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 18 to the financial statements.

2. BASIS OF PRESENTATION – FUNDAMENTAL UNCERTAINTY RELATING TO GOING CONCERN BASIS

The Group sustained a consolidated net loss attributable to shareholders of the Company of approximately HK$97,380,000 for the year ended 31 December 2005. At 31 December 2005, the Group had consolidated net current liabilities of approximately HK$137,953,000, net liabilities of approximately HK$17,121,000 and total short-term interest-bearing borrowings of approximately HK$57,585,000 of which approximately of HK$29,700,000 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 borrowings 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 note 31 to the financial statements. All such legal claims were properly accrued for and disclosed as at 31 December 2005.

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

(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;

(iii) the directors are seeking support from various lenders to extend the term of payment, particularly for short term loans; and

(iv) subsequent to the balance sheet date, on 13 January 2006, 17 February 2006 and 6 March 2006, the Company entered into three loan agreements with the subsidiary of the new major shareholder (note) ("Madex") (see note 41). Madex agreed to grant the Company loan facilities up to a maximum of HK$30,000,000 for a period of 12 months.

Note: On 4 January 2006, Gree Group (Hong Kong) Limited disposed of its shares of the Company to Madex International Company Limited who then became the new major shareholder of the Company.

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

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 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 adjustments have not been reflected in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. A summary of the significant accounting policies adopted by the Group is set out below.

(a) ADOPTION OF HKFRSs

The following new and revised HKFRSs are relevant to the Group's financial statements and are adopted for the first time for the preparation of the current year's financial statements. In accordance with the relevant requirements under these HKFRSs where permitted, comparative amounts of the financial statements for the year ended 31 December 2004 have been restated.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 11	Construction contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investment in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations
HKAS-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) ADOPTION OF HKFRSs *(Continued)*

The adoption of the above new HKFRSs has the following impacts on the Group's accounting policies:

– HKAS 1 has affected the presentation and disclosure of the financial statements;

– HKASs 8, 27 and 33 have affected the disclosure of the financial statements;

– HKASs 2, 7, 10, 11, 12, 14, 16, 18, 19, 21, 23, 28, 31, 32, 37, 39, HKAS-Int 15 and HKAS-Int 21 have no material effect on the Group's accounting policies; and

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the land use rights were treated as property, plant and equipment and therefore accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– Amortised on a straight-line basis over its estimated economic useful life of 5 to 20 years; and

– Assessed for impairment at each balance sheet date.

In accordance with the provision of HKFRS 3 (see note 3(d)):

– The Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) ADOPTION OF HKFRSs *(Continued)*

The adoption of HKAS-Int 3 has resulted in a change in the accounting policy relating to the revenue recognition from pre-completion contracts for the pre-sale of properties. In accordance with the provision of HKAS-Int 3:

(i) Pre-completion contracts for the sale of properties entered on or after 1 January 2005

- The Group recognised revenue only when all the criteria specified in paragraph 14 of HKAS 18 are met.

(ii) Pre-completion contracts for the sale of properties entered before 1 January 2005

- The Group recognised revenue in accordance with the stage of completion of the properties. Accordingly, no prior year figures have been restated.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, whenever applicable.

(b) SUBSIDIARIES AND CONTROLLED ENTITIES

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) SUBSIDIARIES AND CONTROLLED ENTITIES *(Continued)*

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been reversed.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

(c) ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

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.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity. An investment in an associate or a jointly controlled entity 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 or the jointly controlled entity's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealized profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(Continued)*

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) GOODWILL

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in income statement.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

Interests in leasehold land held for own use under operating leases is stated at cost less accumulated amortisation and identified losses. The land lease premium held for own use is amortised on a straight-line basis over the period of the right.

(f) PROPERTY, PLANT AND EQUIPMENT

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses:

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease; and

- other items of plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to income statement.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land	Over the lease terms
– Leasehold improvements	Over the lease terms
– Plant and machinery	7% – 10%
– Furniture and equipment	7% – 20%
– Motor vehicles	10% – 25%

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.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) LEASED ASSETS

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in 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 or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 3(f).

Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(h). Finance charges implicit in the lease payments are charged to 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.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred. The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– 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).

– Recognition of impairment losses

An impairment loss is recognised in income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) IMPAIRMENT OF ASSETS *(Continued)*

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss 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 income statement in the year in which the reversals are recognised.

(i) PROPERTIES UNDER DEVELOPMENT

The cost of acquiring land held under operating leases is amortised on a straight line basis over the lease term. If the property is in the course of development or redevelopment the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised in income statement immediately. In all other respects, inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(j) INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, is determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(l) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(m) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in income statement over the period of the borrowings using the effective interest method.

(o) TAXATION

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) TAXATION *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) TAXATION *(Continued)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised. Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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 expenditure expected to settle the obligation. 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 nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) Proceeds from the sale of properties (except for the pre-sale of properties under development, the basis of recognition of which is detailed in note 3(a), 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) 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;

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

(iv) 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 passed.

(r) FOREIGN CURRENCIES

The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) FOREIGN CURRENCIES *(Continued)*

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined. The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(s) 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.

(t) RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) EMPLOYEE BENEFITS

(i) Short term employee benefits and contributions to defined contribution retirement plans, salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(v) 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 system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) SEGMENT REPORTING *(Continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and 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 entities 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, tax balances, corporate and financing expenses.

The Group's operating businesses are structured and managed separately, based on 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. Summarised 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 operation:

(i) The skiing resort segment operated a skiing resort in Mainland China.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk, credit risk, cash flow and liquidity risk).

(a) Foreign exchange risk

The majority of the subsidiaries of the Group operates in Mainland China with most of the transactions denominated in Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from the exposure of RMB against the Hong Kong dollars. It has not hedged its foreign exchange rate risk.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

(b) Interest rate risk

The Group's interest rate risk arises from debt borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk whilst borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in notes 27 and 28 to the financial statements.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(c) Credit risk

The Group has no significant concentrations of credit risks with any single counterparty or group of counterparties having similar characteristics.

(d) Cash flow and liquidity risk

As mentioned in note 2 to the financial statements, the Group experienced severe cash flow and liquidity risk on repaying debts and fulfilling its contractual obligations on construction works. In addition, the Group was encountering various lawsuits and as at year end, the judgement was anticipated to be unfavourable. Therefore provision for legal claims and compensations has been made and disclosed in note 31 to the financial statements.

The Group is implementing various measures to realize its certain assets and is diligent with its cost control measures so as to improve the future working capital and mitigate various risk exposures. The Group reviews regularly its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Going concern basis

As mentioned in note 2 to the financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net liabilities of the Group.

(b) Estimated impairment of goodwill and interests in associates

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(c) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for it's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors' actions in response to severe industry cycle. Management will revise the depreciation charge where useful lives are different from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Taxation

The Group is subjected to taxation in Mainland China. Significant judgment is required in determining the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

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

	Continuing operations										Discontinuing operation		Consolidated	
	Property development		Investment holding*		Resort operation		Agricultural operation		Sub-total		Skiing resort			
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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 customers	**29,555**	56,572	**–**	–	**–**	790	**1,363**	1,218	**30,918**	58,580	**–**	44	**30,918**	58,624
Other revenue	**307**	333	**313**	–	**8**	8	**39**	13	**667**	354	**–**	833	**667**	1,187
Total	**29,862**	56,905	**313**	–	**8**	798	**1,402**	1,231	**31,585**	58,934	**–**	877	**31,585**	59,811
Segment results*	**(28,047)**	(18,440)	**(68,931)**	(40,853)	**(2,063)**	(1,918)	**489**	(28)	**(98,552)**	(61,239)	**(587)**	(14,600)	**(99,139)**	(75,839)
Interest income													**25**	287
Loss from operations													**(99,114)**	(75,552)
Gain on disposal of a subsidiary													**7,663**	–
Finance costs													**(5,338)**	(4,863)
Share of losses of associates													**–**	(345)
Loss before tax													**(96,789)**	(80,760)
Taxation													**(605)**	7,075
Loss for the year													**(97,394)**	(73,685)

* Investment holding is one of the Group's segments and, accordingly, the Group's non-current financial assets, and the corresponding income/expenses, were included in the segment assets and segment results, respectively.

6. SEGMENT REPORTING *(Continued)*

(a) Business segments *(Continued)*

	Continuing operations										Discontinuing operation		Consolidated	
	Property development		Investment holding*		Resort operation		Agricultural operation		Sub-total		Skiing resort			
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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*	**276,082**	244,316	**1,422**	7,444	**20,072**	21,746	**8,125**	7,513	**305,701**	281,019	**-**	21,409	**305,701**	302,428
Interest in associates	**-**	-	**-**	59,420	**-**	-	**-**	-	**-**	59,420	**-**	-	**-**	59,420
Total assets													**305,701**	361,848
Segment liabilities	**(204,237)**	(160,794)	**(32,480)**	(33,845)	**(38)**	(67)	**(17)**	(39)	**(236,772)**	(194,745)	**-**	(18,519)	**(236,772)**	(213,264)
Unallocated liabilities													**(86,050)**	(68,833)
Total liabilities													**(322,822)**	(282,097)
Other segment information:														
Depreciation and amortisation	**224**	210	**690**	810	**1,901**	1,865	**211**	230	**3,026**	3,115	**587**	7,043	**3,613**	10,158
Impairment losses (reversed)/recognised in the income statement	**(2,584)**	2,584	**59,420**	1,680	**51**	52	**212**	578	**57,099**	4,894	**-**	116	**57,099**	5,010
Other non-cash expenses/ (incomes)	**23,844**	13,032	**(11,399)**	24,246	**19**	-	**-**	-	**12,464**	37,278	**-**	7,812	**12,464**	45,090
Capital expenditure	**39**	51	**4**	6	**1**	20	**363**	182	**407**	259	**-**	215	**407**	474

* 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.

6. SEGMENT REPORTING *(Continued)*

(b) Geographical segments

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

	Hong Kong		Mainland China		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales to external customers	**–**	–	**30,918**	58,624	**30,918**	58,624
Segment results	**(68,931)**	(40,853)	**(30,208)**	(34,986)	**(99,139)**	(75,839)
Other segment information:						
Segment assets	**1,422**	71,703	**304,279**	290,145	**305,701**	361,848
Capital expenditure	**4**	6	**403**	468	**407**	474

7. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of net proceeds from the sale of properties, (in the case of pre-sale of properties of which the pre-sales agreements were entered prior to 1 January 2005, such proceeds are adjusted to reflect the progress of development), service income from resort operations and the operation of a skiing resort and sales 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:

	2005	2004
	HK$'000	HK$'000
Sale of properties	**29,555**	56,572
Resort operations	**–**	790
Sale of agricultural products	**1,363**	1,218
Skiing operations	**–**	44
Turnover	**30,918**	58,624
Interest income	**25**	287
Sundry income	**667**	1,187
Other revenue	**692**	1,474
Total revenue	**31,610**	60,098

8. OTHER OPERATING EXPENSES, NET

	2005 HK$'000	2004 HK$'000
Impairment losses on inventories	**51**	116
(Reversal of)/provision for impairment losses on properties under development *(note 23)*	**(2,584)**	2,584
Legal claims	**248**	195
Loss on disposal of property, plant and equipment, net	**225**	8,030
Impairment losses on other receivables	**212**	2,310
Impairment losses on interest in associates *(note 20)*	**59,420**	–
Impairment losses on amounts due from associates	**–**	3,254
Amortisation of goodwill attributable to an associate *(note 20)*	**–**	3,532
Sundry expenses	**234**	28
Provision for legal claims *(note 31(a))*	**6,188**	29,929
Provision for compensations *(note 31(b))*	**13,714**	–
	77,708	49,978

9. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	2005 HK$'000	2004 HK$'000
Cost of services rendered	**22**	345
Cost of inventories sold	**394**	375
Cost of properties sold	**28,982**	44,906
Auditors' remuneration		
– audit services	**435**	470
– other services	**–**	–
Depreciation		
– owned assets	**3,410**	9,815
– assets under finance leases	**18**	162
Amortisation of land lease premium	**185**	181
Operating lease rentals in respect of land and buildings	**1,550**	1,635
Staff costs (excluding directors' remuneration *(note 11)*:		
– wages and salaries	**4,271**	4,905
– retirement scheme contributions	**144**	202

10. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**7,516**	5,204
Finance charges on obligations under finance leases	**31**	49
	7,547	5,253
Less: Amounts capitalised in properties under development (note 23)	**(2,209)**	(390)
	5,338	4,863

11. DIRECTORS' REMUNERATION

The aggregate amounts of the directors' remuneration, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2005				
	Fees HK$'000	**Salaries and other benefits** HK$'000	**Compensation for loss of office** HK$'000	**Retirement scheme contributions** HK$'000	**Total** HK$'000
Executive directors					
Chan Lap Tat, Dickman	–	184	–	4	188
Chen Jung Hsin	–	570	593	7	1,170
Kuang Yong	–	–	–	–	–
Lam Wai Kit	–	248	483	6	737
Long Changqing	–	–	–	–	–
Lu Junsi	–	–	–	–	–
Su Xixiong	–	–	–	–	–
Wong Lin Chooi	–	–	–	–	–
Zhang Fan	–	–	–	–	–
	–	1,002	1,076	17	2,095
Non-executive director					
Cheng Chun Ping, JP	51	–	–	–	51
Independent non-executive directors					
Hu Dehua	89	–	–	–	89
Li Wing Sum, Steven	73	–	–	–	73
Lu Jianhua	88	–	–	–	88
Ng Fuk Leung	22	–	–	–	22
Xu Weidong	44	–	–	–	44
	316	–	–	–	316
Total	367	1,002	1,076	17	2,462

11. DIRECTORS' REMUNERATION *(Continued)*

	2004				
	Fees	Salaries and other benefits	Compensation for loss of office	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Chen Jung Hsin	–	590	–	11	601
Kuang Yong	–	–	–	–	–
Lam Wai Kit	–	510	–	10	520
Liang Jianhua	–	486	–	10	496
Long Changqing	–	–	–	–	–
Lu Junsi	–	–	–	–	–
Su Xixiong	–	–	–	–	–
Wong Lin Chooi	–	–	–	–	–
Xu Rong	–	–	–	–	–
	–	1,586	–	31	1,617
Non-executive director					
Cheng Chun Ping, JP	88	–	–	–	88
Independent non-executive directors					
Hu Dehua	88	–	–	–	88
Li Wing Sum, Steven	–	–	–	–	–
Lu Jianhua	88	–	–	–	88
	176	–	–	–	176
Total	264	1,586	–	31	1,881

12. INDIVIDUALS WITH HIGHEST PAID

Of the five individuals with the highest paid, two (2004: three) are directors whose remuneration are disclosed in note 11. The aggregate of the remuneration in respect of the other three (2004: two) individuals are as follows:

	2005 HK$'000	2004 HK$'000
Salaries, allowances and benefits in kind	**1,365**	881
Retirement scheme contributions	**32**	24
	1,397	905

The remuneration of the three (2004: two) individuals with highest paid are within the following bands:

	Number of individuals	
	2005	2004
HK$Nil – HK$1,000,000	**3**	2

13. 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 (2004: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the overseas subsidiaries operates, based on existing legislation, interpretations and practices in respect thereof.

	2005 HK$'000	2004 HK$'000
Current tax		
Mainland China profits tax	**622**	8,440
Hong Kong profits tax	**–**	–
	622	8,440
Deferred taxation		
Origination and reversal of temporary differences	**(17)**	(15,515)
Tax expense/(credit)	**605**	(7,075)

13. TAXATION *(Continued)*

Reconciliation between tax expense/(credit) and accounting loss at applicable tax rate:

	2005 **HK$'000**	2004 HK$'000
Loss before tax	**(96,789)**	(80,760)
Notional tax on loss before tax, calculated at the rates applicable to the countries concerned	**(20,213)**	(19,511)
Tax losses not recognised	**21,569**	12,436
Utilized previously unrecognised tax losses	**(751)**	–
Tax expense/(credit)	**605**	(7,075)

14. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes profit of approximately HK$59,744,000 (2004: loss of approximately HK$99,485,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK$97,380,000 (2004: approximately HK$72,351,000) and the weighted average number of ordinary shares of 3,010,410,504 (2004: 3,010,410,504).

No diluted loss per share has been presented for the year ended 31 December 2005 and 2004 because there were no diluted potential ordinary shares during either year.

16. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group

	HK$'000
Cost	
At 1 January 2004 and at 31 December 2004 (as restated)	6,724
At 1 January 2005 (as restated)	6,724
Exchange adjustments	129
At 31 December 2005	6,853
Accumulated amortisation	
At 1 January 2004 (as restated)	837
Charge for the year	181
At 31 December 2004	1,018
At 1 January 2005 (as restated)	1,018
Exchange adjustments	19
Charge for the year	185
At 31 December 2005	1,222
Net book value	
At 31 December 2005	5,631
At 31 December 2004 (as restated)	5,706

The interests in leasehold land held for own use under operating leases are located in Mainland China and were amortized over the lease term period of 20 – 50 years on a straight-line basis.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use carried at cost 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 (as restated)	39,048	1,478	713	72,207	3,697	4,768	121,911
Additions	97	–	–	242	135	–	474
Transferred to other receivables, deposits and prepayments	–	–	–	–	–	(174)	(174)
Disposals	(8,635)	–	–	(650)	(881)	–	(10,166)
At 31 December 2004 (as restated)	30,510	1,478	713	71,799	2,951	4,594	112,045
At 1 January 2005 (as restated)	30,510	1,478	713	71,799	2,951	4,594	112,045
Exchange adjustments	423	–	–	98	17	–	538
Transfer	23	–	–	(23)	–	–	–
Transferred from properties under development *(note 23)*	–	–	–	–	–	92,899	92,899
Additions	9	–	–	398	–	–	407
Disposal of a subsidiary	(7,907)	–	–	(65,868)	(593)	(4,594)	(78,962)
Disposals	–	–	–	(119)	(1,429)	–	(1,548)
At 31 December 2005	23,058	1,478	713	6,285	946	92,899	125,379
Accumulated depreciation							
At 1 January 2004 (as restated)	5,332	328	713	50,795	963	–	58,131
Provided during the year	1,330	493	–	7,705	449	–	9,977
Disposals	(1,187)	–	–	(278)	(581)	–	(2,046)
At 31 December 2004 (as restated)	5,475	821	713	58,222	831	–	66,062
At 1 January 2005 (as restated)	5,475	821	713	58,222	831	–	66,062
Exchange adjustments	70	–	–	38	5	–	113
Transfer	91	–	–	(91)	–	–	–
Provided during the year	1,102	493	–	1,601	232	–	3,428
Disposal of a subsidiary	(1,340)	–	–	(56,806)	(286)	–	(58,432)
Written back on disposals	–	–	–	(86)	(475)	–	(561)
At 31 December 2005	5,398	1,314	713	2,878	307	–	10,610
Net book value							
At 31 December 2005	17,660	164	–	3,407	639	92,899	114,769
At 31 December 2004 (as restated)	25,035	657	–	13,577	2,120	4,594	45,983

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

As at 31 December 2005, the capital value in existing state of Group's construction in progress was valued at approximately RMB163,188,000 (approximately HK$156,912,000) which was based on a valuation carried out by Mr. Wong Yung-shing who is a Chartered Valuation Surveyor of Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, an independent professionally qualified valuer, on the depreciated replacement cost valuation approach.

The net book value of motor vehicles includes an amount of approximately HK$126,000 (2004: HK$894,000) in respect of assets held under finance leases.

Buildings held for own use are situated on medium term leasehold land under operating leases in Mainland China.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	HK$'000
Unlisted investments, at cost	**633,132**	633,132
Due from subsidiaries	**429,023**	479,100
Due to subsidiaries	**(218,761)**	(212,309)
	843,394	899,923
Less: Impairment losses	**(699,439)**	(817,505)
	143,955	82,418

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following list contains only the particulars of subsidiaries as at 31 December 2005 which principally affected the results, assets or liabilities of the Group.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

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		Principal activities
			Directly	Indirectly	
Dynamic Global Development Limited	Hong Kong	HK$4 *(note)*	–	100	Investment holding
Fairyoung Port Investments (Holdings) Limited	British Virgin Islands	US$299	–	100	Investment holding
Fairyoung (Shanghai) Properties Limited#	Mainland China	US$12,000,000	–	100	Property development
Binzhou Huifeng Sanwei Co., Ltd.##	Mainland China	US$1,250,000	–	51	Sale of agricultural products
Harbin Dynamic Global Property Co., Ltd.@	Mainland China	RMB15,000,000	–	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	–	100	Resort operation
Liberal Supply Limited	British Virgin Islands	US$1	100	–	Investment holding
Softech Limited	British Virgin Islands	US$1	100	–	Investment holding
Fortune Target Limited	British Virgin Islands	US$100	100	–	Investment holding

18. INTERESTS IN SUBSIDIARIES *(Continued)*

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 Directly	Indirectly	Principal activities
Fortune House Worldwide Holdings Limited	British Virgin Islands	US$1	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

Note: 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.

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group 2005 HK$'000	2004 HK$'000
Share of net assets	–	–
Due from a jointly controlled entity	–	1,941
	–	1,941
Provision for amount due from a jointly controlled entity	–	(1,941)
	–	–

A wholly-owned subsidiary of the Company entered into an agreement for sale of the interest in a jointly controlled entity with an independent third party on 6 July 2005 for a consideration of HK$1 and waiver of approximately RMB402,000 (approximately HK$387,000) due therefrom.

20. INTEREST IN ASSOCIATES

	The Group	
	2005	2004
	HK$'000	HK$'000 (restated)
Share of net assets	**–**	–
Goodwill arising on acquisition *(Note)*	**–**	59,420
Due from associates	**3,254**	3,254
	3,254	62,674
Less: Impairment losses on amounts due from associates	**(3,254)**	(3,254)
	–	59,420

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

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

	HK$'000
Cost	
At 1 January 2004 and 31 December 2004	95,975
At 1 January 2005	95,975
Opening balance adjusted to eliminate accumulated amortisation and impairment losses	(36,555)
At 31 December 2005	59,420
Accumulated amortisation and impairment losses	
At 1 January 2004	33,023
Amortisation provided for the year	3,532
At 31 December 2004	36,555
At 1 January 2005	36,555
Eliminated against cost at 1 January 2005	(36,555)
Impairment loss	59,420
At 31 December 2005	59,420
Carrying amount	
At 31 December 2005	–
At 31 December 2004	59,420

20. INTEREST IN ASSOCIATES *(Continued)*

In 2004, the goodwill not already recognised directly in reserves was amortised on a straight-line basis over 5 – 20 years. The amortisation of goodwill for the year ended 31 December 2004 was included in "other operating expenses" in the consolidated income statement.

As explained further in note 3(a), with effect from 1 January 2005 the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date.

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

Name	Form of business structure	Place of incorporation/ registration and operations	Percentage of interest attributable to the Group		Principal activities
			Directly	Indirectly	
Beijing Zotn Digital Technologies, Inc. ("Beijing Zotn")#	Sino-foreign owned enterprise	Mainland China	–	27.3%	Application service provider
Golden Yield Enterprises Limited ("Golden Yield")	Incorporated	British Virgin Islands	–	39%	Investment holding

\# Beijing Zotn is a 70%-owned subsidiary of Golden Yield.

21. OTHER NON-CURRENT FINANCIAL ASSETS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale equity securities				
Unlisted investments, at cost	**34,500**	34,500	**29,500**	29,500
Less: Impairment losses	**(34,500)**	(34,500)	**(29,500)**	(29,500)
	–	–	**–**	–

22. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Total cash and bank balances	**1,039**	1,418	**–**	27
Less: Pledged bank balances				
– for securing mortgage loans of certain purchasers of the Group's properties under development	**(440)**	(125)	**–**	–
Cash and cash equivalents as at 31 December	**599**	1,293	**–**	27

23. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2005	2004
	HK$'000	HK$'000
At cost:		
At 1 January	**242,263**	225,395
Exchange adjustments	**4,706**	–
Additions	**47,088**	63,968
Capitalisation of borrowing costs *(note 10)*	**2,209**	390
Recognised in income statement	**(28,982)**	(44,906)
Reversal of/(provision for) impairment loss	**2,584**	(2,584)
	269,868	242,263
Transferred to property, plant and equipment *(note 17)*	**(92,899)**	–
	176,969	242,263

The properties under development are situated on medium term leasehold land in Mainland China.

As at 31 December 2005, a project of properties under development held by a subsidiary in Mainland China was transferred to property, plant and equipment due to the change of the intention for these properties under development from the purpose of re-sale to holding on for future use.

As at 31 December 2005, none of the properties under development held by the Group have been pledged to secure banking facilities granted to the Group (2004: approximately HK$28,705,000).

24. INVENTORIES

	The Group	
	2005	2004
	HK$'000	HK$'000
Consumables	**119**	169

None of the inventories as at 31 December 2005 were stated at net realizable value (2004: approximately HK$44,000).

25. 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 trade receivables is as follows:

	The Group	
	2005	2004
	HK$'000	HK$'000
Within 3 months	**–**	11

26. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	The Group	
	2005	2004
	HK$'000	HK$'000
Within 3 months	**23,107**	7,812
More than 3 months but less than 6 months	**113**	5,936
More than 6 months but less than 1 year	**5,437**	1,647
More than 1 year	**12,487**	12,739
More than 2 years	**17,512**	7,744
	58,656	35,878

27. INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of current interest-bearing borrowings is as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans				
Secured	**–**	6,736	**–**	–
Unsecured	**–**	4,686	**–**	–
	–	11,422	**–**	–
Other loans				
Unsecured	**57,585**	29,700	**29,700**	29,700
	57,585	41,122	**29,700**	29,700

(i) As at 31 December 2005, the loans granted to the Company of approximately HK$29,700,000 bear interest at 14.4% (2004: 14.4%) per annum and are due for repayment between March 2005 and May 2005. As at the date of this report, the Company has not made any repayment to the lender. The Company is still negotiating with the lender for further extension of the loans.

(ii) As at 31 December 2005, the loans granted to a subsidiary of approximately HK$27,885,000 bear interest at 6.58% per annum and are repayable within 1 year and are due between July 2006 and November 2006.

28. DUE TO A MAJOR SHAREHOLDER

	The Group and the Company	
	2005	2004
	HK$'000	HK$'000
Loans	**22,762**	14,217
Accrued interest	**1,439**	453
Current account	**4,210**	1,700
	28,411	16,370

The loans are unsecured, interest-bearing and repayable within 1 year.

The current account is unsecured, interest-free and has no fixed terms of repayment.

28. DUE TO A MAJOR SHAREHOLDER *(Continued)*

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 since 21 April 2004, the loans have been bearing interest at 5% per annum.

As regards to a loan agreement with the major shareholder, the Company entered into a third supplemental loan agreement with the major shareholder on 1 September 2005. Under the terms of the third supplementary loan agreement, the major shareholder shall grant the loan facilities up to a maximum of HK$5,000,000 for a period of 12 months. The loans are unsecured and are bearing interest at prime rate per annum, as at the year ended date the prime rate is 7.75%.

Subsequent to the balance sheet date, on 4 January 2006, Gree Group (Hong Kong) Limited ceased to be the major shareholder of the Company subsequent to its disposals of the shares of the Company to Madex International Company Limited.

29. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest-free and has no fixed terms of repayment.

30. OBLIGATIONS UNDER FINANCE LEASES

At 31 December, the Group had obligations under finance leases repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**48**	298	**46**	265
In the second to fifth years inclusive	**9**	409	**8**	391
	57	707	**54**	656
Less: Future finance charges	**(3)**	(51)	**N/A**	N/A
Present value of lease obligations	**54**	656	**54**	656
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(46)**	(265)
Non-current portion			**8**	391

31. PROVISIONS

The movements of the provisions are as follows:

		Notes	The Group 2005 HK$'000	The Group 2004 HK$'000	The Company 2005 HK$'000	The Company 2004 HK$'000
(a)	Provision for legal claims					
	At 1 January		**29,929**	1,698	**16,842**	–
	Exchange adjustments		**252**	–	**–**	–
	(Reversal of)/provision for the year					
	– Guarantee issued by the Company	(i)	**(4,365)**	12,125	**(4,365)**	12,125
	– Compensation to a buyer of properties	(ii)	**–**	9,434	**–**	–
	– Indemnity of a personal guarantee	(iii)	**(1,063)**	4,717	**(1,063)**	4,717
	– Compensation for breach of a pre-sale agreement	(iv)	**–**	3,304	**–**	–
	– Overdue interest on trade payables	(v)	**–**	349	**–**	–
	– Overdue consultation service fee	(vii)	**1,500**	–	**1,500**	–
	– Compensation for breach of pre-sale agreements	(viii)	**10,116**	–	**–**	–
			6,188	29,929	**(3,928)**	16,842
	Repayment	(i) & (vii)	**(1,960)**	–	**(1,960)**	–
	Settlement made	(vi)	**–**	(1,698)	**–**	–
	At 31 December		**34,409**	29,929	**10,954**	16,842
(b)	Provision for compensations					
	At 1 January		**–**	–	**–**	–
	Provision for the year					
	– Compensation for breach of pre-sale agreements	(viii)	**13,714**	–	**–**	–
	At 31 December		**13,714**	–	**–**	–
			48,123	29,929	**10,954**	16,842

31. PROVISIONS *(Continued)*

(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 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 and 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 RMB12,842,000 (approximately HK$12,125,000) was made in 2004. On 13 March 2006, the Group agreed with the Plaintiff to reduce the claim to RMB6,500,000 (approximately HK$6,250,000) after the Group had repaid RMB1,600,000 (approximately HK$1,510,000) to the Plaintiff during the year. Therefore, a reversal of RMB4,742,000 (approximately HK$4,365,000) was made as at year end.

(ii) A wholly owned subsidiary incorporated in Mainland China of the Company ("Subsidiary") entered into an agreement for pre-sale of properties developed by the Subsidiary ("Pre-sale Agreement") with an independent third party ("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 the Buy-back Agreement were void and the Subsidiary should make a compensation of RMB10,000,000 (approximately HK$9,434,000) to the Buyer. Hence, a full provision for the compensation was made in 2004.

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. The appeal was rejected in 2005.

31. PROVISIONS *(Continued)*

(iii) On 6 March 2003, the Group completed the disposal of 4 subsidiaries ("the Subsidiaries"). In December 2003, the buyer (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 RMB20,000,000, up to a maximum of RMB5,000,000. 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 ("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 RMB5,000,000 in August 2004. He in turn claimed the same amount against the Company. On 5 November 2004, a judgement was made by the court whereby the Company should pay a compensation of RMB5,000,000 (approximately HK$4,717,000) to the former director, therefore, a provision of RMB5,000,000 (approximately HK$4,717,000) was made in the financial statements. On 21 December 2004, the Company made an appeal against the judgement in a supreme court in Mainland China. On 17 March 2006, the Group agreed with the Plaintiff to reduce the compensation to RMB3,800,000 (approximately HK$3,654,000). Therefore, a reversal of RMB1,200,000 (approximately of HK$1,063,000) was made as at year end.

(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 sum of approximately RMB50,000,000 (approximately HK$48,077,000) and a deposit of approximately RMB20,000,000 (approximately HK$19,231,000) was received by the Subsidiary. The amount was recorded as the other payables in the consolidated balance sheet. However, the Buyer was unable to arrange bank financing to pay the balance of consideration of approximately RMB30,000,000 (approximately HK$28,846,000). 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 and make a compensation 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 affirmed the judgment made by the lower court. Therefore, a provision of RMB3,502,000 (approximately HK$3,304,000) was made in 2004.

31. PROVISIONS *(Continued)*

(v) In 2004, 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 2004.

(vi) In 2003, a contractor filed a claim against a subsidiary of the Company in Mainland China. The contractor claimed that the subsidiary had not refunded a contracting deposit of RMB2,000,000 (approximately HK$1,923,000) 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 RMB1,800,000 (approximately HK$1,698,000) Therefore, a provision of RMB1,800,000 (approximately HK$1,698,000) was made in 2003. In 2004, the Group settled the claim by payment of RMB1,800,000 (approximately HK$1,698,000).

(vii) In May 2004, the Company was served a writ by a company claiming an amount of HK$2,300,000, allegedly consultancy service fee owed by the Company. The Company filed a defence on 19 June 2004. Taking into account the costs in litigation and further legal advice, the Group settled the claim with the plaintiff by agreeing to pay a sum of HK$1,500,000, therefore, a provision of the same amount was made in the current year. The Group had to pay the sum in 10 equal instalments of HK$150,000 per instalment from October 2005. During the year, 3 instalments of HK$450,000 have been paid.

(viii) A subsidiary of the Company in Mainland China (the "Subsidiary") entered into contracts with the buyers since 2002 for pre-sale of properties developed by the Subsidiary ("Pre-sale Contracts"). According to the terms of the Pre-sale Contracts, if the above properties cannot be assigned to the buyers on or before 31 December 2004, the buyers of the properties would be eligible for compensation of 0.02% per day on the deposits paid as from 1 January 2005 until the hand over of the properties. During the year, 130 buyers had taken legal actions to claim against the Subsidiary for the compensations. Accordingly, the provision for legal claims of the 130 buyers and compensation for the rest of the other buyers in accordance with the terms of the Pre-sale Contracts amounted to approximately RMB10,521,000 (approximately HK$10,116,000) and RMB14,264,000 (approximately HK$13,714,000) was made in the financial statements respectively.

32. TAXATION

(a) Current taxation in the consolidated balance sheet

	2005 **HK$'000**	2004 HK$'000
Provision for Mainland China profits tax	**622**	337

(b) At the balance sheet date, the components of deferred tax assets/(liabilities) in the consolidated balance sheet were as follows:

	2005 **HK$'000**	2004 HK$'000
Deferred tax assets/(liabilities):		
Profit from property development recognised during the year, but not taken up in the statutory accounts of the subsidiary in Mainland China	–	(553)
Cost and expenses not deductible until taken up in the statutory accounts of the subsidiaries in Mainland China	–	536
	–	(17)

The Group has tax losses arising in Hong Kong and Mainland China of approximately HK$91,713,000 (2004: approximately HK$82,335,000) 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.

33. SHARE CAPITAL

	2005		2004	
	No. of shares	**Amount HK$'000**	No. of shares	Amount HK$'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 and at 31 December	**3,010,410,504**	**301,041**	3,010,410,504	301,041

34. RESERVES

The Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
At 1 January 2004	63,528	222,194	52	7,905	(449,202)	(155,523)	7,918	(147,605)
Net loss for the year	–	–	–	–	(72,351)	(72,351)	(1,334)	(73,685)
At 31 December 2004	63,528	222,194	52	7,905	(521,553)	(227,874)	6,584	(221,290)
At 1 January 2005	63,528	222,194	52	7,905	(521,553)	(227,874)	6,584	(221,290)
Exchange adjustments	–	–	–	1,998	–	1,998	–	1,998
Released upon disposal of a subsidiary	–	–	–	(1,476)	–	(1,476)	–	(1,476)
Net loss for the year	–	–	–	–	(97,380)	(97,380)	(14)	(97,394)
At 31 December 2005	63,528	222,194	52	8,427	(618,933)	(324,732)	6,570	(318,162)

The Company

	Share premium HK$'000	Contributed surplus reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
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)
At 1 January 2005	63,528	337,613	52	(697,494)	(296,301)
Net profit for the year	–	–	–	59,744	59,744
At 31 December 2005	63,528	337,613	52	(637,750)	(236,557)

34. RESERVES *(Continued)*

Nature and purpose of reserves

(a) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in notes 3(r).

(c) Contributed surplus reserve

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) Net cash outflow from disposal of a subsidiary

	2005 HK$'000	2004 HK$'000
Net assets disposed of:		
Property, plant and equipment	20,530	–
Inventories	44	–
Other receivables, deposits and prepayments	233	–
Cash and cash equivalents	16	–
Other payables and accruals	(13,833)	–
Short-term bank loans	(4,686)	–
Net assets	2,304	–
Reserves released:		
Exchange reserves	(1,476)	–
	828	–
Gain on disposal *(note)*	7,663	–
	8,491	–
Satisfied by:		
Cash consideration of RMB1	–	–
Assumption of the Company's liabilities	8,491	–
	8,491	–

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary.

	2005 HK$'000	2004 HK$'000
Cash consideration of RMB1 received	–	–
Cash and cash equivalents disposed of with a subsidiary	16	–
Net outflow of cash and cash equivalents in respect of the disposals of a subsidiary	16	–

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

(a) Net cash outflow from disposal of a subsidiary *(Continued)*

Note:

On 13 August 2003, the Company entered into a sale 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 issued registered capital of Fairyoung (Heilongjiang) Industry Company Limited ("HLJ"), a wholly-owned subsidiary which was engaged in skiing operation, for a consideration of RMB9,000,000 (approximately HK$8,491,000) with an option to acquire the remaining 80% of the capital of HLJ for a consideration of RMB29,200,000 (approximately HK$27,500,000) within a one-year period until 12 August 2004. The 2003 Purchaser paid the consideration of RMB9,000,000, however, the documentation for the transfer of the 20% of the issued registered 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 registered capital of HLJ, the 2003 Purchaser could return the 20% of the issued registered capital of HLJ to the Company and the Company had to return the consideration of RMB9,000,000 to the 2003 Purchaser.

On 4 February 2005, the Company entered into a new sale 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 registered 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 the HLJ's obligation to return RMB9,000,000 (approximately HK$8,491,000) to the 2003 Purchaser as a result of revocation of the 2003 Agreement and of the Company's responsibility to repay the 2003 Purchaser an amount of RMB1,000,000 (approximately HK$940,000), 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 circular dated 24 June 2005.

(b) Major non-cash transactions

During the year, the Group had the following significant major non-cash transactions:

(i) On 4 February 2005, the Company's liabilities of RMB9,000,000 (approximately HK$8,491,000) were released upon disposal of a subsidiary (note 35(a)).

(ii) On 6 July 2005, amount due from a jointly controlled entity of RMB402,000 (approximately HK$387,000) were waived upon disposal of the interest in a jointly controlled entity (note 19).

36. CONTINGENT LIABILITIES

(a) Guarantees

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in respect of mortgage loans made to the purchasers of the Group's properties under development	**195,272**	193,679	**–**	–

(b) Compensations

As mentioned in note 31, the buyers of the properties of a subsidiary of the Company would be eligible for compensation of 0.02% per day on deposits paid until the assignment of the properties purchased. A provision for compensation of approximately HK$13,714,000 has been made in the financial statements for claims up to 31 December 2005. As at the date of this report, the date of assignment of the properties has not been determined, apart from the provision which have already been made, the Company is unable to quantify its financial effect subsequent to 31 December 2005.

According to the terms of Pre-sale Contracts, the buyers of the properties of the subsidiary are eligible to cancel the contracts when the date of assignment is delayed for more than 90 days. Up to the date of the approval of the financial statements, no buyers requested for the cancellation of the contracts.

37. COMMITMENTS

(a) As at 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases are payable in respect of land and buildings as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**314**	968
In the second to fifth years, inclusive	**–**	293
	314	1,261

37. COMMITMENTS

(b) Capital commitments outstanding at balance sheet date not provided for in the financial statements were as follows:

	The Group	
	2005	2004
	HK$'000	HK$'000
Contracted for	**21,970**	25,425
Authorised but not contracted for	**12,170**	7,567
	34,140	32,992

38. DISTRIBUTABLE RESERVES

At 31 December 2005, the Company did not have any reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance. However, the Company's share premium account and capital redemption reserve in an aggregate amount of HK$63,580,000 (2004: HK$63,580,000) may be distributed in the form of fully paid bonus shares.

39. LITIGATION

Apart from the legal cases as stated in note 31 to the financial statements, the Group had the following litigation during the year.

On 9 September 2005, a subsidiary of the Company (the "Subsidiary") served a writ in Hong Kong on a former chairman and executive director of the Company, Mr. Chan Boon Ning, John ("Mr. Chan") claiming an amount of HK$67,000,000, being the personal guarantee given by Mr. Chan on the recoverability of long term deposits made by the Subsidiary, via intermediaries, to certain companies established in Mainland China (the "PRC companies") in 1998. The deposits made were to be refundable and were intended to be used to finance investment projects of the Group. None of the intended investment projects crystallized and the deposits were not refunded by either the PRC companies or Mr. Chan since payments made in 1998. A full provision of HK$67,000,000 was made by the Group in 2001.

40. CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following related party transactions.

(a) Connected transactions

	Notes	**2005 HK$'000**	2004 HK$'000
Management fee paid to the major shareholder	(i)	**2,310**	1,700
Loan interest expenses paid to the major shareholder	(ii)	**986**	453
Loan interest expenses paid to the fellow subsidiary of the major shareholder	(iii)	**794**	–

(i) On 2 November 2002, the Company entered into an agreement with the major shareholder whereby the shareholder would assist the Company by seconding staff members to manage and advise on the Company's development. The maximum secondment fee would 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 paid was limited to a maximum of HK$416,000 per month or HK$5,000,000 per annum. On 8 September 2005, the Company signed a supplemental agreement with the major shareholder pursuant to which the management fee paid was limited to a maximum of HK$291,667 per month or HK$3,500,000 per annum and the term of the agreement was for one year retrospective from 26 February 2005.

(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 would grant the Company loan facilities up to a maximum of HK$9,000,000 for a period of 12 months. The loans were 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 would grant the Company loan facilities up to a maximum of HK$25,020,000 for a period of 12 months. The loans were 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 would grant the Company loan facilities up to a maximum of HK$18,000,000 for a period of 12 months. The loans were unsecured and bearing interest at 5% per annum.

On 1 September 2005, the Company entered into a third supplementary loan agreement with the major shareholder. Under the terms of the third supplementary loan agreement, the major shareholder would grant the Company loan facilities up to a maximum of HK$5,000,000 for a period of 12 months. The loans were unsecured and bearing interest at prime rate per annum, as at the year ended date, the prime rate at 7.75%.

During the year, total loans of approximately HK$8,545,000 (2004: HK$11,730,000) were drawn down under the loan agreements.

40. CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Connected transactions *(Continued)*

(iii) On 18 July 2005, 30 September 2005 and 1 November 2005, a subsidiary entered into three loan agreements of RMB25,000,000 (approximately HK$24,038,000), RMB3,000,000 (approximately HK$2,885,000) and RMB1,000,000 (approximately HK962,000) respectively with a fellow subsidiary of the major shareholder. The loans were unsecured and bearing interest at 6.58% per annum and repayable within 1 year.

(b) Related party transactions

	2005 **HK$'000**	2004 HK$'000
Sales of residential properties to directors *(Note)*	–	3,175

Note: In 2004, Fairyoung (Shanghai) Properties Limited sold residential properties to certain directors, Mr. Chen Jung Hsin, Mr. Lam Wai Kit and Mr. Liang Jianhua (a former director) at approximately HK$1,007,000, HK$1,147,000 and HK$1,021,000 respectively. The selling prices were determined after arm's length negotiation between the parties concerned.

41. NON-ADJUSTED POST BALANCE SHEET EVENTS

(i) On 13 January 2006, the Company entered into a loan agreement with Madex. Under the terms of the loan agreement, Madex shall grant the Company loan facilities up to a maximum of HK$10,000,000 for a period of 12 months. The loans are unsecured and are currently bearing interest at prime rate per annum quoted by the Bank of China (Hong Kong) Limited.

(ii) On 17 February 2006, the Company entered into a loan agreement with Madex. Under the terms of the loan agreement, Madex shall grant the Company loan facilities up to a maximum of HK$10,000,000 for a period of 12 months. The loans are unsecured and are currently bearing interest at prime rate per annum quoted by the Bank of China (Hong Kong) Limited.

(iii) On 6 March 2006, the Company entered into a loan agreement with Madex. Under the terms of the loan agreement, Madex shall grant the Company loan facilities up to a maximum of HK$10,000,000 for a period of 12 months. The loans are unsecured and are currently bearing interest at prime rate per annum quoted by the Bank of China (Hong Kong) Limited.

42. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of changes in accounting policies and/or to conform with current year's presentation.