1. ORGANISATION AND PRINCIPAL ACTIVITIES

Dynamic Global Holdings Limited (the "Company") was incorporated in Bermuda on 10 April 1989 as an exempted company with limited liabilities under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 15 to the financial statements.

2. BASIC OF PREPARATION

(a) GOING CONCERN

The Group incurred a consolidated net loss from ordinary activities attributable to shareholders of approximately HK$72.4 million (2003: net profit of approximately HK$4.4 million) for the year ended 31 December 2004. At 31 December 2004, the Group had consolidated net current liabilities of approximately HK$31 million (2003: net current assets of approximately HK$33 million) and total bank and other short-term loans of approximately HK$41.1 million (2003: approximately HK$27.9 million) of which approximately HK$11.4 million (2003: approximately HK$3.4 million) were overdue at the balance sheet date.

During the year, the Group experienced financial difficulties and had difficulty in repaying short term loans and other indebtedness on time. In addition, certain creditors took legal actions against the Group demanding for repayment of amounts due to them, details of which are set out in notes 29 and 38 to the financial statements. All such legal claims were properly accrued for and disclosed as at 31 December 2004.

In view of the liquidity problems faced by the Group, the directors have adopted the following measures with a view to maintain the Group's existence as a going concern basis and to improve the Group's overall financial and cash flow position:

(i) The directors have been identifying and negotiating with potential purchasers to realise certain assets of the Group;

(ii) The directors have been implementing cost control measures to reduce various general and administrative and other operating expenses.

In light of the measures implemented to date, the directors are satisfied that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2. BASIC OF PREPARATION *(Continued)*

(a) GOING CONCERN *(Continued)*

The financial statements have not incorporated any adjustments for the possible failure of the Group to implement the aforesaid measures. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustment have not been reflected in the financial statements.

(b) GROUP ACCOUNTS

The Group accounts include the accounts of the Company and its subsidiaries made up to 31 December. The results of the 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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

3. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The financial statements are prepared under the historical cost convention. A summary of the significant accounting policies adopted by the Group is set out below.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Company has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) REVENUE RECOGNITION

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

(i) Proceeds from the sale of properties (except for the pre-sale of properties under development, the basis of recognition of which is detailed under the accounting policy for "Properties under development" below), investments and goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains no managerial involvement to the degree usually associated with ownership, and as effective control over the properties, investments and goods sold;

(ii) Toll bridge income, net of revenue tax, on a receipt basis;

(iii) Revenue from service rendered is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably by reference to the stage of completion of transaction at the balance sheet date;

(iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable; and

(v) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

(b) BORROWING COSTS

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) GOODWILL

Goodwill arising from the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of fair values of the identifiable assets and liabilities acquired as at the date of acquisition. Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

Goodwill arising from acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 to 20 years. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated income statement when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any goodwill not yet amortised/negative goodwill (not yet recognised in the consolidated income statement) is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill/negative goodwill which remains not fully amortised/has not been recognised in the consolidated income statement and any relevant consolidated reserves, as appropriate. Any attributable goodwill/negative goodwill previously eliminated against/credited to the consolidated capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated capital reserve, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) FIXED ASSETS

(i) Fixed assets

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings under medium term leases	Over the lease terms
Leasehold improvements	Over the lease terms
Plant and machinery	7% – 10%
Furniture and equipment	7% – 20%
Motor vehicles	10% – 25%

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(ii) Construction in progress

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

(e) PROPERTIES UNDER DEVELOPMENT

Properties under development are held for sale and included under current assets and stated at the lower of cost and net realisable value. Cost includes all costs attributable to the development, including finance and interest charges. Net realisable value is based on the estimated net sales proceeds less further costs expected to be incurred to completion and disposal.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) PROPERTIES UNDER DEVELOPMENT *(Continued)*

When a property under development is pre-sold, the attributable profit recognised on the pre-sold portion of the property is determined by the apportionment of the total estimated profit over the entire period of construction to reflect the progress of the development, which is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to the completion, but is limited to the amount of sales deposits received and with due allowances for contingencies.

Deposits received on properties under development pre-sold prior to their completion, in excess of the attributable profit recognised are classified under current liabilities.

(f) ASSETS UNDER LEASES

Leases of assets under which the leasee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Finance leases

Where the Group acquires assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are included as fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, which it is likely the Company or the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(d) to the financial statements. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(g) to the financial statements. Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(ii) Operating leases

Rentals payables under operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) IMPAIRMENT OF ASSETS

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(h) SUBSIDIARIES

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) SUBSIDIARIES *(Continued)*

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(i) JOINT VENTURES

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company;

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) JOINT VENTURES *(Continued)*

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity; or

The Group's share of the post-acquisition results and reserves of its jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in its jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

(j) ASSOCIATES

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 3(c) to the financial statements.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) LONG-TERM INVESTMENTS

Long term investments are investments which are intended to be held for a continuing strategic or long term purpose and are stated at cost less any impairment losses on an individual basis.

When impairments have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the income statement for the period in which they arise. When the circumstances and events which led to the impairments cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the income statement to the extent of the amounts previously charged.

(l) RELATED PARTIES

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(m) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

(n) TRADE RECEIVABLE

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

(o) CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and not restricted as to use and which were generally within three months of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

(p) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) PROVISIONS AND CONTINGENT LIABILITIES *(Continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) INCOME TAX

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 deferred tax asset to be utilised. Conversely, previous unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, jointly-controlled entity and associates operating in Mainland China and overseas are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries, jointly-controlled entity and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

(s) EMPLOYEE BENEFITS

(i) Retirement benefits scheme

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

The employees of the Group's certain subsidiaries which operate in Mainland China participate in local pension schemes (the "LPSs") operated by respective local municipal governments. The subsidiaries are required to contribute certain percentage of their payroll costs to the LPSs. The only obligation of the Group with respect to the LPSs is to pay the mandatory contributions under the LPSs. Contributions under the LPSs are charged to the income statement as they become payable in accordance with the rules of the LPSs.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) EMPLOYEE BENEFITS *(Continued)*

(ii) Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under these share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in share premium accounts. Options which are cancelled prior to their exercise dates, or which lapse, are deleted from their registers of outstanding options.

(t) SEGMENT REPORTING

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

In accordance with the group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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

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

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

4. SEGMENT INFORMATION

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

The Group's operating businesses are structured and management separately, according to the nature of their operations and the products and services provided. Each of the Group's business segment represents a strategic business unit that offers different products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) Continuing operations:

(i) The property development segment engages in the development and sale of properties in Mainland China;

(ii) The investment holding segment invests in high technology projects in Mainland China;

(iii) The resort operation segment engages in the operation of a resort hotel in Mainland China; and

(iv) The agricultural segment engages in the sale of agricultural products in Mainland China.

(b) Discontinuing operations:

(i) The toll bridge segment operated a toll bridge in Mainland China. This segment was discontinued in 2003;

(ii) The general trading segment purchased commodities and sold them to customers in Mainland China. This segment was discontinued in 2003; and

(iii) The skiing resort segment operates a skiing resort in Mainland China. This segment was discontinued upon the completion of the disposal set out in note 41 to the financial statements.

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

There were no inter-segment sales and transfers during the year.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's business segments.

GROUP

	Continuing operations										Discontinuing operations								Consolidated	
	Property development		Investment holding*		Resort operation		Agricultural operation		Sub-total		Toll bridge		General trading		Skiing resort		Sub-total			
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:																				
Sales to external	56,572	202,286	-	-	790	566	1,218	969	58,580	203,821	-	435	-	749	44	78	44	1,262	58,624	205,083
Other revenue	333	10	-	-	8	7	13	-	354	17	-	-	-	-	833	-	833	-	1,187	17
Total	56,905	202,296	-	-	798	573	1,231	969	58,934	203,838	-	435	-	749	877	78	877	1,262	59,811	205,100
Segment results*	(18,440)	55,441	(40,853)	(30,579)	(1,918)	(1,104)	(28)	524	(61,239)	24,282	-	(43)	-	(348)	(14,600)	(8,052)	(14,600)	(8,443)	(75,839)	15,839
Interest income																			287	170
(Loss)/profit from operating activities																			(75,552)	16,009
Gain on disposal of subsidiaries																			-	11,083
Finance costs																			(4,863)	(2,957)
Share of (losses)/ profits of associates																			(345)	215
(Loss)/profit before tax																			(80,760)	24,350
Taxation																			7,075	(19,783)
(Loss)/profit before minority interests																			(73,685)	4,567
Minority interests																			1,334	(124)
Net (loss)/profit from ordinary activities attributable to shareholders																			(72,351)	4,443

* Investment holding is one of the Group's segments and, accordingly, the Group's long term investments, and the corresponding income/expenses, were included in the segment assets and segment results, respectively.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

GROUP

	Continuing operations										Discontinuing operations								Consolidated	
	Property development		Investment holding*		Resort operation		Agricultural operation		Sub-total		Toll bridge		General trading		Skiing resort		Sub-total			
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets*	244,316	250,088	7,444	4,936	21,746	23,682	7,513	7,558	281,019	286,264	-	-	-	-	21,409	36,125	21,409	36,125	302,428	322,389
Interest in associates	-	-	59,420	66,090	-	-	-	-	59,420	66,090	-	-	-	-	-	-	-	-	59,420	66,090
Total assets											-		-						361,848	388,479
Segment liabilities	(160,794)	(164,077)	(33,845)	(21,544)	(67)	(84)	(39)	(55)	(194,745)	(185,760)	-	-	-	-	(18,519)	(15,412)	(18,519)	(15,412)	(213,264)	(201,172)
Unallocated liabilities																			(68,833)	(33,871)
Total liabilities																			(282,097)	(235,043)
Other segment information:																				
Depreciation and amortisation	210	62	4,342	4,226	1,865	1,021	230	172	6,647	5,481	-	171	-	55	7,043	8,352	7,043	8,578	13,690	14,059
Impairment losses recognised in the income statement	2,584	-	-	56	-	-	-	-	2,584	56	-	-	-	-	-	-	-	-	2,584	56
Other non-cash expenses	13,087	1,698	25,938	7,093	-	-	116	4	39,141	8,795	-	-	-	-	8,030	-	8,030	-	47,171	8,795
Capital expenditure	51	1,040	6	1,853	20	24	182	83	259	3,000	-	-	-	-	215	2,733	215	2,733	474	5,733

* Investment holding is one of the Group's segments and, accordingly, the Group's long term investments, and the corresponding income/expenses, were included in the segment assets and segment results, respectively.

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following tables present revenue, loss, certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**–**	–	**58,624**	205,083	**58,624**	205,083
Other revenue	**–**	–	**1,187**	17	**1,187**	17
	–	–	**59,811**	205,100	**59,811**	205,100
Segment results	**(40,853)**	(30,579)	**(34,986)**	46,418	**(75,839)**	15,839
Other segment information:						
Segment assets	**71,703**	71,026	**290,145**	317,453	**361,848**	388,479
Capital expenditure	**6**	1,854	**468**	3,879	**474**	5,733

5. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of net proceeds from the sale of properties (in the case of the pre-sale of properties, such proceeds are adjusted to reflect the progress of development), from the sale of goods, toll bridge income, service income from resort operations and the operation of a skiing resort, sale of agricultural products after elimination of all significant intra-group transactions.

During the year, the Group had revenue and gains arising from the following activities:

	2004	2003
	HK$'000	HK$'000
Sale of properties	**56,572**	214,062
Resort operations	**790**	566
Sale of agricultural products	**1,218**	969
Sale of goods	**–**	749
Toll bridge operations	**–**	435
Skiing operations	**44**	78
	58,624	216,859
Sales tax and government surcharges	**–**	(11,776)
Turnover	**58,624**	205,083
Interest income	**287**	170
Others	**1,187**	17
Other revenue	**1,474**	187
Total revenue	**60,098**	205,270

6. OTHER OPERATING EXPENSES, NET

	2004 HK$'000	2003 HK$'000
Provision for inventories	**116**	2,400
Provision for/(reversal of) impairment of properties under development *(note 20)*	**2,584**	(6,107)
Written back of doubtful debts	**–**	(103)
Legal claims	**195**	8,491
Loss on disposal of fixed assets, net	**8,030**	4
Loss on write off of an associate	**–**	1,161
Provision for other receivables	**2,310**	–
Impairment on goodwill arising on acquisition of subsidiaries	**–**	56
Provision for amounts due from associates	**3,254**	–
Amortisation of goodwill attributable to an associate *(note 17)*	**3,532**	3,532
Sundry	**28**	–
Provision for legal claims *(note 29)*	**29,929**	1,698
	49,978	11,132

7. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging:

	2004 HK$'000	2003 HK$'000
Cost of services rendered	**345**	204
Cost of inventories sold	**375**	803
Cost of properties sold	**44,906**	133,491
Auditors' remuneration		
– current year	**470**	680
– underprovision in prior year	**–**	160
Depreciation		
– owned assets	**9,996**	10,365
– assets under finance leases	**162**	162
Operating lease rentals in respect of land and buildings	**1,635**	1,579
Staff costs (excluding directors' remuneration *(note 9)*):		
– wages and salaries	**4,905**	5,043
– retirement benefits scheme contributions	**202**	101

8. FINANCE COSTS

	2004 HK$'000	2003 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**4,814**	2,890
Interest on finance leases	**49**	67
	4,863	2,957

9. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Companies Ordinance, is as follows:

	2004 HK$'000	2003 HK$'000
Fees	**264**	176
Other emoluments:		
Salaries, allowances and benefits in kind	**1,586**	2,176
Retirement benefits scheme contributions	**31**	35
Less: Director's remuneration waived	**–**	(1,699)
	1,881	688

Two (2003: One) independent non-executive directors received total fees of HK$176,000 for their services rendered to the Group during the year (2003: HK$88,000).

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

	Number of directors 2004	2003
Nil – HK$1,000,000	**13**	12

10. FIVE HIGHEST PAID EMPLOYEES

Three (2003: Three directors) of the directors are among the five highest paid employees during the year. Details of whose remuneration are set out in note 9 to the financial statements.

The details of the remuneration of the other two non-director highest paid employees during the year ended 31 December 2004 are as follows:

	2004	2003
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**881**	881
Retirement benefits scheme contributions	**24**	24
	905	905

The number of employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2004	2003
Nil – HK$1,000,000	**2**	2

11. TAXATION

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004	2003
	HK$'000	HK$'000
Current taxation		
Mainland China Enterprise income tax		
Provided for the year	**8,440**	–
Hong Kong profits tax		
Underprovision in previous years	**–**	465
	8,440	465
Deferred taxation		
Origination and reversal of temporary differences	**(15,515)**	19,318
Tax (credit)/charges	**(7,075)**	19,783

11. TAXATION *(Continued)*

A reconciliation statement between tax expense and accounting (loss)/profit at applicable tax rate is as follows:

	2004	2003
	HK$'000	HK$'000
(Loss)/profit before tax	**(80,760)**	24,350
Loss of the Company and subsidiaries	**33,064**	34,189
(Loss)/profit subject to income tax	**(47,696)**	58,539
Tax at applicable tax rate	**(14,917)**	19,318
Tax losses not recognised	**7,842**	–
Under provision in previous years	**–**	465
Tax (credit)/charges	**(7,075)**	19,783

12. NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The loss of the Company for the year ended 31 December 2004 dealt with in the consolidated income statement amounted to approximately HK$99,485,000 (2003: HK$15,019,000).

13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the net loss from ordinary activities attributable to shareholders of approximately HK$72,351,000 (2003: net profit of approximately HK$4,443,000) and on the weighted average of 3,010,410,504 (2003: 2,840,520,093) ordinary shares in issue during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2004 and 2003 have not been disclosed as there is no dilutive effect.

14. FIXED ASSETS

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
At 1 January 2004	45,772	1,478	713	72,207	3,697	4,768	128,635
Additions	97	–	–	242	135	–	474
Transfer to other receivables, deposits and prepayments	–	–	–	–	–	(174)	(174)
Disposals	(8,635)	–	–	(650)	(881)	–	(10,166)
At 31 December 2004	37,234	1,478	713	71,799	2,951	4,594	118,769
Accumulated depreciation and impairment:							
At 1 January 2004	6,169	328	713	50,795	963	–	58,968
Provided during the year	1,511	493	–	7,705	449	–	10,158
Disposals	(1,187)	–	–	(278)	(581)	–	(2,046)
At 31 December 2004	6,493	821	713	58,222	831	–	67,080
Net book value:							
At 31 December 2004	30,741	657	–	13,577	2,120	4,594	51,689
At 31 December 2003	39,603	1,150	–	21,412	2,734	4,768	69,667

The net book value of motor vehicles includes an amount of approximately HK$894,000 (2003: HK$1,280,000) in respect of assets held under finance leases.

All land and buildings and properties included under construction in progress are situated in Mainland China and are held under medium-term leases.

15. INTEREST IN SUBSIDIARIES

	Company 2004 HK$'000	Company 2003 HK$'000
Unlisted investments, at cost	**633,132**	633,132
Due from subsidiaries	**479,100**	478,911
Due to subsidiaries	**(212,309)**	(235,525)
	899,923	876,518
Less: Provisions for impairment	**(817,505)**	(746,499)
	82,418	130,019

The balances with subsidiaries were unsecured, interest-free and had no fixed terms of repayment.

The following is a list of the principal subsidiaries as at 31 December 2004:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage of interest attributable to the Company 2004	2003	Principal activities
Dynamic Global Development Limited ("DGDL")	Hong Kong	HK$4 *(note (a))*	**100**	100	Investment holding
Fairyoung Port Investments (Holdings) Limited	British Virgin Islands	US$299	**100**	100	Investment holding
Fairyoung (Shanghai) Properties Limited #	Mainland China	US$12,000,000 *(note (b))*	**100**	100	Property development

15. INTEREST IN SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries as at 31 December 2004:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage of interest attributable to the Company 2004	2003	Principal activities
Gover Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Fairyoung (Heilongjiang) Industry Co., Ltd. #	Mainland China	RMB 50,000,000 *(note (b))*	**100**	100	Operation of a skiing resort
Binzhou Huifeng Sanwei Co., Ltd. ##	Mainland China	US$1,250,000 *(note (b))*	**51**	51	Sale of agricultural products
Harbin Dynamic Global Property Co., Ltd. @	Mainland China	RMB15,000,000 *(note (b))*	**70**	70	Property development
南漳水鏡湖度假村酒店有限責任公司 #	Mainland China	HK$4,000,000 *(note (b))*	**100**	100	Resort operation
Liberal Supply Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Softech Limited	British Virgin Islands	US$1	**100**	100	Investment holding

15. INTEREST IN SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries as at 31 December 2004:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage of interest attributable to the Company 2004	2003	Principal activities
Fortune Target Limited	British Virgin Islands	US$100	**100**	100	Investment holding
Fortune House Worldwide Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding

Wholly foreign-owned enterprise registered in Mainland China

Sino-foreign equity joint venture registered in Mainland China

@ Limited company established in Mainland China

Liberal Supply Limited, Softech Limited, Fortune Target Limited and Fortune House Worldwide Holdings Limited are held directly by the Company. All other principal subsidiaries are held indirectly by the Company.

Notes:

(a) The issued share capital of Dynamic Global Development Limited comprises two voting ordinary shares of HK$1 each and two non-voting deferred shares of HK$1 each.

(b) The amount represents the registered capital in Mainland China.

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

16. INTEREST IN A JOINT VENTURE

	2004 HK$'000	2003 HK$'000
Share of net assets of a jointly-controlled entity	**–**	–
Due from a jointly-controlled entity	**1,941**	1,941
	1,941	1,941
Provision for amount due from a jointly-controlled entity	**(1,941)**	(1,941)
	–	–

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entity, which is a corporate entity, are as follows:

Name	Nominal value of issued and paid-up registered capital/ country of registration and operations	Percentage of attributable equity interest held by the Group 2004	2003	Principal activity
Shanghai Huiyang Real Estate Development Co., Ltd. ("SH Huiyang")	US$5,000,000/ Mainland China	**60**	60	Property development

16. INTEREST IN A JOINT VENTURE *(Continued)*

The operating results and financial position of SH Huiyang are summarised as follows:

	2004 HK$'000	2003 HK$'000
Operating results:		
Turnover	**15,807**	–
Loss after tax	**(11,971)**	(475)
Financial position:		
Non-current assets	**16**	18
Current assets*	**8,740**	27,423
Current liabilities	**(16,553)**	(31,249)
Net liabilities	**(7,797)**	(3,808)

* Included in the current assets were certain properties held for sale in Mainland China with a carrying amount of approximately HK$8,072,000 as at 31 December 2004 (2003: HK$25,962,000) which were foreclosed by a court in Mainland China for the repayment of certain indebtedness of SH Huiyang.

17. INTEREST IN ASSOCIATES

	Group 2004 HK$'000	Group 2003 HK$'000
Share of net assets	**–**	345
Goodwill arising on acquisition	**82,234**	85,766
Due from associates	**3,254**	2,793
	85,488	88,904
Provision for impairment	**(26,068)**	(22,814)
	59,420	66,090

The amounts due from associates were unsecured, interest-free and had no fixed terms of repayment.

The movements of the goodwill capitalised as an asset in the consolidated balance sheet were as follows:

	2004 HK$'000	2003 HK$'000
Cost		
At 1 January	**95,975**	127,018
Disposal of an associate	**–**	(31,043)
At 31 December	**95,975**	95,975
Accumulated amortisation and impairment		
At 1 January	**33,023**	60,534
Amortisation provided during the year	**3,532**	3,532
Disposal of an associate	**–**	(31,043)
At 31 December	**36,555**	33,023
Net book value		
At 31 December	**59,420**	62,952

17. INTEREST IN ASSOCIATES *(Continued)*

Details of the principal associates at the balance sheet date were as follows:

Name	Country of registration and operations	Percentage of interest attributable to the Group 2004	2003	Principal activities
Beijing Zotn Digital Technologies, Inc. ("Beijing Zotn") #	Mainland China	**27.3**	27.3	Application service provider
Golden Yield Enterprises Limited ("Golden Yield")	British Virgin Islands	**39**	39	Investment holding

Beijing Zotn is a 70%-owned subsidiary of Golden Yield. All the associates of the Group are corporate entities.

18. LONG-TERM INVESTMENTS

	Group 2004 HK$'000	Group 2003 HK$'000	Company 2004 HK$'000	Company 2003 HK$'000
Unlisted investments, at cost	**34,500**	34,500	**29,500**	29,500
Less: Provision for impairment	**(34,500)**	(34,500)	**(29,500)**	(29,500)
	–	–	**–**	–

19. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Total cash and bank balances	**1,418**	17,994	**27**	27
Less: Pledged bank balances – for securing mortgage loans of certain purchasers of the Group's properties under development	**(125)**	(982)	**–**	–
Cash and cash equivalents as at 31 December	**1,293**	17,012	**27**	27

20. PROPERTIES UNDER DEVELOPMENT

	Group	
	2004	2003
	HK$'000	HK$'000
At cost:		
At 1 January	**225,395**	227,360
Additions	**64,358**	176,363
Recognised in income statement	**(44,906)**	(133,491)
(Provision for)/reversal of impairment loss	**(2,584)**	6,107
Disposal of subsidiaries	**–**	(50,944)
At 31 December	**242,263**	225,395

All of the properties under development are situated in Mainland China and are held under medium-term leases.

During the year, an impairment loss of approximately HK$2,584,000 was made due to the less than favorable condition in the property market in certain areas in Mainland China. The amount was determined based on the directors' estimates of market values of these properties under development with reference to professional valuation.

Certain properties under development amounting to approximately HK$28,705,000 (2003: HK$31,401,000) held by the Group have been pledged to secure banking facilities granted to the Group.

21. INVENTORIES

	Group 2004 HK$'000	2003 HK$'000
Consumables	**169**	344

As at 31 December 2004, inventories of approximately HK$44,000 (2003: Nil) were stated at net realizable value.

All of the other inventories are stated at cost.

22. TRADE RECEIVABLES

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to two to three months. Credit limits were set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. An aged analysis of the trade receivables is as follows:

	Group 2004 HK$'000	2003 HK$'000
Within 3 months	**11**	61

23. TRADE PAYABLE

An aged analysis of the trade payables is as follows:

	Group 2004 HK$'000	2003 HK$'000
Within 3 months	**3,906**	15,988
More than 3 months but less than 6 months	**5,936**	–
More than 6 months but less than 1 year	**1,647**	–
More than 1 year but less than 2 years	**12,739**	7,744
More than 2 years	**7,744**	–
	31,972	23,732

24. SHORT-TERM BANK LOANS

	Group	
	2004	2003
	HK$'000	HK$'000
Secured	**6,736**	11,330
Unsecured	**4,686**	3,412
	11,422	14,742

The bank loans were overdue as at 31 December 2004. The secured bank loans as at 31 December 2004 were secured by properties under development with carrying value of approximately HK$28,705,000 (2003: HK$31,401,000).

25. DUE TO A FORMER DIRECTOR

The amount due is unsecured, interest-free and without per-determined terms of repayment.

26. DUE TO A MAJOR SHAREHOLDER

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans	**14,217**	2,487	**14,217**	2,487
Accrued interest	**453**	–	**453**	–
Current account	**1,700**	–	**1,700**	–
	16,370	2,487	**16,370**	2,487

The loans are unsecured and repayable within one year. The major shareholder ceased to charge interest on the loans (previously charged at 5% per annum) for the period from 1 July 2003 to 20 April 2004. Upon entering into the second supplemental loan agreement with the major shareholder on 21 April 2004, the loans are bearing interest at 5% per annum.

27. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

28. FINANCE LEASE PAYABLE

	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**298**	298	**265**	249
In the second to fifth years inclusive	**409**	707	**391**	656
	707	1,005	**656**	905
Less: Future finance charges	**(51)**	(100)	**N/A**	N/A
Present value of lease obligations	**656**	905	**656**	905
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(265)**	(249)
Non-current portion			**391**	656

Interest on finance lease is charged on the outstanding balance at 6% to 11% (2003: 6% to 11%) per annum.

29. PROVISION FOR LEGAL CLAIMS

The movement of the provision is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**1,698**	10,361	**–**	–
Provision for the year				
– Guarantee issued by the Company (i)	**12,125**	–	**12,125**	–
– Compensation to a buyer of properties (ii)	**9,434**	–	**–**	–
– Indemnity of a personal guarantee (iii)	**4,717**	–	**4,717**	–
– Compensation for breach of pre-sale agreement (iv)	**3,304**	–	**–**	–
– Overdue interest on trade payables (v)	**349**	–	**–**	–
– Return of contracting deposits (vi)	**–**	1,698	**–**	–
	29,929	1,698	**16,842**	–
Disposal of a subsidiary	**–**	(10,361)	**–**	–
Settlement made during the year (vi)	**(1,698)**	–	**–**	–
At 31 December	**29,929**	1,698	**16,842**	–

(i) In January 2003, the Company received a writ from a court in Mainland China alleging that based on a guarantee granted by the Company to a company incorporated in Mainland China (the "Plaintiff") in respect of a loan made by the Plaintiff to a wholly owned subsidiary incorporated in Mainland China (the "Borrower") of the Company in 1998, the Company was obliged to repay the Plaintiff the loan principal and all unpaid interest amounting to approximately RMB12,842,000 (approximately HK$12,125,000) as the Borrower was deregistered in November 1999. The Company filed a defence against the claim in January 2003 and a judgment in favour of the Company was granted by the court in Mainland China in March 2004. However, the Plaintiff appealed to the Beijing People's Supreme Court (北京市高級人民法院) thereafter the defence was rejected by the Supreme Court and a judgment in favour of the Plaintiff was made in June 2004. Therefore, a provision of approximately RMB12,842,000 (approximately HK$12,125,000) was made in the financial statements.

29. PROVISION FOR LEGAL CLAIMS *(Continued)*

(ii) A wholly owned subsidiary incorporated in Mainland China of the Company ("Subsidiary") entered into an agreement for pre-sale of commodity properties developed by the Subsidiary ("Pre-sale Agreement") with an independent third party (the "Buyer") in Mainland China on 12 July 2002 for a consideration of RMB20,000,000 (approximately HK$18,868,000). The Subsidiary later entered into a buy-back agreement ("Buy-back Agreement") with the Buyer on 22 July 2002 whereby the Subsidiary has an option to buy-back the above mentioned properties at a premium of 5.841% within 12 months from the date of the Pre-sale Agreement. Before the expiry of the option, the Subsidiary exercised the option and paid a total sum of RMB21,168,200 (approximately HK$19,970,000) to the Buyer. However, the Buyer breached the Buy-back Agreement and refused to revert the properties. Therefore, the Subsidiary lodged a claim against the Buyer in Mainland China. A judgment was delivered on 25 August 2004, the court ordered that both the Pre-sale Agreement and Buy-back Agreement were void and the Subsidiary should make a compensation of RMB10,000,000 (approximately HK$9,434,000) to the Buyer.

The directors, after consulting with a lawyer, believe that the Subsidiary has valid grounds to appeal against the decision, therefore, the Group made an appeal on 14 September 2004. For prudence purpose, the directors made a provision of approximately HK$9,434,000 for the compensation in the financial statements.

(iii) On 6 March 2003, the Group completed the disposal of 4 subsidiaries (the Subsidiaries). In December 2003, the buyer of the Subsidiaries made a claim against the Company and alleged that based on a guarantee issued by a former director of the Company at the time that the Subsidiaries were disposed of, the Company would be liable to compensate the buyer at 50% of the net liabilities of the Subsidiaries exceeding RMB20 million, up to a maximum of RMB5 million. The claim as made by the Buyer was rejected by the court on 22 May 2004. However, the Company was served with a writ by a former director of the Company (the "Plaintiff") on 1 September 2004, alleging that based on an undertaking (承諾書) made by the Company in favour of the Plaintiff on 12 December 2002, the Company would be liable to indemnify the Plaintiff for any loss incurred by him upon the granting of his personal guarantee to the Buyer. As a result of his personal guarantee, a judgement was made by a court in Mainland China against the Plaintiff to the effect that he had to compensate the Buyer a total sum of RMB5 million in August 2004. The Plaintiff in turn claimed the same amount against the Company. On 5 November 2004, a judgement was made by a court whereby the Company should pay a compensation of RMB5,000,000 (approximately HK$4,717,000) to the Plaintiff, therefore, a provision of RMB5,000,000 (approximately HK$4,717,000) was made in the financial statements. On 21 December 2004, the Company has made an appeal against the judgement in a supreme court in the Mainland China. If the final judgement is made in favour of the Company, the provision will be reversed in the future.

29. PROVISION FOR LEGAL CLAIMS *(Continued)*

(iv) In January 2004, a subsidiary of the Group (the "Subsidiary") signed a pre-sale agreement (the "Pre-Sale Agreement") with a buyer (the "Buyer") to sell 25 units of properties in Shanghai for a total of approximately RMB50 million and a deposit of approximately RMB20 million was received by the Subsidiary. However, the Buyer was unable to arrange bank finance to pay the balance of consideration of approximately RMB30 million. As such, the Buyer informed the Subsidiary to terminate the Pre-Sale Agreement and refund the deposit received by the Subsidiary. The Subsidiary had not refunded the deposits but demanded the Buyer to pay the balance of consideration. As a result, the Buyer commenced legal action against the Subsidiary.

On 11 November 2004, a judgment in favour of the Buyer was made by a court in Mainland China. According to the judgement, the Subsidiary is required to refund the deposits of approximately RMB20 million and accrued interest of approximately RMB3,502,000 (approximately HK$3,304,000) to the Buyer. The Subsidiary made an appeal to the Shanghai People's Supreme Court (上海市高級人民法院). However, on 24 February 2005, the Supreme Court confirmed the judgment made by the court on 11 November 2004. Therefore, a provision of RMB3,502,000 (approximately HK$3,304,000) was made in the financial statements.

(v) During the year, a subsidiary of the Group in Mainland China received a claim of overdue interest on late payments made by the subsidiary to a supplier. On 6 December 2004, a judgment in favour of the supplier was made by a court in Shanghai. Therefore, a provision of approximately RMB370,000 (approximately HK$349,000) was made in the financial statements.

(vi) In 2003, a contractor filed a claim against a subsidiary. The contractor claimed that the subsidiary had not refunded a contracting deposit of RMB2,000,000 paid by the contractor in conjunction with tendering construction project. The Group was negotiating for a settlement with the contractor by payment of not more than RMB1.8 million (approximately HK$1,698,000), therefore, a provision of RMB1.8 million (approximately HK$1,698,000) was made in 2003. During the year, the Group settled the claim by payment of RMB1.8 million (approximately HK$1,698,000).

30. OTHER SHORT-TERM LOANS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unsecured	**29,700**	13,200	**29,700**	13,200

The loans bear interest at approximately 14.4% (2003: 14.4%) per annum and are due for repayment in March 2005 to May 2005. As at the date of this report, the Company had not made any repayment and the loans have been overdue. The Company is negotiating with the lender for extension of the loans.

31. DEFERRED TAX LIABILITIES

At the balance sheet date, the components of deferred taxation provided were as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Deferred tax liabilities:		
Profit from property development recognised during the year, but not taken up in the statutory accounts of the subsidiary in Mainland China	**(553)**	(16,068)
Deferred tax assets:		
Cost and expenses not deductible until taken up in the statutory accounts of the subsidiary in Mainland China	**536**	536
	(17)	(15,532)

The Group has tax losses arising in Hong Kong and Mainland China of approximately HK$82,335,000 (2003: HK$175,136,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as these companies have been loss-making for some years.

32. SHARE CAPITAL

	2004 No. of shares	2004 Amounts HK$'000	2003 No. of shares	2003 Amounts HK$'000
Authorized:				
Ordinary shares of HK$0.1each	**4,000,000,000**	**400,000**	4,000,000,000	400,000
Issued and fully paid:				
At 1 January	**3,010,410,504**	**301,041**	2,620,410,504	262,041
Shares issued for acquisitions of subsidiaries *(Note)*	**–**	**–**	390,000,000	39,000
At 31 December	**3,010,410,504**	**301,041**	3,010,410,504	301,041

(Note): Pursuant to an agreement dated 9 May 2003, the Company acquired the entire issued share capital of Easy Carry Trading Limited ("Easy Carry"), Turbo Jet Development Limited ("Turbo Jet") and Profit Guard International Limited ("Profit Guard") for a total consideration of HK$39 million. Easy Carry, Turbo Jet and Profit Guard collectively held 100% registered capital of 南漳水鏡湖度假村酒店有限責任公司 which was operating a resort hotel in Mainland China. On 9 June 2003 the consideration was satisfied by the allotment and issue of 390,000,000 new ordinary shares of the Company credited as fully paid at a fair value of HK$0.063 each.

33. SHARE OPTION SCHEME

The Company operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group. The Scheme became effective on 28 June 2000 and, unless otherwise cancelled or amended, will remain in force for 3 years from that date. On 28 June 2003, the Scheme expired and there was no new scheme adopted by the Group since then.

The maximum number of unexercised share options permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. There is no limit on the maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period. No eligible participant shall be granted options exceed 25% of the total share options permitted to be granted under the scheme.

33. SHARE OPTION SCHEME *(Continued)*

The offer of a grant of share options may be accepted within 21 days from the date of the offer, with no consideration being payable by the grantee. The vesting period and exercise period of the share options granted would be determined by the directors and the exercise period ends on a date which is not later than ten years from the date of the offer of the share options.

The exercise price of the share options would be determined by the directors, but may not be less than the higher of (i) the nominal value of the shares; and (ii) not less than 80% of the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Under the Scheme, the directors of the Company are authorised at their absolute discretion, to invite employee, including any executive director of the Company or any of its subsidiaries, to take up options to subscribe for shares in the Company. The subscription price will be determined by the directors at the higher of the nominal value of the shares or not less than 80% of the average of the closing price per share on the Stock Exchange for the five trading days immediately preceding the date on which the relevant option is granted to the employee.

As at 31 December 2003 and 2004, the Company had no options outstanding.

34. RESERVES

GROUP

	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Exchange equalisation reserve HK$'000	Legal reserve *(Note (a))* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003							
– As previously reported	77,958	207,194	52	13,223	1,060	(466,854)	(167,367)
– Share of net assets of an associate	–	–	–	–	–	328	328
– Effect on change on accounting policy	–	–	–	–	–	3,786	3,786
– Restatement of the result of a subsidiary	–	–	–	–	–	(842)	(842)
– As restated	77,958	207,194	52	13,223	1,060	(463,582)	(164,095)
Discount on issue of new shares	(14,430)	–	–	–	–	–	(14,430)
Disposal of subsidiary	–	–	–	(5,318)	(1,060)	6,378	–
Release on disposal of subsidiary	–	15,000	–	–	–	–	15,000
Net profit for the year	–	–	–	–	–	4,443	4,443
Inclusion of a subsidiary previously omitted	–	–	–	–	–	3,559	3,559
At 31 December 2003	63,528	222,194	52	7,905	–	(449,202)	(155,523)
At 1 January 2004	63,528	222,194	52	7,905	–	(449,202)	(155,523)
Net loss for the year	–	–	–	–	–	(72,351)	(72,351)
At 31 December 2004	63,528	222,194	52	7,905	–	(521,553)	(227,874)

34. RESERVES *(Continued)*

COMPANY

	Share premium account HK$'000	Contributed surplus *(note (b))* HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003	77,958	337,613	52	(582,990)	(167,367)
Discount on issue of new shares	(14,430)	–	–	–	(14,430)
Net loss for the year	–	–	–	(15,019)	(15,019)
At 31 December 2003	63,528	337,613	52	(598,009)	(196,816)
At 1 January 2004	63,528	337,613	52	(598,009)	(196,816)
Net loss for the year	–	–	–	(99,485)	(99,485)
At 31 December 2004	63,528	337,613	52	(697,494)	(296,301)

	Group	
	2004	2003
	HK$'000	HK$'000
Losses accumulated in:		
Company and subsidiaries	**(494,170)**	(422,164)
Jointly-controlled entity	**(24,073)**	(24,073)
Associates	**(3,310)**	(2,965)
	(521,553)	(449,202)

Notes:

(a) The legal reserve is a statutory reserve of foreign investment enterprises in Mainland China. The transfers to this reserve are governed by the relevant laws and regulations in Mainland China.

(b) The contributed surplus arose in 1989 as a result of the Group's reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries. According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2004 HK$'000	2003 HK$'000
Net assets acquired of:		
Fixed assets	–	24,385
Inventories	–	67
Debtors, deposits and prepayments	–	272
Cash and bank balances	–	152
Creditors, accruals and other payables	–	(362)
	–	24,514
Goodwill arising on acquisition	–	56
	–	24,570
Satisfied by:		
Allotment of new shares	–	39,000
Discount on allotment of new shares	–	(14,430)
	–	24,570

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiaries:

	2004 HK$'000	2003 HK$'000
Cash and cash equivalents acquired with subsidiaries	–	152
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	152

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposals of subsidiaries

	2004	2003
	HK$'000	HK$'000
Net liabilities disposed of:		
Fixed assets	–	21,779
Properties under development	–	50,944
Pledged bank balances	–	1,086
Restricted bank balances	–	1,193
Properties held for sales	–	51,491
Inventories	–	922
Due from associates	–	1,188
Debtors, deposits and prepayments	–	8,349
Pledged bank deposits	–	67
Cash and bank balances	–	617
Creditors, accruals and other payables	–	(101,499)
Due to a minority shareholder of a subsidiary	–	(4,933)
Short-term bank loans	–	(47,782)
Other short-term loan	–	(7,830)
Long-term bank loans	–	(1,089)
Minority interests	–	(586)
	–	(26,083)
Negative goodwill released on disposals	–	15,000
Gain on disposals	–	11,083
	–	–
Satisfied by:		
Cash	–	–

The total consideration for the disposal was RMB4 in the year ended 31 December 2003.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposals of subsidiaries *(Continued)*

Analysis of the net outflow of cash and cash equivalents in respect of the disposals of subsidiaries.

	2004 **HK$'000**	2003 HK$'000
Cash consideration of RMB4 received	**–**	–
Cash and cash equivalents disposed of with subsidiaries	**–**	617
Net outflow of cash and cash equivalents in respect of the disposals of subsidiaries	**–**	617

(c) Major non-cash transactions

During the year ended 31 December 2004, the Group had no significant major non-cash transactions:

On 9 June 2003, 390,000,000 new ordinary shares of HK$0.10 each in the Company were allotted and issued at a fair value of HK$0.063 per share, credited as fully paid, for acquisition of subsidiaries.

36. CONTINGENT LIABILITIES

	Group		**Company**	
	2004 **HK$'000**	2003 HK$'000	**2004** **HK$'000**	2003 HK$'000
Guarantees given to banks in respect of mortgage loans made to the purchasers of the Group's properties under development	**193,679**	154,118	**–**	–

37. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease terms ranging from one to three years. At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2004	2003
	HK$'000	HK$'000
Within one year	**968**	979
In the second to fifth years, inclusive	**293**	1,090
	1,261	2,069

The Company did not have significant operating lease arrangements at the balance sheet date.

38. LITIGATION

Other than the legal cases as stated in note 29 to the financial statements, the Group had the following litigations during the year.

(i) In May 2004, the Company was served with a writ by a company claiming an amount of HK$2,300,000, allegedly consultation service fee owed by the Company. The Company filed a defence on 19 June 2004. Taking into account the legal advice, the directors believe that the Company has valid defence against the claim and therefore no provision has been made in the financial statements.

(ii) On 20 January 2004, the Company received a claim from an ex-director for loss of office under a service contract for a total sum of approximately HK$1,999,000. The Company filed a defence on 24 February 2004 and, the claim was struck out by the court on 11 June 2004.

39. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments not provided for in the financial statements:

	2004	2003
	HK$'000	HK$'000
Properties under development:		
Authorised and contracted for	**25,425**	45,267
Authorised, but not contracted for	**7,567**	25,979
	32,992	71,246

The Company did not have significant capital commitments at the balance sheet date.

The directors considered that the pre-sale of properties under development will generate sufficient cash to meet the capital commitment.

40. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with its related parties:

		2004 HK$'000	2003 HK$'000
(i)	Management fee paid to the major shareholder	**1,700**	420
(ii)	Loan interest expenses paid to the major shareholder	**453**	219
(iii)	Sales of residential properties to directors	**3,175**	–
(iv)	Fee for managing property development paid to a fellow subsidiary of the major shareholder	**–**	302

(i) On 2 November 2002, the Company entered into an agreement with the major shareholder whereby the shareholder shall assist the Company to second staff members to manage and advise on the Company's development. The maximum secondment fee shall be HK$350,000 per month. On 26 February 2004, the Company signed a new agreement with the major shareholder pursuant to which the management fee income received is limited to a maximum of HK$416,000 per month or HK$5,000,000 per annum.

(ii) On 1 November 2002, the Company issued a promissory note to the major shareholder for HK$980,000. The note is unsecured, bearing interest at prime rate in Hong Kong and without fixed repayment terms.

On 18 November 2002, the Company entered into a loan agreement with the major shareholder. Under the terms of the loan agreement, the major shareholder shall grant the Company loan facilities up to a maximum of HK$9,000,000 for a period of 12 months. The loans are unsecured and bearing interest at 5% per annum.

On 6 December 2002, the Company entered into a supplemental loan agreement with the major shareholder. Under the terms of the supplemental loan agreement, the major shareholder shall grant the Company loan facilities up to a maximum of HK$25,020,000 for a period of 12 months. The loans are unsecured and bearing interest at 5% per annum.

On 21 April 2004, the Company entered into a second supplemental loan agreement with the major shareholder to replace the above mentioned loan agreement and supplemental loan agreement. Under the terms of the second supplemental loan agreement, the major shareholder shall grant the Company loan facilities up to a maximum of HK$18,000,000 for a period of 12 months. The loans are unsecured and bearing interest at 5% per annum.

During the year, total loans of approximately HK$11,730,000 (2003: HK$24,681,000) were drawn down under the loan agreements.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) During the year, Fairyoung (Shanghai) Properties Limited sold residential properties to certain directors, Mr. Chen Jung Hsin, Mr. Lam Wai Kit and Mr. Liang Jian Hua (a former director) at approximately HK$1,007,000, HK$1,147,000 and HK$1,021,000 respectively. The selling price was determined after arm's length negotiation between the parties concerned.

(iv) In 2003, the Group engaged a fellow subsidiary of the major shareholder to manage the property development project in Shanghai, Mainland China. The fee was determined after arm's length negotiation between the parties concerned.

41. POST BALANCE SHEET DATE EVENT

On 13 August 2003, the Company entered into a sales and purchase agreement ("2003 Agreement") with Heilongjiang Hong Xing Real Estate Development Company Limited (黑龍江宏興房地產發展有限公司) (the "2003 Purchaser"), under which the 2003 Purchaser were to purchase 20% of the capital of Fairyoung (Heilongjiang) Industry Company Limited ("HLJ"), a wholly-owned subsidiary which was engaged in skiing operations, for a consideration of RMB9 million (approximately HK$8.5 million) with an option to acquire the remaining 80% of the capital of HLJ for a consideration of RMB29.2 million (approximately HK$27.5 million) within a one-year period until 12 August 2004. The 2003 Purchaser paid the consideration of RMB9 million, however, the documentation for the transfer of the 20% issued capital had not been completed. In addition, the 2003 Purchaser had not exercised the said option by 12 August 2004. Pursuant to the 2003 Agreement, if the 2003 Purchaser did not exercise the option to purchase the remaining 80% of the issued capital of HLJ, the 2003 Purchaser were to return 20% of the issued capital of HLJ to the Company and the Company were to return the consideration of RMB9 million to the 2003 Purchaser.

41. POST BALANCE SHEET DATE EVENT *(Continued)*

On 4 February 2005, the Company entered into a new sales and purchase agreement (the "2005 Agreement") with Linking Sun Development Limited (the "2005 Purchaser") and the 2003 Purchaser. Pursuant to the 2005 Agreement, the 2005 Purchaser shall purchase the entire issued capital of HLJ for a total consideration of RMB1 (approximately HK$0.94) and the assumption by the 2005 Purchaser of the Company's liability in relation to HLJ's obligation to return RMB9 million (approximately HK$8.5 million) to the 2003 Purchaser as a result of the revocation of the 2003 Agreement and of the Company's responsibility to repay to the 2003 Purchaser an amount of RMB1million (approximately HK$0.94 million), representing the expenses incurred by the 2003 Purchaser in the course of performing the 2003 Agreement. Details of the disposal were set out in the Company's announcement dated 31 March 2005. A summary of the financial information relating to HLJ was as follows:

	2004	2003
	HK$'000	HK$'000
Turnover	**44**	78
Cost of sales	**(55)**	(8)
Gross (loss)/profit	**(11)**	70
Other revenue	**833**	–
Loss on write off of fixed assets	**(7,811)**	–
Administrative expenses	**(7,404)**	(8,232)
Other operating expenses, net	**(207)**	110
	(15,422)	(8,122)
Loss before taxation	**(14,600)**	(8,052)
Taxation	**–**	–
Loss for the year	**(14,600)**	(8,052)
Total assets	**23,862**	36,125
Total liabilities	**(27,463)**	(25,126)