1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its share are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principle place of business of the Company is located at 33/F, 118 Connaught Road West, Hong Kong.

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

In the opinion of the directors, its ultimate holding company is Everbest Holdings Group Limited, a company incorporated in the British Virgin Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("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"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. A summary of the effect on initial adoption of these new and revised HKFRSs is disclosed in Note 3 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believe to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5 to the financial statements.

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

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified for the revaluation of investment property as explained in the accounting policies set out below.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries' financial statements made up to 31 July.

(i) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

The purchase method of accounting is used to account for 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. 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.

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

(ii) Associates *(Continued)*

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Investments

From 1 August 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. 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. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. During the year, the Group did not hold any investments in this category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments *(Continued)*

(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 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(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. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives 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. During the year, the Group did not hold investments in this category

Purchase 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 risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments *(Continued)*

The fair values of quoted investments are based on current bid prices. If the market for a financial assets 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.

(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.

Land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

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

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

The gain or loss arising from disposal 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) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(f) Interest in leasehold land

Interest in leasehold land represents prepaid lease payment made for leasehold land. Interest in leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interest in leasehold land are amortised on a straight-line basis over the shorter of relevant interest in leasehold land or the operation period of the relevant company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. 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. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. 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.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties *(Continued)*

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

(h) Golf resort

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

(i) Properties under development

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

(k) Impairment of assets

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

(l) Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Leases *(Continued)*

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(m) Trade and other receivables

Trade and other 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 trade and other 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.

(n) 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 assets 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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.

(p) Employee benefits

(i) The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

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

(iii) The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received not of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Provisions

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

(r) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that 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 Company 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 year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it related to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

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

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

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

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

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

(t) Contingent liabilities and contingent assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) 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.

(v) Related party transactions

For the purposes of these financial statements, 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 other entities and include entities which are under the significant influence of 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.

(w) Borrowing Costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.

(x) Segment reporting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting *(Continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. CHANGES IN ACCOUNTING POLICIES

During the year ended 31 July 2006, the Group adopted the following new and revised HKFRSs which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Properties, 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 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKAS-Int 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
HKFRS 2	Share-based Payments
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of new and revised HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 32, 33, 36, 39, HKAS-Int 15 and HKAS-Int 27 did not result in substantial changes to the Group's accounting policies. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 1 – Presentation of Financial Statements

HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to the equity holders of the Company. With effect from 1 January 2005, minority interests are now shown within total equity in the consolidated balance sheet. Minority interests are presented as an allocation of the total profit or loss for the year in the consolidated income statement. These changes in presentation have been applied retrospectively with comparatives restated.

(b) HKAS 17 – Leases

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) HKAS 21 – The Effects of Changes in Foreign Exchange Rates

HKAS 21 have no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the group entities have the same functional currency as the presentation currency for respective entity financial statements.

(d) HKAS 24 – Related Party Disclosures

HKAS 24 has affected the identification of related parties and some other related-party disclosures.

(e) HKAS 40 – Investment Property

The adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair value are recorded in the income statement as part of other income. In prior years, changes arising on the revaluation of investment properties were generally dealt with in reserves except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed or when an individual investment property was disposed of. In these limited circumstances, changes arising on the revaluation of investment properties were recognised in the income statement. The Group did not have balances in investment property revaluation reserve and therefore no prior period adjustments were required for adoption of HKAS 40.

(f) HKAS-Int 21 – Income Taxes – Recovery of Revalued Non-Depreciated Assets

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.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(g) HKFRS 2 – Share-based payments

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 July 2005, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 August 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

No share options were granted by the Group during the two years ended 31 July 2005 and 2006.

(h) HKFRS 5 – Non-current assets held for sale and discontinued operations

The Group adopted HKFRS 5 from 1 August 2005 prospectively in accordance with the standard's provisions. The adoption of HKFRS 5 has resulted in a change in the accounting policy for non-current assets held for sale. The non-current assets held for sale were previously neither classified nor presented as current assets or liabilities. There was no difference in measurement for non-current assets held for sale or for continuing use.

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:

– HKAS16 – 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;

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

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) Effect on the consolidated balance sheet

At 1 August 2004	HKAS 17 Leases HK$'000
Assets	
Increase in interest in leasehold land	15,400
Decrease in property, plant and equipment	(15,425)
	(25)
Equity	
Decrease in retained profits	(25)

At 31 July 2005	HKAS 17 Leases HK$'000
Assets	
Increase in interest in leasehold land	298
Decrease in property, plant and equipment	(347)
	(49)
Equity	
Decrease in retained profits	(49)

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) Effect on the consolidated balance sheet *(Continued)*

At 31 July 2006	HKAS 17 Leases HK$'000	HKFRS 5 Non-current assets classified as held for sale HK$'000	Total HK$'000
Assets			
Increase in non-current assets classified as held for sale	–	11,000	11,000
Decrease in interest in leasehold land	(15)	–	(15)
Decrease in property, plant and equipment	(770)	(11,000)	(11,770)
	(785)	–	(785)
Liabilities			
Increase in liabilities directly associated with non-current assets classified as held for sale	–	3,655	3,655
Decrease in trade and other creditors	–	(3,447)	(3,447)
Decrease in accrued charges	–	(208)	(208)
	–	–	–
Equity			
Decrease in retained profits	(785)	–	(785)

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(ii) Effect on the consolidated income statement

	HKAS 17 Leases HK$'000
For the year ended 31 July 2005	
Increase in amortisation of leasehold land	(15)
Decrease in depreciation on owned assets	109
Decrease in reversal of impairment loss	(143)
Total decrease in profit attributable to equity holders of the Company	(49)
Total increase in loss per share	–
For the year ended 31 July 2006	
Increase in amortisation of leasehold land	(15)
Increase in depreciation on owned assets	(770)
Total decrease in profit attributable to equity holders of the Company	(785)
Total increase in loss per share	–

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)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – 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 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosure
HK(IFRIC) – Int 4	Determining whether an Arrangement contain a Lease
HK (IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Reporting and Impairment

HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKAS 1 from annual periods beginning 1 January 2007.

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 financial statements, provided that: (a) the transaction is denominated in 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 financial statements as at 31 July 2005 and 2006.

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 or after 1 January 2006.

3. CHANGES IN ACCOUNTING POLICIES *(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.

HKFRS 7 – Financial Instruments: Disclosures introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32 – Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS.

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.

4. FINANCIAL RISK MANAGEMENT

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 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.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in both the People's Republic of China (the "PRC") and Hong Kong and majority of transactions are dominated in Renminbi and Hong Kong dollars. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. Hong Kong dollars and Renminbi are pegged to United States dollars and the foreign exchange exposure between them are considered limited.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Price risk

The Group is not exposed to commodity price risk.

(b) 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.

(c) 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.

(d) Interest rate risk

Long term borrowings at variable interest rates expose the Group to cash flow interest rate risk and those 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.

Fair value estimation

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 form 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 values 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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) Trade debtors

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 our results of operations.

(b) Impairment of assets

The Group tests annually whether the assets has suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(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 perform annual reviews on whether the assumptions made on useful lives continue to be valid.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(d) Fair value 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.

(e) Income taxes and deferred taxation

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

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

(f) Estimated of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(f) Estimated of fair value of investment properties *(Continued)*

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

6. TURNOVER AND REVENUE

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

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

	2006	2005
	HK$'000	HK$'000
Turnover:		
Sales of properties in the PRC	**4,441**	3,182
Provision of medical and health services in the PRC	**16,874**	17,335
Operation of a golf resort	**5,702**	4,500
	27,017	25,017
Other revenue:		
Interest income	**927**	1,557
Rental income	**2,784**	2,865
Sundry income	**1,384**	1,440
	5,095	5,862
	32,112	30,879

7. SEGMENT INFORMATION

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

Segment information about these businesses is presented below:

Business segments

2006

Results

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Consolidated HK$'000
Segment revenue	4,441	16,874	5,702	27,017
Segment results	(10,787)	4,173	(11,342)	(17,956)
Unallocated corporate expenses				(17,308)
Loss from operations				(35,264)
Share of results of associates				(5,862)
Finance costs				(1,942)
Loss before taxation				(43,068)
Taxation				15,142
Loss for the year				(27,926)

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2006

Other information

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	1,340	674	1,706	–	3,720
Depreciation and amortisation	5	145	3,298	2,395	5,843

Balance sheet

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	185,240	5,629	136,732		327,601
Interests in an associate					25,925
Non-current assets classified as held for sale					11,011
Unallocated corporate assets					55,703
					420,240
LIABILITIES					
Segment liabilities	15,154	1,427	1,199		17,780
Amount due to an associate					864
Liabilities directly associated with non-current assets classified as held for sale					3,655
Unallocated corporate liabilities					50,871
					73,170

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2005

Results

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Consolidated HK$'000 (Restated)
Segment revenue	3,182	17,335	4,500	25,017
Segment results	(17,643)	3,525	(13,363)	(27,481)
Unallocated corporate expenses				(22,032)
Loss from operations				(49,513)
Share of results of associates				(6,221)
Finance costs				(2,831)
Loss before taxation				(58,565)
Taxation				10,200
Loss for the year				(48,365)

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2005

Other information

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Unallocated HK$'000 (Restated)	Consolidated HK$'000 (Restated)
Additions to property, plant and equipment	856	–	1,029	1,094	2,979
Depreciation and amortisation	3	4	3,232	2,363	5,602

Balance sheet

	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Unallocated HK$'000 (Restated)	Consolidated HK$'000 (Restated)
ASSETS					
Segment assets	258,747	5,946	146,324		411,017
Interests in an associate					29,382
Unallocated corporate assets					57,526
					497,925
LIABILITIES					
Segment liabilities	41,052	2,326	927		44,305
Amount due to an associate					185
Unallocated corporate liabilities					81,416
					125,906

7. SEGMENT INFORMATION *(Continued)*

Geographical segments

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods or services:

	Revenue		Loss from operations	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(Restated)
By geographical market:				
Hong Kong	**–**	–	**(11,960)**	(23,015)
PRC	**27,017**	25,017	**(23,304)**	(26,498)
	27,017	25,017	**(35,264)**	(49,513)

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Hong Kong	**81,384**	73,907	**–**	261
PRC	**338,856**	424,018	**3,720**	2,718
	420,240	497,925	**3,720**	2,979

8. LOSS FROM OPERATIONS

	2006	2005
	HK$'000	HK$'000
		(Restated)
Loss from operations is stated at after charging:		
Auditors' remuneration	**500**	500
Amortisation of leasehold land	**15**	15
Depreciation on owned assets	**5,828**	5,587
Loss on disposal of property, plant and equipment	**28**	–
Operating lease rentals in respect of land and buildings	**634**	426
Provision for impairment loss on trade and other debtors	**6,412**	3,049
Staff costs, including directors' remuneration:		
– Retirement benefits scheme contributions	**109**	105
– Salaries and other benefits	**11,113**	12,300
and after crediting:		
Other income:		
Exchange gain	**–**	4
Gain on disposal of property, plant and equipment	**–**	272
Reversal of impairment loss in respect of property, plant and equipment	**–**	372
Reversal of other payables	**2,777**	5,779
	2,777	6,427

9. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**1,289**	2,395
Interest on bank borrowings and overdrafts wholly repayable beyond five years	**604**	436
Interest on borrowings wholly repayable within five years	**49**	–
	1,942	2,831

10. DIRECTORS' REMUNERATION

Details of remuneration of the directors of the Company for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Fees		Salaries and bonuses		Mandatory provident fund		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								
Mr. Yip Kwong	**–**	–	**2,460**	2,400	**12**	12	**2,472**	2,412
Mr. Kam Shing	**–**	–	**432**	432	**–**	–	**432**	432
Mr. Dai Zhong Cheng	**–**	–	**–**	700	**–**	–	**–**	700
Ms. Cheng Kit Yin, Kelly (Resigned on 7 January 2005)	**–**	–	**–**	784	**–**	6	**–**	790
Independent Non-executive directors								
Dr. Wong King Keung, Peter	**96**	–	**–**	–	**–**	–	**96**	–
Dr. Lau Lap Ping	**96**	96	**–**	–	**–**	–	**96**	96
Mr. Edmund Siu	**96**	72	**–**	–	**–**	–	**96**	72
	288	168	**2,892**	4,316	**12**	18	**3,192**	4,502

10. DIRECTORS' REMUNERATION *(Continued)*

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

	2006	2005
Nil – HK$1,000,000	**5**	6
HK$2,000,000 to HK$2,500,000	**1**	1
	6	7

No remuneration was paid by the Group to the directors 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 waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2005: four) directors, details of whose remuneration set out in Note 10 above. Details of the remuneration of the remaining three (2005: one) highest paid employee are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	**1,181**	487
Retirement benefits scheme contributions	**36**	12
Total emoluments	**1,217**	499

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

	Number of employee	
	2006	2005
Nil – HK$1,000,000	**3**	1

12. TAXATION

No provision for Hong Kong Profits Tax has been provided as the Group had no assessable profits arising in Hong Kong for the year (2005: Nil).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2006	2005
	HK$'000	HK$'000
Current taxation:		
Over provision in previous year – PRC	**15,142**	–
Deferred taxation:		
Reversal for the year *(Note 37)*	**–**	10,200
	15,142	10,200

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

Group	**2006**					
	Hong Kong		**PRC**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Loss before tax	**(19,789)**		**(23,279)**		**(43,068)**	
Tax at applicable tax rate	**(3,463)**	**(17.5)**	**(7,682)**	**(33.0)**	**(11,145)**	**(25.9)**
Estimated tax effect of income and expenses not taxable or deductible in determining profits tax	**1,134**	**5.7**	**3,867**	**16.6**	**5,001**	**11.6**
Tax losses not recognised	**2,329**	**11.8**	**3,815**	**16.4**	**6,144**	**14.3**
Over provision in previous year	**–**	**–**	**(15,142)**	**(65.0)**	**(15,142)**	**(35.2)**
Tax credited at the Group's effective rate	**–**	**–**	**(15,142)**	**(65.0)**	**(15,142)**	**(35.2)**

12. TAXATION *(Continued)*

Group	2005					
	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(38,879)		(19,686)		(58,565)	
Tax at applicable tax rate	(6,804)	(17.5)	(6,496)	(33.0)	(13,300)	(22.7)
Estimated tax effect of income and expenses not taxable or deductible in determining profits tax	680	1.7	5,111	26.0	5,791	10.0
Estimated tax effect of reversal of temporary differences previously recognised	–	–	(10,200)	(51.8)	(10,200)	(17.4)
Tax losses not recognised	6,124	15.8	1,385	7.0	7,509	12.7
Tax charge at the Group's effective rate	–	–	(10,200)	(51.8)	(10,200)	(17.4)

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the company is dealt with in the financial statements of the Company to the extent of HK$6,616,000 (2005: HK$178,500,000).

14. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 July 2006 (2005: Nil).

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company for the year ended 31 July 2006 of HK$28,010,000 (2005: HK$48,435,000 (restated)) and 676,999,859 (2005: 421,705,994) ordinary shares in issue during the year *(Note 28)*.

There were no potential dilutive shares in existence for the two years ended 31 July 2006 and 31 July 2005, accordingly, no diluted loss per share has been presented.

16. INVESTMENT PROPERTIES

	The Group	
	2006	2005
	HK$'000	HK$'000
At beginning of the year	**130,656**	140,500
Additions during the year	**201**	856
Loss arising from change in fair value	**(857)**	(10,700)
At end of the year	**130,000**	130,656

Investment properties were revalued at their open market values at 31 July 2006 by Knight Frank Petty Limited, an independent valuer, on an open market value basis. This valuation gave rise to a loss arising from change in fair value of HK$857,000 (2005: HK$10,700,000) which has been charged to the income statement.

The Group's investment properties with an aggregate carrying value of approximately HK$21,478,000 (2005: HK$22,414,000) have been pledged to secure credit facilities granted to the Group.

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

Property rental income earned during the year was approximately HK$1,525,000 (2005: HK$1,417,000). The property held had committed tenants for the next two years. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receivables:

	2006	2005
	HK$'000	HK$'000
Within one year	**1,757**	1,270
In the second to fifth year inclusive	**1,039**	–
	2,796	1,270

17. INTEREST IN LEASEHOLD LAND

	The Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Cost		
At 1 August, as previously reported	**–**	–
Effect of adopting HKAS 17	**15,773**	15,773
At 1 August, as restated and at 31 July	**15,773**	15,773
Accumulated amortisation		
At 1 August, as previously reported	**–**	–
Effect of adopting HKAS 17	**75**	373
At 1 August, as restated	**75**	373
Charge for the year	**15**	15
Reversal of impairment losses	**–**	(313)
At 31 July	**90**	75
Net book value		
At 31 July	**15,683**	15,698

The Group's interest in leasehold land represents prepaid operating lease payments and their net book value is analysed as follows:

	2006	2005
	HK$'000	HK$'000
		(Restated)
Land in Hong Kong held on long-term leases	**15,683**	15,698

As at 31 July 2006, certain of the Group's interest in leasehold land with an aggregate net book value of approximately HK$15,683,000 (2005: HK$15,698,000 (restated)) were pledged to secure banking facilities granted to the Group.

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold land and buildings HK$'000 (Restated)	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000 (Restated)
Cost					
At 1 August 2004, as previously reported	57,729	6,771	3,262	1,399	69,161
Effect of adopting HKAS 17	(15,773)	–	–	–	(15,773)
At 1 August 2004, as restated	41,956	6,771	3,262	1,399	53,388
Additions	–	354	254	486	1,094
Disposals	(4,886)	(425)	–	–	(5,311)
Exchange alignment	418	18	230	25	691
At 31 July 2005, as restated and at 1 August 2005	37,488	6,718	3,746	1,910	49,862
Additions	1,139	697	525	–	2,361
Disposals	–	(22)	(37)	–	(59)
Exchange alignment	214	37	18	7	276
Reclassified as non-current assets held for sale	(23,441)	–	–	–	(23,441)
At 31 July 2006	15,400	7,430	4,252	1,917	28,999
Depreciation and impairment loss					
At 1 August 2004, as previously reported	15,337	6,406	2,708	412	24,863
Effect of adopting HKAS 17	(347)	–	–	–	(347)
At 1 August 2004, as restated	14,990	6,406	2,708	412	24,516
Provided for the year	2,235	271	659	269	3,434
Reversal of impairment loss	(59)	–	–	–	(59)
On disposal written back	(2,802)	(350)	–	–	(3,152)
Exchange alignment	197	10	25	15	247
At 31 July 2005, as restated and at 1 August 2005	14,561	6,337	3,392	696	24,986
Provided for the year	2,351	366	709	148	3,574
Impairment loss	700	–	–	–	700
On disposal written back	–	(22)	(9)	–	(31)
Exchange alignment	97	38	10	90	235
Reclassified as non-current assets held for sale	(12,430)	–	–	–	(12,430)
At 31 July 2006	5,279	6,719	4,102	934	17,034
Net book value					
At 31 July 2006	**10,121**	**711**	**150**	**983**	**11,965**
At 31 July 2005, as restated	22,927	381	354	1,214	24,876

Reversal of impairment loss of HK$59,000 (restated) in respect of leasehold land and buildings was recognised during the year ended 31 July 2005.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2006 HK$'000	2005 HK$'000 (Restated)
Land in Hong Kong held on long-term leases	**10,121**	10,892
Land in PRC held on medium-term leases	**–**	12,035
	10,121	22,927

19. GOLF RESORT

	The Group HK$'000
Cost	
At 1 August 2004	162,789
Addition	1,029
Exchange alignment	1,732
At 31 July 2005 and at 1 August 2005	165,550
Addition	1,158
Exchange alignment	880
At 31 July 2006	167,588
Depreciation and impairment	
At 1 August 2004	10,964
Provided for the year	2,151
Impairment loss	8,800
At 31 July 2005 and at 1 August 2005	21,915
Provided for the year	2,254
Impairment loss	9,019
At 31 July 2006	33,188
Net book value	
At 31 July 2006	**134,400**
At 31 July 2005	143,635

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

Impairment loss of HK$9,019,000 (2005: HK$8,800,000) at 31 July 2006 was recognised by reference to the valuation report issued by Knight Frank Petty Limited dated 9 November 2006, an independent valuer, which valued the golf resort on an open market value basis as at 31 July 2006.

20. PROPERTIES UNDER DEVELOPMENT/PROPERTIES HELD FOR SALE

The Group

	2006	2005
	HK$'000	HK$'000
Properties under development, at cost	**72,706**	72,706
Less: Accumulated impairment	**(38,306)**	(32,512)
	34,400	40,194

Impairment loss of HK$5,794,000 (2005: HK$10,800,000) in respect of properties under development was recognised during the year by reference to the valuation report issued by Knight Frank Petty Limited dated 9 November 2006, an independent valuer, which valued the properties on estimated market value when completed basis.

Up to 31 July 2006, properties under development included net interest capitalised of approximately HK$3,968,000 (2005: HK$3,968,000).

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

21. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at carrying value *(Note (a))*	**10**	10
Unlisted shares, at cost	**140,000**	140,000
	140,010	140,010
Less: Impairment losses recognised	**(46,200)**	(46,200)
	93,810	93,810

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

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

(b) 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.

(c) Details of the Company's principal subsidiaries as at 31 July 2006 are set out in Note 43 to the financial statements.

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

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Amounts due from subsidiaries	**165,901**	963,858
Amounts due to subsidiaries	**(170,717)**	(175,870)
Provision for impairment loss	**–**	(765,127)
	(4,816)	22,861
Carrying amount analysed for reporting purposes as:		
Amounts due from subsidiaries	**165,901**	198,731
Amounts due to subsidiaries	**(170,717)**	(175,870)
	(4,816)	22,861

Notes:

(a) The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and has no fixed terms of repayment. The directors considered that the carrying amounts of amount due from/to subsidiaries approximate to their fair value.

(b) The carrying amount of amounts due from 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.

23. INTERESTS IN AN ASSOCIATE

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed shares, at cost	**–**	–	**8,840**	8,840
Share of net assets	**25,925**	29,382	**–**	–
	25,925	29,382	**8,840**	8,840
Market value of listed securities *(Note (a))*	**6,461**	43,937	**5,936**	40,364

Notes:

(a) The trading of listed securities was suspended during the year ended 31 July 2005 and thus the market value could not be determined by reference to the closing price at 31 July 2005. The market value of these listed securities was determined by reference to their latest available quoted market price at 31 July 2005. At 31 July 2006, the market value of these listed securities by reference to their quoted market prices attributable to the Group and the Company amounted to HK$6,461,000 and HK$5,936,000 respectively.

Details of the Group's associate at 31 July 2006 are as follows:

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

23. INTERESTS IN AN ASSOCIATE *(Continued)*

The amount due to an associate is unsecured, interest free and has no fixed terms of repayment.

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

	2006	2005
	HK$'000	HK$'000
Non-current assets	**106,984**	119,748
Current assets	**21,577**	46,547
Current liabilities	**9,425**	26,564
Turnover	**13,523**	8,324
Loss for the year attributable to equity holders of the Company	**18,457**	19,586

24. TRADE DEBTORS – DUE AFTER ONE YEAR

	The Group	
	2006	2005
	HK$'000	HK$'000
Trade debtors – due after one year	**4,823**	4,823
Less: Provision for impairment loss on trade debtors *(Note (b))*	**(4,823)**	–
	–	4,823

Notes:

(a) The amounts represent non-current portion of trade receivables from sales of completed properties. The amounts bear interest at commercial rates and secured by sales of completed properties.

(b) The carrying amounts of trade debtors – due after one year is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated.

24. TRADE DEBTORS – DUE AFTER ONE YEAR *(Continued)*

(c) The movements in provision for impairment losses of trade debtors – due after one year were as follows:

	2006	2005
	HK$'000	HK$'000
At 1 August	**–**	–
Provision for impairment loss on trade debtors – due after one year	**4,823**	–
At 31 July	**4,823**	–

25. TRADE AND OTHER DEBTORS

	The Group	
	2006	2005
	HK$'000	HK$'000
Trade and other debtors	**7,524**	5,753
Less: Provision for impairment loss on trade and other debtors	**(4,638)**	(3,049)
	2,886	2,704

The credit terms granted to customers ranges from 30 to 90 days. The aged analysis of trade and other debtors is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
0 to 30 days	**1,115**	369
31 to 60 days	**434**	367
61 to 90 days	**44**	–
91 to 180 days	**20**	9
181 to 365 days	**230**	101
Over 365 days	**5,681**	4,907
	7,524	5,753
Less: Provision for impairment loss on trade and other debtors *(Note (b))*	**(4,638)**	(3,049)
	2,886	2,704

25. TRADE AND OTHER DEBTORS *(Continued)*

Notes:

(a) The directors considered that the carrying amounts of the Group's trade and other debtors approximate to their fair values.

(b) The carrying amounts of trade and other debtors is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated.

(c) The movements in provision for impairment losses of trade and other debtors were as follows:

	2006	2005
	HK$'000	HK$'000
At 1 August	**3,049**	–
Provision for impairment loss on trade and other debtors	**1,589**	3,049
At 31 July	**4,638**	3,049

26. OTHER DEPOSIT

The Group and the Company

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

27. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE/ LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	The Group	
	2006	2005
	HK$'000	HK$'000
Non-current assets classified as held for sale:		
Property, plant and equipment	**11,011**	–
Liabilities directly associated with non-current assets classified as held for sale:		
Trade and other creditors	**3,447**	–
Accrued charges	**208**	–
	3,655	–

On 8 August 2006, a wholly owned subsidiary of the Group, Evergreen Holdings Limited, entered into a sales and purchase agreement with an independent third party to sell the entire share capital of Marvelink Limited ("Marvelink"), a wholly owned subsidiary of the Group. The assets and liabilities related to Marvelink have been presented as held for sale.

28. SHARE CAPITAL

	Number of shares	Amount HK$'000
Share of HK$0.05 each		
Authorised:		
At 1 August 2004	8,000,000,000	800,000
Effect of decrease in nominal value of shares from HK$0.10 each to HK$0.01 each *(Note (a))*	72,000,000,000	–
Share consolidation *(Note (c))*	(64,000,000,000)	–
At 31 July 2005 and at 31 July 2006	16,000,000,000	800,000
Issued and fully paid:		
At 1 August 2004	2,256,666,196	225,667
Effect of decrease in nominal value of shares from HK$0.10 each to HK$0.01 each *(Note (a))*	–	(203,100)
Rights issue *(Note (b))*	1,128,333,098	11,283
Share consolidation *(Note (c))*	(2,707,999,435)	–
At 31 July 2005 and at 31 July 2006	676,999,859	33,850

Notes:

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

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

28. SHARE CAPITAL *(Continued)*

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

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

29. SHARE OPTION SCHEME

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

No options were granted to any directors and employees of the Company during the two years ended 31 July 2005 and 31 July 2006 pursuant to the New Scheme.

30. RESERVES

(a) The Group

The amounts of the Group reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 26 of the financial statements.

(b) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000 *(Note (a))*	Accumulated losses HK$'000	Total HK$'000
At 1 August 2004	399,499	–	77,033	(459,381)	17,151
Capital reduction *(Note (b))*	–	–	–	203,100	203,100
Cancellation of share premium accounts *(Note (c))*	(399,499)	143,218	–	256,281	–
Premium arising from rights issue, net of expenses *(Note (d))*	31,879	–	–	–	31,879
Loss for the year	–	–	–	(178,500)	(178,500)
At 31 July 2005 and at 1 August 2005	31,879	143,218	77,033	(178,500)	73,630
Loss for the year	–	–	–	(6,616)	(6,616)
At 31 July 2006	**31,879**	**143,218**	**77,033**	**(185,116)**	**67,014**

30. RESERVES *(Continued)*

(b) The Company *(Continued)*

Notes:

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

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

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

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

31. BANK BORROWINGS, SECURED

	The Group	
	2006	2005
	HK$'000	HK$'000
Bank loans	**23,812**	30,105
The maturity of the above bank borrowings is as follows:		
On demand or within one year	**14,350**	18,844
More than one year but not exceeding two years	**1,932**	1,885
More than two years but not exceeding five years	**6,529**	6,170
More than five years	**1,001**	3,206
	23,812	30,105
Less: Amount due within one year shown under current liabilities	**(14,350)**	(18,844)
Amount due after one year	**9,462**	11,261

32. INTEREST BEARING BORROWINGS – DUE WITHIN ONE YEAR

The interest bearing borrowing was borrowing from an independent third party and bears an interest rate of 1.5% per annum. The date of repayment of the borrowing will be on or before 31 July 2006.

33. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand.

34. BANK OVERDRAFTS

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts, secured	**705**	20,222	**–**	–
Bank overdrafts	**–**	147	**–**	129
	705	20,369	**–**	129

35. TRADE AND OTHER CREDITORS

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other creditors	**6,489**	14,011	**2,248**	1,514
Amount due to an ex-director	**12,852**	16,439	**12,852**	16,439
	19,341	30,450	**15,100**	17,953

The amount due to an ex-director is unsecured, interest free and repayable on demand.

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

	The Group	
	2006	2005
	HK$'000	HK$'000
0 to 30 days	**933**	1,044
31 to 60 days	**96**	808
61 to 90 days	**11**	17
91 to 180 days	**4**	27
181 to 365 days	**46**	71
Over 365 days	**5,399**	12,044
	6,489	14,011

The directors considered that the carrying amounts of the Group's trade and other creditors approximate to their fair values.

36. PROVISION FOR CLAIMS

	The Group	
	2006	2005
	HK$'000	HK$'000
At 1 August	**2,000**	–
Provision for the year	**1,800**	2,000
At 31 July	**3,800**	2,000

In 2002, the liquidators of Wing Fai have taken legal action against the Group and three directors (one is by now an ex-director) for alleged financial assistance. Wing Fai then decided to discontinue its claim against one of the directors. The action was settled before the commencement of trial by agreement between the parties in August 2006. The Group agreed to pay HK$3,800,000 inclusive of costs to Wing Fai.

A provision of HK$2,000,000 for claims has been made in the financial statements for the year ended 31 July 2005 and additional HK$1,800,000 has been made in the financial statements for the year ended 31 July 2006 for the Group's exposure to the above action.

37. DEFERRED TAXATION

	The Group	
	2006	2005
	HK$'000	HK$'000
Balance brought forward	**–**	10,200
Transfer to income statement *(Note 12)*	**–**	(10,200)
Balance carried forward	**–**	–

No provision for deferred tax liabilities has been made as the Group had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2005: Nil).

Estimated tax losses of approximately HK$61,775,000 (2005: HK$55,159,000) are available to offset future profits. Deferred tax assets have not been recognised due to the unpredictability of future profit streams.

37. DEFERRED TAXATION *(Continued)*

The Company

The Company did not have any significant unprovided deferred tax liabilities at 31 July 2006 (2005: Nil).

Estimated tax losses of approximately HK$58,921,000 (2005: HK$52,305,000) are available to offset future profits. Deferred tax assets have not been recognised due to the unpredictability of future profit streams.

38. COMMITMENTS

Operating lease commitment:

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

	2006	2005
	HK$'000	HK$'000
Operating leases which expire:		
– within one year	**166**	187

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

Capital commitment:

At the balance sheet date, the Group or the Company did not have any significant commitments (2005: Nil).

39. PLEDGE OF ASSETS

The Group

At 31 July 2006, the Group's leasehold land and buildings having a carrying value of approximately HK$25,895,000 (2005: HK$26,644,000), bank deposits of approximately HK$2,045,000 (2005: HK$54,991,000), certain investment properties *(Note 16)* and certain properties held for sale *(Note 20)* of the Group have been pledged to banks to secure credit facilities granted to the Group.

40. CONTINGENT LIABILITIES AND ASSETS

The Group

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

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

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

(b) In 2002, the liquidators of Wing Fai have taken legal action against the Group and three directors (one is by now ex-director) for alleged financial assistance. Wing Fai then decided to discontinue its claim against one of the directors. The action was settled before the commencement of trial by agreement between the parties in August 2006. The Group agreed to pay HK$3,800,000 inclusive of costs to the liquidators of Wing Fai.

A provision of HK$2,000,000 for claims has been made in the financial statements for the year ended 31 July 2005 and additional HK$1,800,000 has been made in the financial statements for the year ended 31 July 2006 for the Group's exposure to the above action.

40. CONTINGENT LIABILITIES AND ASSETS *(Continued)*

The Group *(Continued)*

(c) Wing Fai has issued proceedings against the Company on 25 October 2004, in respect of a comfort letter issued by the Company to the directors of Wing Fai on 23 November 2001. The liquidators of Wing Fai alleged that this letter evidenced a contract and that in breach of the same, the Company failed to provide funds to Wing Fai so as to allow it to meet its obligations as they fell due.

In the opinion of the Company's legal advisors, the Company has a very good defence and therefore it is unlikely that there would be any contingent liability, except that part of the legal costs incurred which may not be recoverable or in the event that Wing Fai does not have funds to reimburse the Company costs. No developments have taken place up to 31 July 2006 and the date of approval of these financial statements.

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

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

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

Benefit took legal action against Mr. Chim for the sum of HK$40 million plus HK$3 million balance purchase price and obtained a judgement against Sino Glister and Mr. Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Chim. Mr. Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 July 2006 and the date of approval of these financial statements, no further action has taken place.

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

40. CONTINGENT LIABILITIES AND ASSETS *(Continued)*

The Group *(Continued)*

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

The Company

The Company has given corporate guarantees to banks in respect of banking facilities granted to its subsidiaries of which approximately HK$23,812,000 (2005: HK$11,261,000) were utilised at the balance sheet date.

41. EVENTS AFTER THE BALANCE SHEET DATE

(a) Pursuant to an ordinary resolution passed at the extraordinary general meeting of GreaterChina on 1 September 2006, GreaterChina issued 1,220,544,000 ordinary shares at HK$0.01 each by way of an open offer at an issue price of HK$0.015 per offer share on the basis of three offer shares for every two existing shares of GreaterChina held on 1 September 2006 for gross proceeds of HK$18,308,160. The Group did not accept the offer and consequently, the Group's ownership interest held in GreaterChina was diluted from 32% to 12%.

(b) On 8 August 2006, a wholly owned subsidiary of the Group, Evergreen Holdings Limited, entered into a sales and purchase agreement with an independent third party to sell the entire share capital of Marvelink Limited, a wholly owned subsidiary of the Group.

42. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group entered into the following material transactions with related parties during the year.

(a) Transactions with related parties

(i) The Group paid information technology advisory fee of approximately HK$50,400 (2005: HK$53,000) to GreaterChina and its subsidiaries (the"GreaterChina Group"). The fee was determined at prices agreed between the parties.

(ii) The Group received rental income of approximately HK$900,000 (2005: HK$930,000) and management fee income of approximately HK$638,000 (2005: HK$1,044,000) from a related company in which Mr. Yip Kwong, Robert, has beneficial interest.

(iii) At 31 July 2006, an amount of approximately HK$864,000 (2005: HK$185,000) was due to GreaterChina Group. Amount due to GreaterChina Group is unsecured, non-interest bearing and repayable on demand.

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

(b) Compensation of key management personnel

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	**3,228**	3,532
Pension scheme contributions	**24**	12
	3,252	3,544

Further details of directors' emoluments are included in Note 10 to the financial statements.

43. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2006 are as follows:

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
Benefit Holdings International Limited *(note a)*	British Virgin Islands	100%	US$200	Investment holding
Bright Success Enterprises Limited	British Virgin Islands	100%	US$1	Investment holding
Build Policy Limited	Hong Kong	100%	Ordinary HK$100 Non-voting deferred *(note b)* HK$2	Investment holding
Business Rootis Limited	Hong Kong	100%	Ordinary HK$100 Non-voting deferred *(note b)* HK$2	Property holding
China Rich Construction Company Limited	Hong Kong	100%	Ordinary HK$2	Investment holding
China Rich Properties Limited ("China Rich Properties")	Hong Kong	100%	Ordinary HK$10,000,000	Property development
Condor Holdings Limited	Hong Kong	100%	Ordinary HK$10,000	Investment holding
Evergreen Club Limited	Hong Kong	100%	Ordinary HK$2	Operation of a retirement club
Marvelink Limited	British Virgin Islands	100%	US$2	Investment holding
Mega Pacific Holdings Limited ("Mega")	Hong Kong	98%	Ordinary HK$38,747,557	Investment holding

43. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

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

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

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

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

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

(f) Gaoming Silver Ocean was established in the PRC in August 1993 in accordance with a Sino-foreign cooperative joint venture agreement ("JV agreement") entered into between Norton International Limited and a PRC party on 29 July 1993. Pursuant to the agreement entered into between the Group and the relevant PRC parties on 26 July 1997, the entire interest of Norton International Limited in Gaoming Silver Ocean was transferred to the Group. Pursuant to the JV agreement and the supplemental agreement, the joint venture is for a period of 30 years from August 1993 and can be extended to a period subject to the negotiation between the parties. The Group is entitled to a profit sharing ratio of 80%. However, if Gaoming Silver Ocean operates at a loss, all the loss will be borne by the Group. Gaoming Silver Ocean has a registered capital of US$8,000,000. Up to 31 July 2006, the Group has contributed an aggregate investment of HK$40,954,000.

44. 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.

45. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 November 2006.