PALADIN LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 495

ANNUAL REPORT

2007

CONTENTS

	Page
Corporate Information	2
Chairman's Statement	3
Biography of Directors	5
Corporate Governance Report	6
Directors' Report	10
Independent Auditor's Report	17
Consolidated Income Statement	19
Consolidated Balance Sheet	20
Consolidated Statement of Changes in Equity	22
Consolidated Cash Flow Statement	23
Notes to the Consolidated Financial Statements	25
Financial Summary	70
Schedule of Property Interests	71

DIRECTORS

Law Fong *(Chairman)*
Chen Te Kuang Mike
Oung Shih Hua, James
Zhu Pei Qing
Lu Ti Fen
Kwok Wai Chi

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Chan Chi Ho

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Wing Lung Bank Limited

SOLICITORS

Richards Butler
Holman, Fenwick & Willan

PRINCIPAL REGISTRARS

Reid Management Limited
Argyle House
41A Cedar Avenue
Hamilton HM12
Bermuda

REGISTRARS IN HONG KONG

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL OFFICE

45th Floor, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are re-development of a property project at Nos. 8, 10 and 12 Peak Road (the "Peak Road Project") and trading of textiles.

BUSINESS REVIEW AND PROSPECT

Re-development

The Peak Road Project located at Nos. 8, 10 and 12 Peak Road, Hong Kong consists of 34 apartment units and a 3-storey private house and the gross floor area is approximately 119,000 square feet. The Group commenced the pre-sale of the Peak Road Project in November 2004 and has sold 10 apartment units in previous years. During the year, the Group sold 1 apartment unit for approximately HK$48 million.

The returns from the Peak Road Project will significantly improve the Group's financial position and the Company is still looking for new investment opportunities.

Trading of textiles

The management of the Company is currently focusing the resources of the Group on the development, completion and marketing of the Peak Road Project. As a result, this sector has not generated any income for the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2007, net current assets of the Group were approximately HK$957 million. The current ratio was 2.84. The pledged bank deposits, bank balances and cash were approximately HK$34 million.

As at 30 June 2007, the Group has outstanding liabilities of approximately HK$1,358 million comprising (i) secured bank loans of approximately HK$926 million, (ii) other loans and amounts due to directors of subsidiaries of approximately HK$184 million and (iii) other payables of approximately HK$248 million. The bank borrowings are on floating interest rates basis.

The majority of the Group's assets and borrowings are denominated either in Hong Kong dollars or US dollars thereby avoiding exposure to undesirable exchange rate fluctuations. In view of the stability of the exchange rate of HK dollars and US dollars, the directors consider that the Group has no significant exposure to exchange fluctuation and does not pledge against foreign exchange risk.

The Group's bank loans and other loans were secured by investment properties, leasehold properties, bank deposits and properties held for sales of approximately HK$1,129 million.

The Directors consider that it is not meaningful to publish a gearing ratio of the Group unit such time as the Group is in a positive shareholders equity position.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2007, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2007, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group employed total of 15 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2007, the Company has contingent liabilities of approximately HK$80 million relating to corporate guarantees given in respect of bank credit facilities granted to an independent third party. In addition, there were contingent liabilities in respect of certain legal proceedings against certain subsidiaries of the Company. The aggregate amount of claim was approximately HK$6 million. In the opinion of the directors, the remaining balances of liabilities were remote and no provision has been made in the consolidated financial statements.

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2006: Nil).

ACKNOWLEDGEMENT

On behalf of my fellow directors, I wish to thank all staff and employees for their diligence and loyal support during the year under review.

By order of the Board
Law Fong
CHAIRMAN

Hong Kong, 26 October 2007

EXECUTIVE DIRECTORS

Mr. Law Fong, aged 82, joined the Group in 1994. He has over 22 years of experience in the textile industry and 9 years of experience in property development. He retired from his textile and property development businesses in 1985. He is currently a resident of Hong Kong.

Mr. Chen Te Kuang Mike, aged 29, joined the Group in 2004. He has more than 5 years' management and production experience in electronics industry.

NON-EXECUTIVE DIRECTOR

Mr. Oung Shih Hua, James, aged 32, joined the Group in 1995. He holds a bachelor degree in Science from New York University. He is engaging in textile trading and electronic business. He is currently a president of a private electronic company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Pei Qing, aged 70, joined the Group in 2000. He previously worked for the Ministry of Foreign Affairs of the People's Republic of China, and was the ambassador of Lebanon for the People's Republic of China before his retirement.

Ms. Lu Ti Fen, aged 46, joined the Group in 2003. She graduated from Mining Chuan University in Taiwan with a bachelor degree in management and has over 18 years of experience in manufacturing, accounting and financial management.

Mr. Kwok Wai Chi, aged 30, joined the Group in 2004. He holds a bachelor degree in Business Administration from the Hong Kong University of Science and Technology and is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is currently a principal of a wealth management and financial planning company.

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company. The Company has applied the principles in and complied with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30 June 2007 except for certain deviations disclosed herein.

The Company periodically reviews its corporate governance practices to ensure that they continuous meeting the requirements of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the year ended 30 June 2007.

BOARD OF DIRECTORS

The Board comprises two executive directors, one non-executive director and three independent non-executive directors.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the internal control system of the Group. Apart from these regular meetings, Board meetings are also held to approve major or special issues.

6 Board meetings were held during the year ended 30 June 2007.

Members of the Board, number of Board meetings held and the attendance of each member during the year are set out as follows:

	Number of meetings attended/ Number of Board meetings held
Executive directors	
Law Fong	6/6
Chen Te Kuang Mike	6/6
Non-executive director	
Oung Shih Hua, James	2/6
Independent non-executive directors	
Zhu Pei Qing	2/6
Lu Ti Fen	2/6
Kwok Wai Chi	2/6

Mr. Chen Te Kuang Mike is the cousin of Mr. Oung Shih Hua, James.

The Company has received from each independent non-executive director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rule. The Company considers that all of the independent non-executive directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Law Fong whereas the Chief Executive Officer of the Company is Mr. Chen Te Kuang Mike. Their roles are separated, with a clear division of responsibilities. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Code provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election and under the Code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Currently, the non-executive director and three independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the bye-laws of the Company. In addition, under the provisions of the bye-laws of the Company, the Chairman of the Board and/or the Managing Director of the Company are not subject to retirement by rotation or be taken into account in determining the number of directors to retire each year. Finally, new directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments and the directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years.

The Company will review the current bye-laws as and when it becomes appropriate in future.

REMUNERATION COMMITTEE

The Remuneration Committee was established with a specific written terms of reference. The Remuneration Committee comprises two independent non-executive directors and one non-executive director. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive directors and senior management of the Company.

Members of the Remuneration Committee are as follows:

Independent non-executive directors

Zhu Pei Qing
Lu Ti Fen

Non-executive director

Oung Shih Hua, James

No Remuneration Committee meeting was held during the year.

NOMINATION OF DIRECTORS

The Company did not establish a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no independent non-executive director being involved in assessing his own independence.

AUDITOR'S REMUNERATION

For the year ended 30 June 2007, fees payable to the auditor of the Group for audit and non-audit services amounted to HK$750,000 and HK$640,000 respectively.

AUDIT COMMITTEE

The Audit Committee was established with a specific written terms of reference. The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and recommendations to the Board.

Two Audit Committee meetings were held during the year ended 30 June 2007. Members of the Audit Committee, number of Audit Committee meetings held and the attendance of each member during the year are set out as follows:

	Number of meetings attended/ Number of meetings held
Non-executive director	
Oung Shih Hua, James	2/2
Independent non-executive directors	
Zhu Pei Qing	2/2
Lu Ti Fen	2/2
Kwok Wai Chi	2/2

During the year ended 30 June 2007, the Audit Committee met mainly to review the Company's annual report for the year ended 30 June 2006, the Company's interim report for the six months ended 31 December 2006.

INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Company and for reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group.

The management is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are engaged in investment holding, property development and investment, and general trading.

RESULTS

The results of the Group for the year ended 30 June 2007 are set out in the consolidated income statement on page 19.

PRINCIPAL SUBSIDIARIES

The details of the Company's principal subsidiaries are set out in note 34 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were fair valued as at 30 June 2007 by a firm of independent professional property valuers and the gain arising on change in fair value of investment properties of approximately HK$7,600,000 had been credited directly to consolidated income statement. Details of these are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 30 June 2007, the Company had no reserves available for distribution.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Law Fong *(Chairman)*
Chen Te Kuang Mike

Non-executive director:

Oung Shih Hua, James

Independent non-executive directors:

Zhu Pei Qing
Lu Ti Fen
Kwok Wai Chi

In accordance with the provisions of the Company's Bye-laws, Messrs. Lu Ti Fen and Kwok Wai Chi retire and, being eligible, offer themselves for re-election.

The term of office for each non-executive director or independent non-executive director, is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, the interests and short positions of the directors of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") were as follows:

Ordinary shares of HK$0.01 each of the Company (long position):

Name of director	Capacity	Number of issued ordinary shares held	Percentage of issued ordinary shares of the Company held
Chen Te Kuang Mike	Beneficial owner	5,000,000	0.94%
	Held by a controlled corporation *(Note)*	21,035,000	3.96%
		26,035,000	4.90%
Oung Shih Hua, James	Beneficial owner	5,000,000	0.94%

Convertible redeemable preference shares of HK$0.01 each of the Company (long position):

Name of director	Capacity	Number of issued convertible redeemable preference shares held	Percentage of issued convertible redeemable preference shares held
Chen Te Kuang Mike	Beneficial owner	2,500,000	0.96%
	Held by a controlled corporation *(Note)*	9,099,014	3.48%
		11,599,014	4.44%
Oung Shih Hua, James	Beneficial owner	2,500,000	0.96%

Note: These shares are held by Goldenfield Equities Limited, a company in which Chen Te Kuang Mike has 40% beneficial interest in Goldenfield Equities Limited.

Other than as disclosed above, as at 30 June 2007, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the persons (other than the directors of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued ordinary shares of the Company held
Five Star Investments Limited ("Five Star") *(Note)*	Beneficial owner	267,815,017	50.42%

Name of shareholder	Capacity	Number of issued convertible redeemable preference shares held	Percentage of issued convertible redeemable preference shares held
Five Star *(Note)*	Beneficial owner	133,907,508	51.25%
Oung Da Ming	Beneficial owner	50,000,000	19.14%

Note: Five Star is owned as to 67% by Oung Chin Liang Fung, grandmother of Oung Shih Hua, James, and 33% by Lilian Oung, mother of Chen Te Kuang Mike.

Other than as disclosed above, as at 30 June 2007, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Details of the Company's share option scheme are set out in note 26 to the consolidated financial statements. No share options have been granted under the scheme since its adoption.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the spouses or children under the age of 18 of the directors had any right to subscribe for the securities of the Company or had exercised such rights during the year.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the directors' interest in contracts of significance are set out in note 31 to the consolidated financial statements.

Save as disclosed above, there was no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE

In accordance with the disclosure requirements of Rules 13.18 and 13.21 of The Rules Governing The Listing of Securities on the Stock Exchange (the "Listing Rules"), the following disclosure is included in respect of the Group's loan agreement, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to the loan agreement entered into between the Group and a bank in June 2006 relating to a 300-months loan facility up to HK$550 million, a default event would arise if Five Star ceases to be the beneficial owner of at least 50.5% (in aggregate) of the issued share capital of the Company and the issued convertible redeemable preference shares of the Company.

CONNECTED TRANSACTIONS

Details of the connected transactions entered into during the year are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practice are set out in the "Corporate Governance Report" section to the annual report.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

The audit committee comprises one non-executive director and three independent non-executive directors and reports to the board of the directors. The audit committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the executive directors of the Company on the basis of their merit, qualifications and competence.

The emolument of the directors of the Company is determined by the board of directors of the Company after recommendation from the Remuneration Committee, having regard to the responsibilities of the directors, the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to the directors and eligible employees, details of the scheme is set out in note 26 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 30 June 2007 as required under the Listing Rules.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 33 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Law Fong
CHAIRMAN

Hong Kong
26 October 2007

Deloitte.
德勤

TO THE SHAREHOLDERS OF PALADIN LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Paladin Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 19 to 69, which comprise the consolidated balance sheet as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 30 June 2007 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group had net liabilities of approximately HK$48,734,000 as at 30 June 2007 and explains that the Group is dependent upon the financial support of its bankers and other lenders. As explained in note 33 to the consolidated financial statements, the Group will make an open offer of 396,203,711 convertible redeemable preference shares, subsequent to the balance sheet date, at the subscription price of HK$0.50 per convertible redeemable preference share in the proportion of one convertible redeemable preference share for every two existing ordinary shares and every two existing convertible redeemable preference shares held. Provided that the Group can raise approximately HK$198 million, being the planned proceeds, from the open offer of 396,203,711 convertible redeemable preference shares at the subscription price of HK$0.50 per convertible redeemable preference share and on the basis that the Group will spend not more than HK$130 million in respect of the development and establishment of a high technology manufacturing facility in Wuhan East Lake High-Technology Development Zone in the forthcoming twelve months, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 October 2007

Consolidated Income Statement

For the Year ended 30 June 2007

	Notes	**2007** HK$'000	2006 HK$'000
Turnover	7	**48,298**	3,110
Cost of sales		**(28,771)**	(3,149)
Gross profit (loss)		**19,527**	(39)
Other income		**1,308**	711
Administrative expenses		**(34,583)**	(51,734)
Gain arising from change in fair value of investment properties	14	**7,600**	54,656
Gain arising from change in fair value of option derivatives	23	**3,630**	740
Gain arising from transfer of properties held for sale to investment properties	14	**–**	5,900
Loss arising from issue of option derivatives	23	**–**	(9,850)
Loss arising from settlement of litigation claim	33(ii)	**(39,081)**	–
Finance costs	9	**(56,565)**	(40,154)
Loss before taxation		**(98,164)**	(39,770)
Taxation charge	10	**(10,895)**	–
Loss for the year attributable to equity holders of the Company	11	**(109,059)**	(39,770)
Loss per share – basic	13	**(20.61) HK cents**	(7.53) HK cents

Consolidated Balance Sheet

At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties	14	**175,500**	167,900
Property, plant and equipment	15	**167,338**	170,045
Available-for-sale investments	16	**8,800**	7,500
		351,638	345,445
Current assets			
Properties held for sale	17	**919,754**	948,525
Other receivables, deposits and prepayments		**3,762**	2,684
Pledged bank deposits	18	**21,278**	20,144
Bank balances and cash	19	**12,559**	10,316
		957,353	981,669
Current liabilities			
Other payables and accrued charges		**135,680**	199,575
Amount due to a director of subsidiaries	20	**24,098**	3,426
Taxation payable		**345**	345
Secured bank borrowings – amount due within one year	21	**20,787**	154,965
Other loans – amount due within one year	22	**95,561**	239,577
Option derivatives	23	**5,480**	9,110
Provision for settlement of litigation claim	33(ii)	**55,000**	–
		336,951	606,998
Net current assets		**620,402**	374,671
		972,040	720,116

At 30 June 2007

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	24	**5,312**	264,136
Reserves		**(54,046)**	(231,046)
		(48,734)	33,090
Non-current liabilities			
Secured bank borrowings – amount due after one year	21	**905,568**	617,082
Other loans – amount due after one year	22	**64,573**	69,944
Convertible redeemable preference shares	25	**39,738**	–
Deferred tax liabilities	27	**10,895**	–
		1,020,774	687,026
		972,040	720,116

The consolidated financial statements on pages 19 to 69 were approved and authorised for issue by the Board of Directors on 26 October 2007 and are signed on its behalf by:

CHAIRMAN *DIRECTOR*

Consolidated Statement of Changes in Equity

For the Year ended 30 June 2007

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Contributed surplus**	**Capital reserve**	**Translation reserve**	**Investment revaluation reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note a)	*(note b)*				
At 1 July 2005	264,136	279,617	132,176	–	(3,088)	–	(599,981)	72,860
Loss for the year and total recognised loss for the year	–	–	–	–	–	–	(39,770)	(39,770)
At 30 June 2006 and 1 July 2006	264,136	279,617	132,176	–	(3,088)	–	(639,751)	33,090
Loss for the year	–	–	–	–	–	–	(109,059)	(109,059)
Change in fair value of available-for-sale investment and total income recognised directly in equity	–	–	–	–	–	1,300	–	1,300
Total recognised income and expenses for the year	–	–	–	–	–	1,300	(109,059)	(107,759)
Reduction of share capital, share premium and contributed surplus to offset accumulated losses *(see note 24)*	(258,853)	(279,617)	(132,176)	–	–	–	670,646	–
Recognition of equity component of convertible redeemable preference shares *(see note 25)*	–	–	–	26,968	–	–	–	26,968
Issue costs of convertible redeemable preference shares *(see note 25)*	–	–	–	(1,458)	–	–	–	(1,458)
Issue of shares on conversion of convertible redeemable preference shares	29	689	–	(293)	–	–	–	425
	(258,824)	(278,928)	(132,176)	25,217	–	–	670,646	25,935
At 30 June 2007	5,312	689	–	25,217	(3,088)	1,300	(78,164)	(48,734)

Notes:

(a) The contributed surplus of the Group represents the surplus arising on acquisition of subsidiaries through the group reorganisation in the preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1991.

(b) The capital reserve represents the equity component of convertible redeemable preference shares issued during the year ended 30 June 2007.

Consolidated Cash Flow Statement

For the Year ended 30 June 2007

	2007	2006
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(98,164)**	(39,770)
Adjustments for:		
Depreciation of property, plant and equipment	**5,010**	4,681
Finance costs	**56,565**	40,154
Interest income	**(584)**	(152)
Gain arising from change in fair value of investment properties	**(7,600)**	(54,656)
Gain arising from change in fair value of option derivatives	**(3,630)**	(740)
Gain arising from transfer of properties held for sale to investment properties	**–**	(5,900)
Loss arising from settlement of litigation claim	**39,081**	–
Loss arising from issue of option derivatives	**–**	9,850
Operating cash flows before movements in working capital	**(9,322)**	(46,533)
Decrease in properties held for sale	**28,771**	–
Increase in other receivables, deposits and prepayments	**(1,078)**	(1,504)
Decrease in other payables and accrued charges	**(48,192)**	(233,325)
Decrease in property sale receivables	**–**	383,201
Decrease in receivable from stakeholder's account	**–**	21,923
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(29,821)**	123,762
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**584**	152
Purchase of property, plant and equipment	**(2,303)**	(122)
Increase in pledged bank deposits	**(1,134)**	(16,961)
NET CASH USED IN INVESTING ACTIVITIES	**(2,853)**	(16,931)

For the Year ended 30 June 2007

	2007	2006
	HK$'000	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(53,142)**	(11,053)
Other loans raised	**24,362**	18,080
Repayment of other loans	**(173,749)**	(251,269)
Bank borrowings raised	**314,401**	1,295,473
Repayment of bank borrowings	**(160,093)**	(1,114,426)
Advance from (repayment to) a director of subsidiaries	**20,672**	(33,554)
Proceeds from issue of convertible redeemable preference shares	**66,034**	–
Share issue expenses paid	**(3,568)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**34,917**	(96,749)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,243**	10,082
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**10,316**	234
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**12,559**	10,316
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**12,559**	10,316

1. GENERAL

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company and ultimate holding company is Five Star Investments Limited, a company which is incorporated in the British Virgin Islands. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. Its principal subsidiaries are engaged in investment holding, property development and investment, and general trading.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the net liabilities of the Group amounting to approximately HK$48,734,000 as at 30 June 2007 and the contingent liabilities for the outstanding litigations as disclosed in note 28. As explained in note 33, the Group will make an open offer of 396,203,711 convertible redeemable preference shares, subsequent to the balance sheet date, at the subscription price of HK$0.50 per convertible redeemable preference share in the proportion of one convertible redeemable preference share for every two existing ordinary shares and every two existing convertible redeemable preference shares held. Provided that the Group can raise approximately HK$198 million, being the planned proceeds, from the open offer of 396,203,711 convertible redeemable preference shares at the subscription price of HK$0.50 per convertible redeemable preference share and on the basis that the Group will spend not more than HK$130 million in respect of the development and establishment of a high technology manufacturing facility in Wuhan East Lake High-Technology Development Zone in the forthcoming twelve months, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

The conditions described above indicate the existence of a material uncertainty relating to the future funding being made available to the Group which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The consolidated financial statements have been prepared on a going concern basis as, in the opinion of the directors of the Company, the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for the Group's financial year beginning 1 July 2006. The adoption of these new HKFRSs has no material effect on how the Group's results and financial position for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has also not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 23 (Revised)	Borrowing costs [2]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [3]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions [4]
HK(IFRIC) – INT 12	Service concession arrangements [5]
HK(IFRIC) – INT 13	Customer loyalty programmes [6]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [5]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 November 2006.
[4] Effective for annual periods beginning on or after 1 March 2007.
[5] Effective for annual periods beginning on or after 1 January 2008.
[6] Effective for annual periods beginning on or after 1 July 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and properties sold in the normal ordinary course of business, net of return.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from sale of developed properties in the ordinary course of business is recognised on the execution of a binding sale agreement or when the relevant occupation permit is issued by the respective building authority, whichever is later.

Service income is recognised when services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing costs

All borrowing costs are recognised as expense and included in finance costs in the consolidated income statement in the period in which they are incurred.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Properties held for sale

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including other receivables, deposits, pledged bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Convertible redeemable preference shares

Convertible redeemable preference shares are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt without the conversion feature. The difference between the proceeds of issue of the convertible redeemable preference shares and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the convertible redeemable preference shares into equity of the Company, is included in equity (capital reserve).

In subsequent periods, the liability component of the convertible redeemable preference shares is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in capital reserve until the conversion option is exercised (in which case the balance stated in capital reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in capital reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible redeemable preference shares are allocated to the liability and equity components in proportion to the allocation of the proceeds. Issue costs relating to the equity component are charged directly to equity. Issue costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible redeemable preference shares using the effective interest method.

Other financial liabilities

Other financial liabilities including other payables, amounts due to directors of subsidiaries, secured bank borrowings and other loans are subsequently measured at amortised cost, using the effective interest method.

Option derivatives

The Group has written options to a third party to purchase part of the Group's leasehold properties and 20% of the share capital of a wholly-owned subsidiary of the Company (see note 23). These option derivatives are measured at fair value on initial recognition and at each subsequent reporting date and changes in fair values of these derivatives are recognised directly in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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 differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in 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 investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences 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 profit will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Retirement benefit scheme

Payments to defined contribution retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, management had made the following estimates that have the most significant effect on the amounts recognised in the consolidated financial statements.

Fair value of option derivatives at fair value through profit or loss

The fair values of option derivatives are subject to the limitation of the Black-Scholes Options Pricing Model and the Binominal Option Pricing Model that incorporated market data and involved uncertainty in estimates used by management in the assumptions. Because both models require the input of highly subjective assumptions, including the volatility of price indices, and changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions are disclosed in note 23.

6. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include pledged bank deposits, bank balances and cash, other payables, amounts due to directors of subsidiaries, option derivatives, bank borrowings, other loans and convertible redeemable preference shares. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is mainly due to failure to collect the bank deposits and liquid funds from respective banks. However, the credit risk is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Market risk

Currency risk

The Group's foreign currency risk is insignificant as the Group's transactions are mainly denominated in Hong Kong dollars, the functional currency of relevant entity.

6. FINANCIAL INSTRUMENTS (Cont'd)

Market risk (Cont'd)

Interest rate risk

The Group has exposure to cash flow interest rate risk through the impact of the rate changes on floating interest rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider to change the floating interest rate to fixed interest rate when significant interest rate exposure is anticipated.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

Fair value interest rate risk

The Group has exposure to fair value interest rate risk from the fixed rate pledged bank deposits. The directors of the Company consider the risk is not significant as the fixed rate pledged bank deposits are within short maturity periods.

Liquidity risk

As mentioned in note 2, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its liquidity risk. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for foreseeable future provided that the Group can raise approximately HK$198 million, being the planned proceeds, from the open offer of 396,203,711 convertible redeemable preference shares at the subscription price of HK$0.50 per convertible redeemable preference share and on the basis that the Group will spend not more than HK$130 million in respect of the development and establishment of a high technology manufacturing facility in Wuhan East Lake High-Technology Development Zone in the forthcoming twelve months.

6. FINANCIAL INSTRUMENTS (Cont'd)

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of available-for-sale debt investment is determined with reference to market price;
- the fair value of loans and receivables and financial liabilities (excluding option derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable current market transactions as inputs; and
- the fair values of option derivatives are estimated using option pricing models including Black-Scholes Option Pricing Model and Binomial Option Model.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for properties and goods sold, net of returns, during the year. An analysis of the Group's turnover is as follows:

	2007	2006
	HK$'000	*HK$'000*
Sales of properties held for sale	**48,298**	–
Sales of goods	**–**	3,110
	48,298	3,110

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three main operating divisions – (i) property development; (ii) property investment; and (iii) general trading (i.e. textiles). These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Year 2007

(i) Income statement

	Property development	**Property investment**	**General trading**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	48,298	–	–	48,298
RESULT				
Segment result	1,290	5,577	(7,482)	(615)
Gain arising from change in fair value of option derivatives				3,630
Loss arising from settlement of litigation claim	(39,081)			(39,081)
Unallocated corporate income				637
Unallocated corporate expenses				(6,170)
Finance costs				(56,565)
Loss before taxation				(98,164)
Taxation charge				(10,895)
Loss for the year				(109,059)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Business segments (Cont'd)

Year 2007 (Cont'd)

(ii) Balance sheet

	Property development HK$'000	Property investment HK$'000	General trading HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	922,802	175,523	167,827	1,266,152
Unallocated corporate assets				42,839
Consolidated total assets				1,308,991
LIABILITIES				
Segment liabilities	126,198	754	1,363	128,315
Unallocated corporate liabilities				1,229,410
Consolidated total liabilities				1,357,725

(iii) Other information

	Property development HK$'000	Property investment HK$'000	General trading HK$'000	Consolidated HK$'000
Capital additions	1,571	732	–	2,303
Depreciation of property, plant and equipment	–	64	4,946	5,010

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Business segments (Cont'd)

Year 2006

(i) Income statement

	Property development	Property investment	General trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	–	–	3,110	3,110
RESULT				
Segment result	(21,054)	60,014	(10,774)	28,186
Loss arising from issue of option derivatives				(9,850)
Gain arising from change in fair value of option derivatives				740
Unallocated corporate income				189
Unallocated corporate expenses				(18,881)
Finance costs				(40,154)
Loss for the year				(39,770)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Business segments (Cont'd)

Year 2006 (Cont'd)

(ii) Balance sheet

	Property development *HK$'000*	**Property investment** *HK$'000*	**General trading** *HK$'000*	**Consolidated** *HK$'000*
ASSETS				
Segment assets	950,128	167,900	170,966	1,288,994
Unallocated corporate assets				38,120
Consolidated total assets				1,327,114
LIABILITIES				
Segment liabilities	176,660	277	1,389	178,326
Unallocated corporate liabilities				1,115,698
Consolidated total liabilities				1,294,024

(iii) Other information

	Property development *HK$'000*	**Property investment** *HK$'000*	**General trading** *HK$'000*	**Consolidated** *HK$'000*
Capital additions	–	–	122	122
Depreciation of property, plant and equipment	–	–	4,681	4,681

Geographical segments

More than 90% of the Group's turnover for the years ended 30 June 2007 and 2006 were attributable to operation carried out in Hong Kong. Also, almost all of the Group's assets are located in Hong Kong. Therefore, no geographical segment information is presented.

9. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank borrowings:		
– wholly repayable within five years	**1,393**	34,210
– not wholly repayable within five years	**47,945**	2,164
Interest on other loans	**4,020**	3,780
Finance costs on convertible redeemable preference shares *(note 25)*	**3,207**	–
	56,565	40,154

10. TAXATION CHARGE

The charges comprises:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong Profits Tax for the year	**–**	–
Deferred taxation *(note 27)*	**10,895**	–
Tax charge attributable to the Company and its subsidiaries	**10,895**	–

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the estimated assessable profits of a subsidiary of the Company for both years are wholly absorbed by the tax losses brought forward. The Company and other subsidiaries of the Group have no assessable profit for both years.

In August 2007, a subsidiary of the Company received an assessment demanding (the "Assessment") for the year of assessment of 2006/2007 from Hong Kong Inland Revenue Department ("IRD"). By issuing the Assessment, the IRD disagreed the basis adopted by this subsidiary for computation of Hong Kong Profits Tax liability. In addition, the IRD also disagreed the tax losses brought forward of this subsidiary for the year of assessments from 1997/1998 to 1999/2000 and 2004/2005 with aggregated amount of approximately HK$152,347,000. An objection has been lodged by the Group in September 2007 and the IRD has agreed to withhold the provisional profits tax for year of assessment of 2007/2008 while requesting the Group to purchase a tax reserve certificate in the amount of approximately HK$36,956,000, which represents the tax payable for the year of assessment of 2006/2007. In the opinion of the directors of the Company, the Group has grounds to object the IRD's Assessment and the tax losses brought forward from previous years could be used to offset with the assessable profits for the year. As a result, no provision for Hong Kong Profits Tax has been made for the year.

10. TAXATION CHARGE (Cont'd)

Taxation for the year can be reconciled to loss before taxation per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Loss before taxation	**(98,164)**	(39,770)
Tax credit at Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	**(17,179)**	(6,960)
Tax effect of income not taxable for tax purpose	**(706)**	(1,202)
Tax effect of expenses not deductible for tax purpose	**8,736**	1,441
Tax effect of unrealised intragroup profits on properties held for sale not recognised	**31,163**	42,887
Utilisation of tax losses previously not recognised	**(11,119)**	(36,166)
Taxation for the year	**10,895**	–

11. LOSS FOR THE YEAR

	2007	2006
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' emoluments *(note 12)*	**322**	487
Other staff costs, including retirement benefit scheme contributions	**1,289**	2,931
Total staff costs	**1,611**	3,418
Auditor's remuneration		
– current year	**750**	660
– overprovision in prior year	**–**	(10)
Cost of properties sold	**28,771**	–
Cost of inventories consumed	**–**	3,149
Depreciation of property, plant and equipment	**5,010**	4,681
Legal and professional fee (included in administrative expenses)	**10,882**	20,127
and after crediting:		
Interest income	**584**	152

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals are as follows:

(a) Directors' emoluments

The emoluments paid or payable to each of the six (2006: six) directors were as follows:

	2007						
	Law Fong	**Chen Te Kuang Mike**	**Oung Shih Hua, James**	**Zhu Pei Qing**	**Lu Ti Fen**	**Kwok Wai Chi**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Directors' fees	**118**	**–**	**–**	**60**	**–**	**144**	**322**
Other emoluments:							
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Retirement benefit scheme contributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**	**–**	**–**
Total	**118**	**–**	**–**	**60**	**–**	**144**	**322**

	2006						
	Law Fong	Chen Te Kuang Mike	Oung Shih Hua, James	Zhu Pei Qing	Lu Ti Fen	Kwok Wai Chi	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors' fees	118	–	–	120	105	144	487
Other emoluments:							
Salaries and other benefits	–	–	–	–	–	–	–
Retirement benefit scheme contributions	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Total	118	–	–	120	105	144	487

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(b) Employees' emoluments

During the year, the five highest paid individuals of the Group included two (2006: one) executive director, details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2006: four) individuals are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**460**	2,060
Retirement benefit scheme contributions	**44**	38
	504	2,098

The emoluments of these employees fall within the following bands:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**–**	1
	3	4

During both years, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss in office. In addition, during both years, no director waived any emoluments.

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	For the year ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Loss for the year for the purpose of calculating basic loss per share	**(109,059)**	(39,770)

	2007	2006
Number of shares		
Weighted average number of shares/number of shares for the purpose of calculating basic loss per share	**529,072,257**	528,271,615

Diluted loss per share for the year ended 30 June 2007 had not been presented as the exercise of the Company's outstanding convertible redeemable preference shares would reduce the loss per share for the year.

14. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2005	–
Transferred from properties held for sale *(note)*	113,244
Increase in fair value recognised in the consolidated income statement	54,656
At 30 June 2006 and 1 July 2006	167,900
Increase in fair value recognised in the consolidated income statement	7,600
At 30 June 2007	175,500

14. INVESTMENT PROPERTIES (Cont'd)

The fair values of the Group's investment properties as at 30 June 2007 and 2006 have been arrived at on the basis of valuations carried out by Messrs. AA Property Services Limited and Messrs. Savills Valuation And Professional Services Limited, respectively. Both are independent qualified professional property valuers not connected with the Group. Messrs. AA Property Services Limited and Messrs. Savills Valuation And Professional Services Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications. The valuations were arrived at by reference to market evidence of transactions prices for similar properties.

All the Group's leasehold interests in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

All the Group's investment properties are situated in Hong Kong with long lease.

Note: The amount included HK$5,900,000 representing the difference of the fair value of the investment properties of HK$113,244,000 and the carrying value of the properties held for sale of HK$107,344,000 at the date of transfer.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Leasehold improvements	Office equipment, furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 July 2005	211,500	14,555	8,049	234,104
Additions	–	–	122	122
At 30 June 2006 and 1 July 2006	211,500	14,555	8,171	234,226
Additions	–	–	2,303	2,303
At 30 June 2007	211,500	14,555	10,474	236,529
DEPRECIATION AND IMPAIRMENT				
At 1 July 2005	37,012	14,555	7,933	59,500
Provided for the year	4,636	–	45	4,681
At 30 June 2006 and 1 July 2006	41,648	14,555	7,978	64,181
Provided for the year	4,751	–	259	5,010
At 30 June 2007	46,399	14,555	8,237	69,191
CARRYING VALUES				
At 30 June 2007	165,101	–	2,237	167,338
At 30 June 2006	169,852	–	193	170,045

Note: Owner-occupied leasehold land situated in Hong Kong is included in property, plant and equipment as the allocation between the land and building elements cannot be made reliably.

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold properties	Over the estimated useful lives of 50 years or the period of the lease, whichever is the shorter
Leasehold improvements	Over the estimated useful lives of 10 years or the period of the lease, which is the shorter
Office equipment, furniture and fixtures	15-25%

The leasehold properties of the Group are situated in Hong Kong and are held under long leases. They were pledged to a bank to secure credit facilities granted to the Group.

16. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	HK$'000	*HK$'000*
Unlisted debt investment, at market value	**8,800**	7,500
Unlisted equity investment, at cost	**15,777**	15,777
Less: Impairment loss recognised	**(15,777)**	(15,777)
	8,800	7,500

At 30 June 2007, the above unlisted investments comprised (i) 40% interest in the registered capital of Harbin Zheng Hua Real Estate Developing Company Limited ("Zheng Hua"), which was a company established in the People's Republic of China ("PRC") and engaged in property development, with nil carrying amount; and (ii) club debenture with market value of HK$8,800,000 (2006: HK$7,500,000).

The investment in Zheng Hua is not classified as an associate as, in the opinion of the directors of the Company, the Group is not able to exercise significant influence over its financial and operating policy decisions.

The unlisted equity investment is measured at cost less impairment at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value of the investment cannot be measured reliably.

17. PROPERTIES HELD FOR SALE

At 30 June 2007 and 2006, the properties held for sale are stated at cost.

18. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits carried interest at an average fixed interest rate of 3.53% (2006: 3.38%) per annum.

19. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 2.75% to 3.00% (2006: 2.33% to 3.00%) per annum.

20. AMOUNT DUE TO A DIRECTOR OF SUBSIDIARIES

The amount represents amount due to Lilian Oung, who is also one of the shareholders of Five Star Investments Limited ("Five Star"), the controlling shareholder of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

21. SECURED BANK BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Bank loan	**20,000**	142,911
Mortgage loans	**906,355**	629,136
	926,355	772,047
Less: Amount due within one year shown under current liabilities	**(20,787)**	(154,965)
Amount due after one year	**905,568**	617,082

21. SECURED BANK BORROWINGS (Cont'd)

At the balance sheet date, the Group's bank borrowings are repayable as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**20,787**	154,965
In more than one year but not more than two years	**31,519**	14,031
In more than two years but not more than three years	**31,519**	14,031
In more than three years but not more than four years	**21,519**	14,031
In more than four years but not more than five years	**21,519**	14,031
Over five years	**799,492**	560,958
	926,355	772,047

The bank loan of HK$142,911,000 as at 30 June 2006 was secured by a first legal charge over the Group's properties held for sale (the "Property") and a floating charge over all assets of Holyrood Limited ("Holyrood"), a wholly-owned subsidiary of the Company. Deposits, rental proceeds and sales proceeds regarding the Property were also assigned to the bank. The bank loan was at variable-rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 1.75% to 3.5% per annum. During the year ended 30 June 2007, the bank loan of HK$142,911,000 was repaid in full after the Group obtained six new mortgage loans of HK$294,400,000 from certain banks.

During the year ended 30 June 2007, the Group obtained a new bank loan with a principal amount of HK$20,000,000 from another bank. The new bank loan was secured by a first legal charge over one of the Group's investment properties. Deposits, rental proceeds and sales proceeds regarding the investment property were also assigned to the bank. The bank loan shall be repayable by 24 monthly instalments commencing thirteen months after the bank loan drawdown date with an interest rate of 1% per annum below the Hong Kong dollars Prime Rate.

At 30 June 2006, the mortgage loans comprised (i) a mortgage loan with a principal amount of HK$80,000,000 that shall be repayable by 240 monthly instalments and carry interest at a rate of 2% per annum below the Hong Kong dollars Prime Rate and (ii) a mortgage loan with a principal amount of HK$550,000,000 that shall be repayable by 300 monthly instalments and carry interest at a rate of 2.35% per annum below the Hong Kong dollars Prime Rate.

21. SECURED BANK BORROWINGS (Cont'd)

During the year ended 30 June 2007, the Group obtained six new mortgage loans from certain banks in an aggregate principal amount of HK$294,400,000. The new mortgage loans comprised (i) a mortgage loan with a principal amount of HK$30,000,000 that shall be repayable by 300 monthly instalments and carry interest at a rate of 2.65% per annum below the Hong Kong dollars Prime Rate; (ii) a mortgage loan with a principal amount of HK$32,000,000 that shall be repayable by 300 monthly instalments and carry interest at a rate of 2.5% per annum below the Hong Kong dollars Prime Rate; (iii) a mortgage loan with a principal amount of HK$70,000,000 that shall be repayable by 300 monthly instalments and carry interest at a rate of 2.6% per annum below the Hong Kong dollars Prime Rate; (iv) a mortgage loan with a principal amount of HK$69,300,000 that shall be repayable by 240 monthly instalments and carry interest at a rate of 1.25% per annum above HIBOR; (v) a mortgage loan with a principal amount of HK$61,100,000 that shall be repayable by 240 monthly instalments and carry interest at a rate of 1.25% per annum above HIBOR; and (vi) a mortgage loan with a principle amount of HK$32,000,000 that shall be repayable by 300 monthly instalments and carry interest at a rate of 2.5% per annum below the Hong Kong dollars Prime Rate.

The range of effective interest rates of the Group's bank borrowings were 5.09% to 8.50% (2006: 5.29% to 8.18%) per annum.

All mortgage loans are secured by certain apartments of the Property and one of the investment properties of the Group to the banks.

22. OTHER LOANS

	2007	2006
	HK$'000	*HK$'000*
Other loans from:		
– related companies *(note a)*	**13,489**	183,323
– a third party *(note b)*	**111,906**	91,459
– other unrelated companies *(note c)*	**34,739**	34,739
	160,134	309,521
Less: Amount due within one year shown under current liabilities	**(95,561)**	(239,577)
Amount due after one year	**64,573**	69,944

22. OTHER LOANS (Cont'd)

Notes:

(a) The loans are owed to companies in which Lilian Oung and/or Oung Shih Hua, James and Chen Te Kuang Mike, directors of the Company, have controlling interests. The loans are unsecured, non-interest bearing and repayable on demand.

(b) The loans are owed to Fine Chiffon Corporation Limited ("Fine Chiffon"), an independent third party. At 30 June 2007, the loans comprised (i) an interest bearing instalment loan of approximately HK$69,906,000 (30.6.2006: HK$73,698,000) and (ii) a non-interest bearing loan of approximately HK$42,000,000 (30.6.2006: HK$17,761,000) from Fine Chiffon.

In previous years, the Group obtained an interest bearing instalment loan of HK$80,000,000 from Fine Chiffon. The instalment loan was obtained by Fine Chiffon from a bank and was granted to the Group with the same terms offered by the bank. The Company provides a corporate guarantee of HK$80,000,000 to the bank and the Group's leasehold properties are also pledged to the bank as security. The loan shall be repayable by 180 monthly instalments and is at variable interest rate with 2.5% per annum below the Hong Kong dollars Prime Rate. At 30 June 2007, the outstanding interest bearing instalment loan amounted to approximately HK$69,906,000 (30.6.2006: HK$73,698,000).

As announced by the Company on 5 April 2006, the Group entered into a loan agreement with Fine Chiffon to obtain a new non-interest bearing loan facility up to HK$42,000,000. The loan is unsecured, non-interest bearing and non-revolving in nature. The loan shall be repayable on or before the date falling 36-months after the first drawdown of the loan. However, Fine Chiffon has a right to withdraw the loan facility at any time prior to the repayment date and accordingly, the loan is classified as current liabilities in the consolidated balance sheet. At 30 June 2007, the outstanding non-interest bearing loan amounted to approximately HK$42,000,000 (30.6.2006: HK$17,761,000).

In addition, during the year ended 30 June 2006, the Group granted two options to Fine Chiffon for purchasing (i) part of the Group's leasehold properties at a consideration of HK$32,000,000 and (ii) 20% of the share capital of Banhart Company Limited ("Banhart"), which is a wholly-owned subsidiary of the Company and is also the beneficial owner of the Group's leasehold properties, at a consideration of HK$10,000,000 in substitution for the repayment of the outstanding loan at the end of the loan period. Fine Chiffon is entitled to exercise the options prior to the expiry of the 36-months loan period and the options are non-transferable. Details of the above are set out, inter alia, in the announcement of the Company dated 5 April 2006.

(c) The loans are unsecured, non-interest bearing and repayable on demand.

23. OPTION DERIVATIVES

	2007	2006
	HK$'000	*HK$'000*
Option derivatives – fair value	**5,480**	9,110

As described in note 22, the Group granted two options to Fine Chiffon for purchasing (i) part of the Group's leasehold properties at a consideration of HK$32,000,000 ("Option 1") and (ii) 20% of the share capital of Banhart, which is the beneficial owner of the Group's leasehold properties, at a consideration of HK$10,000,000 in substitution for the repayment of the outstanding loan at the end of the loan period ("Option 2"). Fine Chiffon is entitled to exercise the options prior to the expiry of 36-months loan period and the options are non-transferable (see note 22(b)).

The fair values of the option derivatives granted by the Group are determined by using the Black-Scholes Options Pricing Model and the Binomial Option Pricing Model, respectively. The fair values of the option derivatives amounting to HK$9,850,000 at initial recognition and the loss arising from issue of the option derivatives amounting to HK$9,850,000 had been recognised in the consolidated financial statements for the year ended 30 June 2006. The gain from change in fair value of option derivatives from the date of issue to 30 June 2006 amounted to HK$740,000.

During the year ended 30 June 2007, the gain arising from change in fair value of option derivatives amounted to HK$3,630,000.

The fair values of the option derivatives for Option 1 and Option 2 are calculated by using the Black-Scholes Option Pricing Model and the Binominal Option Pricing Model, respectively. The inputs into both models are as follows:

Black-Scholes Option Pricing Model – Option 1

	2007	2006
Exercise price	**HK$32,000,000**	HK$32,000,000
Expected volatility	**18.87%**	23.33%
Expected life	**3 years**	3 years
Risk-free rate	**4.3%**	4.4%
Fair value of the leasehold properties at 30 June	**HK$170,000,000**	HK$167,000,000
Fair value of option at 30 June	**HK$5,480,000**	HK$8,700,000

Expected volatility is determined by using the historical volatility of the price indices for Grade A office in core districts in Hong Kong over the previous three years.

23. OPTION DERIVATIVES (Cont'd)

Binomial Option Pricing Model – Option 2

	2007	2006
Exercise price	**HK$10,000,000**	HK$10,000,000
Expected volatility	**18.87%**	23.33%
Expected life	**3 years**	3 years
Risk-free rate	**4.3%**	4.4%
Fair value of option at 30 June	**Nil**	HK$410,000

Expected volatility is determined by using the historical volatility of the price indices for Grade A office in core districts in Hong Kong over the previous three years.

The fair value of the option derivative to purchase 20% of the share capital of Banhart depends on the net asset value of Banhart, which is equivalent to the potential of obtaining economic benefits deriving from the net asset value of Banhart that appears when the value of the leasehold properties held by Banhart exceeds the value of its total liabilities. A discount of 40% to the net asset value of Banhart is used in view of the lack of marketability of the shares of Banhart and being a minority shareholder in Banhart.

24. SHARE CAPITAL

	Nominal value per share *HK$*	**Numbers of shares**	**Amount** *HK$'000*
Authorised:			
At 1 July 2005, 30 June 2006 and 1 July 2006	0.50	1,000,000,000	500,000
Effect of the Capital Reorganisation referred to below *(note)*		49,000,000,000	–
At 30 June 2007	0.01	50,000,000,000	500,000
Issued and fully paid:			
At 1 July 2005, 30 June 2006 and 1 July 2006	0.50	528,271,615	264,136
Effect of the Capital Reorganisation referred to below *(note)*		–	(258,853)
Issue of shares on conversion of convertible redeemable preference shares *(note 25)*		2,872,377	29
At 30 June 2007	0.01	531,143,992	5,312

24. SHARE CAPITAL (Cont'd)

All shares issued during the year ended 30 June 2007 rank pari passu in all respects with other shares in issue.

Note: As announced by the Company on 8 June 2006, the Company proposed to effect a capital reorganisation (the "Capital Reorganisation"). Details of the Capital Reorganisation are set out in the circular of the Company dated 20 July 2006.

At the special general meeting of the Company held on 21 August 2006, a special resolution approving the Capital Reorganisation was passed and the following capital reorganisation became effective on 21 August 2006:

(i) a reduction in the nominal value of issued shares of the Company from HK$0.50 each to HK$0.01 each by cancelling HK$0.49 of the paid up capital on each issued share of the Company and by reducing the nominal value of all issued and unissued shares of the Company from HK$0.50 each to HK$0.01 each;

(ii) the authorised share capital of the Company will be restored to HK$500,000,000 and each authorised but unissued share of HK$0.50 each will be sub-divided into 50 shares of nominal value of HK$0.01 each;

(iii) the cancellation of the amount of approximately HK$279,617,000 standing to the credit of share premium account and the cancellation of the amount of approximately HK$132,176,000 standing to the credit of the contributed surplus account; and

(iv) the use of all of the credit of approximately HK$670,646,000 arising from the reduction of capital and the cancellation of the entire amount standing to the credit of the share premium account and the contributed surplus account to offset in full with the accumulated losses of the Company at 31 December 2005.

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

	Number of preference shares	**Amount of par value** *HK$'000*
Authorised:		
At 24 November 2006 and 30 June 2007	270,000,000	2,700
Issued and fully paid:		
Issue on 24 November 2006	264,135,808	2,641
Conversion of issued convertible redeemable preference shares into ordinary shares	(2,872,377)	(29)
At 30 June 2007	261,263,431	2,612

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

The convertible redeemable preference shares with nominal value of HK$0.01 were issued at HK$0.25 per share on 24 November 2006.

Movement of the convertible redeemable preference shares are as follows:

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
Convertible redeemable preference shares issued on 24 November 2006	39,066	26,968	66,034
Issue costs	(2,110)	(1,458)	(3,568)
Net proceeds received	36,956	25,510	62,466
Conversion of convertible redeemable preference shares	(425)	(293)	(718)
Interest charged for the period from 24 November 2006 to 30 June 2007	3,207	–	3,207
At 30 June 2007	39,738	25,217	64,955

The principal terms of the convertible redeemable preference shares include the following:

(i) Early redemption at the option of the Company

The Company has the option, but not the obligation, to redeem all but not a portion of the convertible redeemable preference shares at face value if, either:

- the ordinary share in the Company close on thirty consecutive trading days at or above a price that is 100% higher than the consecutive price of the convertible price of the convertible redeemable shares; or

- there are less than 80 millions convertible redeemable preference shares in issue.

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(ii) Conversion rights

Holders of the convertible redeemable preference shares are entitled to convert all or any of their convertible redeemable preference shares into ordinary shares in the Company at the conversion price of HK$0.25 per share, subject to anti-dilutive adjustment provisions which are standard terms for convertible securities of similar type. The adjustment events will arise as result of certain changes in share capital of the Company including consolidation or sub-division of shares, capitalisation of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company.

Holders of the convertible redeemable preference shares are not required to pay any extra amount should they convert their convertible redeemable preference shares into ordinary shares in the Company.

(iii) Dividends

The dividend yield on subscription price is 8%. Cumulative dividends of HK$0.02 is payable annually on 31 December. The first dividend payment date is 31 December 2006, and the first dividend will be prorated from the date of issue of the convertible redeemable preference shares to the first dividend payment date. Any dividends payable but unpaid will be accumulated.

However, pursuant to Section 54 of the Companies Act 1981 of Bermuda ("Act"), a company incorporated in Bermuda is not permitted to declare or pay dividends while there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account. As a result, the preference shares dividends will only be declared and paid upon fulfilment of the aforementioned conditions of the Act.

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(iv) Redemption

A holder of the convertible redeemable preference shares may by notice in writing to the Company requires the Company to redeem all or any of the then outstanding convertible redeemable preference shares, whereupon subject to the requirements of the Companies Act. The Company shall pay to such holder a redemption amount equal to the aggregate initial subscription price of such number of convertible redeemable preference shares so redeemed together with the cumulative dividend that has accrued and payable upon the occurrence of any of the following (whichever is the earliest):

(a) 31 December 2016;

(b) any consolidation, amalgamation or merger of the Company with any other corporation;

(c) listing of the ordinary shares of the Company are revoked or withdrawn (except in connection with the simultaneous listing of the ordinary shares on any Recognised Stock Exchange);

(d) a directors' resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company; or

(e) an effective resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company.

(v) Priority

The convertible redeemable preference shares rank in priority to the ordinary shares in the Company as to dividends and a return of the capital paid up on the convertible redeemable preference shares. Once the capital paid up has been returned and all the accumulative dividends paid, the convertible redeemable preference shares are not entitled to any further payment from or distributions by the Company.

25. CONVERTIBLE REDEEMABLE PREFERENCE SHARES (Cont'd)

(vi) Voting

The convertible redeemable preference shares do not entitle the holders to attend or vote at meeting of the Company except on resolutions which directly affect their rights or on a winding-up of the Company or a return or repayment of capital.

(vii) Further issues

The terms of the convertible redeemable preference shares do not prohibit further issues of shares ranking pari passu or in priority to the convertible redeemable preference shares.

The net proceeds received from the issue of the convertible redeemable preference shares contain the following components that are required to be separately accounted for in accordance with HKAS 32 "Financial Instrument: Disclosure and Presentation":

(a) Debt component represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The interest charged for the period if calculated by applying effective interest rates of approximately 16.6% of the debt component for the period since the convertible redeemable preference shares were issued.

(b) Equity component represents the difference between the proceeds of issue of the convertible redeemable preference shares and the fair value assigned to the liability component.

26. SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Option Scheme") adopted at a special general meeting of the Company held on 23 September 1996, the directors of the Company may grant options as incentives to directors or employees of the Company or its subsidiaries to subscribe for shares in the Company within a period of ten years commencing from 23 September 1996. The subscription price of the shares is set to be the higher of the nominal value of the Company's shares or an amount which is 80% of the average closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options.

The period during which an option may be exercised will be determined by the directors of the Company in their absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Option Scheme.

26. SHARE OPTION SCHEME (Cont'd)

The maximum number of shares in respect of which options may be granted cannot exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee cannot exceed 25% of the maximum number of shares in respect of which options may be granted under the Option Scheme. Consideration of HK$1 is payable on each grant.

In accordance with the Listing Rules, certain terms of the Option Scheme need to be amended, or alternatively, a new share option scheme needs to be implemented, in order to comply with the requirements of the Listing Rules. According to the Listing Rules as amended, no more share is available for issue under the Option Scheme.

No share options have been granted under the Option Scheme since its adoption. The Option Scheme was terminated since 22 September 2006 and no new option scheme was adopted during the year ended 30 June 2007.

27. DEFERRED TAXATION

Major deferred tax liabilities and assets of the Group recognised and movements thereon are as follows:

	Investment properties	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2005	–	–	–
Charge (credit) for the year	9,564	(9,564)	–
At 30 June 2006 and 1 July 2006	9,564	(9,564)	–
Charge for the year	1,331	9,564	10,895
At 30 June 2007	10,895	–	10,895

For the purpose of balance sheet presentation, the above deferred tax liabilities and assets have been offset.

27. DEFERRED TAXATION (Cont'd)

The following are the deductible temporary differences not recognised by the Group in the consolidated financial statements:

	2007	2006
	HK$'000	*HK$'000*
Tax losses	**492,916**	556,453
Unrealised intragroup profits on properties held for sale	**423,143**	245,069
Accelerated tax depreciation	**518**	599
	916,577	802,121

At 30 June 2007, the Group has unused tax losses of approximately HK$492,916,000 (2006: HK$611,104,000) available for offset against future profits. A deferred tax asset had been recognised in respect of the unused tax losses of approximately HK$54,651,000 (2007: nil) at 30 June 2006. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$492,916,000 (2006: HK$556,453,000) due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

The other deductible temporary difference of approximately HK$423,661,000 (2006: HK$245,668,000) as at 30 June 2007 had not been recognised as it was not probable that taxable profit would be available against which the other deductible temporary difference can be utilised.

28. CONTINGENT LIABILITIES

At 30 June 2007, the Group had given guarantee of HK$80,000,000 (2006: HK$80,000,000) to a bank to secure the credit facilities granted to Fine Chiffon.

In addition, the Group had the following outstanding litigations as at 30 June 2007 that the directors of the Company are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained at the current stage.

28. CONTINGENT LIABILITIES (Cont'd)

(a) In 2005, Osmar Far East Limited (of which the beneficial owners are independent third parties) and Holyrood referred disputes on the construction work for the Peak Road Project to arbitration. Osmar Far East Limited has claimed against Holyrood for approximately HK$6 million in relation to disputes on construction cost for the Peak Road Project and a provision for approximately HK$6 million in relation to the construction cost had been provided by Holyrood in previous years. Holyrood has counterclaimed against Osmar Far East Limited for approximately HK$6.4 million in relation to the defective works performed by Osmar Far East Limited. The arbitration hearing was split into two parts. The first part was heard in March 2007 and the second part is scheduled to be heard on 5 October 2007. The closing submissions of the parties were to be exchanged in late October 2007. A hearing for closing submission is reserved to be heard in November 2007.

(b) On 26 July 2005, Brightland Corporation Limited (of which the beneficial owners are all independent third parties) issued a writ against Banhart claming various declarations, damages and other relief in relation to a sale and purchase of the Group's leasehold properties. An order relating to the consolidation, and subsequent directions, of this action with the action mentioned in paragraph (c) was made by the court on 9 June 2006. This action was consolidated with the action mentioned in paragraph (c) below on 9 June 2006.

(c) On 27 February 2006, Crowning Success Limited (of which the beneficial owners are all independent third parties), a sub-purchaser of the Group's leasehold properties, issued a summons against Banhart for the purpose of joining Banhart as the second defendant in its action against Brightland Corporation Limited. On 13 April 2006, the court ordered that Banhart be joined as the second defendant in the action. The amended writ and the amended statement of claim were filed and served on 27 April 2006. An order relating to the consolidation, and subsequent directions, of this action with the action mentioned in paragraph (b) above was made by the court on 9 June 2006. Crowning Success Limited recently amended its statement of claim and amendment of pleadings and further discovery are underway.

(d) On 17 May 2006, Chinese Regency Limited (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood, claiming damages for breach of an agreement for sale and purchase of Flat B on the 5th Floor of Block A1 and the car parking space no. 5 of the Peak Road Project. The pleading stage is completed and the litigation is still ongoing.

(e) An action was commenced on 18 January 2007 by Vic-Form Co., Limited (of which the beneficial owners are independent third parties) against Holyrood, for a claim for outstanding contract sum in the amount of HK$251,500 for the delivery of goods and services rendered by Vic-Form Co., Limited to Holyrood in respect of certain property developments. A defense and counterclaim has been filed by Holyrood on 27 March 2007. The matter is ongoing and is at discovery stage.

28. CONTINGENT LIABILITIES (Cont'd)

(f) On 1 June 2007, Gateway International Development Limited (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood, claiming damages for breach of an agreement for sale and purchase of Flat A on the 6th Floor of Block A2 and the car parking space no. 51 of the Peak Road Project and breach of the Deed of Mutual Covenant. The pleading stage is underway. As the amount of damages and claims are to be assessed, no such details are available.

(g) On 1 June 2007, Sun Crown Trading Limited (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood, claiming damages for breach of an agreement for sale and purchase of Flat B on the 6th Floor of Block A2 and the car parking space nos. 47 and 48 of the Peak Road Project and breach of the Deed of Mutual Covenant. The pleading stage is underway. As the amount of damages and claims are to be assessed, no such details are available.

(h) On 1 June 2007, Trillion Holdings Limited (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood, claiming damages for breach of an agreement for sale and purchase of Flat B on the 8th Floor of Block A2 and the car parking space nos. 41 and 42 of the Peak Road Project and breach of the Deed of Mutual Covenant. The pleading stage is underway. As the amount of damages and claims are to be assessed, no such details are available.

29. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to secure credit facilities granted to the Group:

	2007	2006
	HK$'000	*HK$'000*
Properties held for sale	**767,579**	948,525
Investment properties	**175,500**	167,900
Leasehold properties	**165,101**	169,852
Bank deposits	**21,278**	20,144
	1,129,458	1,306,421

The issued ordinary shares of Holyrood were also pledged to a bank to secure credit facilities granted to the Group as at 30 June 2006 (note 21).

30. RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group joined the mandatory provident fund scheme (the "MPF Scheme") for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contribution upon their retirement at the age of 65, death or total incapacity.

The aggregate employer's contributions during the year ended 30 June 2007 recognised in the consolidated income statement of the Group amounted to HK$42,000 (2006: HK$46,000).

31. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

The Group had the following transactions with related parties/persons deemed to be "connected persons" by the Stock Exchange which are also the related parties under the definition of HKAS 24 "Related Party Disclosures".

(a) During the year ended 30 June 2007, the Group paid underwriting commission fee of approximately HK$502,000 (2006: nil) to Goldenfield Equities Limited, a company in which Mr. Chen Te Keung Mike, a director of the Company, has beneficial interest.

(b) Lilian Oung, one of the shareholders of Five Star and a director of the subsidiaries, has provided personal guarantees in respect of the following:

	2007	2006
	HK$'000	*HK$'000*
Credit facilities granted to the Group	**684,000**	1,544,000
The Group's payment obligation of amount owed to a former main contractor of the Group's property development project	**15,919**	15,919
	699,919	1,559,919

(c) Details of the amount due to a director of the subsidiaries are set out in note 20.

31. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (Cont'd)

(d) Details of the other loans from related companies in which the directors of the Company and Lilian Oung have controlling interests are set out in note 22(a).

(e) At 30 June 2006, Five Star pledged its interest in 50.7% of the issued share capital of the Company, representing 267,815,017 shares in the Company, to a bank to secure credit facilities to the extent of HK$1,464,000,000 granted to the Group.

(f) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007	2006
	HK$'000	*HK$'000*
Short-term employee benefits	**812**	922

The remuneration of directors and key executives are determined by the board of directors after recommendation from the remuneration committee, having regard to the responsibilities of the directors, the operating results, individual performance and comparable market statistics.

32. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments.

The Group as lessor

	2007	2006
	HK$'000	*HK$'000*
Within one year	**–**	6,507
In the second year	**–**	6,507
	–	13,014

Under the leases entered by the Group, the lease payments are fixed and no arrangements have been entered into for contingent rental payments. The properties held have tenants for a term of two years.

33. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30 June 2007:

(i) As announced by the Company on 17 October 2007, shareholders' resolutions have been duly passed at a special general meeting of the Company dated 17 October 2007 in respect of (a) a proposed open offer of 396,203,711 convertible redeemable preference shares at the subscription price of HK$0.50 per convertible redeemable preference share in the proportion of one convertible redeemable preference share for every two existing ordinary shares and every two existing convertible redeemable preference shares held; and (b) the proposed development of a manufacturing facility at Wuhan East Lake High-Technology Development Zone.

The proceeds from the open offer will be used by the Group to finance the proposed development of a manufacturing facility at Wuhan East Lake High-Technology Development Zone.

(ii) As announced by the Company on 23 October 2007, Holyrood reached a settlement agreement with Hip Hing Construction Company Limited ("Hip Hing") in respect of a dispute with Hip Hing on construction work performed by Hip Hing for the redevelopment project located at the Peak Road (the "Peak Road Project"). Hip Hing has claimed against Holyrood for approximately HK$69,000,000 for the construction costs of the Peak Road Project. The contracts between Hip Hing and Holyrood incorporate arbitration provisions and in 2006, both parties agreed to refer the disputes to arbitration on 6 January 2006. In addition, the arbitration hearing is scheduled to be heard in late October 2007.

On 22 October 2007, there was a settlement agreement made between Holyrood and Hip Hing. Holyrood agreed to pay HK$50,000,000 to Hip Hing together with estimated legal costs of the arbitration amounting to approximately HK$5,000,000.

As a provision of approximately HK$15,919,000 for the construction costs had been made by the Group in previous years, the loss arising from the settlement of the litigation claim from Hip Hing was amounted to approximately HK$39,081,000. This loss is recognised in the consolidated income statement of the Company for the year ended 30 June 2007.

In addition, subsequent to 30 June 2007, the Group has obtained a bank mortgage loan of HK$100,000,000 from a bank in order to finance the settlement of the above litigation claim in November 2007.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30 June 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
Banhart Company Limited	Hong Kong	Ordinary HK$9,998 Non-voting deferred* HK$2	–	100%	Property holding
Bowen Hill Limited	British Virgin Islands#	US$1	–	100%	Investment holding
Holyrood Limited	Hong Kong	Ordinary HK$999,998 Non-voting deferred* HK$2	99.9%	0.1%	Property holding
Homjade Trading Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	General trading
Paladin Trading Limited	British Virgin Islands#	US$1	100%	–	Investment holding
Six Gain Investments Limited	Hong Kong#	Ordinary HK$2	100%	–	Investment holding
Alpard Limited	Hong Kong	Ordinary HK$10	–	100%	Property investment and holding
Wayguard Limited	Hong Kong	Ordinary HK$1	–	100%	Property holding
World Modern International Limited	Hong Kong	Ordinary HK$1	–	100%	Property holding

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or to vote at any general meetings of the company or to participate in any distribution on winding up.

\# These are investment holding companies which have no specific principal place of operations.

The above lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the assets or liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 30 June 2007 or at any time during the year.

For the Year ended 30 June 2007

RESULTS

	Year ended 30 June				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	10,338	10,808	497,043	3,110	**48,298**
(Loss) profit before taxation	(64,185)	10,912	224,543	(39,770)	**(98,164)**
Taxation charge	–	–	–	–	**(10,895)**
(Loss) profit for the year attributable to equity holders of the Company	(64,185)	10,912	224,543	(39,770)	**(109,059)**

ASSETS AND LIABILITIES

	At 30 June				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	1,041,692	1,267,018	1,647,694	1,327,114	**1,308,991**
Total liabilities	(1,103,484)	(1,317,898)	(1,574,834)	(1,294,024)	**(1,357,725)**
(Deficiency) balance of shareholders' funds	(61,792)	(50,880)	72,860	33,090	**(48,734)**

Particulars of the properties held by the Group as at 30 June 2007 are as follows:

(a) Properties held for sale

Address	Purpose	Remaining unsold units	Approximate gross area *(Sq. ft.)*	Attributable interest of the Group
Block A1 Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	16 units	51,969	100%
Block A2 Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	5 units	20,078	100%
Block B Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	1 house	9,215	100%
Car parking spaces Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	36 units	–	100%
Motorcycle parking spaces Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	5 units	–	100%

(b) Leasehold properties

Address	Purpose	Approximate saleable area *(Sq. ft.)*	Lease term
45th Floor Office Tower Convention Plaza 1 Harbour Road Wanchai Hong Kong (21,061/4,000,000th shares of and in Inland Lot No. 8595)	Commercial	15,450	Long

(c) Investment properties

Address	Purpose	Approximate gross area *(Sq. ft.)*	Lease term
Duplex Unit A G/F and 1/F Block A2 Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	4,227	Long
Unit A, 2/F Block A2 Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	2,719	Long
Car parking spaces Nos. 8, 10 and 12 Peak Road The Peak Hong Kong	Residential	2 units	Long