1. GENERAL

The Company is incorporated in Hong Kong and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The principal activities of the Group are property trading and property investment.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, balance sheets and consolidated statement of changes in equity. In particular, the presentation of share of tax of associates has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Convertible preference shares

The principal impact of HKAS 32 on the Group is in relation to convertible preference shares issued by the Company that contain both liability and equity components. The preference shares carry a 5% cumulative mandatory dividend for a period of four years. In accordance with HKAS 32, the preference share has been considered a compound financial instrument that contains both a liability and equity component. Previously, convertible preference shares were classified as equity on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Because HKAS 32 requires retrospective application, comparative figures for 2005 have been restated. (see note 2A for the financial impact).

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st February, 2005 onwards.

The adoption of HKAS 40 has had no material financial impact to the Group as the carrying amount of the investment property was below its respective cost as at 1st February, 2005.

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

THE GROUP

The cumulative effects of the application of the new HKFRSs as at 31st January, 2005 and 1st February, 2005 are summarised below:

	As at 31st January, 2005 (originally stated)	HKAS 32 Adjustment	As at 1st February, 2005 (restated)
	HK$	HK$	HK$
Preference share dividend payable	–	(1,615,426)	(1,615,426)
Other assets and liabilities	57,149,226	–	57,149,226
Total effects on assets and liabilities	57,149,226	(1,615,426)	55,533,800
Share capital	89,173,638	–	89,173,638
Share premium	197,803,247	(1,615,426)	196,187,821
Accumulated losses	(229,827,659)	–	(229,827,659)
Total effects on equity	57,149,226	(1,615,426)	55,533,800

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The financial effects of the application of the new HKFRSs to the Group's equity on 1st February, 2004 are summarised below:

	As originally stated	HKAS 32 Adjustment	As restated
	HK$	HK$	HK$
Share capital	89,173,638	–	89,173,638
Share premium	197,803,247	(1,615,426)	196,187,821
Accumulated losses	(233,128,402)	–	(233,128,402)
	53,848,483	(1,615,426)	52,233,057

There are no effects of the changes in the accounting policies described above on the results of the Group for the current and prior years.

THE COMPANY

The cumulative effects of the application of the new HKFRSs on 31st January, 2005 and 1st February, 2005 are summarised below:

	As at 31st January, 2005 (originally stated)	HKAS 32 Adjustment	As at 1st February, 2005 (restated)
	HK$	HK$	HK$
Preference share dividend payable	–	(1,615,426)	(1,615,426)
Other assets and liabilities	52,970,445	–	52,970,445
Total effects on assets and liabilities	52,970,445	(1,615,426)	51,355,019
Share capital	89,173,638	–	89,173,638
Share premium	197,803,247	(1,615,426)	196,187,821
Accumulated losses	(234,006,440)	–	(234,006,440)
Total equity	52,970,445	(1,615,426)	51,355,019

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The financial effects of the application of the new HKFRSs to the Company's equity on 1st February, 2004 are summarised below:

	As originally stated	HKAS 32 Adjustment	As restated
	HK$	HK$	HK$
Share capital	89,173,638	–	89,173,638
Share premium	197,803,247	(1,615,426)	196,187,821
Accumulated losses	(232,738,432)	–	(232,738,432)
	54,238,453	(1,615,426)	52,623,027

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market– waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

1 Effective for accounting periods beginning on or after 1st January, 2007.

2 Effective for accounting periods beginning on or after 1st January, 2006.

3 Effective for accounting periods beginning on or after 1st December, 2005.

4 Effective for accounting periods beginning on or after 1st March, 2006.

5 Effective for accounting periods beginning on or after 1st May, 2006.

6 Effective for accounting periods beginning on or after 1st June, 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for investment property, which is measured at fair value, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st January each year.

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.

Investments in subsidiaries

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

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Income from property sales is recognised on the execution of a binding sales agreement.

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

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

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

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

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

Property, plant and equipment

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

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

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

Borrowing costs

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

Taxation

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

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

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 differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Impairment

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

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

Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the estimated sales proceeds less selling expenses.

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policy adopted is set out below.

Loans and receivables

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including sundry payables, amounts due to subsidiaries, amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity (continued)

Convertible preference shares

Convertible preference shares issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible preference shares. The difference between the proceeds of the issue of the convertible preference shares and the fair value assigned to the liability component, representing the preference shares with the embedded call option for the holder to convert the convertible preference shares into equity, is included in equity.

In subsequent periods, the liability component of the convertible preference shares is carried at amortised cost using the effective interest method. The equity component, represented by the preference shares and the embedded option to convert the liability component into ordinary shares of the Company, will remain in share capital until the embedded option is exercised in which case the balance stated in preference share capital will be transferred to ordinary share capital. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

Equity instruments

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank balances, amount due from an associate and borrowings. In addition, the Company also has amounts due from and to subsidiaries as its major financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk is mainly on amount due from an associate and bank balances. The management closely monitors the recoverability of the amount due from an associate. In this regards, the directors of the Company consider that the Group's credit risk is significant reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings.

Interest rate risk

The Company has exposure to interest rate risk through the impact of the rate changes on bank balances. Management considers the interest rate risk exposure is limited and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

The Company's foreign currency exposures arise mainly from the exchange rate movements of the Hong Kong dollars and Renminbi ("RMB").

The Company does not enter into any derivative contracts to hedge its foreign currency risk. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

5. REVENUE

Revenue represents property rental and property trading income received and receivable during the year. An analysis of turnover, which has the same meaning as revenue as defined above, is set out in note 6.

6. SEGMENT INFORMATION

The Group is mainly engaged in property trading and property investment. This is the basis on which the Group reports its primary segment information.

(a) Business Segments

INCOME STATEMENT

	Property trading		Property investment		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
						(restated)
Turnover	**43,581,333**	–	**176,000**	304,000	**43,757,333**	304,000
Segment results	**1,584,379**	(52,891)	**155,508**	722,268	**1,739,887**	669,377
Interest income					**1,101**	25
Unallocated corporate expenses					**(2,297,035)**	(1,700,644)
Finance costs					**(167,071)**	(265,229)
Share of results of associates					**(43,960)**	1,507,602
Gain on disposal of associates					**–**	3,089,612
(Loss) profit before taxation					**(767,078)**	3,300,743
Taxation credit					**716,677**	–
(Loss) profit for the year					**(50,401)**	3,300,743

6. SEGMENT INFORMATION (continued)

(a) Business Segments (continued)

BALANCE SHEET

	Property trading		Property investment		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
ASSETS						
Segment assets	**43,250,791**	41,700,000	**1,082,361**	4,800,000	**44,333,152**	46,500,000
Interests in associates					**13,322,872**	15,740,206
Amount due from an associate					**2,130,328**	–
Unallocated corporate assets					**214,642**	282,612
Consolidated total assets					**60,000,994**	62,522,818
LIABILITIES						
Segment liabilities	**517,000**	30,000	**585,329**	593,973	**1,102,329**	623,973
Amount due to an associate					**430,866**	415,267
Unallocated corporate liabilities					**2,984,400**	5,949,778
Consolidated total liabilities					**4,517,595**	6,989,018

OTHER INFORMATION

	Property development and trading		Property investment		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Depreciation	**–**	–	**266**	602	**266**	602

6. SEGMENT INFORMATION (continued)

(b) Geographical Segments

The Group's turnover is principally generated in The People's Republic of China ("PRC") including Hong Kong. Accordingly, no analysis of the turnover by geographically segment is presented.

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets	
	2006	2005
	HK$	HK$
Hong Kong	**1,297,003**	5,082,612
PRC	**43,250,791**	41,700,000
Macau	**15,453,200**	15,740,206
	60,000,994	62,522,818

7. FINANCE COSTS

	2006	2005
	HK$	HK$
The finance costs comprise:		
Interest on bank borrowings wholly repayable within five years	**167,071**	265,200
Interest on bank overdrafts	**–**	29
	167,071	265,229

8. (LOSS) PROFIT BEFORE TAXATION

	2006	2005
	HK$	HK$
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	**470,000**	223,660
Bank interest income	**(1,101)**	(25)
Cost of properties held for resale recognised as an expense	**41,700,000**	–
Directors' emoluments *(note 10)*	**216,000**	160,000
Other staff costs	**96,000**	32,000
Depreciation of property, plant and equipment	**266**	602
Loss on disposal of an investment property	**6,826**	7,154
Share of taxation of an associate	**–**	(241,740)
Gross rents from an investment property under operating lease	**(176,000)**	(304,000)
Less: Outgoings	**13,666**	24,578
Net rental income	**(162,334)**	(279,422)

9. TAXATION CREDIT

	2006	2005
	HK$	HK$
The credit comprises:		
Current tax charge in PRC *(note)*	**(480,000)**	–
Recoverable tax expense	**480,000**	–
	–	–
Reversal of deferred taxation in prior years *(note 23)*	**716,677**	–
	716,677	–

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profits for both years. Taxation arising in the PRC is calculated at the rate prevailing in the relevant jurisdiction.

Details of the deferred taxation are set out in note 23.

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

	2006	2005
	HK$	HK$
(Loss) profit before taxation	**(767,078)**	3,300,743
Tax at Hong Kong Profits Tax rate of 17.5% (2005: 17.5%)	**(134,239)**	577,630
Tax effect of share of results of associates	**–**	(263,830)
Tax effect of expenses not deductible for tax purpose	**18,920**	21,420
Tax effect of income not taxable for tax purpose	**(178)**	(640,305)
Tax effect of estimated tax losses not recognised	**398,969**	305,085
Tax effect of tax liabilities arising from disposal of properties held for resale being borne by the buyer *(note)*	**(480,000)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**196,528**	–
Reversal of deferred taxation	**716,677**	–
Taxation credit for the year	**716,677**	–

Note: The current tax charge in PRC relates to tax on disposal of properties held for sale. In accordance with the terms of the sale agreement, the tax liability will be borne by the buyer.

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 10 (2005: 10) directors were as follows:

For the year ended 31st January, 2006

	Jong Kong Ki	Lo Cheung Kin	So Yiu Kong	Jong Tat Fung	Yin Hoi Yeung	Chu Kwok Chue	Jong Lai Ching	Siu Wing Keung	David Gregory Jeaffreson	See Tak Wah	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fees	-	-	-	-	-	-	-	120,000	-	96,000	216,000
Other emoluments											
Salaries and other benefits	-	-	-	-	-	-	-	-	-	-	-
Contributions to retirement benefits schemes	-	-	-	-	-	-	-	-	-	-	-
Total emoluments	-	-	-	-	-	-	-	120,000	-	96,000	216,000

For the year ended 31st January, 2005

	Jong Kong Ki	Lo Cheung Kin	So Yiu Kong	Jong Tat Fung	Yin Hoi Yeung	Chu Kwok Chue	Jong Lai Ching	Siu Wing Keung	David Gregory Jeaffreson	See Tak Wah	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fees	–	–	–	–	–	–	–	120,000	–	40,000	160,000
Other emoluments											
Salaries and other benefits	–	–	–	–	–	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–	–	–	–	–	–	–
Total emoluments	–	–	–	–	–	–	–	120,000	–	40,000	160,000

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

11. EMPLOYEES' EMOLUMENTS

Only one staff (2005: one) was employed by the Group during the year. Of the five highest paid individuals in the Group, two (2005: two) were directors of the Company whose emoluments are included in the disclosures in note 10 as the remaining directors received no emoluments for both years. The emoluments of the staff were as follows:

	2006	2005
	HK$	HK$
Salaries and allowances	**96,000**	32,000

During the year, no emoluments were paid by the Group to the above highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	2006	2005
	HK$	HK$
(Loss) earnings for the purposes of basic and diluted earnings per share attributable to equity holders of the Company	**(50,401)**	3,300,743
Weighted average number of ordinary shares for the purpose of basic earnings per share	**86,141,399**	86,141,399
Effect of dilutive potential ordinary shares for preference shares	**N/A**	1,694,731
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**86,141,399**	87,836,130

The calculation of diluted loss per share for the year ended 31st January, 2006 does not assume the conversion of the Company's preference shares since their conversion would result in a decrease in loss per share.

13. INVESTMENT PROPERTY

	THE GROUP AND THE COMPANY	
	2006	2005
	HK$	HK$
FAIR VALUE		
At beginning of the year	**4,800,000**	8,500,000
Disposal	**(4,800,000)**	(4,150,000)
Increase in fair value recognised in the income statement	**–**	450,000
At end of the year	**–**	4,800,000

The investment property was disposed of on 29th September, 2005 to an independent third party at a consideration of HK$4,990,000, which represented the fair value of the investment property at 29th September, 2005 as revalued by Midland Surveyors Limited, an independent professional valuer, on an open market basis on the date of disposal.

At 31st January, 2005, the investment property, which was situated in Hong Kong and held on medium-term lease, was pledged to secure general banking facilities granted to the Group. The Group's investment property was leased out under operating lease.

14. PROPERTY, PLANT AND EQUIPMENT

	Air-conditioning system	Furniture and fixtures	Office equipment	Computer system	Total
	HK$	HK$	HK$	HK$	HK$
THE GROUP AND THE COMPANY					
COST					
At 1st February, 2004, 1st February, 2005 and 31st January, 2006	38,000	43,410	39,540	197,300	318,250
DEPRECIATION					
At 1st February, 2004	36,484	43,293	39,422	196,790	315,989
Provided for the year	303	47	47	205	602
At 1st February, 2005	36,787	43,340	39,469	196,995	316,591
Provided for the year	121	70	14	61	266
At 31st January, 2006	36,908	43,410	39,483	197,056	316,857
NET BOOK VALUES					
At 31st January, 2006	1,092	–	57	244	1,393
At 31st January, 2005	1,213	70	71	305	1,659

The above items of property, plant and equipment are depreciated using the reducing balance method at the following rates per annum:

Air-conditioning system	10%
Furniture and fixtures	20%
Office equipment	20%
Computer system	20%

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$	HK$
Unlisted shares, at cost	**2,762,297**	2,762,297
Less: Impairment losses recognised *(Note)*	**(577,358)**	(577,358)
	2,184,939	2,184,939

Note: The directors reviewed the carrying value of the investment cost in subsidiaries with reference to the business operated by these subsidiaries and impairment losses of HK$577,358 have been identified and recognised in the Company's income statement.

Details of the Company's subsidiaries at 31st January, 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held by the Company directly	Paid up issued share capital	Principal activities
Buildmore Finance Limited	Hong Kong	Ordinary	100%	HK$1,000,000	Inactive
Keen Luck (China) Limited	Hong Kong/ PRC	Ordinary	100%	HK$10,000	Property trading
Lloyd Bridge Investment (H.K.) Limited	Hong Kong	Ordinary	100%	HK$100,000	Inactive

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

16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Cost of investment in associates, unlisted	**8,696,708**	8,696,708	**8,696,708**	8,696,708
Share of post-acquisition profits	**4,626,164**	4,670,124	**–**	–
	13,322,872	13,366,832	**8,696,708**	8,696,708

Details of the Group's associate at 31st January, 2006 are as follows:

Name of associate	Form of business structure	Place of incorporation	Class of share held	Proportion of nominal value of issued capital directly held by the Group	Nature of business
Gladiolus Trading Limited ("Gladiolus") *(Note)*	Incorporated	British Virgin Islands	Ordinary	36.74%	Investment holding

Note: Gladiolus holds 81.65% equity interest in Ka Fai Land Investment Company Limited ("Ka Fai"). The principal activity of Ka Fai is property development and trading.

16. INTERESTS IN ASSOCIATES (continued)

The summarised financial information in respect of the Group's associates is set out below:

	2006	2005
	HK$	HK$
Total assets	**68,290,716**	73,711,491
Total liabilities	**(23,878,490)**	(29,152,726)
Net assets	**44,412,226**	44,558,765
Group's share of net assets of associates	**13,322,872**	13,366,832
Revenue	**972,774**	21,000,000
(Loss) profit for the year	**(146,539)**	6,989,628
Group's share of results of associates for the year	**(43,960)**	2,479,174

17. PROPERTIES HELD FOR RESALE

	THE GROUP	
	2006	2005
	HK$	HK$
COST		
At beginning of the year	**41,700,000**	41,700,000
Disposal	**(41,700,000)**	–
At end of the year	**–**	41,700,000

The properties represented 51 residential units and 15 car parking spaces within a residential area located in Fuzhou, the PRC. The properties were disposed of during the year to an independent third party at an aggregate consideration of approximately HK$43,581,000.

18. SUNDRY RECEIVABLES AND PREPAYMENTS

THE GROUP AND THE COMPANY

The directors consider that the carrying amount of the sundry receivables approximates their fair value.

19. AMOUNTS DUE FROM/TO SUBSIDIARIES AND AN ASSOCIATE

THE GROUP AND THE COMPANY

At 31st January, 2006, the amounts are unsecured, non-interest bearing and are repayable on demand. The directors consider that the carrying amount of the balances approximates their fair value.

As at 31st January, 2005, the amounts due from subsidiaries and an associate were stated at nominal value. If the amounts due from subsidiaries and an associate were stated at fair value, the carrying amount would be equal to approximately HK$35,899,000 and HK$2,158,000 as at 31st January, 2005 respectively by applying the prevailing market rate of 10%.

In the opinion of the directors, the amounts due from subsidiaries and associate at 31st January, 2005 were not repayable within one year and accordingly, the amounts were classified as non-current assets at 31st January, 2005.

20. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Bank balances which are short term highly liquid assets carrying interest at an average rate of 1%, are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. The bank balances have a short maturity of within three months.

The directors consider that the carrying amount of the bank balances approximates their fair value.

THE GROUP

Bank balances and cash of approximately HK$42,700,000 (2005: nil) was denominated in RMB.

21. SUNDRY PAYABLES

THE GROUP AND THE COMPANY

The directors consider that the carrying amount of the sundry payables approximates their fair values.

22. BORROWINGS

THE GROUP AND THE COMPANY

	2006	2005
	HK$	HK$
Bank loans, secured	**–**	3,112,467
Shareholder's loan, unsecured	**1,368,974**	505,208
	1,368,974	3,617,675

The maturity of the above borrowings is as follows:

	2006	2005
On demand or within one year	**1,368,974**	614,758
More than one year, but not exceeding two years	**–**	114,297
More than two years, but not exceeding five years	**–**	373,480
More than five years	**–**	2,515,140
	1,368,974	3,617,675
Less: Amounts due within one year shown under current liabilities	**(1,368,974)**	(614,758)
Amount due after one year shown under non-current liabilities	**–**	3,002,917

The bank loans carried variable-rate interest at Hong Kong Prime rate less 0.75% per annum and were denominated in Hong Kong dollars. The bank loans were secured by investment properties pledged to a bank at 31st January, 2005. All the bank loans were repaid during the year.

The shareholder's loan is unsecured, non-interest bearing and is repayable on demand. Accordingly, the amount is disclosed as a current liability.

The directors consider that the carrying amount of the borrowings approximates their fair value.

23. DEFERRED TAXATION

THE GROUP

The following is major deferred tax liability recognised and movement thereon during the year and prior year:

	Fair value adjustment on acquisition of properties held for resale held by a subsidiary
	HK$
At 1st February, 2004 and at 31st January, 2005	716,677
Credit to income statement for the year	(716,677)
At 31st January, 2006	–

THE GROUP AND THE COMPANY

At the balance sheet date, the estimated unused tax losses of approximately HK$11,790,000 (2005: HK$9,510,000) are available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

24. SHARE CAPITAL

	Number of shares		Share capital	
	2006	2005	**2006**	2005
			HK$	HK$
Authorised:				
Ordinary shares of HK$1.00 each				
At beginning of the year and at end of the year	**196,967,761**	196,967,761	**196,967,761**	196,967,761
5% convertible preference shares of HK$1.00 each				
At beginning of the year and at end of the year	**3,032,239**	3,032,239	**3,032,239**	3,032,239
	200,000,000	200,000,000	**200,000,000**	200,000,000
Issued and fully paid:				
Ordinary shares of HK$1.00 each				
At beginning of the year and at end of the year	**86,141,399**	86,141,399	**86,141,399**	86,141,399
5% convertible preference shares of HK$1.00 each				
At beginning of the year and at end of the year	**3,032,239**	3,032,239	**3,032,239**	3,032,239
	89,173,638	89,173,638	**89,173,638**	89,173,638

The holders of the preference shares are not entitled to vote at the general meetings of the Company.

The preference shares are entitled to a cumulative dividend of approximately HK$1,600,000 (2005: HK$1,600,000) and rank in priority to the ordinary shares in the Company as to dividends and return of capital.

Pursuant to an extraordinary general meeting of the Company held on 12th July, 2004, the Company removed the requirement for conversion within a predetermined period originally attached to the preference shares. Thereafter, the preference shares can be converted into ordinary shares of the Company at any time on one to one basis at a conversion price of HK$1.3 per share.

25. SHARE PREMIUM AND RESERVES

	Share premium account	Accumulated losses	Total
	HK$	HK$	HK$
THE COMPANY			
At 1st February, 2004 as originally stated	197,803,247	(232,738,432)	(34,935,185)
Effects of changes in accounting policies *(see note 2)*	(1,615,426)	–	(1,615,426)
At 1st February, 2004 as restated	196,187,821	(232,738,432)	(36,550,611)
Loss for the year	–	(1,268,008)	(1,268,008)
At 31st January, 2005	196,187,821	(234,006,440)	(37,818,619)
Loss for the year	–	(2,285,898)	(2,285,898)
At 31st January, 2006	196,187,821	(236,292,338)	(40,104,517)

At each of 31st January, 2006 and 2005, the Company has no reserves available for distribution to shareholders.

26. GAIN ON DISPOSAL OF ASSOCIATES

Pursuant to an agreement dated 24th May, 2004 entered into between the Company and an independent third party, the Company disposed of its 45% equity interest in Property Development Limited and Staten (Fujian) Real Estate Co., Ltd. during the year ended 31st January, 2005 to the third party for a consideration of HK$4,580,000, resulting in a gain on disposal of HK$3,089,612.

27. POST BALANCE SHEET EVENTS

On 6th January, 2006, the Group entered into sale and purchase agreements with Victorfield Limited and Mr. Lo Cheung Kin, an executive director of the Company, for the acquisition of the entire equity interest in Victorfield (Fujian) Property Development Co., Ltd. and Faith Stand (China) Limited respectively for a consideration of approximately HK$41,442,000 and HK$24,961,000 respectively.

Pursuant to a resolution passed at an extraordinary general meeting held on 18th April, 2006, the acquisitions were approved by the shareholders of the Company. However, the transaction has not yet been completed as at the date of the report. Details of the acquisitions were set out in the Company's circular dated 31st March, 2006.

28. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following transaction with a related party in which certain directors of the Company have beneficial interests:

	2006	2005
	HK$	HK$
Rental income from a related company	**176,000**	192,000

In addition, the Group and the Company also have balances with an associate and a shareholder, details of which are set out in the balance sheets and in notes 19 and 22.