 July 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

(k) Account receivables

Account receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

(n) Investments

Before adoption of the new and revised HKFRSs, the Group classified the investments in securities into non-trading securities and trading securities except for the investments in subsidiaries, associates and jointly control entities.

(i) Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the securities was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

When there was objective evidence that individual investments were impaired the cumulative loss recorded in the investment revaluation reserve was dealt with to the income statement.

(ii) Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sale proceeds and the carrying amounts, were recognised in the income statement in the period that arise.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investments (continued)

From 1 July 2005 onward, the Group classifies its investment in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and re-evaluate this designation at every reporting date.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the balance sheet date. During the year, the Group did not hold any investments in this category.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables included loan receivables, convertible notes receivables and trade receivables.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investments (continued)

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period that arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement-is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(o) 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 income statement over the period of the borrowings using the effective interest method.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Borrowings (continued)

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(p) Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition of the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the notes are converted or redeemed.

If the notes are converted, the convertible debt option reserve, together with the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the convertible debt option reserve is released directly to accumulated losses.

(q) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Operating leases

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

As lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the terms of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognised as an expense on a straight line basis over the lease term.

As lessee

Rental payables under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight line basis.

(s) Retirement benefits costs

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$20,000. The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(t) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are controlled or under the significant influence or related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Segment reporting

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 segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of furniture, fixtures and equipment, investment properties, deposit for acquisition of investment properties and land, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to furniture, fixtures and equipment and investment properties.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

7. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(i) Market risk

(1) Foreign exchange risk

The Group operates mainly in the People's Republic of China ("the PRC"), Hong Kong and Macau, and majority of transactions are dominated in Renminbi, Hong Kong dollars and Macau Pataca. Therefore, the Group is exposed to foreign exchange risk arising from the exposure of Renminbi and Macau Pataca against Hong Kong dollars.

(2) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets. The Group manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

7. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(ii) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales and services are made to customers with an appropriate credit history. The exposures to these credit risks are monitored on an ongoing basis.

(iii) Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

(iv) Cash flow and fair value interest rate risk

Short term borrowings at variable interest rates expose the Group to cash flow interest rate risk and Convertible note at fixed rates expose the Group to fair value interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary.

(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 receivables and payables are 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.

8. 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.

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 year are discussed below.

(a) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy "Impairment of assets" as stated in note 6. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Estimate of fair value of investment properties

As described in note 6 and 20, the investment properties were revalued at the balance sheet date on market value basis by reference to independent professional valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet date.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

8. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect the results of operations.

(e) Fair values of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

(f) Measurement of convertible notes

On issuance of convertible notes, the fair value of liability component is determined using a market value for an equivalent convertible notes; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the shareholders' equity, net of transaction costs. The splitting of the liability and equity components require an estimation of the market interest rate.

9. SEGMENT INFORMATION

(a) Business segments

For management purpose, the Group is currently organised into two (2005: three) operating divisions – travel related operations and property investment. These principal operating activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Discontinued operation		Continuing operations				Consolidated			
	Trade related operations		Travel related operations		Property investments		Continuing		Discontinued	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 *(Restated)*	**HK$'000**	HK$'000 *(Restated)*
Segment turnover	**–**	–	**82,176**	111,255	**16,537**	10,812	**98,713**	122,067	**–**	–
Segment results	**(4,349)**	(1,413)	**15,830**	10,686	**7,384**	(48,534)	**23,214**	(37,848)	**(4,349)**	(1,413)
Share of results of a jointly controlled entity							**47**	–	**–**	–
Unallocated corporate income less expenses							**(13,721)**	(6,842)	**–**	–
Profit/(loss) from operations							**9,540**	(44,690)	**(4,349)**	(1,413)
Finance costs							**(10,020)**	(8,603)	**–**	–
Loss before taxation							**(480)**	(53,293)	**(4,349)**	(1,413)
Taxation							**(42)**	–	**–**	–
Loss for the year							**(522)**	(53,293)	**(4,349)**	(1,413)

9. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Discontinued operation		Continuing operations				Consolidated			
	Trade related operations		Travel related operations		Property investments		Continuing		Discontinued	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000 *(Restated)*	**2006 HK$'000**	2005 HK$'000 *(Restated)*
ASSETS										
Segment assets	**1**	108,789	**4**	109,423	**580,629**	260,519	**580,633**	369,942	**1**	108,789
Unallocated corporate assets							**1,521**	966	**–**	–
Consolidated total assets							**582,154**	370,908	**1**	108,789
LIABILITIES										
Segment liabilities	**–**	9,703	**–**	1,676	**216,631**	14	**216,631**	1,690	**–**	9,703
Unallocated corporate liabilities							**104,090**	191,660	**–**	–
Consolidated total liabilities							**320,721**	193,350	**–**	9,703

Other segment information

	Discontinued operation		Continuing operations				Consolidated			
	Trade related operations		Travel related operations		Property investments		Continuing		Discontinued	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000 *(Restated)*	**2006 HK$'000**	2005 HK$'000 *(Restated)*
Capital expenditures	**–**	8	**–**	–	**12,000**	30,241	**12,000**	30,241	**–**	8
Impairment loss on goodwill	**–**	–	**76,800**	–	**–**	–	**76,800**	–	**–**	–
Depreciation and amortisation	**–**	461	**–**	19,200	**298**	–	**298**	19,200	**–**	461
Deficit on revaluation of investment properties	**–**	–	**–**	–	**15,655**	47,143	**15,655**	47,143	**–**	–
Loss on disposal of investment properties	**–**	–	**–**	–	**–**	5,474	**–**	5,474	**–**	–
Loss on disposal of property, plant and equipment	**–**	9	**–**	–	**–**	–	**–**	–	**–**	9

9. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market and analysis of total assets and capital expenditures by the geographical area in which the assets are located.

	Hong Kong		The PRC		Other		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment turnover	**82,176**	111,255	**16,517**	10,812	**20**	–	**98,713**	122,067
Total assets	**1,811**	110,389	**570,344**	369,308	**10,000**	–	**582,155**	479,697
Capital expenditure	**–**	8	**–**	30,241	**12,000**	–	**12,000**	30,249

10. DISCONTINUED OPERATION

During the year, the Group has ceased its operation in the trade related segment. The analysis of the loss recognised in income statement is as follow:

	2006	2005
	HK$'000	HK$'000
		(Restated)
Turnover	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Other operating income	**–**	–
Administrative expenses	**(4,349)**	(1,413)
Loss from operations	**(4,349)**	(1,413)
Finance costs	**–**	–
Loss before taxation	**(4,349)**	(1,413)
Taxation	**–**	–
Net loss for the year	**(4,349)**	(1,413)

10. DISCONTINUED OPERATION (continued)

The net cash flow of the discontinued operation is as follows:

	2006 HK$'000	2005 HK$'000 (Restated)
Net operating cash outflow	**(4,349)**	(1,413)
Net investing cash outflow	**–**	–
Net financing cash outflow	**–**	–
Total net cash outflow	**(4,349)**	(1,413)

11. OTHER REVENUE

	2006 HK$'000	2005 HK$'000 (Restated)
Compensation from Mr. Benny Ki	**52,500**	–
Bank interest income	**44**	12
Other interest income	**679**	–
	53,223	12

12. OTHER INCOME

	2006 HK$'000	2005 HK$'000 (Restated)
Cancellation of convertible notes	**19,917**	–
Unrealised exchange gain	**8,007**	38
Unrealised gain on investment in securities	**–**	987
Other income	**–**	100
	27,924	1,125

13. PROFIT/(LOSS) FROM OPERATIONS

	2006 HK$'000	2005 HK$'000 *(Restated)*
Profit/(loss) from operations has been arrived at after charging/(crediting):		
Auditors' remuneration	**468**	280
Depreciation included in administrative expenses	**298**	461
Amortisation of goodwill included in administrative expenses	**–**	19,200
Impairment loss on goodwill	**76,800**	–
Loss on disposal of investment properties	**–**	5,474
Loss on disposal of property, plant and equipment	**–**	9
Staff costs (including directors' emoluments, note 14)	**7,611**	7,794
Operating lease rentals in respect of office premises	**748**	1,494
Gain on disposal of other investment	**–**	(986)
Rental income from investment properties	**(16,538)**	(10,812)

14. STAFF COSTS

	2006 HK$'000	2005 HK$'000
Salaries and allowances (including directors' emoluments)	**7,274**	7,576
Retirement benefit scheme contributions	**337**	218
	7,611	7,794

(a) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2005: two) were directors of the Company and their emoluments are set out in 14(b) below. The emoluments of the remaining three (2005: three) are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**896**	835
Retirement benefit scheme contributions	**45**	78
	941	913

During the year, the emoluments of each of the above three (2005: three) individuals were under HK$1,000,000 per annum.

14. STAFF COSTS(continued)

(b) Directors' emoluments

The aggregate amount of emoluments payable to the directors of the Company during the year was HK$5,972,000 (2005: HK$6,119,000).

The remuneration of every director for the year ended 30 June 2006 and 30 June 2005 is shown as below:

Name of directors	Directors' fees		Salaries and benefits in-kind		Retirement benefit scheme contributions		Total	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Executive directors								
Zhang Yang	200	250	3,900	3,900	120	120	4,220	4,270
Lam Cheung Shing, Richard	200	250	910	955	42	42	1,152	1,247
	400	500	4,810	4,855	162	162	5,372	5,517
Independent non-executive directors								
Tam Sun Wing	200	250	–	–	–	–	200	250
Ko Ming Tung, Edward	200	214	–	–	–	–	200	214
Ng Ge Bun	200	138	–	–	–	–	200	138
	600	602	–	–	–	–	600	602
	1,000	1,102	4,810	4,855	162	162	5,972	6,119

During the year, no emoluments were paid to the directors of the Company as a discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director had waived or agreed to waive any emoluments during the year.

15. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Bank charges	20	10
Convertible note redemption expenses	1,175	–
Interest expenses on:		
Bank borrowings wholly repayable within five years	7,699	7,824
Convertible notes wholly repayable within five years	1,126	769
	10,020	8,603

16. TAXATION

	2006 HK$'000	2005 HK$'000
Current tax from continuing operation:		
PRC	**42**	–
	42	–

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The taxation for the year can be reconciled to the profit/(loss) before taxation per the income statement as follows:

Year ended 30 June 2006

	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before taxation						
– continuing operation	1,208		(1,688)		(480)	
– discontinued operation	(4,349)		–		(4,349)	
	(3,141)		(1,688)		(4,829)	
Tax at statutory tax rate	(550)	17.5	(557)	33.0	(1,107)	22.9
Tax effect of expenses not deductible for tax purpose	24,212	(770.8)	3,139	(186.0)	27,351	(566.4)
Tax effect of income not taxable for tax purpose	(25,007)	796.1	(2,444)	144.8	(27,451)	568.5
Tax effect of tax losses not recognised	1,345	(42.8)	–	–	1,345	(27.9)
Utilisation of tax losses previously not recognised	–	–	(96)	5.7	(96)	2.0
Taxation for the year	–	–	42	(2.5)	42	(0.9)

16. TAXATION (continued)

Year ended 30 June 2005

	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before taxation						
– continuing operation	8,891		44,402		53,293	
– discontinued operation	1,413		–		1,413	
	10,304		44,402		54,706	
Tax at statutory tax rate	1,803	17.5	14,653	33.0	16,456	30.1
Tax effect of expenses not deductible for tax purpose	(37,320)	(362.2)	(17,004)	(38.3)	(54,324)	(99.3)
Tax effect of income not taxable for tax purpose	28,750	279.0	12,767	28.8	41,517	75.9
Tax effect of tax losses not recognised	6,767	65.7	–	–	6,767	12.4
Utilisation of tax losses previously not recognised	–	–	(10,416)	(23.5)	(10,416)	(19.1)
Taxation for the year	–	–	–	–	–	–

17. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data:

	2006	2005
	HK$'000	HK$'000
		(Restated)
Loss for the year from continuing operations	**(6,856)**	(65,653)
Loss for the year from discontinued operation	**(4,349)**	(1,413)
Loss attributable to equity holders of the Company	**(11,205)**	(67,066)

The basic loss per share from continuing and discontinued operations is based on the loss attributable to equity holders of the Company of HK$11,205,000 (2005: HK$67,066,000) and the weighted average number of 4,484,683,000 (2005: 4,165,437,000) shares in issue during the year. Diluted loss per share from continuing and discontinued operations of both years ended 30 June 2006 and 2005 have not been presented as the conversion of convertible notes outstanding during the year had an anti-dilutive effect.

17. LOSS PER SHARE (continued)

From discontinued operation

The basic loss per share for the discontinued operation is HK0.1 cent per share (2005: HK0.03 cents), based on the loss for the year from the discontinued operation of HK$4,349,000 (2005: HK$1,413,000) and the weighted average number of 4,484,683,000 (2005: 4,165,437,000) shares in issue during the year.

During the year ended 30 June 2006 and 2005, no diluted loss per share in respect of the discontinued operation is presented as the conversion of convertible notes had an anti-dilutive effect.

18. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 30 June 2006 (2005: Nil).

19. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 July 2004	1,114	511	1,090	2,715
Additions	–	8	–	8
Disposals	(539)	(21)	–	(560)
At 30 June 2005 and 1 July 2005	575	498	1,090	2,163
Additions	–	58	–	58
Exchange alignment	–	4	31	35
At 30 June 2006	575	560	1,121	2,256
Accumulated depreciation				
At 1 July 2004	939	198	236	1,373
Charge for the year	175	89	197	461
Eliminated on disposals	(539)	(12)	–	(551)
At 30 June 2005 and 1 July 2005	575	275	433	1,283
Charge for the year	–	97	201	298
Exchange alignment	–	1	13	14
At 30 June 2006	575	373	647	1,595
Net book values				
At 30 June 2006	–	187	474	661
At 30 June 2005	–	223	657	880

19. PROPERTY, PLANT AND EQUIPMENT (continued)

THE COMPANY

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost			
At 1 July 2004	539	198	737
Additions	–	3	3
Disposals	(539)	(10)	(549)
At 30 June 2005 and 30 June 2006	–	191	191
Accumulated depreciation			
At 1 July 2004	539	78	617
Charge for the year	–	31	31
Eliminated on disposals	(539)	(5)	(544)
At 30 June 2005 and 1 July 2005	–	104	104
Charge for the year	–	29	29
At 30 June 2006	–	133	133
Net book values			
At 30 June 2006	–	58	58
At 30 June 2005	–	87	87

20. INVESTMENT PROPERTIES

	The Group	
	2006 HK$'000	2005 HK$'000
At valuation		
At the beginning of the year	**215,525**	278,858
Additions	**12,000**	30,241
Additions through acquisition of subsidiaries (note 43)	**16,394**	–
Disposal	**(14,187)**	(22,100)
Deficit arising on revaluation	**(15,655)**	(71,474)
Exchange alignment	**6,166**	–
At the end of the year	**220,243**	215,525

20. INVESTMENT PROPERTIES (continued)

The Group's investment properties were revalued at 30 June 2006 by DTZ Debenham Tie Leung, RHL Appraisal Limited, independent qualified professional valuers and 北京寶信房地產評估諮詢有限公司, an independent qualified professional valuers registered in the PRC, on an open market basis. These valuations gave rise to a revaluation deficit of HK$15,655,000 (2005: HK$71,474,000) of which the whole amount (2005: HK$47,143,000) have been charged to income statement. The Group's investment properties at their net book values are analysed as follows:

	2006 **HK$'000**	2005 HK$'000
Investment properties in the PRC, held on:		
Medium-term leases	**210,243**	215,525
Investment properties in Macau, held on:		
Medium-term leases	**10,000**	–
	220,243	215,525

The Group has pledged certain investment properties with carrying amount of HK$191,262,000 (2005: HK$181,192,000) to secure banking facilities granted to the Group.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2006 **HK$'000**	2005 HK$'000
Share of net assets of a jointly controlled entity, 上海地下商城有限公司 (Shanghai Underground Centre Company Limited) ("SUCCL") (Note a)	**40,740**	–
Goodwill arising on acquisition of a jointly controlled entity (Note b)	**122,451**	–
	163,191	–
Amount due from a jointly controlled entity	**40,708**	–

The amount due from the jointly controlled entity is unsecured, non-interest bearing and is repayable on demand. The directors of the Company consider that the carrying amount of the amount due from a jointly controlled entity approximates to its fair value.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

Notes:

(a) Share of net assets of a jointly controlled entity

	2006 HK$'000
As at 1 July 2005	–
Acquisition of SUCCL	40,693
Share of profit for the year	47
As at 30 June 2006	40,740

(b) Goodwill

	2006 HK$'000
As at 1 July 2005	–
Acquisition of SUCCL	122,451
Impairment loss recognised	–
As at 30 June 2006	122,451

Goodwill on acquisition of SUCCL will not be tested for impairment separately. Instead, the entire carrying amount of the interests in a jointly controlled entity is tested for impairment by comparing with the Group's share of SUCCL's recoverable amount which are determined by reference to the estimation of future cash flows expected to be generated from SUCCL and by reference to the business valuation of SUCCL conducted by RHL Appraisal Limited, an independent firm of professional appraiser.

The recoverable amount is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a period of two years. Cash flows beyond the two years period are extrapolated using the estimated rates stated below. The growth rate does not exceed the respective long-term average growth rate for the businesses in which SUCCL operates.

Key assumptions used for value-in-use calculations:

Growth rate	5%
Discount rate	8%

Management determined the budgeted growth rate based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the CGU.

The resulting value of the Group's share of the recoverable amount of SUCCL is higher than the carrying amount of the Group's interests in SUCCL based on value-in-use calculations. No impairment loss has been identified.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

Details of the Group's jointly controlled entity as at 30 June 2006 are as follows:

Name	Place of incorporation	Registered capital	Attributable equity interest of the Group %	Principal activities
SUCCL	PRC	USD9,000,000	50	Construction, operations and management of mall in the PRC

The summarised financial information in respect of SUCCL since the date of acquisition as extracted from its financial statements, is set out below:

	2006 HK$'000	2005 HK$'000
Turnover	**7,245**	–
Profit attributable to the Group	**47**	–
Total assets	**171,859**	–
Total liabilities	**(73,713)**	–
Net assets	**98,146**	–

Note: According to the joint-venture agreement signed between the Group and the remaining 50% equity shareholder (the "PRC Shareholder") of SUCCL, from the date of acquisition of SUCCL to 31 December 2007, the PRC Shareholder is entitled to an annual guaranteed return of RMB3,000,000 and the remaining profit belongs to the Group.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2006	2005
	HK$'000	HK$'000
Unlisted investment in Hong Kong, at cost	**650**	650
Impairment loss recognised	**(650)**	(650)
	–	–

The directors of the Company determined the fair value of the available-for-sale financial assets based on the present value of the estimated future cash flows discounted using prevailing market rate at balance sheet date and considered to make full provision for impairment loss for the investment cost.

23. GOODWILL

	The Group	
	2006	2005
	HK$'000	HK$'000
At Cost		
At 1 July 2005/2004	**96,000**	–
Effect on adoption of HKFRS 3	**(19,200)**	–
Additions	**–**	96,000
At 30 June	**76,800**	96,000
Amortisation and impairment		
At 1 July 2005/2004	**(19,200)**	–
Effect on adoption of HKFRS 3	**19,200**	–
Amortised during the year	**–**	(19,200)
Impairment loss on goodwill	**(76,800)**	–
At 30 June	**(76,800)**	(19,200)
Carrying amount		
At 30 June	**–**	76,800

In previous year, the amortisation period adopted for goodwill is 20 months.

Following the adoption of HKFRS 3 with effect for financial period commencing 1 July 2005, the Group ceased to amortise goodwill. In accordance to the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 July 2005 has been eliminated against the cost of goodwill as at that date. Annual impairment review was performed.

23. GOODWILL (continued)

Goodwill is allocated to the Group's CGU identified according to country of operation in a business segment as follows:–

	2006 HK$'000	2005 HK$'000
Travel related services	–	76,800

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a five-year period. Cash flow beyond five-year period is extrapolated using the estimated rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculation:

	2006	2005
Gross margin	19%	29%
Discount rate	6.75%	4.5%

Management determined the budget gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Since the recoverable amount is significantly lower than the carrying amount of the CGU, the Group identified an impairment loss of HK$76,800,000 during the year.

24. DEPOSITS FOR ACQUISITION OF INVESTMENT PROPERTIES-THE GROUP

Deposits for acquisition of investment properties represented deposits paid for acquisition of certain commercial properties in Beijing, the PRC (the "Beijing Properties"). Details of the acquisition are set out in the Company's circular dated 27 June and 14 November 2005.

Valuation of the Beijing Properties was conducted by Knight Frank Petty Limited, an independent qualified professional valuer, not connected with the Group on 30 April 2006 by reference to market evidence of transaction prices for similar properties which presented in the Company's circular dated 29 June 2006 (the "Valuation"). The directors of the Company have considered that the carrying amount of the Beijing Properties at 30 June 2006 did not differ significantly from its fair value arrived at based on the Valuation. As a result, the directors of the Company considered that the fair value of the deposit for acquisition of investment properties approximates to its carrying amount.

25. ACCOUNT RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers. The aged analysis of account receivables is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
0 – 30 days	**1,310**	7,800
31 – 60 days	**1,313**	16,103
61 – 90 days	**1,310**	8,276
Over 90 days	**8,234**	4,020
	12,167	36,199

The directors consider that the carrying amounts of the Group's account receivables approximate to their fair values.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**83**	294	**–**	–
Deposit	**242**	16,272	**107**	–
Other receivables	**94**	33,995	**–**	–
	419	50,561	**107**	–

The directors consider that the carrying amounts of the Group's and the Company's prepayments, deposits and other receivables approximate to their fair values.

27. DEPOSIT FOR ACQUISITION OF LAND – THE GROUP

Deposit for acquisition of land represented deposit paid for the acquisition of a piece of land at Zha Bei District, Shanghai, the PRC. Details of the transactions are set out in the Company's circular dated 6 September 2004.

The transaction was subsequently terminated due to legal restriction and the amount has been fully settled subsequent to the year end date. Details of the termination are set out in the Company's announcement dated 14 July 2006.

28. ACCOUNT PAYABLES

The aged analysis of account payables is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
0 – 30 days	**–**	342
31 – 60 days	**–**	779
61 – 90 days	**–**	358
Over 90 days	**–**	187
	–	1,666

The directors consider that the carrying amounts of the Group's account payables approximate to their fair values.

29. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**17,931**	11,117	**–**	1,773
Deposit received	**74**	305	**–**	–
Other payables	**13,950**	725	**2,331**	–
	31,955	12,147	**2,331**	1,773

The directors consider that the carrying amounts of the Group's accruals and other payables approximate to their fair values.

30. DEPOSIT RECEIVED FOR DISPOSAL OF A SUBSIDIARY – THE GROUP

The amount represents deposit received by the Group in relation to the disposal of the entire interest of Guo Xin (China) Limited. Details of the disposal are set out in the Company's circular dated 29 June 2006.

The directors consider that the carrying amount of deposit received for disposal of a subsidiary approximate to its fair value.

31. AMOUNT DUE TO A RELATED COMPANY – THE GROUP AND THE COMPANY

The amount due to a related company is unsecured, non-interest bearing and has no fixed terms of repayment.

The directors consider that the carrying amounts of the Group's and the Company's amount due to a related company approximate to their fair values.

32. BANK INTEREST-BEARING BORROWINGS – SECURED

	The Group	
	2006	2005
	HK$'000	HK$'000
Bank loan – secured	**145,631**	141,509

The bank interest-bearing borrowings as at 30 June 2006 and 2005 bear interest at 5.31% (2005: 5.31%) per annum and are repayable on demand.

The Group's banking facilities is secured by certain of the Group's investment properties with carrying amount of HK$191,262,000 (2005: HK$181,192,000).

The carrying amounts of the bank loan approximate to their fair values.

All of the Group's borrowings are denominated in Renminbi.

33. SHARE CAPITAL

	Number of shares		Nominal value	
	2006	2005	**2006**	2005
			HK$'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning of the year	**5,000,000,000**	5,000,000,000	**500,000**	500,000
Increase in authorised share capital	**2,600,000,000**	–	**260,000**	–
	7,600,000,000	5,000,000,000	**760,000**	500,000
Issued and fully paid:				
At beginning of the year	**4,484,683,140**	3,747,183,140	**448,468**	374,718
Conversion of convertible notes (Note)	**–**	737,500,000	**–**	73,750
At end of the year	**4,484,683,140**	4,484,683,140	**448,468**	448,468

33. SHARE CAPITAL (continued)

All shares issued by the Company rank pari passu with the then existing shares in all respects.

Note: On 6 December 2004, the HK$88,500,000 convertible notes of the Company were converted into 737,500,000 ordinary shares of the Company at an initial conversion price of HK$0.12 per share.

34. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Convertible debt option reserve HK$'000 *(Restated)*	Accumulated losses HK$'000	Total HK$'000 *(Restated)*
The Company					
At 1 July 2004	117,480	16,048	–	(253,111)	(119,583)
Conversion of convertible notes (Note 33)	14,750	–	–	–	14,750
Net loss for the year	–	–	–	(83,144)	(83,144)
At 30 June 2005, as previously reported	132,230	16,048	–	(336,255)	(187,977)
Effect of adoption on HKAS 32	–	–	2,583	–	2,583
At 30 June 2005 and 1 July 2005, as restated	132,230	16,048	2,583	(336,255)	(185,394)
Cancellation of convertible notes	–	–	(2,583)	2,583	–
Issue of convertible notes	–	–	9,972	–	9,972
Settlement of convertible notes	–	–	(2,576)	–	(2,576)
Loss for the year	–	–	–	(48,745)	(48,745)
At 30 June 2006	132,230	16,048	7,396	(382,417)	(226,743)

The contributed surplus of the Company brought forward represents the excess of the combined net assets of the subsidiaries acquired pursuant to the group reorganisation completed on 15 October 1996, over the nominal value of the Company's share issued in exchange therefore.

34. RESERVES (continued)

In accordance with the Bermuda Companies Act 1981, the Company's contributed surplus is available for cash distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate if its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company has no reserves available for distribution to its shareholders at the balance date.

35. CONVERTIBLE NOTES

During the year, the Company issued a convertible note (the "Easy Rider Note") with principal amount of HK$120,000,000 as consideration for the acquisition of Easy Rider Group Limited, a company incorporated in the British Virgin Islands, and its subsidiaries. The Easy Rider Note bears interest at the rate of 5% per annum, payable annually on 15 May of each year commencing 16 May 2007. The Easy Rider Note carries the right to convert the principal amount of the Easy Rider Note into shares of HK$0.1 each in the share capital of the Company at a conversion price of HK$0.1 per share. From 15 May 2007 to 15 May 2010, the noteholder can convert the outstanding principal amount of the Easy Rider Note into shares of the Company and may request early repayment of the outstanding principal amount of the Easy Rider Note together with accrued interest. As at the year end date, the Company has redeemed HK$31,000,000 of the convertible note.

During the year ended 30 June 2005, the Company issued a convertible note ("Gainnew Note") with principal amount of HK$46,000,000 as consideration for the acquisition of a subsidiary, Gainnew Group Limited, which is principally engaged in the marketing and introduction of customers and provision of settlement services (the "Services"). The Gainnew Note bears interest at the rate of 5% per annum, payable semi-annually in arrears on 30 August and 28 February of each year commencing 30 August 2005. On 19 October 2005, the Group entered into a deed of settlement to terminate of the subcontracting agreement and the service agreement relevant to the services and a deed of cancellation to cancel the outstanding principal amount of the Gainnew Note (the "Termination"). Details of the Termination were announced in the Company's announcement dated 19 October 2005.

The fair value of the liability component of the Easy Rider Note and Gainnew Note are determined using a market interest rate of a similar non-convertible note. The residual amount is assigned as the equity component and is included in shareholders' equity as convertible debt option reserve.

35. CONVERTIBLE NOTES (continued)

	The Group	
	2006	2005
	HK$'000	HK$'000
At the beginning of the year	**44,186**	–
Face value of the Gainnew Note	**–**	46,000
Face value of the Easy Rider Note	**120,000**	–
Transferred to equity component upon adoption of HKAS 32	**(9,972)**	(2,583)
Liability components on initial recognition	**154,214**	43,417
Interest expenses	**1,126**	769
Principal repayment of the Gainnew Note	**(23,500)**	–
Principal repayment of the Easy Rider Note	**(28,424)**	–
Cancellation of the Gainnew Note	**(19,917)**	–
Interest paid	**(1,143)**	–
At the end of the year	**82,356**	44,186

36. DEFERRED TAXATION

The Group

The following is the deferred tax liabilities/(assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	**Tax losses**	**Revaluation of investment properties**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2004	15	(15)	8,665	8,665
(Credit)/Charge to income for the year	(6)	6	–	–
Credit to equity for the year	–	–	(8,665)	(8,665)
At 30 June 2005	9	(9)	–	–
(Credit)/Charge to income for the year	(9)	9	–	–
At 30 June 2006	–	–	–	–

At 30 June 2006, the Group has estimated unused tax losses of approximately HK$31,272,000 (2005: HK$33,674,000) available for offset against future profits. No deferred tax assets has been recognised (2005: HK$54,000) in respect of the tax losses. No deferred tax assets has been recognised in respect of the remaining estimated tax losses of approximately HK$31,272,000 (2005: HK$33,620,000) due to uncertainty of future profits streams. No tax losses (2005: HK$9,809,000) was included in unrecognised tax losses.

36. DEFERRED TAXATION (continued)

The Company

At 30 June 2006, the Company has no estimated unused tax losses (2005: HK$7,716,000) available for offset against future profits. No deferred tax assets have been recognised due to uncertainty of future profit streams. Losses may be carried forward indefinitely.

37. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**258,453**	320,474
Less: Impairment loss recognised	**(51,211)**	(118,297)
	207,242	202,177

The carrying amount of the investments in subsidiaries is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Details of the Company's principal subsidiaries as at 30 June 2006 are as follows:

Name	Place of incorporation or registration/ operation	Issued share capital/ registered capital	Attributable equity interest of the Company Directly %	Attributable equity interest of the Company Indirectly %	Principal activities
國欽國際貿易(上海)有限公司(「國欽」)#	PRC	US$20,000,000	100	–	Trading and investment holding
Ecflyer.com Limited	Hong Kong	HK$2	–	100	Travel agency services (ticketing and provision of hotel reservation services)
Omnigold Resources Limited	British Virgin Islands/PRC	US$50,000	100	–	Property investment
Wealth Sea Investment Limited	British Virgin Islands/PRC	US$1	100	–	Property investment
Trend Glory Investments Limited	British Virgin Islands/PRC	US$1	–	100	Property investment
Ample Land International Limited	Hong Kong/Macau	HK$1	100	–	Property investment

37. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operation	Issued share capital/ registered capital	Attributable equity interest of the Company Directly %	Indirectly %	Principal activities
Gainnew Group Limited	British Virgin Islands/ Hong Kong	US$100	–	60	Provision of services relating to marketing and introduction of customers to Omar III and provision of the settlement service
Guo Xin (China) Limited	Hong Kong	HK$100	–	100	Property investment
Goalreach Investments Limited	British Virgin Islands/PRC	US$1	100	–	Investment holding

國欽 is a wholly-owned foreign enterprise.

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

None of the subsidiaries had any debt securities outstanding during the year or at the end of the year.

The amounts due from/to subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. The directors consider that the carrying amounts of amount due from/to subsidiaries approximate to their fair values.

38. CAPITAL COMMITMENTS

	The Group 2006 HK$'000	2005 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of investment properties	**65,872**	40,078

As at 30 June 2006, HK$75,995,000 has been paid as a deposit for acquisition of investment properties in which the balance of HK$65,872,000 was still outstanding.

Saved as disclosed above, there is no significant capital commitment as at the balance sheet date.

39. OTHER COMMITMENTS

(a) The Company has entered into a memorandum of understanding with Zhongxiang City People Government on 8 June 2006 pursuant to which the Company agreed to establish a wholly foreign owned enterprise (the "New Company") to be established by the Company for the purpose of acquiring a controlling equity interest in Zhongxiang Phosphate Mine Company, a company to be established by Zhongxiang City People Government. The proposed registered capital of and total investment in the New Company is RMB100,000,000 (approximately HK$97,087,379). Details of the transactions are set out in the Company's announcement dated 8 June 2006.

(b) A subsidiary of the Company, 國欽 entered into an agreement on 3 August 2004 to acquire a piece of land located in Shanghai. The acquisition was subsequently terminated due to the delay in the issue of the Certificate of Approval of Development Construction Plan, and transfer of the property was not allowed by Shanghai Property Transfer Centre. Details of the transactions are set out in the Company's circular dated 6 September 2004.

The deposit paid by 國欽 in relation to the acquisition was fully refunded subsequent to the year end as set out in note 46 to the financial statements. Details of the termination are set out in the Company's announcement 14 July 2006.

40. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 June 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2006 **HK$'000**	2005 HK$'000
Within one year	**696**	696
In the second to fifth year inclusive	**1,624**	2,320
	2,320	3,016

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are mainly negotiated for an average terms of four years and rentals are fixed over the terms of the leases.

40. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

At 30 June 2006, the Group had contracted with tenants for the following future minimum lease payments:

	2006 **HK$'000**	2005 HK$'000
Within one year	**6,406**	6,792
In the second to fifth year inclusive	**357**	–
	6,763	6,792

Leases are mainly negotiated for an average terms of one to two years and rentals are fixed over the terms of the leases.

Saved as disclosed above, the Group did not have any significant operating lease commitment at the balance sheet date.

41. SHARE OPTION SCHEME

The share option scheme of the Company was adopted by the Company on 17 April 2002 (the "Option Scheme"). The major terms of the Option Scheme are summarised as follows:

1. The purpose of the Option Scheme is to provide incentives to the participants.

2. The participants of the Option Scheme include any employee or director of any member of the Group.

3. The maximum number of shares in respect of which options might be granted under the Option Scheme must not exceed 10% of the issued share capital of the Company from time to time and should be a maximum of 448,468,314 shares at 30 June 2006.

4. The maximum number of shares in respect of which option might be granted to a participant, when aggregated with the total number of shares issued and issuable under any option granted to the same participant under the Option Scheme, must not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Option Scheme from time to time.

5. No minimum period of holding is required before the option became exercisable.

6. The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from grantee to the Company.

41. SHARE OPTION SCHEME (continued)

7. The subscription price shall not be lower than the higher of:

   (i) the closing price of the shares as stated in the Stock Exchange daily quotation sheets on the date of grants, which must be a trading date;

   (ii) the average closing price of the shares as stated in the Stock Exchange daily quotation sheets for the five trading days immediately proceeding the date of grant; and

   (iii) the nominal value of the share

8. The Option Scheme will be expired on 17 April 2012.

No share options were granted or exercised under the Option Scheme during the year.

42. DISPOSAL OF A SUBSIDIARY

During the year, the Group entered into an agreement with an independent third party to dispose of its 100% equity interest in Easy Rider Group Limited ("ERGL") to the third party at a consideration of US$1 (approximately HK$7.8). The net assets of ERGL at the date of disposal were HK$7.8 and no gain or loss on disposal was recognised.

The subsidiary disposed of during the year has no contribution to the Group's turnover and HK$12,000 to the Group's loss from operations for the year ended 30 June 2006.

43. ACQUISITION OF SUBSIDIARIES

The fair value of the identifiable assets and liabilities of the subsidiaries acquired during the year at the date of acquisition, which have no significant differences from their respective carrying amount and the goodwill arising, are as follows:

	2006 **HK$'000**	2005 HK$'000
Investment properties (note 20)	**16,394**	–
Investment in a jointly controlled entity	**163,145**	–
Amount due from a jointly controlled entity	**40,708**	–
Accruals and other payables	**(11,416)**	–
Net assets acquired of	**208,831**	–
Discount on acquisition	**(488)**	–
	208,343	–
Purchase consideration settled in		
Cash	**88,343**	50,000
Convertible notes (note 35)	**120,000**	46,000
	208,343	96,000
Net cash outflow arising on acquisition:		
Cash paid	**(88,343)**	(50,000)

43. ACQUISITION OF SUBSIDIARIES (continued)

During the year, the Group acquired ERGL, a company incorporated in the British Virgin Islands, and its subsidiaries (collectively referred as "ERGL Group"), which are principally engaged in investments holding. ERGL Group had no contribution to the Group's net operating cash flows for the year and had no turnover and its principal jointly controlled entity contributed profit before taxation of HK$47,000 for the period between the date of acquisition and 30 June 2006.

During the year, the Group acquired Omnigold Resources Limited, a company incorporated in the British Virgin Islands, which is principally engaged in property investment in the PRC. The subsidiary acquired have no contribution to the Group's net operating cash flows for the year and had turnover and profit before taxation of HK$442,000 and HK$2,714,000 respectively for the period between the date of acquisition and 30 June 2006.

During the year ended 30 June 2005, the Group acquired Gainnew Group Limited, a company incorporated in British Virgin Islands. The principal activities are the provision of services relating to marketing and introduction of customers to Omar III and provision of the settlement service. The subsidiary acquired during the year ended 30 June 2005 had turnover and profit before taxation of HK$110,496,000 and HK$30,890,000 respectively for the period between the date of acquisition and 30 June 2005.

44. RETIREMENT BENEFITS SCHEMES

(a) The Group operates Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. The MPF Scheme comprises statutory and voluntary contribution. The Company contributes 5% of eligible employees' relevant aggregate income. No forfeited contributions (2005: Nil) are used to reduce the contributions for the year ended 30 June 2006. The contributions are charged to income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund. The Group's employer contributions vest ranging from 30% to 100% with the employees according to the years of employment except those employer contributions which are under the statutory requirement.

(b) The employees of subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

45. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transaction with related company, in which Mr. Zhang Yang, the director of the Company, is the controlling shareholder:

	2006	2005
	HK$'000	HK$'000
Service income from the travel agency business	**–**	291

(b) Compensation for key management personnel, including amount paid to the Company's directors and the senior executives is as follows:–

	2006	2005
	HK$'000	HK$'000
Salaries and other short-term benefits	**5,294**	5,035
Pension scheme contributions	**175**	168
	5,469	5,203

(c) Transactions with related companies, in which Mr. Benny Ki, a director and a substantial shareholder of the Company's subsidiary, is the controlling shareholder:

	2006	2005
	HK$'000	HK$'000
		(Restated)
Management fee	**82,176**	110,496
Consultancy fee	**66,350**	79,595

46. SUBSEQUENT EVENTS

(i) A subsidiary of the Company, 國欽 entered into an agreement on 3 August 2004 to acquire a piece of land located in Shanghai. The acquisition was subsequently terminated due to the delay in the issue of the Certificate of Approval of Development Construction Plan, and transfer of the property was not allowed by 國欽 Shanghai Property Transfer Centre. The deposit paid by in relation to the acquisition was fully refunded subsequent to the year end as set out in note 27 to the financial statements. Details of the termination are set out in the Company's announcement dated 14 July 2006.

(ii) In July 2006, the Company redeemed part of the convertible note with principal amount of HK$70,000,000 together with interest accrued.

(iii) On 28 September 2006, Eland Success Limited (the "Purchaser"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Li Seng Hay, Joseph (the "Vendor") that the purchaser agreed to purchase and the vendor agreed to sell the entire share of External Fame Limited ("External Fame"). External Fame was principally engaged in investment holding and its subsidiary, 北京博雅宏遠物業管理有限公司 was principally engaged in property investment which its properties were principally located in Beijing, the PRC. Details of the transaction were set out in the Company's announcement dated 28 September 2006.

47. COMPARATIVE FIGURES

Following the adoption of new HKASs and HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 October 2006.