NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

1. General

The Company is a public listed limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is Unit 1901, 19/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 17.

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 ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT(s)") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests 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:

Business Combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combinations between the period from 1st January, 2005 to 31st July, 2005. On 1st August, 2005, the Group has applied the relevant transitional provision of HKFRS 3. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions after 1st August, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st August, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$339,000 with a corresponding decrease in the cost of goodwill (see note 16). The Group has discontinued amortising such goodwill from 1st August, 2005 onwards and such goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see note 3 for the financial impact).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

2. Application of Hong Kong Financial Reporting Standards *(continued)*

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 annual 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:

Convertible notes

The principal impact of HKAS 32 and HKAS 39 on the Group is in relation to convertible notes issued by the Company that contain an early redemption option, a liability component and an equity component. Previously, convertible notes were classified as liability on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument to separate the compound financial instrument into liability component and equity component on initial recognition and to account for these components separately. HKAS 39 requires derivative embedded in a non-derivative host contract to be accounted as separate derivative when its economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. At the date of issue, the early redemption option derivative and liability component are recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of financial liability (including the early redemption option) from the fair value of the compound financial instrument as a whole. Issue costs are apportioned between the components of the convertible notes based on their relative fair value at the date of issue. The portion relating to the derivative is charged directly to profit or loss. In subsequent periods, the liability component is measured at amortised cost, using the effective interest method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid is added to the carrying amount of the liability component. The early redemption option derivative is subsequently measured at fair value at each balance sheet date. Because HKAS 32 requires retrospective application, comparative figures in relation to the separation of the liability component (including the early redemption option) and the equity component have been restated. Comparative profit for 2005 has been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. Application of Hong Kong Financial Reporting Standards *(continued)*

Financial Instruments *(continued)*

Classification and measurement of financial assets and financial liabilities *(continued)*

By 31st July, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st August, 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st August, 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. Held-to-maturity securities of HK$8,932,000 classified under non-current assets have been reclassified to "loan and receivables" as the certificate of deposit are not quoted in an active market. Trading securities of HK$24,054,000 classified under current assets were reclassified to investments held for trading (see note 3 for financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1st August, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no effect on the Group's profit for both years.

Derivatives and hedging

By 31st July, 2005, the derivatives which represent futures and options held for trading purposes are re-measured to their fair values. Fair values are obtained by reference to quoted market prices or independently sourced rates, using valuation models. The gain or loss arising is recognised in the income statement. Unrealised gains and losses on trading derivatives that are marked to market are included under current assets and current liabilities, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

2. Application of Hong Kong Financial Reporting Standards *(continued)*

Financial Instruments *(continued)*

Derivatives and hedging *(continued)*

From 1st August, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. The adoption of HKAS 39 has had no effect on the Group's profit for both years.

Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st August, 2005. In relation to share options granted before 1st August, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st August, 2005. As there were no share options that were granted after 7th November, 2002 and remained unvested on 1st August, 2005, comparative figures for 2005 have not been restated (see note 3 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 the profit or loss for the period in which they arise. In previous periods, 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 increase 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 August, 2005 onwards. Accordingly, property interest held for undetermined use/capital appreciation purpose amounted to HK$27,176,000 is reclassified from properties held for sale to investment properties. The adoption of HKAS 40 has had no effect on the Group's profit for both years.

2. Application of Hong Kong Financial Reporting Standards *(continued)*

Deferred Taxes related to Investment Properties

In previous years , deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current period, the Group has applied HKAS — INT 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS — INT 21, this change in accounting policy has been applied retrospectively. The change in accounting policy has no significant impact on the comparative figures of the Group.

3. Summary of the Effects of the Changes in Accounting Policies

The effects of changes in the accounting polices described in note 2 on the results of the Group for the current and prior years are as follows:

	Effect of adopting	**2006**	2005
		HK$'000	*HK$'000*
Decrease in amortisation of goodwill	HKFRS 3	**226**	—
Increase in share-based payments expenses	HKFRS 2	**(5,961)**	—
(Increase) decrease in effective interest on the liability component of convertible notes	HKAS 32	**(27)**	496
(Decrease) increase in profit for the year		**(5,762)**	496

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

3. Summary of the Effects of the Changes in Accounting Policies *(continued)*

The cumulative effects of the application of the new HKFRSs to the Group's and the Company's balance sheet as at 31st July, 2005 and 1st August, 2005 are summarised below:

	As at 31st July, 2005 *(as originally stated)* *HK$'000*	*Adjustments* *HK$'000*	As at 31st July, 2005 *(as restated)* *HK$'000*	*Adjustments* *HK$'000*	**As at 1st August, 2005** ***(as restated)*** ***HK$'000***
THE GROUP					
Balance sheet items					
Impact of HKAS 32 and HKAS 39					
Investments in securities	32,986	–	32,986	(32,986)	**–**
Certificate of deposit	–	–	–	8,932	**8,932**
Investments held for trading	–	–	–	24,054	**24,054**
Convertible note payables	(3,220)	119	(3,101)	–	**(3,101)**
Impact of HKAS 40					
Properties held for sale	27,382	–	27,382	(27,176)	**206**
Investment properties	27,160	–	27,160	27,176	**54,336**
Total effects on assets and liabilities	84,308	119	84,427	–	**84,427**
Accumulated losses	(116,722)	517	(116,205)	–	**(116,205)**
Share premium	52,356	(490)	51,866	–	**51,866**
Convertible notes equity reserve	–	92	92	–	**92**
Minority interests	–	1,126	1,126	–	**1,126**
Total effects on equity	(64,366)	1,245	(63,121)	–	**(63,121)**
Minority interests	1,126	(1,126)	–	–	**–**
THE COMPANY					
Balance sheet items					
Impact of HKAS 32 and HKAS 39					
Convertible note payables and total effects on liabilities	(3,220)	119	(3,101)	–	(3,101)
Accumulated losses	(132,866)	517	(132,349)	–	(132,349)
Share premium	52,356	(490)	51,866	–	51,866
Convertible notes equity reserve	–	92	92	–	92
Total effects on equity	(80,510)	119	(80,391)	–	(80,391)

3. 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 and the Company's equity on 1st August, 2004 are summarised below:

The Group	**As originally stated** *HK$'000*	**Adjustments** *HK$'000*	**As restated** *HK$'000*
Accumulated losses	(122,624)	21	(122,603)
Convertible notes equity reserve	—	166	166
Share premium	19,258	(48)	19,210
Minority interests	—	885	885
Total effects in equity	(103,366)	1,024	(102,342)
Minority interests	885	(885)	—
THE COMPANY			
Accumulated losses	(130,287)	21	(130,266)
Convertible notes equity reserve	—	166	166
Share premium	19,258	(48)	19,210
Total effects in equity	(111,029)	139	(110,890)

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not 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 except for HKAS 39 & HKFRS 4 (Amendments) on financial guarantee contracts which require financial guarantees to be initially measured at fair value by the Company. The Company is still not in a position to reasonably estimate the impact that may arise from the financial guarantee contracts under the HKAS 39 and HKFRS 4 (Amendments).

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 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HKFRS — INT 4	Determining whether an arrangement contains a lease[2]
HKFRS — 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]

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

3. Summary of the Effects of the Changes in Accounting Policies *(continued)*

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]
HK(IFRIC) — INT 10	Interim financial reporting and impairment[7]

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

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

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

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

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

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

7 Effective for annual periods beginning on or after 1st November, 2006.

4. Significant Accounting Policies

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. Significant Accounting Policies *(continued)*

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of subsidiaries prior to 1st January, 2005, the Group has discontinued amortisation from 1st August, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

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.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year 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 subsequent accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

4. Significant Accounting Policies *(continued)*

Property, plant and equipment *(continued)*

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

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes professional fees and other direct costs attributable to such properties. Net realisable value is determined by reference to estimated sales proceeds less selling expenses.

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.

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.

Financial assets

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

4. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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 trade and other receivables, certificate of deposit, promissory note receivables, pledged bank deposit 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories set out above. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment loss on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse through profit or loss in subsequent periods.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

4. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including trade and other payables, bank borrowings and convertible note payables (the debt component of convertible note) are subsequently measured at amortised cost using the effective interest method.

Convertible notes

The convertible notes issued by the Company contain financial liability, equity and embedded derivative components. The equity component represents the embedded call option for the holder to convert the notes into equity. The embedded derivative component represents the options to redeem the convertible notes prior to their maturity.

(a) Application of HKAS 32 on convertible notes

Upon the application of HKAS 32 by the Group, the convertible notes are classified separately into the 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 debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component is included in equity as equity component of the convertible notes.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised in which case the balance stated in convertible notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. 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 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 notes using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

4. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Convertible notes (continued)

(b) Application of HKAS 39 on convertible notes

Upon the application of HKAS 39 by the Group, the embedded derivative component is recognised in the financial statements on a prospective basis from 1st August, 2005 at fair value with changes in fair value recognised in profit or loss.

Equity instruments

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

Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet when they are distinguished (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are classified as financial assets or financial liabilities at fair value through profit or loss.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

4. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Revenue recognition

Revenue are measured at the fair value of the consideration received or receivable.

Sales of trading securities are recognised when the related bought and sold notes are executed.

Commissions and service charges are recognised when services are provided.

Revenue from estate agency services is recognised when the services are rendered.

For completed properties which were acquired for resale, revenue is recognised on the execution of a binding agreement.

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 receipt through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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. Impairment losses are recognised as expenses 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.

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 years, 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.

4. Significant Accounting Policies *(continued)*

Taxation *(continued)*

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

4. Significant Accounting Policies *(continued)*

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held on share options reserve.

Retirement benefit scheme contributions

Payments to defined contribution scheme and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses as they fall due.

5. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the financial statements in the next financial year are disclosed below:

Investment properties

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 4. The fair value of the investment properties is determined by Norton Appraisals Limited and Network Real Estate Appraisal Inc., being independent qualified professional valuers, and the fair value of investment properties as at the respective year end was set out in note 14. Such valuations were based on certain assumptions, which were subject to uncertainty. In making the judgment, considerations has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Estimated impairment on available-for-sale investments

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceeds their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the present value of future cash flow expected to receive. Impairment is recognised based on the higher of estimated future cash flow and estimated market value. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments, additional impairment loss may be required.

5. Key Sources of Estimation Uncertainty *(continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st July, 2006, the carrying amount of goodwill is HK$4,193,000. Details of the recoverable amount calculation are disclosed in note 16.

Income taxes

As at 31st July, 2006, a deferred tax asset of HK$1,516,000 in relation to unused tax losses has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, additional deferred tax assets may be recognised or a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the year in which such as reversal takes places.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include available-for-sale investments, investments held for trading, promissory note receivables, trade and other receivables, trade and other payables, bank borrowings and bank balances. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain derivative financial instruments of the Group are denominated in foreign currencies such as Japanese yen and United States dollar. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31st July, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

6. Financial Risk Management Objectives and Policies

Interest rate risk

The Group's cash flows are subject to changes in market interest rates as the Group has interest-bearing bank borrowings and bank deposits. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits at fixed rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure closely and will consider hedging significant interest rate exposure should the need arises.

Price risk

The Group is exposed to equity security price risk through its investment in available-for-sale investments and investments held for trading. Management manages this exposure by maintaining a portfolio of investments with different risk profiles except for the available-for-sale investments.

7. Revenue, Business and Geographical Segments

Revenue and business segments

For management purposes, the Group is currently organised into four operating divisions — property rental, financial investment, property sale and estate agency. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property rental	—	leasing of properties
Financial investment	—	trading of listed securities
Property sale	—	sale of properties held for sale
Estate agency	—	provision of estate agency services

Segment information about these businesses is presented below:

	Property rental HK$'000	Financial investment HK$'000	Property sale HK$'000	Estate agency HK$'000	Unallocated HK$'000	Consolidated HK$'000
INCOME STATEMENT						
For the year ended 31st July, 2006						
REVENUE						
External sales	411	402,908	—	5,533	—	408,852
SEGMENT RESULT	(21,448)	72,593	—	288	—	51,433
Unallocated corporate income						1,135
Unallocated corporate expenses						(11,434)
Finance costs						(568)
Profit before taxation						40,566
Taxation						(11,584)
Profit for the year						28,982

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

7. Revenue, Business and Geographical Segments *(continued)*

Revenue and business segments *(continued)*

	Property rental HK$'000	Financial investment HK$'000	Property sale HK$'000	Estate agency HK$'000	Unallocated HK$'000	Consolidated HK$'000
BALANCE SHEET						
At 31st July, 2006						
ASSETS						
Segment assets	34,731	118,043	206	10,678	–	163,658
Unallocated corporate assets						358,989
Consolidated total assets						522,647
LIABILITIES						
Segment liabilities	9,430	1,223	–	3,162	–	13,815
Unallocated corporate liabilities						18,653
Consolidated total liabilities						32,468

	Property rental HK$'000	Financial investment HK$'000	Property sale HK$'000	Estate agency HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER INFORMATION						
For the year ended 31st July, 2006						
Capital additions	–	–	–	1,036	18	1,054
Depreciation	–	–	–	536	103	639
Decrease in fair value of investment properties	19,768	–	–	–	–	19,768
Increase in fair value of investments held for trading	–	66,739	–	–	–	66,739

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

7. Revenue, Business and Geographical Segments *(continued)*

Revenue and business segments *(continued)*

	Property rental HK$'000	Financial investment HK$'000	Property sale HK$'000	Estate agency HK$'000	Unallocated HK$'000	Consolidated HK$'000 (as restated)
INCOME STATEMENT						
For the year ended 31st July, 2005						
REVENUE						
External sales	472	10,251	10,050	4,940	–	25,713
SEGMENT RESULT	6,387	1,421	(786)	862	–	7,884
Unallocated corporate income						105
Unallocated corporate expenses						(332)
Finance costs						(808)
Profit before taxation						6,849
Taxation						(210)
Profit for the year						6,639

	Property rental HK$'000	Financial investment HK$'000	Property sale HK$'000	Estate agency HK$'000	Unallocated HK$'000	Consolidated HK$'000 (as restated)
BALANCE SHEET						
At 31st July, 2005						
ASSETS						
Segment assets	27,303	36,709	27,382	10,445	–	101,839
Unallocated corporate assets						81,154
Consolidated total assets						182,993
LIABILITIES						
Segment liabilities	5,197	775	2,500	2,608	–	11,080
Unallocated corporate liabilities						11,482
Consolidated total liabilities						22,562

7. Revenue, Business and Geographical Segments *(continued)*

Revenue and business segments *(continued)*

	Property rental HK$'000	Financial investment HK$'000	Property sale HK$'000	Estate agency HK$'000	Unallocated HK$'000	Consolidated HK$'000 (as restated)
OTHER INFORMATION						
For the year ended 31st July, 2005						
Capital additions	–	–	–	124	258	382
Depreciation	–	–	–	79	8	87
Write back of allowance for properties held for sale	–	–	487	–	–	487
Gain on disposal of investment properties	1,383	–	–	–	–	1,383
Allowance for bad and doubtful debts	40	–	–	–	–	40
Amortisation of goodwill arising on acquisition of subsidiaries	–	–	–	226	–	226

Geographical segments

The Group's current operations are mainly located in Hong Kong, Macau and Japan. The Group's property rental businesses are carried out in Hong Kong. Financial investment division, property sale division and estate agency division are all located in Hong Kong.

Segment information about these geographic markets is presented below:

	Revenue by geographical market 2006 HK$'000	2005 HK$'000
Hong Kong	**408,852**	25,713

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

7. Revenue, Business and Geographical Segments *(continued)*

Geographical segments *(continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**399,020**	155,811	**1,054**	382
Macau	**116,280**	—	**—**	—
Japan	**7,298**	27,176	**—**	—
	522,598	182,987	**1,054**	382

8. Finance Costs

	2006	2005
	HK$'000	*HK$'000*
		(as restated)
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	**36**	23
Convertible notes	**44**	437
	80	460
Borrowings not wholly repayable within five years:		
Bank borrowings	**488**	348
	568	808

9. Profit Before Taxation

	2006 HK$'000	2005 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**9,673**	2,342
Other staff costs	**3,451**	3,526
Retirement benefit scheme contributions, excluding directors	**143**	204
Total employee benefit expenses	**13,267**	6,072
Auditors' remuneration:		
Current year	**825**	680
Underprovision in prior years	**164**	49
Allowance for bad and doubtful debts	**–**	40
Depreciation	**639**	87
Bank and other interest income	**(5,650)**	(616)
Dividend income from investments held for trading	**(4,822)**	–
Interest income on promissory note receivables	**–**	(93)
Interest income on trading securities	**–**	(284)
Dividend income from trading securities	**–**	(205)
Realised loss on trading in options	**739**	–
Realised (gain) loss from investments held for trading	**(921)**	1,107

10. Directors' Emoluments

The emoluments paid or payable to each of the six (2005: fourteen) directors are as follows:

2006

	Mr. Chu Nin Yiu, Stephen HK$'000	Mr. Chu Nin Wai, David HK$'000	Mr. Lau Chi Kan, Michael HK$'000	Mr. Leung Kam Fai HK$'000	Mr. Wong Kwong Fat HK$'000	Mr. Li Sze Kuen, Billy HK$'000	Total HK$'000
Fees	–	–	–	150	150	150	450
Other emoluments							
– Salaries and other benefits	3,250	–	–	–	–	–	3,250
– Retirement benefit scheme contributions	12	–	–	–	–	–	12
– Share-based payment expense	1,987	1,987	1,987	–	–	–	5,961
	5,249	1,987	1,987	150	150	150	9,673

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

10. Directors' Emoluments *(continued)*

2005

	Mr. Chu Nin Yiu, Stephen HK$'000	Mr. Choo Yeow Ming HK$'000	Mr. Chu Nin Wai, David HK$'000	Mr. Lau Chi Kan, Michael HK$'000	Mr. Ng Kai Man, Luke HK$'000	Ms. Ma Wai Man, Catherine HK$'000	Mr. Chow Hou Man HK$'000	Mr. Leung Kam Fai HK$'000	Mr. Wong Kwong Fat HK$'000	Mr. Li Sze Kuen, Billy HK$'000	Ms. Ng Yuk Yee, Feona HK$'000	Mr. Sin Chi Fai HK$'000	Mr. Mui, Frank H. HK$'000	Mr. Li Chok Sun, Sean HK$'000	Total HK$'000
Fees	–	500	–	–	–	–	–	–	–	–	25	75	100	–	700
Other emoluments															
– Salaries and other benefits	750	–	–	–	288	396	165	–	–	–	–	–	–	–	1,599
– Retirement benefit scheme contributions	3	–	–	–	12	20	8	–	–	–	–	–	–	–	43
	753	500	–	–	300	416	173	–	–	–	25	75	100	–	2,342

During the years ended 31st July, 2006 and 2005, no directors waived any emoluments.

11. Employees' Emoluments

Of the five highest paid individuals in the Group, one (2005: three) was directors of the Company whose emoluments was included in note 10 above. The emoluments of the remaining four (2005: two) employees were as follows:

	2006 **HK$'000**	2005 HK$'000
Salaries and other benefits	**1,620**	810
Retirement benefit scheme contributions	**48**	12
	1,668	822

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office (2005: Nil).

The emoluments of each of these employees were below HK$1,000,000.

12. Taxation

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Current tax	**11,627**	199
Deferred tax	**(43)**	11
	11,584	210

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000 (as restated)
Profit before taxation	**40,566**	6,849
Tax at the Hong Kong Profits Tax rate of 17.5%	**7,099**	1,199
Tax effect of expenses not deductible for tax purpose	**4,888**	1,377
Tax effect of income not taxable for tax purpose	**(1,658)**	(2,872)
Tax effect of tax losses not recognised	**1,348**	776
Utilisation of tax losses previously not recognised	**(93)**	(270)
Taxation for the year	**11,584**	210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

13. Earnings Per Share

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

	2006 **HK$'000**	2005 HK$'000 (as restated)
Earnings:		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to equity holders of the Company	**28,900**	6,398
Interest on convertible notes	**44**	437
Earnings for the purpose of diluted earnings per share	**28,944**	6,835

	2006	2005
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,112,306,128**	200,585,146
Effect of dilutive potential ordinary shares:		
— convertible notes	**2,847,922**	15,745,198
— warrants	**32,211,109**	—
— share options	**785,089**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,148,150,248**	216,330,344

The weighted average number of ordinary shares for the year ended 31st July, 2005 for the purpose of calculating the basic and diluted earnings per share has been adjusted to reflect the effects of share consolidation, rights issue and share subdivision as set out in note 31.

The following table summarises the impact on basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	2006 **HK cents**	2005 HK cents	**2006** **HK cents**	2005 HK cents
Figures before adjustment	**3.12**	2.94	**3.02**	2.79
Adjustments arising from changes in accounting policies *(see note 3)*	**(0.52)**	0.25	**(0.50)**	0.37
Restated	**2.60**	3.19	**2.52**	3.16

14. Investment Properties

	THE GROUP *HK$'000*	THE COMPANY *HK$'000*
AT VALUATION/FAIR VALUE		
At 1st August, 2004	19,780	1,480
Disposals	(1,480)	(1,480)
Surplus on revaluation	8,860	—
At 31st July, 2005 — originally stated	27,160	—
Transfer from properties held for sale	27,176	—
At 1st August, 2005 — as restated	54,336	—
Decrease in fair value	(19,768)	—
At 31st July, 2006	34,568	—

The carrying value of investment properties shown above comprises:

	THE GROUP	
	2006 ***HK$'000***	2005 *HK$'000*
Investment properties in Hong Kong:		
Long lease	**1,800**	1,530
Medium-term lease	**25,470**	25,630
Investment properties outside Hong Kong:		
Freehold land	**7,298**	—
	34,568	27,160

During the year, several pieces of freehold land with carrying value amounting to HK$27,176,000 situated in Japan were classified from properties held for sale to investment properties due to change in intention on 1st August, 2005.

All of the Group's property interests held under operating leases to earn rentals or for undetermined use/capital appreciation are measured using the fair value model and are classified and accounted for as investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

14. Investment Properties *(continued)*

The fair values of the Group's investment properties at 31st July, 2006 have been arrived at on the basis of valuation carried out on that date by Norton Appraisals Limited and Network Real Estate Appraisal Inc., independent qualified professional valuers not connected with the Group. Norton Appraisals Limited and Network Real Estate Appraisal Inc. have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to HKIS Valuation Standards on Properties/Japanese Real Estate Appraisal, was arrived at by reference to market evidence of transaction prices for similar properties.

15. Property, Plant and Equipment

	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
COST			
At 1st August, 2004	376	220	596
Additions	140	242	382
Disposals	(376)	—	(376)
At 31st July, 2005	140	462	602
Additions	808	246	1,054
At 31st July, 2006	948	708	1,656
DEPRECIATION			
At 1st August, 2004	364	128	492
Provided for the year	23	64	87
Eliminated on disposals	(376)	—	(376)
At 31st July, 2005	11	192	203
Provided for the year	418	221	639
At 31st July, 2006	429	413	842
CARRYING VALUES			
At 31st July, 2006	519	295	814
At 31st July, 2005	129	270	399

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

15. Property, Plant and Equipment *(continued)*

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

Leasehold improvements	Over the term of the relevant lease or $33^1/_3$%, whichever is shorter
Furniture, fixtures and equipment	20%

16. Goodwill

	THE GROUP *HK$'000*
COST	
At 1st August, 2004 and 31st July, 2005	4,532
Elimination of accumulated amortisation upon the application of HKFRS 3	(339)
At 31st July, 2006	4,193
AMORTISATION AND IMPAIRMENT	
At 1st August, 2004	113
Provided for the year	226
At 31st July, 2005	339
Elimination of accumulated amortisation upon the application of HKFRS 3	(339)
At 31st July, 2006	—
CARRYING VALUES	
At 31st July, 2006	4,193
At 31st July, 2005	4,193

Until 31st July, 2005, the amortisation period adopted by the Group for goodwill was 20 years.

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to one cash generating unit ("CGU") which is estate agency segment.

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

16. Goodwill *(continued)*

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering a ten-year period from the balance sheet date and discount rate of 6%. The cash flows beyond the 5-year period are extrapolated using a zero growth rate. The growth rate is based on the relevant industry growth forecast. A key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and the management's expectations for the market development. According to that calculation, the discounted recoverable amount is higher than the carrying amount of the CGU, including the related goodwill and net asset value. Management determines that there is no impairment of the cash generating unit containing goodwill as at 31st July, 2006.

17. Investments in Subsidiaries/Amounts due from Subsidiaries

	THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Investments in subsidiaries:		
Unlisted shares, at cost, less impairment losses recognised	**10**	—

The amounts due from subsidiaries are unsecured, interest free and has no fixed terms of repayment. In the opinion of the directors, the fair values of the amounts due from subsidiaries at 31st July, 2006 approximate their corresponding carrying amounts.

In the opinion of the directors, the amounts due from subsidiaries at 31st July, 2005 would not be repayable within twelve months from the balance sheet date and therefore shown under non-current assets.

The carrying amount of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

17. Investments in Subsidiaries/Amounts due from Subsidiaries *(continued)*

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

Name of subsidiary	Place of incorporation/ operation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Adrian Realty Limited	Hong Kong	HK$1,000,000	100	–	Property investment
Ahead Company Limited	Hong Kong	HK$2	100	–	Trading of securities and investment holding
Century 21 Hong Kong Limited ("Century 21")	Hong Kong	HK$3,880,000	–	82.5	Provision of estate agency services
Chadbury International Limited	British Virgin Islands/ Japan	US$1	–	100	Property investment
Consecutive Profits Limited	British Virgin Islands	US$10	–	80	Investment holding
Evergood Management Limited	Hong Kong	HK$2	100	–	Investment holding
Hegel Trading Limited	Hong Kong	HK$2	100	–	Property investment
High Cheong Developments Limited	British Virgin Islands	US$1	100	–	Investment holding
Silver Tower Limited	Hong Kong	HK$2	–	100	Property investment and trading of securities
Top Mount Limited	Hong Kong	HK$2	–	100	Investment holding
Top Universal Management Limited	Hong Kong	HK$2	100	–	Investment holding
Shiny Rising Limited	Hong Kong	HK$1	100	–	Provision of corporate treasury services
Fame Asset Limited	Hong Kong	HK$1	100	–	Provision of corporate management services

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

18. Investments in Securities

Investments in securities as at 31st July, 2005 are set out below. Upon the application of HKAS 39 on 1st August, 2005, investments in securities were reclassified to appropriate categories under HKAS 39 (see note 3 for details).

	THE GROUP			
	Held-to-maturity securities	**Trading securities**	**Other securities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities:				
Listed				
At cost	—	19,754	—	19,754
Unrealised holding gain	—	4,300	—	4,300
	—	24,054	—	24,054
Debt securities:				
Unlisted				
At cost	8,932	—	—	8,932
Total:				
Listed				
Hong Kong	—	24,054	—	24,054
Unlisted				
Hong Kong	8,932	—	—	8,932
	8,932	24,054	—	32,986
Market value of listed securities	—	24,054	—	24,054
Carrying amount analysed for reporting purposes as:				
Non-current	8,932	—	—	8,932
Current	—	24,054	—	24,054
	8,932	24,054	—	32,986

19. Available-for-sale Investments

Available-for-sale investments as at 31st July, 2006 comprises:

	The Group
	HK$'000
Unlisted equity securities	116,250

The above unlisted investments represents investments in unlisted equity securities issued by private entities incorporated in Macau. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair values estimates is so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably.

20. Properties Held for Sale

	THE GROUP		**THE COMPANY**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Properties in Hong Kong	**206**	206	**206**	206
Properties in Japan	**—**	27,176	**—**	—
	206	27,382	**206**	206

At 31st July, 2005, included in properties of the Group above are properties in Japan of HK$27,176,000 carried at net realisable value. On 1st August, 2005, the properties in Japan were classified from properties held for sale to investment properties due to change in intention.

21. Derivative Financial Instruments

	THE GROUP			
	2006		2005	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Futures	**283**	**1,163**	—	775
Options	**—**	**—**	660	—
	283	**1,163**	660	775

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For the year ended 31st July, 2006

21. Derivative Financial Instruments *(continued)*

Futures:

The Group has entered futures trading during the year and the major term of the futures are set out below:

	Notional amount	Maturity
At 31st July, 2006		
Japanese Yen futures	Yen 375 million	September 2006
H-Share index futures	HK$69 million	August 2006
At 31st July, 2005		
Japanese Yen futures	Yen 1,250 million	September 2005

Options:

The Group has entered options trading during the year and the major terms of the options are set out below:

	Notional amount	Maturity
At 31st July, 2005	Yen 1,120 million	August 2005

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market price for equivalent instruments at the balance sheet date.

22. Trade and Other Receivables

At 31st July, 2006, the balance of trade and other receivables of the Group included trade receivables of HK$2,824,000 (2005: HK$3,043,000). An aged analysis of trade receivables is as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
0 to 60 days	**662**	756
61 to 90 days	**208**	242
91 days or above	**1,954**	2,045
	2,824	3,043

The Group allows an average credit period of 30 days to its trade customers.

In the opinion of the directors, the fair values of the Group's trade and other receivables and the Company's other receivables at 31st July, 2006 approximate their corresponding carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

23. Investments Held for Trading

Investments held for trading of the Group at 31st July, 2006 represents equity securities listed in Hong Kong. The fair values of investments held for trading are determined based on the quoted market bid prices available on the relevant exchange.

24. Certificate of Deposit

	THE GROUP
	2006
	HK$'000
Fixed-rate certificate of deposit	**8,996**

The certificate of deposit is unsecured, bears interest at 2.33% per annum and matures within one year. The fair value of the Group's certificate of deposit at the balance sheet date approximates its carrying amount.

25. Promissory Note Receivables

	THE GROUP AND THE COMPANY	
	2006	2005
	HK$'000	*HK$'000*
Principal	**4,000**	10,000

The unquoted promissory note receivables are unsecured, bear interest at 5% per annum and repayable on demand. In the opinion of the directors, the fair value of the amount at 31st July, 2006 approximates its carrying amount.

26. Pledged Bank Deposit/Bank Balances and Cash

Pledged bank deposit of the Group represents deposit pledged to a bank to secure banking facilities granted to the Group. The deposit carries fixed interest rate ranging from 1.75% to 2.85% per annum. The pledged bank deposit will be released upon the release of relevant banking facilities. The fair value of the Group's pledged bank deposit at 31st July, 2006 approximates its carrying value.

Bank balances and cash of the Group and the Company comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and are with maturity of three months or less. The Group's and the Company's bank deposits carry fixed interest rates ranged from 1.25% to 4.33% (2005: 0.12% to 2.90%) per annum and 1.85% to 4.33% (2005: 0.12% to 0.17%) per annum, respectively. The fair values of bank balances at 31st July, 2006 approximate their corresponding carrying values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

27. Trade and Other Payables

At 31st July, 2006, the balance of trade and other payables of the Group included trade payables of HK$618,000 (2005: HK$1,182,000). An aged analysis of trade payables is as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
0 to 60 days	**246**	282
61 to 90 days	**92**	98
91 days or above	**280**	802
	618	1,182

In the opinion of the directors, the fair values of the Group's trade and other payables and the Company's other payables at 31st July, 2006 approximate their corresponding carrying amounts.

28. Bank Borrowings

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Unsecured bank loan	**25**	—
Secured bank loan	**6,798**	7,680
	6,823	7,680
Bank borrowings are repayable as follows:		
Within one year or upon demand	**903**	887
More than one year but not exceeding two years	**970**	939
More than two years but not exceeding three years	**1,031**	994
More than three years but not exceeding four years	**1,107**	1,040
More than four years but not exceeding five years	**1,189**	1,101
More than five years	**1,623**	2,719
	6,823	7,680
Less: Current portion shown under current liabilities	**(903)**	(887)
	5,920	6,793

28. Bank Borrowings *(continued)*

The secured bank loan carries interest at Hong Kong best lending rate less 1% for both years. It is secured by investment properties held by the Group with carrying value at 31st July, 2006 of HK$24,700,000 (2005: HK$25,000,000).

In the opinion of the directors, the fair values of the Group's bank borrowings estimated by discounting their future cash flows at the prevailing market rate at 31st July, 2006 for similar borrowings approximate their corresponding carrying amounts.

29. Amount Due to a Subsidiary

The amount is unsecured, interest free and has no fixed terms of repayment. In the opinion of the directors, the fair value of the amount due to a subsidiary at 31st July, 2006 approximates its carrying amount.

30. Convertible Note Payables

On 16th October, 2003, the Company issued HK$8,000,000 2% unsecured redeemable convertible notes due 2005 ("Convertible Notes due 2005"). The convertible notes carried interest at 2% per annum and were redeemable on 15th October, 2005. The holders of the convertible notes had the options to convert the convertible notes into shares of HK$0.01 each of the Company at any time during the period from 16th October, 2003 to 15th October, 2005 at a conversion price of HK$0.02 per share. The convertible notes were fully converted into ordinary shares of the Company during the year ended 31st July, 2005.

On 7th March, 2005, the Company issued HK$36,400,000 2% unsecured redeemable convertible notes due 2006 at a conversion price of HK$0.028 per share (subject to adjustment) ("Convertible Notes due 2006"). The convertible notes carry interest at 2% per annum, will mature on 7th September, 2006 and are freely transferable. The holders of the convertible notes have the options to convert the convertible notes into shares of HK$0.01 each of the Company at any time during the period from 7th March, 2005 to 7th September, 2006. The convertible notes were fully converted into ordinary shares of the Company during the year ended 31st July, 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

30. Convertible Note Payables *(continued)*

Upon the application of HKAS 32, the two convertible notes were split between the liability and equity elements, on a retrospective basis (see note 3 for the financial impact). The equity element is presented in equity heading "Convertible notes equity reserve". The effective interest rates of the liability component of Convertible Notes due 2005 and Convertible Notes due 2006 are 6.05% and 5.50% per annum, respectively.

In accordance with HKAS 39, the early redemption element at the option of the noteholders of the convertible notes prior to maturity represents an embedded derivative instrument which is not closely related to the notes and hence, should be accounted for separately. The directors had assessed the fair value of the early redemption right and consider the fair value is insignificant.

The movement of the liability component of the convertible notes for the year is set out below:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Liability component at 1st August	**3,101**	2,861
Issue of convertible notes	**–**	34,589
Conversion during the year	**(3,128)**	(34,621)
Interest charged	**44**	299
Interest paid	**(17)**	(27)
Liability component at 31st July	**–**	3,101

The principal amount of the convertible notes converted during the current year was HK$3,220,000 (2005: HK$33,180,000).

31. Share Capital

	Number of ordinary shares	Amount HK$'000
Ordinary shares		
Authorised:		
At 1st August, 2004 and 31st July, 2005, at HK$0.01 each	12,250,000,000	122,500
Capital reorganisation		
— Share consolidation *(note c (i))*	(12,127,500,000)	—
— Increase during the year *(note c (ii))*	1,877,500,000	1,877,500
	2,000,000,000	2,000,000
— Share subdivision *(note e)*	8,000,000,000	—
At 31st July, 2006, at HK$0.20 each	10,000,000,000	2,000,000
Issued and fully paid:		
At 1st August, 2004, at HK$0.01 each	3,269,398,668	32,694
Conversion of convertible notes *(note a)*	1,335,000,000	13,350
Issue of shares on private placement on 19th January, 2005 *(note b)*	650,000,000	6,500
At 31st July, 2005, at HK$0.01 each	5,254,398,668	52,544
Capital reorganisation		
— Share consolidation *(note c (i))*	(5,201,854,682)	—
— Issue of shares on rights issue *(note c)*	210,175,944	210,176
Conversion of convertible notes *(note d)*	2,211,538	2,211
Capital reorganisation		
— Share subdivision *(note e)*	1,059,725,872	—
Issue of shares on private placement on 30th June, 2006 *(note f)*	264,000,000	52,800
Exercise of warrants *(note g)*	104,930,000	20,986
At 31st July, 2006, at HK$0.20 each	1,693,587,340	338,717

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

31. Share Capital *(continued)*

Notes:

(a) On 30th January 2005, the HK$3,000,000 2% unsecured redeemable convertible notes due 2005 were converted into 150,000,000 ordinary shares of HK$0.01 each of the Company at a conversion price of HK$0.02 per share. The new shares ranked pari passu with the existing shares in all respects.

In April and June 2005, HK$33,180,000 2% unsecured redeemable convertible notes due 2006 were converted into 1,185,000,000 ordinary shares of HK$0.01 each of the Company at a conversion price of HK$0.028 per share. The new shares ranked pari passu with the existing shares in all aspects.

(b) On 5th January, 2005, arrangement was made for private placement to independent investors of 650,000,000 new shares of the Company at HK$0.01 each at placing price of HK$0.0265 per share, representing a discount of approximately 14.52% to the closing market price of HK$0.0310 per share on 30th December, 2005. The net proceeds would be used to finance the Group's general working capital for operating activities, property investments and real estate franchising and agency business. The 650,000,000 new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 16th December, 2004. The new shares ranked pari passu with other shares in issue in all respects.

(c) Pursuant to a circular dated 12th September, 2005, a prospectus dated 30th September, 2005 and resolutions passed on 29th September, 2005, a capital reorganisation (the "Capital Reorganisation") was approved with effect from 29th September, 2005, which involved:

(i) every 100 issued and unissued shares of HK$0.01 each in the share capital of the Company were consolidated into one new ordinary share of HK$1.00 each (the "Consolidated Share(s)") in the share capital of the Company (the "Share Consolidation"). As at 9th September, 2005, the authorised share capital of the Company was HK$122,500,000 comprising 12,250,000,000 shares of HK$0.01 each, of which HK$52,544,000 comprising 5,254,398,668 shares were issued and fully paid. On this basis, immediately after the Share Consolidation, the authorised share capital of the Company comprised 52,543,986 issued Consolidated Shares and 69,956,014 unissued Consolidated Shares of HK$1.00 each; and

(ii) immediately after the Share Consolidation, the authorised share capital of the Company was increased to HK$2,000,000,000 divided into 2,000,000,000 Consolidated Shares of HK1.00 each, in which 1,877,500,000 shares were created.

In addition, the Company issued 210,175,944 shares at a subscription price of HK$1.00 each in the capital of the Company, by way of rights issue in the proportion of four rights shares per one existing share to the shareholders ("Rights Shares") whose names appeared on the Company's register at the close of business on 21st September, 2005. The transaction was completed on 20th October, 2005. The net proceeds of approximately HK$206 million will be used as to approximately HK$200 million for investments in the property sector in general, both in Hong Kong and Macau, in order to expand the property portfolio; and as to the balance of approximately HK$6 million as general working capital of the Company. The Rights Shares, credited as fully paid, rank pari pass in all respects with the then existing issued shares. As a result of the rights issue, the total number of shares in issue was 262,719,930.

31. Share Capital *(continued)*

Notes: (continued)

(d) In November 2005, the 2% redeemable convertible notes due 2006 with principal amount of HK$3,220,000 were converted into 2,211,538 ordinary shares of HK$1.00 each of the Company at a conversion price of HK$1.456 per share. The new shares rank pari passu with the then existing shares in all respects.

(e) Pursuant to an announcement dated 9th November, 2005 and an ordinary resolution passed on 20th December, 2005, a share subdivision was approved with effect from 21st December, 2005 in which each of the existing issued and unissued shares of HK$1.00 each in the share capital of the Company would be subdivided into five shares of HK$0.20 each (the "Subdivided Shares") (the "Share Subdivision"). As at 25th November, 2005, the authorised share capital of the Company was HK$2,000,000,000 divided into 2,000,000,000 Consolidated Shares, of which 264,931,468 Consolidated Shares were issued and fully paid. On this basis, immediately after the Share Subdivision, the authorised share capital of the Company comprised of 1,324,657,340 issued Subdivided Shares and 8,675,342,660 unissued Subdivided Shares of HK$0.20 each.

(f) On 30th June, 2006, arrangement was made for private placement to independent investors of 264,000,000 new shares of the Company of HK$0.20 each at placing price of HK$0.201 per share, representing a discount of approximately 1.95% to the closing market price of HK$0.205 per share on 30th June, 2006. The net proceeds of approximately HK$51,855,000 will be used as additional general working capital and funding to finance the acquisition of properties, property development or other potential investment as and when opportunities arise. The 264,000,000 new shares were issued under the general mandate granted to the directors at the extraordinary general meeting of the Company held on 16th June, 2006. The new shares ranked pari passu with other shares in issue in all aspects.

(g) On 19th May, 2006, the Company issued 264,930,000 warrants at a price of HK$0.05 per warrant. The exercise price of the warrants is HK$0.20 per share (subject to adjustment), and the warrants can be exercised by warrant holders on or before 18th May, 2007. Total consideration received from the issue of warrants amounted to HK13,247,000 which has been credited to reserves.

On 19th July, 2006, 104,930,000 warrants issued on 19th May, 2006 were converted into 104,930,000 ordinary shares of HK$0.20 each of the Company at a subscription price of HK$0.20 per share. The new shares rank pari passu with the then existing shares in all aspects.

At 31st July, 2006, the Company had outstanding 160,000,000 warrants to be exercised at any time on or before 18th May, 2007. Exercise in full of such warrants would result in the issue of approximately 160,000,000 additional ordinary shares of HK$0.20 each.

Details of the changes in the share capital of the Company after the balance sheet date are disclosed in note 40.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

32. Share-based Payment Transactions

Pursuant to a resolution passed on 30th December, 2002, the existing share option scheme was adopted (the "Scheme") for the primary purpose of providing incentives to directors, employees and eligible participants. The Scheme will expire on 29th December, 2012.

Under the Scheme, the Board of Directors of the Company (the "Board") may grant options to executive directors, employees of the Company and its subsidiaries and such eligible participants at the discretion of the Board pursuant to the terms of the Scheme, to subscribe for shares of the Company at a price per share not less than the highest of i) the closing price of a share of the Company listed on the Stock Exchange at the date of grant of the option; ii) the average of the closing price of a share of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options shall be granted under the Scheme shall not exceed 10% in aggregate of the issued share capital of the Company at the date of its adoption. No director, employee or eligible participant may be granted options under the Scheme which will enable him or her if exercise in full to subscribe for exceeding 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the Board, save that it shall not be more than 10 years from the date of grant subject to the terms of the Scheme. Nominal consideration of HK$1 is payable on acceptance of each grant and the share options granted shall be accepted within 28 days from the date of grant.

At 31st July, 2006, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 46,500,000 (2005: 6,210,000, after adjusting for the effects of Share Consolidation and Share Subdivision), representing 2.7% of the shares of the Company in issue at that date. Total consideration of HK$3 (2005: Nil) was received by the Company during the year ended 31st July, 2006 on acceptance of the grants. The share options are fully vested upon issue.

The following table discloses movements in such holdings during the year:

Date of grant	Exercisable period	Exercise price	Outstanding at 1.8.2005	Granted during the year	Cancelled during the year	Outstanding at 31.7.2006
		HK$	*(note)*		*(note)*	
20.11.2003	20.11.2003 – 29.12.2012	0.468 *(note)*	2,080,000	–	(2,080,000)	–
17.3.2004	17.3.2004 – 29.12.2012	0.480 *(note)*	4,130,000	–	(4,130,000)	–
17.7.2006	17.7.2006 – 29.12.2012	0.210	–	46,500,000	–	46,500,000
			6,210,000	46,500,000	(6,210,000)	46,500,000

32. Share-based Payment Transactions *(continued)*

Date of grant	Exercisable period	Exercise price HK$ *(note)*	Outstanding at 1.8.2004 *(note)*	Granted during the year	Cancelled during the year *(note)*	Outstanding at 31.7.2005
20.11.2003	20.11.2003 – 29.12.2012	0.468	2,080,000	–	–	2,080,000
17.3.2004	17.3.2004 – 29.12.2012	0.480	4,180,000	–	(50,000)	4,130,000
			6,260,000	–	(50,000)	6,210,000

Details of the options held by the directors or former directors included in the above table are as follows:

Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.8.2005 *(note)*	Granted during the year	Cancelled during the year *(note)*	Outstanding at 31.7.2006
20.11.2003	20.11.2003 – 29.12.2012	0.468 *(note)*	1,040,000	–	(1,040,000)	–
17.3.2004	17.3.2004 – 29.12.2012	0.480 *(note)*	3,055,000	–	(3,055,000)	–
17.7.2006	17.7.2006 – 29.12.2012	0.210	–	46,500,000	–	46,500,000
			4,095,000	46,500,000	(4,095,000)	46,500,000

Date of grant	Exercisable period	Exercise price HK$ *(note)*	Outstanding at 1.8.2004 *(note)*	Granted during the year	Cancelled during the year	Outstanding at 31.7.2005
20.11.2003	20.11.2003 – 29.12.2012	0.468	1,040,000	–	–	1,040,000
17.3.2004	17.3.2004 – 29.12.2012	0.480	3,055,000	–	–	3,055,000
			4,095,000	–	–	4,095,000

Note: Exercise prices for the share options and the number of share options granted on 20th November, 2003 and 17th March, 2004 have been adjusted from HK$0.0234 and HK$0.0240, respectively, to HK$0.468 and HK$0.480, respectively, due to the Share Consolidation and Share Subdivision of the ordinary shares of the Company occurred during the year ended 31st July, 2006.

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32. Share-based Payment Transactions *(continued)*

Share options granted on 20th November, 2003 and 17th March, 2004 had been cancelled in November 2005 and January 2006 after the relevant directors resigned during the year ended 31st July, 2005.

During the year ended 31st July, 2006, options were granted on 17th July, 2006. The estimated fair value of the options granted on this date is HK$5,961,000. This fair value was calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

Weighted average share price	HK$0.198
Exercise price	HK$0.210
Expected volatility	100.0%
Expected life	3.23 years
Risk-free rate	4.6%
Expected dividend yield	0.0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expenses of HK$5,961,000 for the year ended 31st July, 2006 in relation to the share options granted by the Company.

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For the year ended 31st July, 2006

33. Share Premium and Reserves

	Share premium HK$'000	Capital reserve HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Capital reduction reserve HK$'000	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY									
At 31st July, 2004									
– originally stated	19,258	2,127	–	–	170,583	268	–	(130,287)	61,949
Effect of changes in accounting policies *(see note 3)*	(48)	–	–	–	–	–	166	21	139
At 31st July, 2004 and 1st August, 2004 – as restated	19,210	2,127	–	–	170,583	268	166	(130,266)	62,088
Loss for the year and recognised expenses for the year	–	–	–	–	–	–	–	(2,083)	(2,083)
Recognition of equity component of convertible notes	–	–	–	–	–	–	1,043	–	1,043
Conversion of convertible notes *(note 31a)*	22,388	–	–	–	–	–	(1,117)	–	21,271
Issue of shares on private placement *(note 31b)*	10,725	–	–	–	–	–	–	–	10,725
Expenses incurred in connection with issue of shares	(457)	–	–	–	–	–	–	–	(457)
At 31st July, 2005	51,866	2,127	–	–	170,583	268	92	(132,349)	92,587
Loss for the year and recognised expenses for the year	–	–	–	–	–	–	–	(6,388)	(6,388)
Conversion of convertible notes *(note 31d)*	1,009	–	–	–	–	–	(92)	–	917
Issue of shares on private placement *(note 31f)*	264	–	–	–	–	–	–	–	264
Issue of warrants *(note 31g)*	–	–	13,247	–	–	–	–	–	13,247
Exercise of warrants *(note 31g)*	5,247	–	(5,247)	–	–	–	–	–	–
Expenses incurred in connection with issue of shares	(5,806)	–	–	–	–	–	–	–	(5,806)
Recognition of equity-settled share-based payments *(note 32)*	–	–	–	5,961	–	–	–	–	5,961
At 31st July, 2006	52,580	2,127	8,000	5,961	170,583	268	–	(138,737)	100,782

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

33. Share Premium and Reserves *(continued)*

Under the capital reduction exercise carried out in October 2002, the Company undertook to maintain a capital reduction reserve account. This account would not be treated as realised profits and should be treated as reserve of the Company, which should not be distributable until or unless the creditors of the Company as at the date of the sanction of the reduction of capital (the "Creditors") were fully settled, provided for by the Company or the remaining Creditors and each of them did consent by which time the account would be cancelled and provided that prior to the cancellation of the account, the Company might apply it in paying up unissued shares of the Company to be issued to members as fully paid bonus shares.

34. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
THE GROUP			
At 1st August, 2004	1,248	(1,265)	(17)
Charge (credit) to income statement	102	(91)	11
At 31st July, 2005	1,350	(1,356)	(6)
Charge (credit) to income statement	117	(160)	(43)
At 31st July, 2006	1,467	(1,516)	(49)
THE COMPANY			
At 1st August, 2004	56	(56)	—
(Credit) charge to income statement	(56)	56	—
At 31st July, 2005 and 31st July, 2006	—	—	—

At 31st July, 2006, the Group and the Company had unused tax losses of HK$59,402,000 (2005: HK$51,575,000) and HK$14,572,000 (2005: HK$11,323,000), respectively, available to offset against future profits and deductible temporary differences of HK$285,000 (2005: HK$258,000) and HK$11,000 (2005: HK$15,000), respectively, in respect of depreciation. A deferred tax asset of the Group has been recognised in respect of HK$8,663,000 (2005: HK$7,751,000) of such tax losses. At 31st July, 2005, a deferred tax asset of the Company had been recognised in respect of HK$324,000 of such losses. No deferred tax assets of the Group and the Company have been recognised in respect of the remaining unused tax losses of HK$50,739,000 (2005: HK$43,824,000) and HK$14,572,000 (2005: HK$10,999,000), respectively, and the deductible temporary differences due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

35. Pledge of Assets

At 31st July, 2006, investment properties of HK$24,700,000 (2005: HK$25,000,000) and bank deposit of HK$614,000 (2005: Nil) of the Group had been pledged to banks to secure credit facilities to the extent of HK$10,600,000 (2005: HK$10,000,000) granted to the Group of which HK$6,798,000 (2005: HK$7,680,000) was utilised by the Group.

36. Retirement Benefit Scheme

Prior to 1st December, 2000, the Group operated defined contribution retirement benefit schemes ("Defined Contribution Schemes") for its qualifying employees in Hong Kong. The assets of the schemes were held separately from those of the Group in funds under the control of independent trustees. Where there are employees who leave the Defined Contribution Schemes prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group. Since the Defined Contribution Schemes were terminated on 1st December, 2000, forfeited contributions in respect of unvested benefits of employees leaving the Group under the Defined Contribution Schemes cannot be used to reduce ongoing contributions. The Group did not have forfeited contributions for both years.

Effective on 1st December, 2000, the Group has joined the MPF Scheme for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31st July, 2006, contributions of the Group under the MPF Scheme amounted to HK$155,000 (2005: HK$247,000).

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For the year ended 31st July, 2006

37. Operating Leases

The Group as lessee

Minimum lease payments paid under operating leases for premises during the year was HK$801,000 (2005: HK$446,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**1,101**	1,237
In the second to third year inclusive	**–**	1,066
	1,101	2,303

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for an average term of two years.

The Group as lessor

Property rental income earned by the Group during the year was HK$411,000 (2005: HK$472,000) before deduction of outgoings of HK$307,000 (2005: HK$205,000). Certain of the Group's properties are held for rental purposes and are expected to generate rental yields of 2% (2005: 2%), on an ongoing basis. The properties of the Group held for rental purposes have committed tenants for an average term of two years.

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

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**307**	203
In the second to third year inclusive	**98**	84
	405	287

The Company did not have any significant commitments and arrangement either as a lessor or a lessee at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st July, 2006

38. Contingent Liabilities

At 31st July, 2006, the Company has outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary which were utilised amounting to HK$6,906,000 (2005: HK$8,164,000).

39. Related Party Disclosures

(a) During the year ended 31st July, 2005, the Group reimbursed HK$2,578,000 for administrative expenses with CSI Investment Limited ("CSI"). Mr. Choo Yeow Ming, Ms. Ma Wai Man, Catherine and Mr. Chow Hou Man, the directors of the Company who resigned as directors during the year ended 31st July, 2005, were also directors of CSI. CSI is a subsidiary of Capital Strategic Investment (BVI) Limited, which was a subsidiary of Capital Strategic Investment Limited ("Capital Strategic"), a listed company of the Stock Exchange and was a former substantial shareholder of the Company. The amounts were negotiated by reference to prevailing market rates. During the year ended 31st July, 2006, there was no related party transaction between the Group and Capital Strategic.

(b) At 31st July, 2005, Capital Strategic had given a corporate guarantee to a bank in respect of banking facilities granted by the bank to Century 21, a wholly owned subsidiary of the Company. The guarantee had been released during the year.

40. Post Balance Sheet Event

Pursuant to a circular dated 14th August, 2006 and a special resolution passed on 6th September, 2006, an adjustment of the nominal value of ordinary shares of the Company by way of capital reduction ("Capital Reduction") has been approved. The Capital Reduction involved the reduction of the nominal value of each of the issued ordinary share from HK$0.20 to HK$0.01 by cancelling paid up capital to the extent of HK$0.19 on each share, and the crediting of the amount of approximately HK$321,781,000 arising from the Capital Reduction to the share premium account of the Company. Immediately after the Capital Reduction becoming effective, the authorised share capital and the issued share capital of the Company have been changed to HK$100,000,000 and HK$16,936,000, respectively.