China Rich Holdings Limited *

(Stock Code: 1191)

Annual Report

2007

* At the special general meeting of the Company held on 17 October 2007, a special resolution was passed by the Company to change its name from "China Rich Holdings Limited" to "Yueshou Environmental Holdings Limited". Such change of name was registered on 18 October 2007 by the Registrar of Companies in Bermuda and the related Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in Bermuda on 26 October 2007. Up to the date of board meeting, the Company had been taking steps to arrange for oversea company registration of such change of name with the Registrar of Companies in Hong Kong. The Company will make further announcement about the progress of such change after it receives the relevant Certificate of Registration of Change of Name from the Registrar of Companies in Hong Kong.

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Fok Po Tin *(Chairman)*
Mr. Chim Kim Lun, Ricky
Mr. Yu Hong
Mr. Li Bin

Independent Non-executive Directors

Mr. Sun Tak Keung
Mr. Kwong Ping Man
Mr. Cheng Kwok Hing, Andy

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. Li Oi Lai, Alice

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Citic Ka Wah Bank
Chong Hing Bank Limited

WEBSITE

www.aplushk.com/clients/1191chinarich/index.html

STOCK CODE

1191

LEGAL ADVISERS

On Bermuda Law
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place, Central
Hong Kong

On Hong Kong Law
Chiu & Partners
41st Floor,
Jardine House,
1 Connaught Place
Hong Kong

Lily Fenn & Partners
Room D, 32/F,
Lippo Centre, Tower 1
89 Queensway,
Hong Kong

Barlow Lyde & Gilbert
Suite 1901, 19/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Rm 1806, 18/F, Tower 2, Admiralty Centre,
18 Harcourt Road, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Bermuda
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong
Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Chairman Statement

On behalf of the Board of Directors (the "Board") of China Rich Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present to the shareholders the 2007 annual report.

REVIEW OF OPERATIONS

During the year, the Group had entered into certain acquisition and disposal transactions including disposal of 100% equity interests in a major subsidiary of the Company which is principally engaged in operating a golf club in PRC. Following such disposal, the Group ceased to operate golf resort.

In order to improve the earnings of the Group in the long run, the Directors consider that diversification of business into new areas of high-growth potential will be in the best interest of its shareholders. The Group diversifies its business into environmental protection business in PRC through an acquisition. Upon the completion of acquisition in June 2007, the Group has become interested 40% shareholding interest in the Yueshou group of companies, which engaged in environmental protection business in PRC.

PROSPECTS

The medical and health services of the Group were carried out through a subsidiary of the Company, which is a PRC joint venture company. The original term of 12 years under a contract made between the parties to the joint venture company expired in mid-September 2007. In view that the Chinese party had no intention to renew the contract, the Group ceased its business of medical and health services upon the expiry of the contract in mid-September 2007.

Upon the completion of an acquisition of the remaining equity interests in the Yueshou group of companies in October 2007, the Group has become 100% beneficially interested in the environmental protection business of the Yueshou group in PRC. We believe the Acquisition would strengthen the earnings base of and bring growth to the Group and is in the best interests of the Group and the shareholders as a whole. Accordingly, the principal activities of the Group have been diversified into environmental protection business and property development in the PRC.

The Group will continue to explore business opportunities for business expansion and development.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to our shareholders for their trust and support. I would also like to thank our dedicated staff for their contribution, diligence and integrity.

Fok Po Tin
Chairman

Hong Kong, 23 November 2007

BUSINESS REVIEW AND SEGMENT INFORMATION

The Group recorded a turnover of approximately HK$32 million for the financial year ended 31 July 2007, a sharp increase of 50.2% as compared to a turnover of HK$21.3 million (restated) in the corresponding period last year. The improvement was mainly attributable to the revenue from the environmental protection business of Guangzhou Yueshou Industry Company Limited ("Guangzhou Yueshou"). Compared with the last financial year, the administrative expenses had increased by 3.8% to HK$29.8 million (2006: HK$28.7 million) (restated). The net loss on equity holders in the year was reduced by 50% to HK$14 million as compared to the net loss of HK$28 million for the financial year ended 31 July 2006.

During the year under review, the principal activities of the Group have been diversified into environmental protection business. Guangzhou Yueshou would further expand into new areas of business which includes (i) establishment and operation of ecological protection projects such as flower plantation and plant nursery bases, plantation of brushwood for the prevention of desertification and soil erosion; (ii) the development and production of inorganic, organic and biological films for environmental-friendly use; (iii) construction of public facilities; and (iv) acquisition of pine seeds, forest seedlings and specialties. The new business segments are expected to strengthen the revenue stream of the Group and reduce the risk in reliance on any single line of business. The turnover and profit of Guangzhou Yueshou are HK$48.5 million and HK$23.1 million respectively for the period from 14 March 2007 (date of agreement for the Group's acquisition of 40% of the issued share capital of Guangzhou Yueshou) to 31 July 2007. In accordance with the terms of the relevant sale and purchase agreement, the revenue of Guangzhou Yueshou was consolidated to the Group with effect from 28 June 2007 being the completion date of the Group's acquisition of 40% of the issued share capital of Guangzhou Yueshou.

The entire turnover for the year was generated from the business segments in the PRC (2006: 100%). The major revenue of HK$19.1 million (2006: HK$16.9 million) for the year was derived from the provision of medical and health services by Guangdong Concord Medical Centre which amount to approximately 59.8% of the Group turnover (2006: 79.2%) (restated). The revenue of HK$8.4 million (2006: Nil) for the year was derived from the environmental protection business by Guangzhou Yueshou which amounted to approximately 26.4% of the Group turnover (2006: Nil). In respect of other business segments, the revenue of HK$4.4 million (2006: HK$4.4 million) from property development was stable. The revenue of HK$5.9 million (2006: HK$5.7 million) was derived from the golf resort which was disposed during the year.

LIQUIDITY, FINANCIAL RESOURCES & GEARING

The operation of the Group was mainly financed by internal resources generated and banking facilities such as bank loans, finance leases and overdrafts. As at 31 July 2007, the total secured bank borrowings amounted to approximately HK$72.1 million, representing an increase of approximately HK$47.6 million as compared with the amount of HK$24.5 million as at 31 July 2006. 67.5% of the secured bank borrowings, will be repayable within one year. Interest expenses were levied on the banks' best lending rate.

Certain investment properties of approximately HK$27.6 million (2006: HK$21.5 million), intangible assets of approximately HK$49 million (2006: Nil) and certain properties held for sale of approximately HK$8.5 million (2006: HK$11.8 million) of the Group have been pledged to banks to secure credit facilities granted to the Group. As at the balance sheet date, the current ratio was 2.6 (31 July 2006: 1.07). In respect to the gearing ratio (defined as a ratio of total bank borrowings to net asset) was 14.1% (31 July 2006: 7.1%). Shareholders' equity increased by 46.9% to HK$509.9 million (31 July 2006: HK$347.1 million).

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar and Renminbi. For the year ended 31 July 2007, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

CHARGE ON ASSETS

At 31 July 2007, certain investment properties of approximately HK$27,569,000, intangible assets of approximately HK$48,758,000 and certain properties held for sale of approximately HK$8,497,000 of the Group have been pledged to banks to secure credit facilities granted to the Group.

At 31 July 2006, the Group's leasehold land and buildings having a carrying value of approximately HK$25,895,000, bank deposits of approximately HK$2,045,000, certain investment properties of approximately HK$21,478,000 and certain properties held for sale of approximately HK$11,820,000 of the Group have been pledged to banks to secure credit facilities granted to the Group.

FUTURE PLANS

The Group will keep its investment and operating strategies under review on an ongoing basis. Recently, Guangzhou Yueshou was recognized as high and new technology enterprises of "China Torch Program" of 2007 by the Ministry of Science and Technology of China. China Torch Program is an important program of high-tech industries of China. As a guiding program of China, it includes: organizing and carrying out projects of developing high-tech products with high technological standards and good economic benefits in domestic and foreign markets; establishing high-tech industrial development zones around China; exploring management systems and operation mechanisms suitable for high-tech industrial development. Guangzhou Yueshou was recognized as "China Torch Program" on the basis of its advanced technologies and prominent economic benefits. The Directors are confident that Guangzhou Yueshou will strengthen the revenue, earnings and growth to the Group.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Fok Po Tin, aged 48, has been an executive Director of the Company since March 2007 and the Chairman of the Company since July 2007. He is responsible for the strategic planning and overall management of the Group. He holds a Bachelor's degree in Business Administration with honors from the Chinese University of Hong Kong and a Bachelor's degree in Laws from the Beijing University. He is currently a practicing solicitor of High Court of Hong Kong and is the principal partner of Henry Fok & Company, Solicitors. Mr. Fok has over 12 years of extensive experience as a solicitor of general practice and is very familiar with commercial law. Mr. Fok was an independent non-executive Director of Massive Resources International Corporation Limited, a listed company in Hong Kong, for the period from January to September 2004. He is also currently an executive Director of Aurora Global Investment Holdings Limited and Bestway International Holdings Limited which are listed on the main board of The Stock Exchange of Hong Kong Limited. In addition, he is a Director of a private company limited by guarantee for the purpose of Buddhist activities.

Mr. Chim Kim Lun, Ricky, aged 38, has been an executive Director of the Company since May 2007. He holds a Bachelor degree in Arts from the University of British Columbia in Canada and has over 10 years of experiences in commercial and industrial investments. He is an executive Director of Peking Apparel International Group Limited, Karce International Holdings Company Limited, China Fair Land Holdings Limited, Frankie Dominion International Limited and Bestway International Holdings Limited which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Chim is the son of Mr. Chim Pui Chung who is the sole owner of Golden Mount Limited which was interested in about 14% of the Company's issued share capital as at the Latest Practicable Date.

Mr. Yu Hong, aged 38, has been an executive Director of the Company since November 2007. He has over 10 years of experience in product development and marketing in desulphurization industry of environment protection field in People's Republic of China. He is currently the legal representative of Guangzhou Yueshou Industry Company Limited and Guangzhou Yueshou Construction Engineering Company Limited. He is also a Director of Goldfield International Investment Group Limited.

Mr. Li Bin, aged 35, has been an executive Director of the Company since November 2007. He holds a Bachelor degree in Industrial and Commercial Management from Jinan University in People's Republic of China. He has over 12 years of experience in shipping and logistic industry. Mr. Li is currently the Managing Director of Evertop Logistics Company Limited.

Biographical Details of Directors

FORMER EXECUTIVE DIRECTORS

Mr. Yip Kwong, Robert, aged 55, resigned as the Chairman of the Company in July 2007. Before his resignation, he was involved in both the strategic planning and overall management control of the entire Group. Mr. Yip had over 25 years' experience in corporate planning and investment management.

Mr. Dai Zhong Cheng, aged 47, resigned as an executive Director of the Company in June 2007. He has been involved in the financial industry and assets and capital market in the People's Republic of China (the "PRC") for more than 19 years. Prior to joining the Company, Mr. Dai held various directorates and senior positions with prominent corporations in the PRC.

Mr. Kam Shing, aged 76, resigned as an executive Director of the Company in July 2007. He graduated from Beijing University and has over 45 years' experience in business administration while working for the Guangxi Provincial Government in the People's Republic of China. Since 1981, Mr. Kam Shing has been working in Hong Kong as a Director of three private companies owned by the Guangxi Provincial Government of the People's Republic of China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Tak Keung, aged 43, has been an independent non-executive Director of the Company since July 2007. He was a manager in Trigold & Co. and has over 11 years of marketing and trading experience in garment industry and in daily consumable goods in Hong Kong and overseas. He is also an executive Director of Kanstar Environmental Paper Products Holdings Limited, which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and an independent non-executive Director of Aurora Global Investment Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Kwong Ping Man, aged 43, has been an independent non-executive Director of the Company since July 2007. He has over 10 years of experience in accounting and administration fields. Mr. Kwong is a graduate from Curtin University of Technology in Australia with a bachelor's degree in Commerce Accounting. Mr. Kwong obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University in November 2003. Mr. Kwong is a Certified Practising Accountant of the Australian Society of Certified Practising Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwong is also an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Company Secretaries. Mr. Kwong is an independent non-executive Director of Century Sunshine Ecological Technology Holdings Limited which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Mr. Cheng Kwok Hing, Andy, aged 36, has been an independent non-executive Director of the Company since May 2007. He has over 15 years of experience in accounting and administrative fields. Mr. Cheng is an executive Director of Frankie Dominion International Limited, Karce International Holdings Company Limited and Peking Apparel International Group Limited which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Cheng is also currently a Director of a Hong Kong private limited company which is principally engaged in the manufacturing and sale of Chinese medical herbs in Hong Kong and the PRC and of another Hong Kong private limited company which is principally engaged in the manufacturing and sale of paper products.

FORMER INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong King Keung, Peter *BSc (Eng), MSc, PhD, FHKIE, FGS, MICE, J.P.*, aged 62, resigned as an independent non-executive Director of the Company in April 2007. He earned his first two degrees from the University of Hong Kong and his final doctorate from Queen's University, Canada in field of Civil Engineering. He has managed companies involved in engineering services, construction, real estates, industrial manufacturing and China trade. He is actively involved in public service as member of the Town Planning Board, Arts Development Council, Institution for Promotion of Chinese Culture and the Macau Open University. He is also currently a member of the Chinese People's Political Consultative Conference.

Dr. Lau Lap Ping, aged 55, resigned as an independent non-executive Director of the Company in July 2007. She graduated from Zhongshan Medical University of Medicine. She held the position of Attending Physician in Internal Medicine and Paediatrics of Dong San Regional People's Hospital from 1973 to 1994. After that, she worked in a herbal medicinal trading company as a Deputy General Manager and joined the Group in 2002.

Mr. Edmund Siu, aged 35, resigned as an independent non-executive Director of the Company in July 2007. He obtained a bachelor degree of commerce in accounting from the University of Canberra, Australia in 1995. He has been an associate member of both Institute of Chartered Accountants in Australia and Hong Kong Institute of Certified Public Accountants since 1998. He was a senior associate with an international accounting firm and a local public accounting firm for five years. During his time with the accounting firms, he had experience in both external and internal audit work.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establish and maintain high standards of corporate governance in order to protect the interests of our shareholders. The Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 July 2007, except for the following deviations:

1. **Code Provision A.2.1**

   Code provision A.2.1 of the CG Code provides that, "The roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing." Mr. Fok Po Tin ("Mr. Fok") is the Chairman. The Company does not maintain the office of CEO and the day-to-day operation of the Company is managed by Mr. Fok, the Chairman. The Board considers that vesting the roles of both Chairman and CEO in Mr. Fok at the present stage of development of the Group can maximize effectiveness and ensure execution of the business plan and strategy of the Group.

2. **Code Provision A.4.1**

   Under the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws of the Company. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company in this aspect of the CG Code.

The Board will continuously review and improve the corporate governance standards and practices of the Company, including whether the separation of the roles of the Chairman and the CEO is necessary to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Rules (the "Model Code") as contained in Appendix 10 of the Listing Rules. In response to specific enquiry made by the Company, all Directors confirmed they have complied with the required standard set out in the Model Code throughout the year ended 31 July 2007.

THE BOARD

Composition of the Board

The Board currently comprises 7 Directors. There are 4 executive Directors (including the Chairman) and 3 independent non-executive Directors. Detailed biographies outlining each individual Director's range of specialist experience are set out in the section entitled "Biographical Details of Directors" in this Annual Report.

The Board and the Board committees meet regularly every fiscal year and additional meetings would be arranged for the year ended 31 July 2007 if and when necessary. Attendance of the regular meetings of the Board and those of the committees are set out as follows:

		Attendance/Number of Meetings		
Name of Directors	*Notes*	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors				
Fok Po Tin *(Chairman)*	*2*	6/7		
Chim Kim Lun, Ricky	*3*	5/5		
Mr. Yip Kwong, Robert *(Chairman)*	*4*	9/12		
Mr. Dai Zhong Cheng	*5*	8/9		
Mr. Kam Shing	*6*	9/11		
Independent Non-executive Directors				
Mr. Kwong Ping Man	*7*	1/3		1/1
Mr. Sun Tak Keung	*8*	3/3		1/1
Mr. Cheng Kwok Hing, Andy	*9*	5/5		1/1
Dr. Wong King Keung, Peter	*10*	7/8	2/2	
Dr. Lau Lap Ping	*11*	8/11	2/2	
Mr. Edmund Siu	*12*	8/11	2/2	

Notes:

1. The counting of attendance for existing Directors started the joining date of Directors or committee members. The counting of attendance for former Directors ended upon his ceasing to be a Director or committee member.

2. Mr. Fok Po Tin was appointed as Chairman and executive Director with effect from 20 July 2007 and 12 March 2007 respectively.

3. Mr. Chim Kim Lun, Ricky was appointed as executive Director with effect from 23 May 2007.

THE BOARD *(Continued)*

Composition of the Board *(Continued)*

4. Mr. Yip Kwong, Robert resigned as Chairman and executive Director with effect from 20 July 2007.

5. Mr. Dai Zhong Cheng resigned as executive Director with effect from 13 June 2007.

6. Mr. Kam Shing resigned as executive Director with effect from 9 July 2007.

7. Mr. Kwong Ping Man was appointed as an independent non-executive Director with effect from 13 July 2007.

8. Mr. Sun Tak Keung was appointed as an independent non-executive Director with effect from 5 July 2007.

9. Mr. Cheng Kwok Hing, Andy was appointed as an independent non-executive Director with effect from 23 May 2007.

10. Dr. Wong King Keung, Peter resigned as an independent non-executive Director with effect from 13 April 2007.

11. Dr. Lau Lap Ping resigned as an independent non-executive Director with effect from 5 July 2007.

12. Mr. Edmund Siu resigned as an independent non-executive Director with effect from 13 July 2007.

There is a clear division of responsibilities between the Board and the management. The Board is responsible for formulating and deciding on strategy, policy, guidance and monitoring implementation thereof and overseeing the performance of the management. While day-to-day management of the Group is delegated to the management team of each respective subsidiary under the overall management and leadership of the Chairman and other executive Directors. Without prejudice to the generality of the responsibility aforesaid, the Board is responsible for:

- Formulating the strategy and policy for the operation and development of the businesses of the Group and monitoring the implementation thereof;

- Recommending dividends;

- Reviewing and approving the annual and interim reports;

- Establishing and maintaining good corporate governance standards and practices; and

- Ensuring and monitoring other continuing obligations and compliance of the Company under the Listing Rules.

The Board believes that the balance of power and authority is adequately ensured by the operating of the Board, which comprises experienced and high caliber individuals with a sufficient number thereof being independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not maintain the office of CEO. The usual leadership and day-to-day management duties of CEO are vested in the Chairman of the Company, namely, Mr. Fok Po Tin.

INDEPENDENT NON-EXECUTIVE DIRECTORS

It is noted that there is a deviation in the appointment of non-executive Directors from CG Code A.4.1 as discussed above. However, the Board considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are similar to those under the CG Code because under the Bye-Laws of the Company, all Directors (including all non-executive Directors) are subject to retirement by rotation at least once every three year. One-third of the Directors must retire from office at each annual general meeting and their re-election is subject to vote of shareholders.

The roles of the independent non-executive Directors include the following:

- provision of independent judgment at the Board;
- dealing with issues arriving from potential conflicts of interests between the major shareholders (or, as the case may be, Director, or management and the minority shareholders);
- serving on audit and remuneration committees; and
- scrutinizing the performance of the Group as necessary

The Board complied with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of all the three independent non-executive Directors. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

NOMINATION OF DIRECTORS

The Company has not established any nomination committee. The Board will identify individuals who are suitably qualified to become board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account of his/her experience, qualification and other relevant factors. All candidates must also meet the standards as set forth in Rule 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

SUPPLY OF AND ACCESS TO INFORMATION AND ACCESS TO LEGAL AND OTHER PROFESSIONAL ADVICE

To allow the Directors, in particular, all the independent non-executive Directors to make informed decisions and properly discharge their duties and responsibilities, the Company Secretary ensures the relevant Board papers are sent to all the Directors in a timely manner. All Board papers and minutes are also made available for inspection by the Directors and the Committees. All Directors, in particular, the independent non-executive Directors are informed and authorized to seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if they consider necessary to discharge their duties as Directors of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee is chaired by an independent non-executive Director, Mr Kwong Ping Man and also comprises an independent non-executive Director, Mr. Cheng Kwok Hing, Andy as one of its members. The Remuneration Committee has specific written terms of reference which follow closely with the requirement of the CG code. During the year under review, one meeting was held by the Remuneration Committee and it reviewed the remuneration packages of Directors and senior management.

The Remuneration Committee is authorized to investigate any matter within its Terms of Reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if it considers necessary.

AUDITORS' REMUNERATION

HLB Hodgson Impey Cheng ("HLB") have been appointed by the shareholders annually as the external auditors of the Group since 2004. For the year ended 31 July 2007, the fees charged to accounts of the Group for HLBs' statutory audit amounted to approximately HK$500,000, in addition approximately HK$620,000 was charged for other services. The non-statutory audit services mainly consist of special audits.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 July 2007, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

INTERNAL CONTROL

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of the shareholders and the Group's assets.

The Board, with the assistance of the head of the finance team and the operating units of the Group, performed financial, operational compliance controls and risk management reviews of the Company and its subsidiaries. Summaries of major audit findings and control weaknesses, if any, as identified by the Board will be related to the operating units who will take the follow-up actions under the monitoring of the Board .

Audit Committee

The Audit Committee was set up with the responsibility of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises all three independent non-executive Directors, Kwong Ping Man (Chairman of the Audit Committee) Mr. Sun Tak Keung and Mr. Cheng Kwok Hing, Andy.

The Audit Committee has reviewed the annual and interim results of the year ended 31 July 2007, and two regular meetings were held during the year under review. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

Communication with Shareholders

Communication with shareholders could enhance the confidence of investors. The primary communication channel between the Company and its shareholders include the publication of interim and annual reports, annual general meeting and other general meetings. The Group's website provides regularly updated Group information to shareholders. Enquires on matters relating to shareholdings and the business of the Group are welcome, and are dealt with in an informative and timely manner. The Group encourages all shareholders to attend annual general meeting.

Report of the Directors

The Directors have pleasure in presenting their annual report and the audited financial statements of China Rich Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 July 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in Note 58 to the financial statements.

SEGMENT INFORMATION

An analysis to the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 July 2007 is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 July 2007 and the state of affairs of the Company and the Group as at 31 July 2007 are set out in the financial statements on pages 24 to 29.

The Directors do not recommend the payment of dividend for the year ended 31 July 2007 (2006: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 123.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 37 to the financial statements and in the consolidated statement of changes in equity on page 30 respectively.

DISTRIBUTABLE RESERVES

In the opinion of the Directors, the Company has no reserves available for distribution to its shareholders. However, pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK$84,937,000 can be distributed in the form of fully paid shares.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in Note 17 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 19 to the financial statements.

GOLF RESORT

Details of the movements in golf resort of the Group during the year are set out in Note 20 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the share capital and convertible notes of the Company during the year are set out in Note 35 and Note 40 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Fok Po Tin *(Chairman)*	Appointed as Chairman and executive Director on 20 July 2007 and 12 March 2007 respectively
Mr. Chim Kim Lun, Ricky	Appointed on 23 May 2007
Mr. Yu Hong	Appointed on 8 November 2007
Mr. Li Bin	Appointed on 16 November 2007
Mr. Yip Kwong, Robert *(Chairman)*	Resigned on 20 July 2007
Mr. Dai Zhong Cheng	Resigned on 13 June 2007
Mr. Kam Shing	Resigned on 9 July 2007

Independent non-executive Directors:

Mr. Sun Tak Keung	Appointed on 5 July 2007
Mr. Cheng Kwok Hing, Andy	Appointed on 23 May 2007
Mr. Kwong Ping Man	Appointed on 13 July 2007
Dr. Wong King Keung, Peter	Resigned on 13 April 2007
Dr. Lau Lap Ping	Resigned on 5 July 2007
Mr. Edmund Siu	Resigned on 13 July 2007

In accordance with the Company's Bye-law 86(2), Mr. Fok Po Tin, Mr. Chim Kim Lun, Ricky, Mr. Yu Hong, Mr. Li Bin, Mr. Sun Tak Keung, Mr. Cheng Kwok Hing, Andy and Mr. Kwong Ping Man will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Company are set out on pages 6 to 8 of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading of "Directors' interests and short positions in shares, underlying shares and debentures" and the share option scheme as disclosed below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 July 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities (the "Listing Rules"), were as follows:

Long positions in shares of the Company

Name of Director	Number of issued ordinary shares held	Percentage of the issued share capital in the Company *(Note b)*
Yu Hong	2,994,000,000 *(Note a)*	294.11%

Note a: These interests are attributable to the zero-coupon convertible notes due 2012 in an aggregate principal amount HK$598,800,000 issued by the Company with an initial subscription price of HK$0.2 each (which entitle Give Power Technology Limited (which is solely owned by Mr. Yu Hong, a current Director) to 2,994,000,000 shares upon exercise of the conversion rights attached to such convertible notes in full).

Note b: Based on the number of 1,017,999,999 shares of the Company in issue as at 31 July 2007.

Save as disclosed above, as at July 31, 2007, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are set out in Note 36 to the financial statements.

No options were granted to any Directors and employees of the Company during the year ended 31 July 2007 pursuant to the new share option scheme adopted on 10 January 2002 (the "New Scheme").

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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.

SUBSTANTIAL SHAREHOLDERS

Interests of substantial shareholders

So far as is known to the directors, as at 31 July 2007, the following shareholders had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital in the Company *(Note d)*
Golden Mount Limited *(Note a)*	Interest of a controlled corporation	217,211,664	21.34%
Chim Pui Chung	Beneficial owner	217,211,664	21.34%
Give Power Technology Limited *(Note b)*	Interest of a controlled corporation	2,994,000,000 *(Note c)*	294.11%
Yu Hong	Beneficial owner	2,994,000,000 *(Note c)*	294.11%

Note a: Golden Mount Limited is wholly-owned by Mr. Chim Pui Chung.

Note b: Give Power Technology Limited is wholly-owned by Mr. Yu Hong.

Note c: These interests are attributable to the zero-coupon convertible notes due 2012 in an aggregate principal amount HK$598,800,000 issued by the Company with an initial subscription price of HK$0.2 each (which entitle Give Power Technology Limited (which is solely owned by Mr. Yu Hong, a current Director) to 2,994,000,000 shares upon exercise of the conversion rights attached to such convertible notes in full).

Note d: Based on the number of 1,017,999,999 shares of the Company in issue as at 31 July 2007.

Save as disclosed above, the Company has not been notified of any other shareholders who had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 31 July 2007.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions of the Group are set out in Note 57 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The five largest customers of the Group for the year accounted for approximately 24% of the Group's turnover. The Group's largest customer accounted for approximately 9% of its turnover for the year.

The five largest suppliers of the Group for the year accounted for approximately 81% of the Group's purchase. The Group's largest supplier accounted for approximately 28% of its purchase for the year.

As far as the Directors are aware, neither the Directors, their associates nor those shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule").

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Particulars of the MPF are set out in Note 3 on the financial statements.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on page 9 to 15 of this report.

AUDIT COMMITTEE

The Audit Committee presently comprises three independent non-executive Directors of Mr. Kwong Ping Man, Mr. Sun Tak Keung and Mr. Cheng Kwok Hing, Andy. The Audit Committee has reviewed the accounting policies and practices adopted and the annual report of the Group for the year. The Audit Committee has held regular meeting since its formation, at a frequency of at least twice a year.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events occurring after the balance sheet date are set out in Note 56 to the financial statements.

AUDITORS

Messrs. HLB Hodgson Impey Cheng retire, and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Fok Po Tin
Chairman

Hong Kong, 23 November 2007

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
CHINA RICH HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Rich Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 122, which comprise the consolidated and company balance sheets as at 31 July 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.

AUDITORS' 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, 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 auditors' 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 auditors consider 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 affairs of the Company and of the Group as at 31 July 2007 and of the Group's 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 23 November 2007

Consolidated Income Statement

for the year ended 31 July 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Continuing operations			
Turnover	7	**31,965**	21,315
Cost of sales		**(16,552)**	(11,292)
Gross profit		**15,413**	10,023
Other revenue	7	**3,534**	5,088
Other income	8	**64,039**	2,777
Administrative expenses		**(29,755)**	(28,747)
Impairment loss on trade and other debtors		**(5,165)**	(6,412)
Loss arising from change in fair value of investment properties	17	**(6,390)**	(857)
Impairment loss in respect of property, plant and equipment		**(793)**	–
Impairment loss in respect of properties under development		**–**	(5,794)
Profit/(loss) from operations	8	**40,883**	(23,922)
Gain arising from change in fair value of derivative financial instruments	33	**498**	–
Loss arising from change in fair value of derivative financial instruments	33	**(5,754)**	–
Gain arising from disposal of subsidiaries	48	**9,270**	–
Loss arising from disposal of subsidiaries	49	**(10,181)**	–
Loss arising from deemed disposal of an associate	50	**(17,575)**	–
Share of results of associates	23	**(602)**	(5,862)
Finance costs	9	**(2,994)**	(1,942)
Profit/(loss) before taxation		**13,545**	(31,726)
Taxation	11	**(4,185)**	15,142
Profit/(loss) for the year from continuing operations		**9,360**	(16,584)
Discontinued operations			
Loss for the year from discontinued operations	10	**(16,129)**	(11,342)
Loss for the year		**(6,769)**	(27,926)

Consolidated Income Statement

for the year ended 31 July 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Attributable to:			
– Equity holders of the Company		**(14,037)**	(28,010)
– Minority interests		**7,268**	84
		(6,769)	(27,926)
Dividends	*15*	**–**	–
Profit/(loss) per share	*16*		
From continuing and discontinued operations			
– basic and diluted		**HK$(0.019)**	HK$(0.04)
From continuing operations			
– basic		**HK$0.003**	HK$(0.02)
– diluted		**HK$0.002**	HK$(0.02)

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 July 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Investment properties	17	**128,494**	130,000
Interest in leasehold land	18	**–**	15,683
Property, plant and equipment	19	**9,942**	11,965
Golf resort	20	**–**	134,400
Properties under development	21	**43,000**	34,400
Interests in an associate	23	**13,738**	25,925
Goodwill	24	**106,282**	–
Intangible assets	25	**48,758**	–
		350,214	352,373
Current assets			
Properties held for sale	21	**16,399**	19,722
Financial assets at fair value through profit or loss, other than derivative financial instruments	26	**60,397**	–
Trade and other debtors	28	**103,962**	2,886
Deposits and prepayments	29	**73,435**	3,268
Inventories	30	**911**	–
Amount due from an associate		**3**	–
Amounts due from customers for contract work	31	**4,980**	–
Other deposit	32	**9,169**	12,500
Derivative financial instruments	33	**221,478**	–
Bank deposits, secured for credit facilities		**–**	2,045
Cash and bank balances		**18,867**	16,435
		509,601	56,856
Non-current assets classified as held for sale	34	**–**	11,011
Total assets		**859,815**	420,240
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	35	**50,900**	33,850
Reserves	37(a)	**446,299**	312,229
		497,199	346,079
Minority interest		**12,734**	991
Total equity		**509,933**	347,070

Consolidated Balance Sheet

at 31 July 2007

	Note	2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year, secured	*38*	**23,418**	9,462
Deferred income		**7,268**	–
Convertible notes	*40*	**100,425**	–
Deferred taxation	*45*	**20,174**	–
		151,285	9,462
Current liabilities			
Bank overdrafts, secured	*42*	**–**	705
Bank borrowings			
– due within one year, secured	*38*	**48,719**	14,350
Interest bearing borrowings			
– due within one year	*39*	**–**	2,182
Trade and other creditors	*43*	**106,848**	19,341
Accrued charges		**9,417**	14,745
Provision for claims	*44*	**–**	3,800
Amounts due to customers for contract work	*31*	**12,344**	–
Amount due to an associate	*23*	**16,929**	864
Amount due to a director	*41*	**–**	3,760
Taxation payable		**4,340**	306
		198,597	60,053
Liabilities directly associated with non-current assets classified as held for sale	*34*	**–**	3,655
Total liabilities		**349,882**	73,170
Total equity and liabilities		**859,815**	420,240
Net current assets		**311,004**	4,159
Total assets less current liabilities		**661,218**	356,532

Approved by the Board of Directors on 23 November 2007 and signed on its behalf by:

Fok Po Tin *Director*	**Chim Kim Lun, Ricky** *Director*

The accompanying notes form an integral part of these financial statements.

Balance Sheet

at 31 July 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
ASSETS			
Non-current assets			
Investments in subsidiaries	*22*	**1**	94,561
Interests in an associate	*23*	**–**	8,840
		1	103,401
Current assets			
Deposits and prepayments	*29*	**394**	122
Other deposit	*32*	**9,169**	12,500
Amounts due from subsidiaries	*22*	**474,960**	165,901
Cash and bank balances		**1,133**	11,566
		485,656	190,089
Total assets		**485,657**	293,490
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*35*	**50,900**	33,850
Reserves	*37(b)*	**269,233**	67,014
Total equity		**320,133**	100,864

Balance Sheet

at 31 July 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Convertible notes	*40*	**100,425**	–
Deferred taxation	*45*	**20,016**	–
		120,441	–
Current liabilities			
Interest bearing borrowings			
– due within one year	*39*	**–**	2,182
Other creditors and accrued charges	*43*	**12,920**	15,100
Financial guarantee contract	*46*	**–**	751
Amount due to a director	*41*	**–**	3,680
Amount due to an associate		**–**	196
Amounts due to subsidiaries	*22*	**32,163**	170,717
		45,083	192,626
Total liabilities		**165,524**	192,626
Total equity and liabilities		**485,657**	293,490
Net current assets/(liabilities)		**440,573**	(2,537)
Total assets less current liabilities		**440,574**	100,864

Approved by the Board of Directors on 23 November 2007 and signed on its behalf by:

Fok Po Tin *Director*	**Chim Kim Lun, Ricky** *Director*

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2007

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Distri-butable reserve HK$'000 (Note (a))	Contri-buted surplus HK$'000	Investment revaluation reserve HK$'000	Convertible notes reserve HK$'000	Retained profit/ (accumul-ated loss) HK$'000	Sub-total HK$'000	Minority interest HK$'000	Total HK$'000
At 1 August 2005	33,850	31,879	11,613	5,902	77,033	143,218	(2,405)	–	70,022	371,112	907	372,019
Share of an associate's realised gain on disposal of investment in securities	–	–	–	–	–	–	2,405	–	–	2,405	–	2,405
Exchange differences arising from translation of overseas operations	–	–	–	572	–	–	–	–	–	572	–	572
Net income recognised directly in equity	–	–	–	572	–	–	2,405	–	–	2,977	–	2,977
Loss for the year	–	–	–	–	–	–	–	–	(28,010)	(28,010)	84	(27,926)
At 31 July 2006 and 1 August 2006	33,850	31,879	11,613	6,474	77,033	143,218	–	–	42,012	346,079	991	347,070
Release upon disposal of subsidiaries	–	–	–	(3,081)	–	–	–	–	–	(3,081)	–	(3,081)
Exchange differences arising from translation of overseas operations	–	–	–	2,485	–	–	–	–	–	2,485	–	2,485
Net loss recognised directly in equity	–	–	–	(596)	–	–	–	–	–	(596)	–	(596)
Loss for the year	–	–	–	–	–	–	–	–	(14,037)	(14,037)	7,268	(6,769)
Total recognised income and expense for the period	–	–	–	(596)	–	–	–	–	(14,037)	(14,633)	7,268	(7,365)
Equity component of convertible notes	–	–	–	–	–	–	–	138,101	–	138,101	–	138,101
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	4,475	4,475
Issuing expenses	–	(792)	–	–	–	–	–	–	–	(792)	–	(792)
Issue of shares	6,750	22,950	–	–	–	–	–	–	–	29,700	–	29,700
Conversion of convertible notes	10,300	30,900	–	–	–	–	–	(22,168)	–	19,032	–	19,032
Reversal upon conversion of convertible notes	–	–	–	–	–	–	–	3,880	–	3,880	–	3,880
Deferred tax arising from issue of convertible notes	–	–	–	–	–	–	–	(24,168)	–	(24,168)	–	(24,168)
At 31 July 2007	**50,900**	**84,937**	**11,613**	**5,878**	**77,033**	**143,218**	**–**	**95,645**	**27,975**	**497,199**	**12,734**	**509,933**

Notes:

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

(b) Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account can be distributed in the form of fully paid shares.

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2007

	2007 HK$'000	2006 HK$'000
Cash flows from operating activities		
Loss before taxation	**(2,584)**	(43,068)
Adjustments for:		
Amortisation of interest in leasehold land	**10**	15
Amortisation of intangible assets	**291**	–
Gain arising from change in fair value of derivative financial instruments	**(498)**	–
Loss arising from change in fair value of derivative financial instruments	**5,754**	–
Loss arising from change in fair value of investment properties	**6,390**	857
Depreciation	**3,075**	5,828
Fair value gain in respect of financial assets at fair value through profit or loss, other than derivative financial instruments	**(34,057)**	–
Finance costs	**2,994**	1,942
Loss arising from deemed disposal of an associate	**17,575**	–
Gain on disposal of property, plant and equipment	**(9,790)**	–
Loss on disposal of property, plant and equipment	**1**	28
Gain arising from disposal of subsidiaries	**(9,270)**	–
Loss arising from disposal of subsidiaries	**10,181**	–
Impairment loss in respect of golf resort	**–**	9,019
Impairment loss in respect of properties under development	**–**	5,794
Impairment loss in respect of property, plant and equipment	**793**	700
Interest income	**(1,326)**	(927)
Provision for claims	**–**	1,800
Impairment loss on trade and other debtors	**5,165**	6,412
Reversal of impairment loss on properties under development	**(8,600)**	–
Reversal of other payables	**–**	(2,777)
Share of results of associates	**602**	5,862
Operating loss before working capital changes	**(13,294)**	(8,515)
Decrease in properties held for sale	**3,323**	4,865
Increase in trade and other debtors	**(47,562)**	(1,771)
Increase in inventories	**(911)**	–
(Increase)/decrease in deposits and prepayments	**(47,532)**	2,241
Decrease in other deposits	**3,800**	–
Increase in amount due from an associate	**(3)**	–
Decrease in trade and other creditors	**(643)**	(4,885)
Decrease in provision for claims	**(3,800)**	–
(Decrease)/increase in accrued charges	**(5,331)**	92
(Decrease)/increase in amount due to an associate	**(864)**	679
Decrease in amount due to a director	**(3,760)**	(2,428)
Cash used in operations	**(116,577)**	(9,722)
Interest paid	**(1,435)**	(1,942)
PRC income tax paid	**(486)**	–
Net cash used in operating activities	**(118,498)**	(11,664)

Consolidated Cash Flow Statement

for the year ended 31 July 2007

	2007 HK$'000	2006 HK$'000
Cash flows from investing activities		
Interest received	**1,326**	927
Purchase of property, plant and equipment	**(733)**	(3,720)
Proceeds from disposal of property, plant and equipment	**22,500**	–
Net proceeds from disposal of subsidiaries	**139,380**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**87,210**	–
Acquisition of subsidiaries	**(40,535)**	–
Investment in financial assets at fair value through profit or loss	**(8,130)**	–
Decrease in pledged bank deposits	**–**	52,946
Net cash generated from investing activities	**201,018**	50,153
Cash flows from financing activities		
Proceeds from issue of shares	**6,750**	–
Repayment of bank loans	**(86,436)**	(6,293)
Repayment of interest bearing borrowings	**(2,182)**	(4,118)
Net cash used in financing activities	**(81,868)**	(10,411)
Net increase in cash and cash equivalents	**652**	28,078
Cash and cash equivalents at the beginning of the year	**15,730**	(11,999)
Effect of foreign exchange rate changes	**2,485**	(349)
Cash and cash equivalents at the end of the year	**18,867**	15,730
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**18,867**	16,435
Bank overdrafts, secured	**–**	(705)
	18,867	15,730

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its share are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Room 1806, 18/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the property development, provision of medical and health services, provision of installation services, sales of chemical agents and petroleum chemical products and provision of technical services in the People's Republic of China (the "PRC"). During the year, the Group has discontinued the operation of a golf resort.

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

Impact of new and revised HKFRSs

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006, 1 May 2006 or 1 June 2006. The new HKFRSs adopted by the Group in the consolidated financial statements are set out as follows:

HKFRSs 1 & 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS – Int 4	Determining whether an Arrangement contains a Lease
HKFRS – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK (IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Impact of new and revised HKFRSs *(Continued)*

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that affected the amounts reported for the current or prior accounting periods:

Financial guarantee contract

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 (Amendments) Financial Guarantee Contracts which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 Financial Instruments: Recognition and Measurement as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 Insurance Contract and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

The Company has issued a corporate guarantee to a bank for bank borrowings for its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of the borrowings.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Financial guarantee contract *(Continued)*

The revised HKAS 39 has been applied retrospectively to financial guarantees existing as at 1 January 2005. The effects of adoption on the balance sheet of the Company at 31 July 2007 and 2006 are as follows:

	2007	2006
	HK$'000	HK$'000
Increase in investments in subsidiaries	**–**	751
Increase in financial guarantee contract	**–**	(751)
	–	–

Impact of new and revised HKFRSs not yet effective

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

	Effective for accounting period beginning on or after
HKFRS 7, Financial Instruments: Disclosures	1 January 2007
HKFRS 8, Operating Segments	1 January 2009
HKAS 1 (Amendment), Presentation of Financial Statements: Capital Disclosures	1 January 2007
HKAS 23 (Revised), Borrowing Costs	1 January 2009
HK (IFRIC) – Int 10, Interim Financial Reporting and Impairment	1 November 2006
Revised guidance on implementing HKFRS 4 – Insurance	1 January 2007
HK (IFRIC) – Int 11, HKFRS 2, Group and Treasury Share Transactions	1 March 2007
HK (IFRIC) – Int 12, Service Concession Arrangements	1 January 2008
HK (IFRIC) – Int 14, HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Impact of new and revised HKFRSs not yet effective *(Continued)*

HKFRS 7 shall be applied for accounting periods on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

The management is in the process of making an assessment of the impact of these new standards, amendments or interpretations to existing standards. The directors of the Company so far has concluded that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

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

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

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the financial statements.

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

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention except for investment properties, derivative financial instruments and financial assets at fair value through profit or loss which have been carried at fair value as explained below.

Basis of consolidation

The consolidated financial statements included the financial statements of the Company and all of its subsidiaries and associates for the year ended 31 July 2007. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as 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 into line with those used by other members of the Group.

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill arising on acquisition is presented separately in the consolidated balance sheet.

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

Goodwill *(Continued)*

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Negative goodwill

A discount of acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in income statement.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

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

Associates

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

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

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

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

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, investment properties, goodwill and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

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

Impairment of non-financial assets (other than goodwill) *(Continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two categories, including financial assets held for trading and those designated at fair value through profit or loss at inception. A financial assets is classified this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Gains or losses on investments held for trading are recognised in the income statement. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investment in this category.

Available-for-sale financial assets

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

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

Investments and other financial assets *(Continued)*

Available-for-sale financial assets *(Continued)*

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

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

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

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

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, being the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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

Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Derecognition of financial assets *(Continued)*

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities and equity

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

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and financial liabilities at amortised costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are classified into (i) financial liabilities held for trading and (ii) those designated as at fair value through profit or loss on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- The financial liability forms part of a group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

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

Financial liabilities and equity *(Continued)*

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and interest-bearings loans advanced from shareholders are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is an equity instrument. For conversion option that does not meet the definition of an equity instrument, it is classified as a derivative financial liability and is carried at fair value.

Convertible notes that contain an equity component

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest rate method. The equity component will remain in convertible loan note equity reserve until the conversion option is exercised (in which case the amount will be transferred to the share premium account). Where the option remains unexercised at the expiry date, the amount stated in the convertible loan note equity reserve will be released to retained profits. No gain or loss is to be recognised in the income statement upon conversion or expiration of the option.

Convertible notes that do not contain an equity component

Conversion option that is classified as derivative financial liability are re-measured at each balance sheet date subsequent to initial recognition with changes in fair value recognised directly in the income statement in the period in which they arise.

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. The difference between the carrying value of the financial liability derecognised and the consideration paid is recognised in the income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Property, plant and equipment

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

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives. The principal annual rates used for this purpose are as follows:

Land and buildings:	Over the shorter of the term of the lease, or 20 years
Furniture, fixtures and equipment:	10 – 20%
Motor vehicles:	20 – 33⅓%
Plant and machinery:	10%

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

Property, plant and equipment *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is recognised is the difference between the net sale proceeds and the carrying amount of the relevant assets.

Interest in leasehold land

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

Investment properties

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

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

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

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

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

Investment properties *(Continued)*

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

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

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

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

Changes in fair values are recognised in the income statements.

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

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

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

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

Golf resort

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

Properties under development

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

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

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

Properties held for sale

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

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

Leases

Operating lease

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

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

Leases *(Continued)*

Finance lease

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

Borrowings

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

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

Borrowing costs

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

Cash and cash equivalents

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

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

Employee benefits

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

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

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

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

Provisions

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

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Revenue recognition

Revenue is provided when it is probable that economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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

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

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

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

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

(vi) Revenue from the sale of chemical products is recognised when the significant risks and rewards of ownership have been transferred to the buyers, provided that Guangzhou Yueshou Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(vii) Service fee income is recognised when the services are provided.

(viii) Income from installation service is recognised based on the percentage of completion basis.

Construction contracts

The accounting policy for contract revenue is set out in revenue recognition. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

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

Construction contracts *(Continued)*

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Deposits and prepayments". Amount received before the related work is performed are included in the balance sheet, as a liability, as "Advances received".

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

Foreign currency translation *(Continued)*

(iii) Group companies

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

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

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

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

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

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

Contingent liabilities and contingent assets

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

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

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

Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

Non-current assets held for sale

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

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

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

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

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

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

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

Segment reporting *(Continued)*

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

Impairment of trade receivables

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Impairment of assets

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

Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group test annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

Fair value of other financial assets and liabilities

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

Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

(Continued)

Critical accounting estimates and assumptions *(Continued)*

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policies stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

Estimated of fair value of investment properties

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Measurement of convertible notes

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND ESTIMATES

Financial risk management objectives and estimates

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, trade and other debtors, other deposits, bank deposits secured for credit facilities, cash and bank balances, trade and other creditors, bank borrowings, bank overdrafts, interest-bearing borrowings and convertible notes. The main purpose of these financial instruments is to raise finance for the Group's operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

(i) Foreign exchange risk

The Group operates mainly in both the People's Republic of China (the "PRC") and Hong Kong and majority of transactions are dominated in Renminbi and Hong Kong dollars. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. The Group considers there is no material currency risk and the Group does not have any formal hedging policy.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND ESTIMATES

(Continued)

Financial risk management objectives and estimates *(Continued)*

Market risk *(Continued)*

(ii) Price risk

The Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Credit risk

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

Liquidity risk

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

Cash flow interest-rate risk

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND ESTIMATES

(Continued)

Fair value estimation

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

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

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. For the year ended 31 July 2007, the Group is primarily engaged in six business segments: (i) property development; (ii) provision of medical and health services; (iii) installation services; (iv) sale of chemical agents and petroleum chemical products; (v) provision of technical services and (vi) operation of a golf resort.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade and other debtors, bank deposits, and cash and bank balances.

Segment liabilities comprise operating liabilities.

Unallocated assets and liabilities comprise items such as corporate borrowings.

6. SEGMENT INFORMATION *(Continued)*

Business segments

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

During the financial year, the Group disposed of its golf resort business.

2007

Results

	Continuing operations					Discontinued operations	
	Property development HK$'000	Medical and health services HK$'000	Installation services HK$'000	Sale of chemical agents and petroleum chemical products HK$'000	Provision of technical services HK$'000	Golf resort HK$'000	Consolidated HK$'000
Segment revenue							
– External sales	4,414	19,124	–	6,852	1,575	5,906	37,871
Segment results	10,486	(672)	2,402	9,155	1,302	(16,129)	6,544
Unallocated income							36,946
Unallocated corporate expenses							(18,736)
Profit from operations							24,754
Gain arising from change in fair value of derivative financial instruments							498
Loss arising from change in fair value of derivative financial instruments							(5,754)
Gain arising from disposal of subsidiaries							9,270
Loss arising from disposal of subsidiaries							(10,181)
Loss arising from deemed disposal of an associate							(17,575)
Share of results of associates							(602)
Finance costs							(2,994)
Loss before taxation							(2,584)
Taxation							(4,185)
Loss for the year							(6,769)

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Other information

	Continuing operations					Discontinued operations		
	Property development HK$'000	Medical and health services HK$'000	Installation services HK$'000	Sale of chemical agents and petroleum chemical products HK$'000	Provision of technical services HK$'000	Golf resort HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	–	51	–	–	–	582	100	733
Depreciation and amortisation	542	157	–	291	–	2,227	159	3,376
Loss arising from change in fair value of investment properties	6,000	–	–	–	–	–	390	6,390
Impairment loss on trade and other debtors	609	4,556	–	–	–	–	–	5,165
Impairment loss on property, plant and equipment	203	486	–	–	–	–	104	793
Imputed interest on convertible notes	–	–	–	–	–	–	1,558	1,558

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2007

Consolidated balance sheet

	Continuing operations					
	Property development HK$'000	Medical and health services HK$'000	Installation services HK$'000	Sale of chemical agents and petroleum chemical products HK$'000	Provision of technical services HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	186,341	5,586	152,886	173,724	–	518,537
Interests in an associate						13,738
Derivative financial instruments						221,478
Unallocated corporate assets						106,062
						859,815
LIABILITIES						
Segment liabilities	8,111	3,533	110,061	89,338	–	211,043
Convertible notes						100,425
Deferred taxation						20,174
Unallocated corporate liabilities						18,240
						349,882

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2006

Results

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

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Other information

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

2006

Consolidated balance sheet

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

6. SEGMENT INFORMATION *(Continued)*

Geographical segments

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

	Revenue		Profit/(loss) from operations	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
By geographical market:				
Hong Kong	**–**	–	**27,640**	(11,960)
The PRC	**37,871**	27,017	**(2,886)**	(23,304)
	37,871	27,017	**24,754**	(35,264)

Revenue from the Group's discontinued operations was derived mainly from the PRC.

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**372,368**	81,384	**668**	–
The PRC	**487,447**	338,856	**65**	3,720
	859,815	420,240	**733**	3,720

6. SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

	Impairment loss of trade and other debtors		Reversal of impairment loss in respect of properties under development	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	322	**–**	–
The PRC	**5,165**	6,090	**8,600**	–
	5,165	6,412	**8,600**	–

7. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of sales revenue from the sales of properties in the PRC, the service income from the provision of medical and health services in the PRC, the sales of chemical agents and petroleum chemical products and the service income from the provision of technical services.

7. TURNOVER AND OTHER REVENUE *(Continued)*

An analysis of the Group's turnover, for continuing operations, and other revenue for the year is as follows:

	2007	2006
	HK$'000	HK$'000
		(Restated)
Turnover:		
Continuing operations		
Sales of properties in the PRC	**4,414**	4,441
Provision of medical and health services in the PRC	**19,124**	16,874
Sales of chemical agents and petroleum chemical products	**6,852**	–
Provision of technical services	**1,575**	–
	31,965	21,315
Other revenue:		
Continuing operations		
Interest income	**1,326**	920
Rental income	**1,535**	2,784
Sundry income	**673**	1,384
	3,534	5,088

8. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is stated at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Auditors' remuneration	**500**	500	**–**	–	**500**	500
Amortisation of interest in leasehold land	**10**	15	**–**	–	**10**	15
Amortisation of intangible assets	**291**	–	**–**	–	**291**	–
Depreciation on owned assets	**848**	2,530	**2,227**	3,298	**3,075**	5,828
Loss on disposal of property, plant and equipment	**1**	1	**–**	27	**1**	28
Operating lease rentals in respect of land and buildings	**901**	634	**–**	–	**901**	634
Impairment loss on trade and other debtors	**5,165**	6,412	**–**	–	**5,165**	6,412
Staff costs, including directors' remuneration:						
– Retirement benefits scheme contributions	**241**	109	**–**	–	**241**	109
– Salaries and other benefits	**11,764**	10,523	**654**	590	**12,418**	11,113

and after crediting:

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other income:						
Exchange gain	**65**	–	**–**	–	**65**	–
Fair value gain in respect of financial assets at fair value through profit or loss, other than derivative financial instruments	**34,057**	–	**–**	–	**34,057**	–
Gain on disposal of property, plant and equipment	**9,790**	–	**–**	–	**9,790**	–
Reversal of impairment loss in respect of properties under development	**8,600**	–	**–**	–	**8,600**	–
Reversal of impairment loss in respect of deposits and prepayments	**9,046**	–	**–**	–	**9,046**	–
Reversal of impairment loss in respect of inventories	**2,481**	–	**–**	–	**2,481**	–
Reversal of other payables	**–**	2,777	**–**	–	**–**	2,777
	64,039	2,777	**–**	–	**64,039**	2,777

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Imputed interest on convertible notes	**1,558**	–	**–**	–	**1,558**	–
Interest on bank borrowings and overdrafts wholly repayable within five years	**1,402**	1,289	**–**	–	**1,402**	1,289
Interest on bank borrowings and overdrafts wholly repayable beyond five years	**–**	604	**–**	–	**–**	604
Interest on borrowings wholly repayable within five years	**34**	49	**–**	–	**34**	49
	2,994	1,942	**–**	–	**2,994**	1,942

10. DISCONTINUED OPERATIONS

Disposal of golf resort business

On 23 February 2007, the Group entered into a share sales agreement to dispose of the Group's golf resort business. The disposal of golf resort business is consistent with the Group's long-term policy to focus its activities on property development business. The disposal of the golf resort business was completed on 18 April 2007 on which date control of the golf resort business passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in Note 49.

10. DISCONTINUED OPERATIONS *(Continued)*

Disposal of golf resort business *(Continued)*

The combined results and cash flows of the discontinued operations (i.e. the golf resort) included in the consolidated income statement and the consolidated cash flow statement are set out below.

	2007	2006
	HK$'000	HK$'000
Loss for the year from discontinued operations		
Revenue	**5,906**	5,702
Expenses	**(22,035)**	(17,044)
Loss before taxation	**(16,129)**	(11,342)
Taxation	**–**	–
Loss for the year from discontinued operations	**(16,129)**	(11,342)
Cash flows from discontinued operations		
Net cash flows from operating activities	**3,537**	2,366
Net cash flows from investing activities	**(9,829)**	(2,683)
Net cash flows from financing activities	**6,419**	457
	127	140

11. TAXATION

Hong Kong Profits Tax is calculated at 17.5% (2006: Nil) of the estimated assessable profits arising in Hong Kong for the year.

11. TAXATION *(Continued)*

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

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current taxation:						
Provision for the year	**4,510**	–	**–**	–	**4,510**	–
Over provision in previous year – the PRC	**–**	(15,142)	**–**	–	**–**	(15,142)
Deferred taxation:						
Recognised during the year	**(325)**	–	**–**	–	**(325)**	–
	4,185	(15,142)	**–**	–	**4,185**	(15,142)

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

The Group	**2007**					
	Hong Kong		**PRC**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit/(loss) before tax:						
Continuing operations	**7,307**		**6,238**		**13,545**	
Discontinued operations	**–**		**(16,129)**		**(16,129)**	
Profit/(loss) before tax	**7,307**		**(9,891)**		**(2,584)**	
Tax at applicable tax rate	**1,278**	**17.5**	**(5,529)**	**(55.9)**	**(4,251)**	**(164.5)**
Estimated tax effect of income and expenses not taxable or deductible in determining taxable profits	**2,169**	**29.7**	**2,443**	**24.7**	**4,612**	**178.5**
Tax losses not recognised/(utilised)	**(821)**	**(11.2)**	**4,645**	**47.0**	**3,824**	**148.0**
Tax charged at the Group's effective rate	**2,626**	**36.0**	**1,559**	**15.8**	**4,185**	**162.0**

11. TAXATION *(Continued)*

The Group	2006					
	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax:						
Continuing operations	(19,789)		(11,937)		(31,726)	
Discontinued operation	–		(11,342)		(11,342)	
	(19,789)		(23,279)		(43,068)	
Tax at applicable tax rate	(3,463)	(17.5)	(7,682)	(33.0)	(11,145)	(25.9)
Estimated tax effect of income and expenses not taxable or deductible in determining profits tax	1,134	5.7	3,867	16.6	5,001	11.6
Tax losses not recognised	2,329	11.8	3,815	16.4	6,144	14.3
Over provision in previous year	–	–	(15,142)	(65.0)	(15,142)	(35.2)
Tax credited at the Group's effective rate	–	–	(15,142)	(65.0)	(15,142)	(35.2)

12. DIRECTORS' REMUNERATION

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

	Fees		Salaries and bonuses		Mandatory provident fund		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors								
Mr. Yip Kwong (Resigned on 20 July 2007)	**–**	–	**2,429**	2,460	**12**	12	**2,441**	2,472
Mr. Kam Shing (Resigned on 9 July 2007)	**–**	–	**268**	432	**–**	–	**268**	432
Mr. Dai Zhong Cheng (Resigned on 13 June 2007)	**–**	–	**83**	–	**–**	–	**83**	–
Mr. Fok Po Tin (Appointed on 12 March 2007)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Chim Kim Lun, Ricky (Appointed on 23 May 2007)	**–**	–	**–**	–	**–**	–	**–**	–
Independent non-executive directors								
Dr. Wong King Keung, Peter (Resigned on 13 April 2007)	**75**	96	**–**	–	**–**	–	**75**	96
Dr. Lau Lap Ping (Resigned on 5 July 2007)	**97**	96	**–**	–	**–**	–	**97**	96
Mr. Edmund Siu (Resigned on 13 July 2007)	**99**	96	**–**	–	**–**	–	**99**	96
Mr. Cheng Kwok Hing, Andy (Appointed on 23 May 2007)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Sun Tak Keung (Appointed on 5 July 2007)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Kwong Ping Man (Appointed on 13 July 2007)	**–**	–	**–**	–	**–**	–	**–**	–
	271	288	**2,780**	2,892	**12**	12	**3,063**	3,192

12. DIRECTORS' REMUNERATION *(Continued)*

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

	2007	2006
Nil – HK$1,000,000	**10**	5
HK$2,000,000 to HK$2,500,000	**1**	1
	11	6

No remuneration was paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2006: two) director, details of whose remuneration set out in Note 12 above. Details of the remuneration of the remaining four (2006: three) highest paid employees are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**1,647**	1,181
Retirement benefits scheme contributions	**46**	36
Total emoluments	**1,693**	1,217

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

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

14. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$53,516,000 (2006: loss of HK$6,616,000).

15. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 July 2007 (2006: Nil).

16. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic profit/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted profit/(loss) per share for both continuing and discontinued operations did not assume the exercise of the convertible notes existed during the year as the exercise of such notes would reduce loss per share, therefore anti-dilutive.

The calculations of basic and diluted profit/(loss) from continuing and discontinued operations per share are based on:

	2007	2006
	HK$'000	HK$'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(14,037)**	(28,010)

	2007	2006
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**749,008**	677,000

16. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

For continuing operations

The calculations of basic and diluted profit/(loss) from continuing operation per share are based on:

	2007 HK$'000	2006 HK$'000
Profit/(loss)		
Profit/(loss) for the year from continuing operations, attributable to ordinary equity holders of the Company, used in the basic profit/(loss) per share calculation	**2,092**	(16,668)
Imputed interest on convertible notes	**1,558**	–
Profit/(loss) attributable to ordinary equity holders of the Company before interest on convertible notes	**3,650**	(16,668)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic profit/(loss) per share calculation	**749,008**	677,000
Effect of dilution – weighted average number of ordinary shares: convertible notes issued on 28 June 2007	**793,206**	–
	1,542,214	677,000

For discontinued operations

Basic loss per share for the discontinued operations is HK$0.022 per share (2006: HK$0.017 per share), based on the loss for the year from the discontinued operations of approximately HK$16,129,000 (2006: HK$11,342,000) and the denominators detailed above for both basic loss per share.

17. INVESTMENT PROPERTIES

	The Group	
	2007	2006
	HK$'000	HK$'000
At the beginning of the year	**130,000**	130,656
Additions during the year	**–**	201
Acquisition of subsidiaries	**4,884**	–
Loss arising from change in fair value	**(6,390)**	(857)
At the end of the year	**128,494**	130,000

Investment properties were revalued at their open market values at 31 July 2007 by qualified independent valuers not connected with the Group, on an open market value basis. The valuation gave rise to a loss arising from change in fair value of HK$6,390,000 (2006: HK$857,000) which has been charged to the consolidated income statement.

The Group's investment properties with an aggregate carrying value of approximately HK$27,569,000 (2006: HK$21,478,000) have been pledged to secure credit facilities granted to the Group.

The carrying amount of investment properties shown above comprises:

	2007	2006
	HK$'000	HK$'000
Land outside Hong Kong:		
Long lease	**124,000**	130,000
Medium-term lease	**4,494**	–
	128,494	130,000

Property rental income earned during the year was approximately HK$1,535,000 (2006: HK$2,784,000). The property held had committed tenants for the next two years. At the balance sheet date, the Group contracted with tenants for the following future minimum lease receivables:

	2007	2006
	HK$'000	HK$'000
Within one year	**1,461**	1,757
In the second to fifth year inclusive	**440**	1,039
	1,901	2,796

18. INTEREST IN LEASEHOLD LAND

	The Group	
	2007	2006
	HK$'000	HK$'000
Cost		
At 1 August	**15,773**	15,773
Disposals	**(7,889)**	–
Disposal of subsidiaries	**(7,884)**	–
At 31 July	**–**	15,773
Accumulated amortisation		
At 1 August, as previously reported	**90**	75
Charge for the year	**10**	15
On disposal written back	**(47)**	–
Disposal of subsidiaries	**(53)**	–
At 31 July	**–**	90
Net book value		
At 31 July	**–**	15,683

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

	2007	2006
	HK$'000	HK$'000
Land in Hong Kong held on long-term leases	**–**	15,683

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

19. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost					
At 1 August 2005	37,488	6,718	3,746	1,910	49,862
Additions	1,139	697	525	–	2,361
Disposals	–	(22)	(37)	–	(59)
Exchange alignment	214	37	18	7	276
Reclassified as non-current assets held for sale	(23,441)	–	–	–	(23,441)
At 31 July 2006 and at 1 August 2006	15,400	7,430	4,252	1,917	28,999
Additions	–	151	582	–	733
Acquisition of subsidiaries	4,956	1,160	5,351	5,172	16,639
Disposals	(7,703)	(24)	–	–	(7,727)
Exchange alignment	53	228	73	55	409
Disposal of subsidiaries	(7,697)	(3,022)	(3,700)	(1,917)	(16,336)
At 31 July 2007	5,009	5,923	6,558	5,227	22,717
Depreciation and impairment					
At 1 August 2005	14,561	6,337	3,392	696	24,986
Provided for the year	2,351	366	709	148	3,574
Impairment loss	700	–	–	–	700
On disposal written back	–	(22)	(9)	–	(31)
Exchange alignment	97	38	10	90	235
Reclassified as non-current assets held for sale	(12,430)	–	–	–	(12,430)
At 31 July 2006 and At 1 August 2006	5,279	6,719	4,102	934	17,034
Provided for the year	515	119	214	–	848
Impairment loss	70	555	159	9	793
Acquisition of subsidiaries	2,228	887	1,522	2,006	6,643
On disposal written back	(2,833)	(23)	–	–	(2,856)
Exchange alignment	24	215	26	20	285
Disposal of subsidiaries	(2,959)	(2,905)	(3,174)	(934)	(9,972)
At 31 July 2007	2,324	5,567	2,849	2,035	12,775
Net book value					
At 31 July 2007	**2,685**	**356**	**3,709**	**3,192**	**9,942**
At 31 July 2006	10,121	711	150	983	11,965

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

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

	2007	2006
	HK$'000	HK$'000
Land in Hong Kong held on long-term leases	**–**	10,121
Land in the PRC held on medium-term leases	**–**	–
	–	10,121

20. GOLF RESORT

	The Group
	HK$'000
Cost	
At 1 August 2005	165,550
Addition	1,158
Exchange alignment	880
At 31 July 2006 and at 1 August 2006	167,588
Disposal of subsidiaries	(167,588)
At 31 July 2007	–
Depreciation and impairment	
At 1 August 2005	21,915
Provided for the year	2,254
Impairment loss	9,019
At 31 July 2006 and at 1 August 2006	33,188
Provided for the year	2,227
Disposal of subsidiaries	(35,415)
At 31 July 2007	–
Net book value	
At 31 July 2007	**–**
At 31 July 2006	134,400

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

20. GOLF RESORT *(Continued)*

Impairment loss of approximately HK$9,019,000 was recognised during the year ended 31 July 2006 by reference to the valuation report issued by Knight Frank Petty Limited dated 9 November 2006, an independent valuer, which valued the golf resort on an open market value basis.

21. PROPERTIES UNDER DEVELOPMENT/PROPERTIES HELD FOR SALE

The Group

(a) Properties under development

	HK$'000
Cost	
At 1 August 2005, 31 July 2006 and 31 July 2007	72,706
Impairment	
At 1 August 2005	32,512
Impairment loss	5,794
At 31 July 2006 and at 1 August 2006	38,306
Reversal of impairment loss	(8,600)
At 31 July 2007	29,706
Net book value	
At 31 July 2007	**43,000**
At 31 July 2006	34,400

(b) Properties held for sale

	2007	2006
	HK$'000	HK$'000
Properties held for sale	**16,399**	19,722

21. PROPERTIES UNDER DEVELOPMENT/PROPERTIES HELD FOR SALE *(Continued)*

Reversal of impairment loss of HK$8,600,000 in respect of properties under development was recognised during the year ended 31 July 2007 by reference to the valuation report issued by Knight Frank Petty Limited dated 24 September 2007, an independent valuer, which valued the properties on estimated market value when completed basis.

Up to 31 July 2007, properties under development included net interest capitalised of approximately HK$3,968,000 (2006: HK$3,968,000).

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

The Group's properties held for sale with an aggregate carrying value of approximately HK$8,497,000 (2006: HK$11,820,000) have been pledged to secure credit facilities granted to the Group.

22. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
		(Restated)
Unlisted shares, at carrying value *(Note (a))*	**1**	10
Unlisted shares, at cost	**–**	140,000
Financial guarantee contracts	**–**	751
	1	140,761
Less: Impairment losses recognised	**–**	(46,200)
	1	94,561
Amounts due from subsidiaries	**482,219**	165,901
Less: Impairment loss	**(7,259)**	–
	474,960	165,901
Amounts due to subsidiaries	**(32,163)**	(170,717)

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

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

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

(c) Details of the Company's principal subsidiaries as at 31 July 2007 are set out in Note 58 to the financial statements.

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

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

(f) The carrying amounts of amounts due from subsidiaries is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

23. INTERESTS IN AN ASSOCIATE

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of investments in associates				
Listed shares, at cost	**–**	–	**–**	8,840
Share of net assets, including goodwill on acquisition	**13,738**	25,925	**–**	–
	13,738	25,925	**–**	8,840
Market value of listed securities *(Note (a))*	**–**	6,461	**–**	5,936

Notes:

(a) At 31 July 2006, the market value of these listed securities was determined by reference to their quoted market prices attributable to the Group and the Company amounted to HK$6,461,000 and HK$5,936,000 respectively.

Details of the Group's associate at 31 July 2007 are as follows:

Name of associate	Place of incorporation/ registration	Place of operation	Proportion of ownership interest Directly	Proportion of ownership interest Indirectly	Proportion of voting power held	Principal activities
廣州粵威環保實業有限公司（"廣州粵威"）	The PRC	The PRC	–	44.8%	44.8%	Property holding

23. INTERESTS IN AN ASSOCIATE *(Continued)*

The amounts due to associates were unsecured, interest free and have no fixed terms of repayment. The directors consider that the amounts due to associates approximate to their fair values.

The summarised financial information of the Group's associate as extracted from their financial statement is as follows:

	2007	2006
	HK$'000	HK$'000
Total assets	**30,696**	128,561
Total liabilities	**(31)**	(39,356)
Net assets	**30,665**	89,205
Group's share of net assets of associates	**13,738**	25,925
Revenue	**–**	13,523
Loss for the period	**(15)**	(19,960)
Group's share of loss of associates for the year	**(7)**	(5,862)
Group's share of loss of disposed associate for the year	**(595)**	–

24. GOODWILL

	The Group
	HK$'000
Cost:	
At 1 August 2005, 31 July 2006 and at 1 August 2006	–
Arising from acquisition of subsidiaries during the year	106,282
At 31 July 2007	**106,282**
Impairment:	
At 1 August 2005, 31 July 2006 and at 31 July 2007	–
Carrying amount:	
At 31 July 2007	**106,282**
At 31 July 2006	–

During the year ended 31 July 2007, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's installation service unit in the environmental protection operations. The recoverable amount of the environmental protection operations was assessed by reference to value in use. A discount factor of 30% per annum was applied in the value in use model.

Impairment testing on goodwill

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the following cash generating units (CGUs). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 July 2007 is allocated as follows:

	HK$'000
Installation service unit in the environmental protection operations	106,282

The recoverable amount of the installation service unit in the environmental protection operations is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 30% per annum. Management believes that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

24. GOODWILL *(Continued)*

The key assumptions used in the value in use calculations for the installation service unit in the environmental protection operations are as follows:

Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects past experience.

25. INTANGIBLE ASSETS

	The Group
	Patent
	HK$'000
Cost:	
At 1 August 2005, 31 July 2006 and at 1 August 2006	–
Acquired on acquisition of subsidiaries	58,982
Exchange realignment	470
At 31 July 2007	**59,452**
Amortisation and impairment:	
At 1 August 2005, 31 July 2006 and at 1 August 2006	–
Acquired on acquisition of subsidiaries	10,320
Charge for the year	291
Exchange realignment	83
At 31 July 2007	**10,694**
Carrying amount:	
At 31 July 2007	**48,758**
At 31 July 2006	–

As at 31 July 2007, the intangible assets with a carrying amount of approximately HK$48,758,000 were pledged to secure banking facilities granted to Guangzhou Yueshou Industry Co. Limited ("Guangzhou Yueshou"). *(Note 38)*

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, OTHER THAN DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2007	2006
	HK$'000	HK$'000
Listed investments:		
– Equity securities listed in Hong Kong	**60,397**	–

Fair value gain in respect of financial assets at fair value through profit or loss of approximately HK$34,057,000 as at 31 July 2007 was recognised as other income in the consolidated income statement. *(Note 8)*

27. TRADE DEBTORS – DUE AFTER ONE YEAR

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade debtors – due after one year	**4,823**	4,823
Less: Impairment loss on trade debtors *(Note (b))*	**(4,823)**	(4,823)
	–	–

Notes:

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

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

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

	2007	2006
	HK$'000	HK$'000
At 1 August	**4,823**	–
Impairment loss on trade debtors – due after one year	**–**	4,823
At 31 July	**4,823**	4,823

28. TRADE AND OTHER DEBTORS

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade and other debtors	**120,602**	7,524
Less: Impairment loss on trade and other debtors *(Note (b))*	**(16,640)**	(4,638)
	103,962	2,886

The credit terms granted to customers ranges from 30 to 365 days. The aged analysis of trade and other debtors is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
0 to 30 days	**13,547**	1,115
31 to 60 days	**37,594**	434
61 to 90 days	**14,359**	44
91 to 180 days	**7,442**	20
181 to 365 days	**18,689**	230
Over 365 days	**28,971**	5,681
	120,602	7,524
Less: Impairment loss on trade and other debtors *(Note (b))*	**(16,640)**	(4,638)
	103,962	2,886

Notes:

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

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

28. TRADE AND OTHER DEBTORS *(Continued)*

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

	2007	2006
	HK$'000	HK$'000
At 1 August	**4,638**	3,049
Acquired on acquisition of subsidiaries	**6,837**	–
Impairment loss on trade and other debtors *(Note 8)*	**5,165**	1,589
At 31 July	**16,640**	4,638

29. DEPOSITS AND PREPAYMENTS

	The Group		**The Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Refundable deposit paid for acquisition	**40,000**	–	**–**	–
Deposit paid for legal claim	**3,131**	2,986	**–**	–
Deposit paid for fixed assets	**6,768**	–	**–**	–
Prepayment	**23,446**	282	**394**	122
	73,345	3,268	**394**	122

30. INVENTORIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Raw material	**246**	–
Finished goods	**665**	–
	911	–

31. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2007	2006
	HK$'000	HK$'000
Amounts due from customers for contract work	4,980	–
Amounts due to customers for contract work	(12,344)	–
	(7,364)	–
Contract costs incurred plus recognised profits less recognised losses to date	136,038	–
Less: Progress billings	(143,402)	–
	(7,364)	–

32. OTHER DEPOSIT

The Group and the Company

A sum of HK$9,169,000 (2006: HK$12,500,000) was deposited into an interest bearing client's kept by a legal firm as security in favour of the joint and several provisional liquidators ("Provisional Liquidators") of Wing Fai Construction Company Limited ("Wing Fai") or any subsequently appointed liquidators of Wing Fai, for any judgement that may be obtained by the Provisional Liquidators and subsequent liquidators of Wing Fai of any action commenced within twelve months from 14 July 2002 and thereafter until the determination of the proceedings against the Company and/or any of the wholly owned subsidiaries of the Company in existence as at 14 July 2002.

33. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	Call option contract	Put option contract	Total
	HK$'000	HK$'000	HK$'000
At 1 August 2005, 31 July 2006 and at 1 August 2006	–	–	–
Arising on acquisition of subsidiaries	142,708	84,026	226,734
Gain/(loss) arising from change in fair value	(5,754)	498	(5,256)
At 31 July 2007	**136,954**	**84,524**	**221,478**

33. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(a) Call option contract

The major terms of the outstanding call option contract of the Group which had not been designated as hedging instruments were as follows:

Exercise price	Maturity	Fair value as at	
		2007	2006
		HK$'000	HK$'000
HK$504,000,000	28 June 2009 *(Note)*	**136,954**	–

Note:

Pursuant to the agreement in relation to the acquisition of 40% shareholding interest in Goldfield International Investment Group Limited ("Goldfield"), a call option has been granted by the Vendor. The call option contract is exercisable by the Group within 24 months from 28 June 2007, the completion date of the acquisition of 40% of Goldfield, at an aggregate price of HK$504,000,000 for the exercise of the call option contract to acquire the remaining 60% shareholding interest in Goldfield. The consideration shall be satisfied in cash or at the option of the Group by a combination of cash, convertible securities, promissory note and/or new shares.

(b) Put option contract

In the event that (i) the transfer agreement is not completed on the second anniversary of the completion of the acquisition agreement; or (ii) the annual audited consolidated profits before tax of Guangzhou Yueshou Industry Co., Limited for each of the consecutive two financial years ended 31 December 2008 is less than HK$70,000,000, the Group has the right to put to Give Power Technology Limited all the shareholding interest which the Group may have in Goldfield at a consideration of HK$336,000,000.

The above derivatives are measured at fair value at each balance sheet dates. Their fair values at 31 July 2007 of call option contract and put option contract were valued by BMI Appraisals Limited, an independent valuer, on a Black-Scholes-Merton Option Pricing Model basis. The expected volatility of call option contract and put option contract both are 44.531% and the risk free rate are 4.058% and 4.412% respectively.

The changes in fair value of derivative financial instruments have been charged to the consolidated income statement during the year. *(Note 8)*

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

	The Group	
	2007	2006
	HK$'000	HK$'000
Non-current assets classified as held for sale:		
Property, plant and equipment	–	11,011
Liabilities directly associated with non-current assets classified as held for sale:		
Trade and other creditors	–	3,447
Accrued charges	–	208
	–	3,655

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

During the year ended 31 July 2007, the Group had disposed of its 100% equity interest in Marvelink, an indirectly wholly owned subsidiary of the Company, at a consideration of HK$1,800,000. *(Note 49)*

35. SHARE CAPITAL

The Group and the Company

	Number of shares	Amount
		HK$'000
Share of HK$0.05 each		
Authorised:		
At 1 August 2005, at 31 July 2006 and at 31 July 2007	16,000,000,000	800,000
Issued and fully paid:		
At 1 August 2005, at 31 July 2006 and at 1 August 2006	676,999,858	33,850
Issue of shares *(Note (a))*	135,000,141	6,750
Conversion of convertible notes *(Note 40)*	206,000,000	10,300
At 31 July 2007	**1,017,999,999**	**50,900**

Notes:

(a) On 13 February 2007, the Company, through a placing agent, placed 135,000,141 shares of HK$0.05 each at a placing price of HK$0.22 each for the purpose of increasing working capital and/or possible investment in the future.

36. SHARE OPTION SCHEME

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

No options were granted to any directors and employees of the Company during the two years ended 31 July 2006 and 31 July 2007 pursuant to the New Scheme.

37. RESERVES

(a) The Group

The amounts of the Group reserves and the movements therein for the current and prior year and presented in the consolidated statement of changes in equity on page 30 of the financial statements.

37. RESERVES *(Continued)*

(b) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000 *(Note (a))*	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 August 2005	31,879	143,218	77,033	–	(178,500)	73,630
Loss for the year	–	–	–	–	(6,616)	(6,616)
At 31 July 2006 and at 1 August 2006	31,879	143,218	77,033	–	(185,116)	67,014
Issuing expense	(792)	–	–	–	–	(792)
Premium arising from issue of shares *(Note (b))*	22,950	–	–	–	–	22,950
Equity component of convertible notes	–	–	–	138,101	–	138,101
Conversion of convertible notes	30,900	–	–	(22,168)	–	8,732
Reversal upon conversion of convertible notes	–	–	–	3,880	–	3,880
Deferred tax arising from issue of convertible notes	–	–	–	(24,168)	–	(24,168)
Profit for the year	–	–	–	–	53,516	53,516
At 31 July 2007	**84,937**	**143,218**	**77,033**	**95,645**	**(131,600)**	**269,233**

Notes:

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

(b) On 13 February 2007, the Company, through a placing agent, placed 135,000,141 shares of HK$0.05 each at a placing price of HK$0.22 each for the purpose of increasing working capital and/or possible investment in the future.

38. BANK BORROWINGS, SECURED

	The Group	
	2007	2006
	HK$'000	HK$'000
Bank loans	**72,137**	23,812

The maturities of the above bank borrowings are as follows:

On demand or within one year	**48,719**	14,350
More than one year but not exceeding two years	**23,418**	1,932
More than two years but not exceeding five years	**–**	6,529
More than five years	**–**	1,001
	72,137	23,812
Less: Amounts due within one year shown under current liabilities	**(48,719)**	(14,350)
Amount due after one year	**23,418**	9,462

The above bank borrowings were secured by properties held for sale, intangible assets and investment properties amounting to approximately HK$8,497,000 (2006: HK$11,820,000), HK$48,758,000 (2006: Nil) and HK$27,569,000 (2006: HK$21,478,000) respectively. The weighted average effective interest rate on the bank loans is 7.35% per annum.

An analysis of the carrying amounts of the total borrowings by type and currency is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
At fixed rates		
Renminbi ("RMB")	**72,137**	23,812

39. INTEREST BEARING BORROWINGS – DUE WITHIN ONE YEAR

The interest bearing borrowing as borrowing from an independent third party and bears an interest rate of 1.5% per annum. The borrowing was repaid during the year ended 31 July 2007.

40. CONVERTIBLE NOTES

On 28 June 2007, the Company issued zero-coupon convertible notes ("Convertible Notes") with a principal amount of HK$256,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.20 each. The maturity date of the Convertible Notes is the date immediately preceding the fifth anniversary of the date of issue of the Convertible Notes.

The fair value of the liability component was estimated at the issue date of the Convertible Notes using an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the liability component is 16.774% per annum. The residual amount is assigned as the equity component, and included in shareholders' equity in convertible notes reserves.

The Convertible Notes issued during the year have been split as to the liability and equity components, as follows:

	2007 HK$'000
Nominal value of convertible notes issued during the year	**256,000**
Equity component	**(138,101)**
Liability component at the issuance date	**117,899**
Imputed interest expense charged	**1,558**
Converted into Company's shares	**(19,032)**
Liability component at 31 July 2007	**100,425**

During the year ended 31 July 2007, Convertible Notes with an aggregate amount HK$41,200,000 was converted into the ordinary shares of the Company. Total number of ordinary shares converted was 206,000,000 *(Note 35)*.

Interest expense on the Convertible Notes is calculated using the effective interest method by applying the effective interest rate of 16.774% to the liability component.

The carrying amounts of convertible notes approximate to their fair values.

41. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest-free and repayable on demand. The directors considered that the amount due to a director approximated to its fair value.

42. BANK OVERDRAFTS, SECURED

	The Group	
	2007	2006
	HK$'000	HK$'000
Bank overdrafts, secured	**–**	705
Bank overdrafts	**–**	–
	–	705

The above bank borrowings were secured by bank deposit amounting to approximately HK$2,045,000 as at 31 July 2006.

43. TRADE AND OTHER CREDITORS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other creditors	**96,667**	6,489	**2,739**	2,248
Amounts due to ex-directors	**10,181**	12,852	**10,181**	12,852
	106,848	19,341	**12,920**	15,100

The amounts due to ex-directors are unsecured, interest free and repayable on demand.

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

	The Group	
	2007	2006
	HK$'000	HK$'000
0 to 30 days	**72,420**	933
31 to 60 days	**2,051**	96
61 to 90 days	**17,611**	11
91 to 180 days	**–**	4
181 to 365 days	**614**	46
Over 365 days	**3,971**	5,399
	96,667	6,489

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

44. PROVISION FOR CLAIMS

	The Group	
	2007	2006
	HK$'000	HK$'000
At 1 August	**3,800**	2,000
Provision for the year	**–**	1,800
Repayment during the year	**(3,800)**	–
At 31 July	**–**	3,800

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

A provision of HK$3,800,000 for claims has been made in the financial statements for the year ended 31 July 2006 for the Group's exposure to the above action. The settlement sum was paid by the Group to Wing Fai during the year ended 31 July 2007.

45. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

Deferred tax liabilities:

	Accelerated tax depreciation	**Convertible notes**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 August 2005 and 2006	–	–	–
Acquisition of subsidiaries	211	–	211
Credit to consolidated income statement for the year	(53)	(272)	(325)
Charge to equity for the year	–	24,168	24,168
Reversal upon conversion of convertible notes	–	(3,880)	(3,880)
At 31 July 2007	**158**	**20,016**	**20,174**

45. DEFERRED TAXATION *(Continued)*

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007	2006
	HK$'000	HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**(20,174)**	–
	(20,174)	–

At the balance sheet date, the Group has unused tax losses of approximately HK$83,626,000 (2006: HK$61,775,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The Company

Deferred tax liabilities:

	Convertible notes
	HK$'000
At 1 August 2005 and 2006	–
Credit to consolidated income statement for the year	(272)
Charge to equity for the year	24,168
Reversal upon conversion of convertible notes	(3,880)
At 31 July 2007	**20,016**

45. DEFERRED TAXATION *(Continued)*

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007	2006
	HK$'000	HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**(20,016)**	–
	(20,016)	–

At the balance sheet date, the Company has unused tax losses of approximately HK$51,808,000 (2006: HK$58,921,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

46. FINANCIAL GUARANTEE CONTRACT

	The Group		**The Company**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantee given to certain subsidiaries for banking facilities	**–**	–	**–**	751

47. ACQUISITION OF SUBSIDIARIES

On 14 March 2007, the Group entered into an acquisition agreement with an independent third party to acquire 40% equity interest in Goldfield International Investment Group Limited ("Goldfield") at a total consideration of HK$336,000,000. The acquisition was completed on 28 June 2007. In addition to the 40% equity interest in Goldfield, the Group holds a call option giving it the right to acquire the remaining 60% equity interest of Goldfield. The existing 40% equity interest and the potential voting rights of the 60% equity interest under option gives the Group control over Goldfield, and therefore it is consolidated in these financial statements. The amount of goodwill arising as a result of the acquisition was HK$106,282,000.

47. ACQUISITION OF SUBSIDIARIES *(Continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Property, plant and equipment	9,996	–	9,996
Investment properties	4,833	–	4,833
Intangible assets	48,534	–	48,534
Interest in an associate	13,599	–	13,599
Amounts due from customers for contract work	4,927	–	4,927
Trade and other debtors	63,508	–	63,508
Deposits and prepayments	22,610	–	22,610
Cash and bank balances	39,465	–	39,465
Amounts due to customers for contract work	(12,214)	–	(12,214)
Taxation payables	(8,116)	–	(8,116)
Trade and other creditors	(86,480)	–	(86,480)
Accrued charges	(18,547)	–	(18,547)
Bank borrowings, secured	(67,251)	–	(67,251)
Deferred income	(7,191)	–	(7,191)
Deferred taxation	(212)	–	(212)
Net assets	7,461	–	7,461
Acquisition of 40% of net assets			2,984
Put option contract *(Note 33)*			84,026
Call option contract *(Note 33)*			142,708
Goodwill arising on acquisition *(Note 24)*			106,282
			336,000
Total consideration satisfied by:			
Cash			80,000
Convertible notes			256,000
			336,000
Net cash outflow arising on acquisition:			
Cash consideration paid			(80,000)
Cash and bank balances acquired			39,465
Net outflow of cash and cash equivalents			(40,535)

47. ACQUISITION OF SUBSIDIARIES *(Continued)*

Note:

(a) If the acquisition had been completed on 1 August 2006, total Group's turnover for the year would have been HK$154,940,000, and profit for the year would have been HK$11,043,737. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 August 2006, nor is it intended to be a projection of future results.

(b) The subsidiaries acquired during the year contributed approximately HK$8,427,000 to the Group's turnover and profit after tax of approximately HK$4,915,000.

48. GAIN ARISING FROM DISPOSAL OF SUBSIDIARIES

Pursuant to a share sales agreement dated 21 May 2007, the Group had disposed of its 100% equity interest in Loyal Communications Limited, a direct wholly owned subsidiary of the Company, at a consideration of HK$23,000,000. For further details of the disposal of interest in Loyal Communications Limited, please refer to the Company's circular dated 21 May 2007.

Summary of the effects of the disposal of subsidiaries are as follows:

	2007
	HK$'000
Net assets disposed of:	
Interest in leasehold land	**7,831**
Property, plant and equipment	**4,738**
Trade and other debtors	**80**
Deposits and prepayments	**36**
Cash and bank balances	**1,420**
Trade and other creditors	**(265)**
Accrued charges	**(110)**
	13,730
Gain on disposal	**9,270**
Total consideration	**23,000**
Satisfied by:	
Cash	**23,000**
Net cash inflow arising on disposal:	
Cash consideration	**23,000**
Cash and bank balances	**(1,420)**
Net inflow of cash and cash equivalents	**21,580**

48. GAIN ARISING FROM DISPOSAL OF SUBSIDIARIES *(Continued)*

For the period from 1 August 2006 to the date of disposal, the above subsidiaries were engaged in investment holding and property holding. No turnover was contributed by the subsidiaries and profit of approximately HK$8,399,000 has recognised in the Group's loss for the year ended 31 July 2007.

49. LOSS ARISING FROM DISPOSAL OF SUBSIDIARIES

Pursuant to a share sales agreement dated 8 August 2006, the Group had disposed of its 100% equity interest in Marvelink Limited, an indirect wholly owned subsidiary of the Company, at a consideration of HK$1,800,000.

Pursuant to a share sales agreement dated 23 February 2007, the Group had disposed of its 100% equity interest in Evergreen Holdings Limited, a direct wholly owned subsidiary of the Company, at a consideration of HK$118,000,000. The Group discontinued its golf resort business operations at the time of disposal of Evergreen Holdings Limited. For further details of the disposal of interest in Evergreen Holdings Limited, please refer to the Company's circular dated 26 February 2007.

49. LOSS ARISING FROM DISPOSAL OF SUBSIDIARIES *(Continued)*

Summary of the effects of the disposal of subsidiaries are as follows:

	2007
	HK$'000
Net assets disposed of:	
Golf resort	151,955
Land and building	10,967
Property, plant and equipment	555
Trade and other debtors	4,916
Pledged bank deposit	2,094
Cash and bank balances	1,291
Trade and other creditors	(24,612)
Accruals	(12,062)
Taxation payable	(103)
Bank overdraft	(1,385)
Finance lease payable within 1 year	(554)
	133,062
Release of exchange reserve	(3,081)
Loss on disposal	(10,181)
Total consideration	119,800
Satisfied by:	
Cash	119,800
Net cash inflow arising on disposal:	
Cash consideration	119,800
Cash and bank balances	(1,291)
Pledged bank deposit	(2,094)
Bank overdraft	1,385
Net inflow of cash and cash equivalents	117,800

For the period from 1 August 2006 to the respective dates of disposal, the above subsidiaries were engaged in investment holding and golf resort business, contributed approximately HK$5,906,000 to the Group's turnover and loss of approximately HK$16,129,000 to the Group's loss for the year.

50. LOSS ARISING FROM DEEMED DISPOSAL OF AN ASSOCIATE

On 4 September 2006 ("deemed disposal date"), the Group has lost significant influence over an associate, GreaterChina Technology Group Limited ("GreaterChina"), as the Group did not accepted the open offer on the basis of three offer shares for every two existing shares held. Therefore, the Group's equity interest of GreaterChina has decreased to 12.71% from 31.76%.

Summary of the effects of the deemed disposal of an associate are as follows:

	2007
	HK$'000
Interest in an associate	**25,925**
Share of result for the period	**(595)**
	25,330
Fair value of securities of GreaterChina on deemed disposal date	**(7,755)**
Loss arising from deemed disposal	**17,575**

51. COMMITMENTS

Operating lease commitment:

While the Company had no outstanding operating lease commitments at the balance sheet date, its subsidiaries were committed to make the following future minimum lease payments in respect of office premises rented under non-cancellable operating leases which fall due as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Operating leases which expire:		
– within one year	**–**	166

51. COMMITMENTS *(Continued)*

Capital commitment:

	The Group	
	2007	2006
	HK$'000	HK$'000
Authorised and contracted for in respect of acquisition of property, plant and equipment	**7,644**	–
Authorised and contracted for capital contributions payable to an associate	**76,213**	–
Commitments for acquisition of a company *(Note 56)*	**464,000**	–
	547,857	–

The Company had no other significant commitments at the balance sheet date.

52. PLEDGE OF ASSETS

The Group

At 31 July 2007, certain investment properties *(Note 17)*, intangible assets *(Note 25)* and certain properties held for sale *(Note 21)* of the Group have been pledged to banks to secure credit facilities granted to the Group.

At 31 July 2006, the Group's leasehold land and buildings having a carrying value of approximately HK$25,895,000, bank deposits of approximately HK$2,045,000, certain investment properties *(Note 17)* and certain properties held for sale *(Note 21)* of the Group have been pledged to banks to secure credit facilities granted to the Group.

53. NON-CASH TRANSACTIONS

(i) On 28 June 2007, the Group acquired 40% of the issued share capital of Goldfield International Investment Group Limited at a consideration of HK$336,000,000, the consideration of HK$256,000,000 was satisfied by the Company's convertible notes. A put option contract and a call option contract were included in the acquisition agreement of approximately HK$84,026,000 and HK$142,708,000. For further details, please refer to Note 47.

(ii) During the year ended 31 July 2007, the convertible notes with an aggregate principal amount of HK$41,200,000 were converted into 206,000,000 ordinary shares of HK$0.05 each of the Company.

54. CONTINGENT LIABILITIES AND ASSETS

The Group

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

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

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

54. CONTINGENT LIABILITIES AND ASSETS *(Continued)*

The Group *(Continued)*

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

In the opinion of the Company's legal advisors, the Company has a very good defence and therefore it is unlikely that there would be any contingent liability, except that part of the legal costs incurred which may not be recoverable or in the event that Wing Fai does not have funds to reimburse the Company costs. No developments have taken place up to 31 July 2007 and the date of approval of these financial statements.

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

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

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

Benefit took legal action against Mr. Eric Chim for the sum of HK$40 million plus HK$3 million balance purchase price and obtained a judgement against Sino Glister and Mr. Eric Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Eric Chim. Mr. Eric Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 July 2007 and the date of approval of these financial statements, no further action has taken place.

54. CONTINGENT LIABILITIES AND ASSETS *(Continued)*

The Group *(Continued)*

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

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

The Company

At 31 July 2006, the Company has given corporate guarantees to banks in respect of banking facilities granted to its subsidiaries of which approximately HK$23,812,000 were utilised at 31 July 2006.

55. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

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

56. EVENTS AFTER THE BALANCE SHEET DATE

(a) Subsequent to the balance sheet date, an indirect wholly owned subsidiary of the Company has exercised the call option contract to acquire the remaining 60% of the total issued share capital in Goldfield at a total consideration of HK$504 million.

The consideration of HK$504 million would be satisfied (i) as to HK$120 million in cash; and (ii) as to the remaining balance of HK$384 million by procuring the issue of convertible notes with a conversion price of HK$0.2 per conversion share.

As at the balance sheet date, the Company had 40% indirect interest in Goldfield. Upon the completion, Goldfield will become an indirect wholly owned subsidiary of the Company.

56. EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

	Acquiree's carrying amount before combination	Fair value adjustment	Fair value
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	9,858	–	9,858
Investment properties	4,494	–	4,494
Intangible assets	48,759	–	48,759
Interests in an associate	13,737	–	13,737
Amounts due from customers for contract work	4,980	–	4,980
Trade and other debtors	102,851	–	102,851
Deposits and prepayments	29,910	–	29,910
Inventories	912	–	912
Cash and bank balances	4,833	–	4,833
Amounts due to customers for contract work	(12,344)	–	(12,344)
Taxation payables	(369)	–	(369)
Trade and other creditors	(108,818)	–	(108,818)
Accruals	(5,786)	–	(5,786)
Other borrowings, secured	(64,662)	–	(64,662)
Deferred income	(7,269)	–	(7,269)
Deferred tax liabilities	(159)	–	(159)
Net assets	20,927	–	20,927
Acquisition of 60% of net assets			12,556
Goodwill arising on acquisition			491,444
			504,000
Total consideration satisfied by:			
Cash			120,000
Convertible notes *(Note (i))*			384,000
			504,000
Net cash outflow arising on acquisition:			
Cash consideration paid			(120,000)
Cash and bank balances acquired			4,833
			(115,167)

56. EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

Notes:

(i) The fair values to be assigned to the acquiree's identifiable assets, liabilities, contingent liabilities and the cost of the combination can be determined only provisionally, any adjustments to those provisional values will be required upon completion of the acquisition. The directors considered that the carrying amount of convertible notes approximate to their fair values. The directors also considered that the amount of turnover and profit after tax contributed by the subsidiary to be acquired can only be determined upon completion of the acquisition. For further details, please refer to the Company's circular dated 24 September 2007.

(ii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Goldfield. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Goldfield. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be measured.

(b) On 15 August 2007, the directors proposed to change the name of the Company from "China Rich Holdings Limited" to "Yueshou Environmental Holdings Limited" and to adopt the Chinese name of "粵首環保控股有限公司".

(c) 廣東協和醫療中心, was in the process of liquidation in the PRC. 廣東協和醫療中心 was established under a joint venture agreement with another PRC party to provide medical and health services in the PRC. Both parties have agreed to terminate the operations on 13 September 2007.

57. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

(i) The Group received rental income of approximately HK$190,000 (2006: HK$900,000) and management fee income of approximately HK$Nil (2006: HK$638,000) from a related company in which Mr. Yip Kwong, Robert, an ex-director, has beneficial interest.

(ii) During the year ended 31 July 2006, the Group paid information technology advisory fee of the approximately HK$50,400 to GreaterChina and its subsidiaries (the "GreatChina Group"). The fee was determined at prices agreed between the parties.

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

(b) Compensation of key management personnel

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

	2007	2006
	HK$'000	HK$'000
Salaries and other short-term benefits	**3,047**	3,228
Employer contribution to pension scheme	**23**	24
	3,070	3,252

Further details of directors' emoluments are included in Note 12 to the financial statements.

58. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2007 are as follows:

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
Benefit Holdings International Limited *(note a)*	British Virgin Islands	100%	US$200	Investment holding
Bestco Worldwide Investment Limited	British Virgin Islands	100%	US$1	Investment holding
Bright Success Enterprises Limited	British Virgin Islands	100%	US$1	Investment holding
Build Policy Limited	Hong Kong	100%	Ordinary HK$100 Non-voting deferred *(note b)* HK$2	Investment holding
China Rich Construction Company Limited	Hong Kong	100%	Ordinary HK$2	Investment holding
China Rich Properties Limited ("China Rich")	Hong Kong	100%	Ordinary HK$10,000,000	Property development
Mega Pacific Holdings Limited ("Mega")	Hong Kong	98%	Ordinary HK$38,747,557	Investment holding
China Rich Resources Holdings Limited (Formerly named Sino Joy Groups Limited)	British Virgin Islands	100%	Ordinary US$1	Investment holding
Shunde China Rich Properties Limited ("Shunde China Rich")	The PRC	100%	*(note c)*	Property development
廣東協和醫療中心	The PRC	*(note d)*	Registered RMB10,015,863	Operation of a medical centre in the PRC
Guangzhou Yueshou Industry Co. Ltd	The PRC	40%	Registered RMB35,000,000	Environmental protection
Goldfield International Investment Group. Ltd	British Virgin Islands	40%	Ordinary US$10	Investment holding
Bestco Worldwide Investment Ltd	British Virgin Islands	100%	Ordinary US$1	Investment holding
Yueshou Environmental Group. Ltd	Hong Kong	40%	Ordinary HK$1	Investment holding

58. PRINCIPAL SUBSIDIARIES *(Continued)*

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

Notes:

(a) Except for Benefit Holdings International Limited, China Rich Technology (HK) Holdings Limited, China Rich Resources Holdings Limited and Bestco Worldwide Investment Limited which are directly held by the Company, all other companies are indirectly held by the Company.

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

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

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

59. COMPARATIVE FIGURES

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

60. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 November 2007.

Five Years Financial Summary

RESULTS

	Year ended 31 July				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	21,789	23,411	25,017	27,017	**37,871**
Loss before taxation	(132,070)	(66,207)	(58,565)	(43,068)	**(2,584)**
Taxation	45,024	–	10,200	15,142	**(4,185)**
Loss for the year	(87,046)	(66,207)	(48,365)	(27,926)	**(6,769)**
Attributable to:					
– Equity holders of the Company	(87,000)	(66,207)	(48,435)	(28,010)	**(14,037)**
– Minority interest	(46)	–	70	84	**7,268**
	(87,046)	(66,207)	(48,365)	(27,926)	**(6,769)**

ASSETS AND LIABILITIES

	As at 31 July				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	702,791	654,683	497,925	420,240	**859,815**
Total liabilities	(273,702)	(281,758)	(125,906)	(73,170)	**(349,882)**
Minority interests	(837)	(837)	(907)	(991)	**(12,734)**
Shareholders' funds	428,252	372,088	371,112	346,079	**497,199**

Particulars of Major Properties

31 July 2007

	Lease expiry	Approx. gross floor area (sq.m.)	Type	Effective % held	Stage of completion	Anticipated completion
Properties under development and completed						
Regal Garden Lunchang Road, Lunjiao Zhen, Shunde, Guangdong Province The PRC	December 2065	75,839	Residential and and commercial	100%	Out of the six blocks of the residential buildings, four have been completed with Occupancy permits issued by the PRC Authority.	N/A
Investment properties						
Regal Garden Lunchang Road, Lunjiao Zhen, Shunde, Guangdong Province The PRC	December 2065	18,551	Commercial	100%	Completed	N/A
廣州經濟技術開發區 沙灣二街13,15號第5,6層	13 June 2018	4,475	Commercial	100%	Completed	N/A