中國高速(集團)有限公司

China Velocity Group Limited

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2005

CONTENTS

CORPORATE INFORMATION

Board of Directors
Executive directors
Chan Yeung Nam *(Chairman)*
Fu Jie Pin *(Chief Executive Officer)*

Independent non-executive directors and audit committee members
Tang Cheung Fai
Lam Ping Cheung
Jee Wengue

Company Secretary
Sin Ka Man

Auditors
Deloitte Touche Tohmatsu

Solicitors
Hong Kong
O' Melveny & Myers

Bermuda
Appleby Spurling & Kempe

Principal Bankers
The Agricultural Bank of China
Bank of China
Guangdong Development Bank
Citic Ka Wah Bank

Principal Registrar and Transfer Agent
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre,
11 Bermudianna Road,
Pembroke HM08,
Bermuda

Sub-Registrar and Transfer Agent in Hong Kong
Computershare Hong Kong Investor Services Limited
46th Floor,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

Registered Office
Cedar House,
41 Cedar Avenue,
Hamilton HM12,
Bermuda

Principal Place of Business in Hong Kong
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China Merchants Tower
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Stock Code
Hong Kong Stock Exchange (Main Board) 149

REVIEW OF OPERATIONS AND RESULTS

Turnover of the Company and its subsidiaries (the "Group") for the half year ended 30th June, 2005 was approximately HK$4.5 million compared to approximately HK$6.0 million for the corresponding period in the previous year. The loss attributable to equity holders of the Company decreased substantially from approximately HK$24.8 million of the last period to approximately HK$15.3 million of this period due to the effective measures in cost control and prudence investment strategy.

The board of directors (the "Board") of the Company does not recommend the payment of any interim dividend for the period (2004: Nil).

Paul Y. Plaza

During the period, rental income of the Group was mainly generated from Paul Y. Plaza. Pursuant to the sales and purchase agreement signed in February, 2005 and April 2005, the Group will dispose of the entire interest in Paul Y. Plaza. The Group considered that it is the best alternative for the Group to dispose of the project in the present status to a willing buyer. The transaction is expected to be completed in October 2005. This will further improve the liquidity and gearing of the Group.

Acquisition of New Projects

In April 2005, the Group entered into an agreement to acquire a property development project in Shenzhen, the PRC with consideration of HK$35 million. The development site is located on the proposed new metro line of Shenzhen. The Group recognised its high potential return and planned to develop the site into a residential complex for resale purpose.

In addition, the Group acquired the Jin Long Teng seafood restaurant chain in April 2005. Jin Long Teng is now operating two seafood restaurants in Shenzhen and Beijing, the PRC with the brand "Jin Long Teng Seafood Restaurant". The Group considered the acquisition will strengthen the Group's operating cashflow. Both of the acquisition will be completed by the end of September 2005.

Prospects and plan for the future

The Group is now mainly engaged in the property investment and development in the PRC, supplemented by the food and beverage business. The Group will continue to looking for new investment opportunities on property development project in the PRC.

Liquidity and Financial Resources

During the period, the Group was mainly financed by cash from operations, disposal of investments, and cash from the ultimate holding company of the Group, Velocity International Limited.

As at 30th June, 2005, the Group's cash and bank balances amounted to approximately HK$2.4 million while the total assets and the net assets were approximately HK$224.7 million and HK$96.8 million respectively. Most of the Group's deposits were deposited with banks as short-term deposits and denominated in either Hong Kong dollars or Renimbi, which are directly related to the Group's business in the areas of currencies concerned.

The short term borrowing was approximately HK$100 million as at 30th June, 2005, which is same as the one as at 31st December 2004. The Group did not have any long term borrowing as at that day. The borrowing was mainly deployed for the acquisition of business in previous years. The group's gearing ration was nil (31.12.2004: nil) which is calculated based on long term borrowings and the total shareholders' fund as at 30th June, 2005.

As at 30th June, 2005, the Group's borrowings bear interest at floating rates. Since all the borrowings were denominated in Hong Kong dollars, there was no any foreign exchange risk. The Group did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities. However, the Group will continue to seek other refinancing opportunities in the market to further reduce borrowing costs of the Group. As at 30th June, 2005, the Group did not have any committed borrowing facilities.

Borrowing requirement are not seasonal as they tend to follow the pattern of capital expenditure and investment. The Group also benefits from a steady inflow of income from its leased properties and the restaurant business.

Employees and staff benefits

As at 30th June 2005, the Group employed a total of approximately 77 staff in Hong Kong and PRC.

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective individuals concerned.

OTHER INFORMATION

Substantial shareholders

As at 30th June, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO") showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long position

Ordinary share of US$0.02 each of the Company

		Number of Shares				
	Capacity	Direct interest	Deemed interest	Total interest	Percentage of issued share capital	*Note*
Velocity International Limited (the "Velocity")	Beneficial owner	144,943,418	—	144,943,418	52.2%	*a*
Chan Yeung Nam	Interest of a controlled corporation	—	144,943,418 (through 100% direct interest in Velocity)	144,943,418	52.2%	*a*
Golden Flower Limited (the "Golden")	Beneficial owner	20,742,000	—	20,742,000	7.5%	*b*
Expert Commerce Limited (the "Expert")	Beneficial owner	15,000,000	—	15,000,000	5.4%	*b*
China WTO.com Limited (the "CWTO")	Beneficial owner and interest of controlled corporations	27,079,662	35,742,000 (through 100% direct interest in Golden and Expert)	62,821,662	22.6%	*b*
China Strategic Holdings Limited (the "China Strategic")	Interest of controlled corporations	—	62,821,662 (through 100% direct interest in Ruby and CWTO)	62,821,662	22.6%	*c*

Notes:

(a) Mr. Chan Yeung Nam holds the entire beneficial interest in Velocity and Mr. Chan Yeung Nam is accordingly deemed to be interested in 144,943,418 shares in the Company.

(b) CWTO beneficially owns 27,079,662 shares in the Company and directly holds the entire beneficial interest in Golden and Expert. Golden and Expert beneficially own 20,742,000 and 15,000,000 shares in the Company respectively. Accordingly, CWTO is totally interested in 62,821,662 shares in the Company.

(c) China Strategic directly holds the entire beneficial interest in CWTO. As CWTO is interested in 62,821,662 shares in the Company, China Strategic is deemed to be interested in 62,821,662 shares in the Company, accordingly.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th June, 2005.

Directors' interests in securities

Other than as disclosed in the section "Substantial shareholders", none of the directors, chief executives, nor their associates, had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 30th June, 2005, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Director of Listed Companies.

Share options scheme

On 4th June, 2002, the Company adopted a new share option scheme (the "Scheme") for the primary purpose of providing incentives and/or rewards to employees, executives or officers, directors of the Company or any of its subsidiaries and any business consultants, agents, legal or financial advisers of the Company or any of its subsidiaries for their contribution to the Group.

No share options under the Scheme were outstanding at the beginning and at the end of the six months ended 30th June, 2005 and no share options were granted, exercised, cancelled or lapsed during the financial period.

Purchase, sale or redemption of listed shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2005.

Corporate governance

The Company has complied throughout the period ended 30th June, 2005 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") except in relation to Guideline 1 as certain directors frequently travelled abroad for overseas business trips and were unable to attend the board meetings when convened and held and Guideline 7 as non-executive directors are not appointed for a specific term but are subject to rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

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

Review by audit committee

The Group's interim financial report for the six months ended 30th June, 2005 have been reviewed by the audit committee which comprises three independent non-executive directors of the Company and by the Company's auditors, Deloitte Touche Tohmatsu.

Appreciations

The Board would like to take this opportunity to thank the Company's shareholders for their continual support and wish to extend its sincere appreciation for the efforts and loyalty of our staff.

By Order of the Board
China Velocity Group Limited
Chan Yeung Nam
Chairman

Hong Kong, 22nd September, 2005.

Deloitte.
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INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF CHINA VELOCITY GROUP LIMITED
中國高速(集團)有限公司
(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 10 to 22.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Fundamental uncertainty relating to the going concern basis

In forming our review conclusion, we have considered the adequacy of the disclosures made in note 1 to the financial statements regarding to the going concern of the Group in light of the other borrowing of HK$100,000,000 which is repayable on 30th June, 2005. As disclosed in note 14, the Group entered into conditional sale and purchase agreements with a third party to dispose of its entire interest in a subsidiary for an aggregate consideration of HK$130,000,000. Under the terms of the agreements, the completion date is 24th May, 2005 and supplemental agreements were entered into in June 2005 and July 2005 to extend the completion date to 25th October, 2005. The directors are confident that all conditions will be met by that date. Against this background, the Group is currently negotiating with the lender to reschedule the repayment term of the other borrowing from 30th June, 2005 to 31st October, 2005.

Provided that the completion of the sale and purchase agreements take place on 25th October, 2005 and the negotiations with the lender to reschedule the repayment term of the other borrowing from 30th June, 2005 to 31st October, 2005 are successful, the Directors consider that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends on the successful completion of the sale and purchase agreements on 25th October, 2005 and rescheduling of the repayment term of the other borrowing. The financial statements do not include any adjustment that would result from a failure to complete the sale and purchase agreements or reschedule the repayment term of other borrowing. We consider that appropriate disclosures have been made and our review opinion is not modified in this respect.

Review opinion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22nd September, 2005

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2005

	Notes	Six months ended 30th June, 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Turnover	3	**4,527**	5,978
Cost of sales		**(227)**	(1,289)
Impairment loss recognised in respect of property held for sale		**—**	(16,650)
Impairment loss recognised in respect of a disposal group	14	**(8,600)**	—
Other operating income		**4**	8
Administrative expenses		**(4,978)**	(7,256)
Other operating expenses		**(1,697)**	(2,114)
Finance costs		**(4,354)**	(3,422)
Net loss for the period	4	**(15,325)**	(24,745)
Attributable to:			
— Equity holders of the Company		**(15,319)**	(24,756)
— Minority interests		**(6)**	11
		(15,325)	(24,745)
Loss per share	6		
— Basic		**HK$(0.06)**	HK$(0.09)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2005

	Notes	30.6.2005 HK$'000 (unaudited)	31.12.2004 HK$'000 (audited)
Non-current assets			
Investment properties	7	—	140,000
Property, plant and equipment	8	135	11,929
		135	151,929
Current assets			
Properties held for sale	9	11,225	11,350
Other receivables	10	66,665	67,656
Bank balances and cash		2,416	2,476
		80,306	81,482
Assets classified as held for sale	14	144,257	—
		224,563	81,482
Current liabilities			
Trade and other payables	11	12,470	20,665
Other borrowing	12	100,000	100,000
Loan from ultimate holding company		455	667
		112,925	121,332
Liabilities associated with assets classified as held for sale	14	15,019	—
		127,944	121,332
Net current assets (liabilities)		96,619	(39,850)
Total assets less current liabilities		96,754	112,079
Capital and reserves			
Share capital	13	43,276	43,276
Reserves		39,054	54,373
Equity attributable to equity holders of the Company		82,330	97,649
Minority interests		14,424	14,430
Total equity		96,754	112,079

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	Attributable to equity holders of the Company						
	Share capital	**Capital reserve**	**Contributed surplus**	**Deficit**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004	43,276	945	2,096,598	(1,807,655)	333,164	30,929	364,093
Net loss for the period	—	—	—	(24,756)	(24,756)	11	(24,745)
At 30th June, 2004	43,276	945	2,096,598	(1,832,411)	308,408	30,940	339,348
Net loss for the period	—	—	—	(210,759)	(210,759)	4,569	(206,190)
Disposal of subsidiary	—	—	—	—	—	(21,079)	(21,079)
At 31st December, 2004	43,276	945	2,096,598	(2,043,170)	97,649	14,430	112,079
Net loss for the period	—	—	—	(15,319)	(15,319)	(6)	(15,325)
At 30th June, 2005	43,276	945	2,096,598	(2,058,489)	82,330	14,424	96,754

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2005

	Six months ended 30th June, 2005	Six months ended 30th June, 2004
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Net cash from operating activities	**567**	5,747
Net cash used in investing activities	**(415)**	(10,091)
Net cash (used in) from financing activities	**(212)**	3,350
Net decrease in cash and cash equivalents	**(60)**	(994)
Cash and cash equivalents at beginning of the period	**2,476**	4,823
Cash and cash equivalents at end of the period, representing bank balances and cash	**2,416**	3,829

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2005

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In preparing the condensed financial statements, the directors have given careful consideration to the future liquidity of the Group in light of the other borrowing of HK$100,000,000 which is repayable on 30th June, 2005. As disclosed in note 14, the Group entered into conditional sale and purchase agreements with a third party to dispose of its entire interest in a subsidiary for an aggregate consideration of HK$130,000,000. Under the terms of the agreements, the completion date is 24th May, 2005 and supplemental agreements were entered into in June 2005 and July 2005 to extend the completion date to 25th October, 2005. The directors are confident that all condition will be met by that date. Against this background, the Group is currently negotiating with the lender to reschedule the repayment term of the other borrowing from 30th June, 2005 to 31st October, 2005.

Provided that the completion of the sale and purchase agreements take place on 25th October, 2005 and the negotiations with the lender to reschedule the repayment term of the other borrowing from 30th June, 2005 to 31st October, 2005 are successful, the Directors consider that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, except for certain properties, which are measured at fair values as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the 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 income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests have 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 area.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment Properties

In the current period, 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 deficits 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 revaluation 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 January, 2005 onwards. The adoption of HKAS 40 has had no material effect on the results for the current or prior accounting periods.

Deferred Taxes related to Investment Properties

In previous periods, 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 Interpretation 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 Interpretation 21, this change in accounting policy has been applied retrospectively. The adoption of this interpretation has had no material effect on the results for the current or prior accounting periods.

Non-current Assets Held for Sale

In the current period, the Group has, for the first time, applied HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operation*". HKFRS 5 requires an entity to classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. The assets classified as held for sale should be measured at the lower of carrying amount and fair value, less costs to sell. The Group has applied the relevant transitional provisions in HKFRS 5 and elected to apply HKFRS 5 from 1st January, 2005 onwards. In the current period, the Group has reclassified the relevant assets and liabilities of a disposal group to assets held for sale. This adoption in HKFRS 5 has resulted in impairment loss of approximately HK$8,600,000 charged to the income statement for the six months ended 30th June, 2005.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions The Fair Value Option
HKFRS 6	Exploration and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

3. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and contribution to operating results by business segment is presented below:

Six months ended 30th June, 2005

	Property sale and development *HK$'000*	Property rental *HK$'000*	Consolidated *HK$'000*
TURNOVER			
External sales	—	4,527	4,527
RESULT			
Segment result	(9,013)	2,431	(6,582)
Unallocated corporate expenses			(4,389)
Finance costs			(4,354)
Net loss for the period			(15,325)

3. SEGMENTAL INFORMATION *(Continued)*

Six months ended 30th June, 2004

	Property sale and development HK$'000	Property rental HK$'000	Consolidated HK$'000
TURNOVER			
External sales	—	5,978	5,978
RESULT			
Segment result	(17,013)	1,899	(15,114)
Unallocated corporate expenses			(6,209)
Finance costs			(3,422)
Net loss for the period			(24,745)

4. NET LOSS FOR THE PERIOD

	Six months ended 30th June, **2005** ***HK$'000***	2004 *HK$'000*
Net loss for the period has been arrived at after charging:		
Depreciation and amortisation	**19**	26

5. TAXATION

No provision for Hong Kong Profits Tax or taxation in other jurisdictions has been made in the condensed financial statements as the Group had no assessable profit for both periods.

6. LOSS PER SHARE

The calculation of the basic loss per share attributable to equity holders of the Company is based on the net loss for the period attributable to equity holders of the Company of approximately HK$15,319,000 (HK$24,756,000 for the six months ended 30th June, 2004) and on 277,408,596 ordinary shares in issue during both periods.

No diluted loss per share has been presented as there is no dilutive potential ordinary shares in issue for both periods.

7. INVESTMENT PROPERTIES

At 30th June, 2005, the Group's investment properties were fair-valued by the directors who estimated that there were no material difference from the fair value at 31st December, 2004. As disclosed in note 14 to the financial statements, the amount is classified as assets held for sale.

8. PROPERTY, PLANT AND EQUIPMENT

As disclosed in note 14 to the financial statements, property, plant and equipment of approximately HK$3.2 million were classified as assets held for sale.

9. PROPERTIES HELD FOR SALE

In August 2004, a wholly owned subsidiary of the Group entered into various conditional sale and purchase agreements ("S&P Agreements") with independent third parties for the disposal of all the properties held for sale with a carrying amount of approximately HK$11,225,000 for a consideration of approximately RMB12,000,000 (equivalent to approximately HK$11,225,000).

The title to the land use right and the property ownership in respect of these properties has not yet been transferred to the Group from the title holder since the date of acquisition. The Group has paid the full amount of the consideration upon acquisition of the land use right from the previous owner and is now in negotiation with the previous owner for the transfer of the titles to the purchasers directly pursuant to the S&P Agreements. At the balance sheet date, the transactions have not been completed.

10. OTHER RECEIVABLES

In August 2004, the Group disposed of its entire interest in, and shareholders' loan to, Huizhou Gladly Property Limited, Huizhou World Express Property Limited and Huizhou Best Glory Limited (collectively referred to as the "Huizhou Companies") to State Achieve Properties Limited (the "Purchaser") for a cash consolidation of RMB50.0 million (equivalent to HK$46.3 million). At 30th June, 2005, the unsettled amount of HK$32.8 million (31.12.2004: HK$37.5 million) were secured by the shares of the Purchaser, and included in other receivables. In accordance with the sale and purchase agreements, the remaining consideration shall be settled on or before 30th June, 2005. On 14th September, 2005, the repayment terms of the unsettled amounts of HK$32.8 million was agreed with the Purchaser to be settled on or before 31st December, 2005. In the opinion of the directors, the underlying value of the shares of the Purchaser are not less than the carrying value of the consideration receivables.

In September 2004, the Group disposed of its entire interest in, and shareholders' loan to, Fast Gain Investments Limited and Meiner Investments Limited for a cash consideration of HK$32.0 million. The unsettled amount of approximately HK$28.8 million at 31st December, 2004 was fully repaid during the six months ended 30th June, 2005.

On 4th April, 2005, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with a third party for the acquisition of the entire interest in, and shareholders' loan to, Renowned Holdings Limited ("Renowned") for a cash consideration of HK$35,000,000. Renowned, through its subsidiary, Superwide Development Limited, is engaged in property development in Shenzhen, the People's Republic of China (the "PRC"). Details of the acquisition are set out in the circular of the Company dated 29th April, 2005. On 31st May, 2005, supplemental agreements was entered to extend the completion date to 30th September, 2005. During the six months ended 30th June, 2005, deposits amounted to HK$33.5 million was made and included in other receivables. The transaction has been completed on 22nd September, 2005.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$1,130,000 (31.12.2004: HK$845,000), all of which are aged within 90 days. The remaining balance mainly comprises construction cost payable of approximately HK$13,667,000 (31.12.2004: HK$13,667,000) and interest payable of approximately HK$7,400,000 (31.12.2004: HK$3,048,000).

12. OTHER BORROWING

The amount is unsecured, interest bearing at prime rate plus 3.25% (31.12.2004: prime rate plus 0.25%) and repayable on 30th June, 2005. As disclosed in note 1 to the condensed financial statement, the Group is currently in negotiation with the lender to reschedule the repayment term from 30th June, 2005 to 31st October, 2005.

13. SHARE CAPITAL

	Number of shares	Value
Authorised		
At 1st January, 2004, 31st December, 2004 and 30th June, 2005 ordinary shares of US$0.02 each	19,000,000,000	US$380,000
Issued and fully paid		
At 1st January, 2004, 31st December, 2004 and 30th June, 2005 ordinary shares of US$0.02 each	277,408,596	HK$43,276,000

14. ASSETS HELD FOR SALE

On 25th February, 2005 and 21st April, 2005, a wholly-owned subsidiary of the Company, entered into conditional sale and purchase agreements with a third party for the disposal of respective 40% and 60% interest in More Cash Limited ("More Cash"), a wholly owned subsidiary of the Company, for a cash consideration of HK$40,000,000 and HK$90,000,000. More Cash, through its subsidiary, Guang Zhou Jiang Nan Property Co., Ltd., is engaged in property investment and development in Guangzhou, the PRC. Details of the disposal of 40% and 60% interest are set out in the circular of the Company dated 24th March, 2005 and 16th June, 2005, respectively. Under the terms of the agreements, the completion date for both transactions is 24th May, 2005. Supplemental agreements were entered into in June 2005 and July 2005 to extend the completion date of both agreements to 25th October, 2005.

The directors of the Group expected no further cost to sell will be incurred and have re-assessed the recoverable amounts of the relevant assets and liabilities with reference to the sales proceeds, and accordingly, impairment loss of approximately HK$8,600,000 has been identified and recognised in the income statement for the six months ended 30th June, 2005.

14. ASSETS HELD FOR SALE *(Continued)*

The major classes of assets and liabilities comprised by More Cash and its subsidiaries ("More Cash Group") and classified as assets held for sale are as follows:

	HK$'000
Property, plant and equipment	3,175
Investment properties	140,000
Other receivables	1,082
Total assets classified as held for sale	144,257
Trade and other payables, and total for liabilities associated with assets classified as held for sale	(15,019)
Net assets of disposal group	129,238

15. CAPITAL COMMITMENTS

	30.6.2005 ***HK$'000***	31.12.2004 *HK$'000*
Capital expenditures contracted for but not provided in the financial statements relating to		
— properties under construction *(note i)*	**129,393**	129,393
— acquisition of Renowned *(note 10)*	**1,500**	—
— acquisition of Health Food and JLT *(note ii)*	**5,500**	—
	136,393	129,393

Note:

(i) Upon completion of the disposal of More Cash Group as detailed in note 14, the capital expenditures relating to properties under construction contracted for by More Cash Group will be eliminated.

(ii) On 13th April, 2005, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with a third party for the acquisition of the entire interest in Zhong Hua Health Food Culture Research Limited ("Health Food") and Zhong Hua Jin Long Teng Health Food (Holdings) Limited ("JLT") for a cash consideration of HK$5,500,000. Health Food and JLT, through its subsidiaries, were engaged in restaurant operations in Shenzhen and Beijing, the PRC. On 31st May, 2005, a supplemental agreement was entered to extend the completion date to 30th September, 2005. The transaction has not been completed at the date of the report.

16. CONTINGENT LIABILITIES

Litigations

(a) In August 1999, the architect of Paul Y. Plaza located in Guangzhou, the PRC, initiated legal proceedings against Eventic Limited ("Eventic"), an indirect wholly owned subsidiary of the Company, in respect of claim for payment of service fees and other expenses of HK$0.6 million and HK$6.6 million respectively. Eventic engaged the architect for architectural Services in respect of Paul Y. Plaza.

Eventic has vigorously defensed the claims and made a counterclaim for loss and damages suffered due to insufficient supervision services provided by the architect.

In view of the counterclaim made by Eventic, the architect amended its total claims to HK$7.7 million. At the date of this report, the proceedings are still ongoing and are at the stage of the exchange of documents. After taking into consideration the advice of the Group's legal counsel, the directors consider the outcome of the proceedings will not have material adverse financial effect on the Group.

(b) In June 2003, a sub-contractor of Paul Y. Plaza initiated legal proceedings against Eventic in respect of a claim for payment of sub-contract works of approximately RMB5.2 million.

Eventic has vigorously defended the claim as there was no contractual relationship between Eventic and the sub-contractor. Eventic has also made a counterclaim and/or set off against the sub-contractor for the balance of unused advance payment and overpayment of approximately RMB4.2 million and RMB0.8 million respectively paid to the sub-contractor.

At the date of this report, the proceedings are still ongoing. The directors are of the opinion that there is unlikely to be any material adverse financial impact on the Group in the event that the final judgement is not in favour of Eventic.

17. POST BALANCE SHEET EVENTS

As detailed in note 10, the acquisition of Renowned has been completed on 22nd September, 2005.