1. General information

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 9. During the year, the Company acquired control of Top Pro Group, which is engaged in retail and distribution of consumer products and provision of media management services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Unit 2201-2, 22/F., ING Tower, 308 Des Voeux Road Central, Hong Kong.

In the opinion of the directors, Group First Limited, a company incorporated in the British Virgin Islands, is the immediate holding company and the ultimate holding company of the Company. Group First Limited is a private company beneficially owned and controlled by Mr. Ni Xinguang and Mr. Wang Zhiming as to 60% and 40% respectively.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 April 2006.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

As at 31 December 2005, the Group had net current liabilities of HK$22,207,000, reported a loss attributable to equity holders of the Company of HK$16,572,000 and a net cash outflow from operating activities of HK$4,340,000 for the year ended 31 December 2005. The directors have on one hand continued to tighten cost controls over operating costs to improve the cash flows and profitability of the Group and on the other hand actively pursue fund raising exercises in the capital market to meet its future expansion requirement. Subsequent to the balance sheet date, the Company had successfully raised HK$50 million, on net basis, through the issuance of new shares which thereby substantially strengthened the financial and working capital position of the Group. Therefore, the consolidated financial statements for the year ended 31 December 2005 are prepared on a going concern basis.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. Summary of significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

Adoption of new and revised HKFRSs

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:-

- share-based payments (HKFRS 2); and
- business combinations (HKFRS 3)

The impact of these changes in accounting policies is discussed below. The impact on basic and diluted loss per share for current year is discussed in Note 2(b).

In summary:

– HKAS 1 affects the presentation of minority interests and other disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognitions and measurement of hedging activities.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for employee share options. Prior to this, the provision of share options to employees (including executive directors) did not result in an expense in the consolidated income statement. Upon the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods/expensed to the consolidated income statement.

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by using a Black-Scholes Option Pricing Model.

2. Summary of significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The effects of adopting HKFRS 2 on the Group's share options granted to employees after 7 November 2002 but had not vested by 1 January 2005 are summarised in Note 2(b). Comparative amounts have been restated in accordance with HKFRS 2.

The new accounting policy for employee share options are summarised in Note 2(q)(iii).

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

– Amortised on a straight line basis over a period ranging from 5 to 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 (Note 2(f)):

– 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;

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

All changes in the accounting policies have been made in accordance with transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of fixed assets acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

2. Summary of significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after 1 January 2005.

At the date of authorisation of these financial statements, the following new standards and interpretations were in issue but not yet effective:

HKAS 1(Amendment)	Capital Disclosures
HKAS 19(Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21(Amendment)	Net investment in a Foreign Operation
HKAS 39(Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39(Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

2. Summary of significant accounting policies *(continued)*

(b) Summary of the effects of the changes in accounting policies regarding the adoption of HKFRS 2 is as follows:

The adoption of HKFRS 2 resulted in:

	2005	2004
	HK$'000	HK$'000
Increase in accumulated losses and loss for the year	**(5,778)**	–
Increase in employee share-based compensation reserve	**5,778**	–
Increase in basic loss per share	**(0.2) cents**	–

(c) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (see Note 2(f)).

2. Summary of significant accounting policies *(continued)*

(c) Consolidation *(continued)*

Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Segment reporting

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

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, properties under development, properties held for resale, goodwill, inventories and receivables. Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Segment revenue, expenses, results, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

In respect of geographical segment reporting, sales are based on the countries in which customers are located. Total assets and capital expenditure are based on where the assets are located.

2. Summary of significant accounting policies *(continued)*

(e) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedgers of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. Summary of significant accounting policies *(continued)*

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(h) Fixed assets

Fixed assets are stated at cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate cost less estimated residual values over their estimated useful lives at annual rates as follows:

Leasehold improvements	over the lease term
Furniture, fixtures and office equipment	20%
Call centre system	20%
Plant and equipment	10%
Motor vehicles	10%

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)).

2. Summary of significant accounting policies *(continued)*

(i) Properties under development

Properties under development are investments in land and buildings on which development work has not been completed and which, upon completion, management intend to hold for investment purposes. These properties are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the properties are transferred to investment properties.

(j) Investments

In prior years, the Group classified its club membership, other than investments in subsidiaries, as long-term investments.

Long-term investments are stated at cost less any provision for impairment losses.

From 1 January 2005 onwards, the Group classifies its long-term investments as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(k) Properties held for resale

Properties held for resale transferred from non-current assets to current assets are stated at the lower of the carrying value of the asset, as stated under its original classification, and net realisable value. Net realisable value is determined by reference to management's estimate of the selling price based on the prevailing market conditions, less any material estimated costs to be incurred on disposal.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods comprises other direct costs. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of sales and the estimated costs necessary to make the sale.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. A allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the consolidated income statement.

2. Summary of significant accounting policies *(continued)*

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheets.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction cost are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional rights to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The Group contributes to Mandatory Provident Fund Scheme ("MPF Scheme") which is available to all employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employees' basic salaries. Payments made to the MPF Scheme are charged as an expense to the consolidated income statement as they fall due.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on applicable rates in accordance with the relevant government regulations.

2. Summary of significant accounting policies *(continued)*

(q) Employee benefits *(continued)*

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(r) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Summary of significant accounting policies *(continued)*

(r) Taxation *(continued)*

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

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

(s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the period of the lease.

(u) Revenue recognition

Revenue mainly comprises the fair value for the sale of goods, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised in the consolidated income statement as follows:

2. Summary of significant accounting policies *(continued)*

(u) Revenue recognition *(continued)*

(i) 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.

(ii) Revenue from media management services is recognised when the services are rendered.

(iii) Rental income is recognised on a time proportion basis in accordance with the terms and conditions of the tenancy agreement.

(iv) Income on property sales is recognised when the legally binding sales contracts are signed and completed or when a contract which gives rise to the effect of a deemed disposal of property is duly completed.

(v) Interest income from bank deposits is accrued on a time proportion basis using the effective interest method.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

(w) Related party transactions

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (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 for the benefit of employees of the Group or of any entity that is a related party of the Group.

3. Financial risk management

The Group's principal financial instruments include borrowings, trade and other receivables, and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2005 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables. The Group has policies in place to ensure that wholesale of products are made to recognised and creditworthy customers with an appropriate credit history. Sales to retail customers are made in cash to the logistic provider who received on the Group's behalf upon delivery of goods and reimburse the fund so collected within 15 to 45 days. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At the balance sheet date, 29% of the total trade receivables of the Group were due from a logistic provider with strong governmental background and 43% of the total trade receivables were due from a distributor for services rendered which are still within its approved credit period. Save as above, there were no significant concentrations of credit risk at the balance sheet date.

b) Currency risk

The Group does not have any significant transactional currency exposures as nearly all of the sales and purchases by each segment are denominated in the same functional currency of the segment. The Group may however exposed to a conversion risk associated with Renminbi, which is not freely convertible into other foreign currencies, as substantially all the operation of its health product segment and retail and media management segment are transacted in Renminbi.

3. Financial risk management *(continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Board aims to maintain flexibility in funding by keeping a minimum level of cash reserve together with committed credit lines available.

(d) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long term borrowings. Borrowings issued at variable rates may expose the Group to cash flow interest-rate risk. However, the existing Group policy is to maintain a higher level of borrowing in variable rate instruments in order to capture the potential downturn of the interest rate cycle. At the year end, all the long term borrowings were at variable rate.

4. Critical accounting judgement and key sources of estimation uncertainty

Critical judgement in applying the accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Consolidation

As stated in Note 2(c), subsidiaries are fully consolidated from the date on which control is assumed by the Group. During the year, the Company entered into an acquisition agreement for the purchase of a 100% stake in an investment company, whose principal assets is an indirect investment in a company incorporated in the PRC and engaging in the retail and distribution of consumer products in the PRC. Despite the transaction was only legally completed after the balance sheet date, the investment company, together with its direct and indirect subsidiaries, has been consolidated to the Group as from 1 November 2005 onwards, on which date the Board believed the Group has assumed the control of the PRC company through the establishment of a management committee in which the representatives from the Group held a majority.

4. Critical accounting judgement and key sources of estimation uncertaintyt *(continued)*

Key sources of estimation uncertainty

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:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was HK$28,422,000 (2004: HK$Nil). Details of the impairment evaluation are provided in Note 10.

Income taxes

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are occasions that the tax policy currently adopted by an entity may be subject to review based on subsequent interpretations or for administrative reasons with retrospective effect. The Group recognises liabilities for the different in tax policy on the most prudent ground by assuming the worst scenario would be resulted. Where the final tax outcome of these inconsistencies is different from the amounts that were initially recorded, such differences will impact the income tax in the period when such determination is made.

5. Turnover

The principal activity of the Company during the year was investment holding. The principal activities of the subsidiaries during the year are set out in Note 9.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	The Group	
	2005	2004
	HK$'000	HK$'000
Turnover		
Proceeds on disposal/deemed disposal of properties (Note 12)	**8,380**	10,600
Rental income	**77**	1,461
Manufacture and distribution of cosmetic and health products	**1,778**	18,916
Retail and distribution of consumer products	**8,019**	–
Media management service fees	**4,836**	–
	23,090	30,977

6. Segmental information

Business segments

During the year the Group had the following business segments:

- Property investment – property holding, investment and re-development
- Health products – manufacture and distribution of cosmetic and health products
- Retail and media management – retail and distribution of consumer products and provision of media management services

6. Segmental information *(continued)*

Business segments *(continued)*

Information about these business segments for the year ended 31 December 2005 is presented as follows:

	Property investment 2005 HK$'000	Health products 2005 HK$'000	Retail and media management 2005 HK$'000	Other operations 2005 HK$'000	Group 2005 HK$'000
Turnover	8,457	1,778	12,855	–	23,090
Segment results	(5,017)	(2,611)	5,910	178	(1,540)
Unallocated revenue					8
Unallocated expenses					(13,296)
Operating loss					(14,828)
Finance costs					(530)
Loss before taxation					(15,358)
Taxation					(1,967)
Loss for the year					(17,325)
Minority interests					753
Loss attributable to the equity holders of the Company					(16,572)
Segment assets	13,874	3,690	48,255	93	65,912
Unallocated assets					1,377
Total assets					67,289
Segment liabilities	(11,940)	(145)	(13,090)	(117)	(25,292)
Unallocated liabilities					(40,236)
Total liabilities					(65,528)
Other segment information:					
Capital expenditure	848	107	2	19	976
Depreciation	(1)	(60)	(82)	(47)	(190)
Bad debts/impairment charges	(4,823)	(886)	(8)	–	(5,717)
Reversal of write down of properties held for resale	1,200	–	–	–	1,200
Other non-cash expenses	–	–	–	–	–

There are no sales or other transactions between the business segments.

6. Segmental information *(continued)*

Business segments *(continued)*

Information about these business segments for the year ended 31 December 2004 is presented as follows:

	Property investment 2004 HK$'000	Health products 2004 HK$'000	Other operations 2004 HK$'000	Group 2004 HK$'000
Turnover	12,061	18,916	–	30,977
Segment results	140,693	2,668	14	143,375
Unallocated revenue				6
Unallocated expenses				(6,141)
Operating profit				137,240
Finance costs				(3,419)
Profit before taxation				133,821
Taxation				–
Profit for the year				133,821
Minority interests				(847)
Profit attributable to the equity holders of the Company				132,974
Segment assets	24,233	8,744	997	33,974
Unallocated assets				1,711
Total assets				35,685
Segment liabilities	(10,057)	(1,174)	(2,347)	(13,578)
Unallocated liabilities				(8,949)
Total liabilities				(22,527)
Other segment information:				
Capital expenditure	269	133	12	414
Depreciation	–	(7)	(52)	(59)
Bad debts/impairment charges	–	(359)	–	(359)
Write down of properties held for resale	(3,620)	–	–	(3,620)
Other non-cash expenses	–	–	–	–

There are no sales or other transactions between the business segments.

6. Segmental information *(continued)*

Geographical segments

The following table presents turnover and certain assets and expenditure information for the Group's geographical segments for the years ended 31 December 2004 and 2005:

	2005		2004	
	Hong Kong	**PRC**	Hong Kong	PRC
	HK$'000	**HK$'000**	HK$'000	HK$'000
Turnover	**8,457**	**14,633**	12,061	18,916
Other segment information:				
Segment assets	**15,344**	**51,945**	26,764	8,921
Capital expenditure	**867**	**109**	281	133

7. Fixed assets

The Group

	Construction in progress- call centre system HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Call centre system HK$'000	Plant and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2004							
Cost	–	128	101	–	–	–	229
Accumulated depreciation	–	(36)	(46)	–	–	–	(82)
Net book value	–	92	55	–	–	–	147
Year ended 31 December 2004							
Opening net book value	–	92	55	–	–	–	147
Additions	–	–	64	–	32	49	145
Depreciation	–	(26)	(30)	–	(1)	(2)	(59)
Closing net book value	–	66	89	–	31	47	233
At 31 December 2004							
Cost	–	128	165	–	32	49	374
Accumulated depreciation	–	(62)	(76)	–	(1)	(2)	(141)
Net book value	–	66	89	–	31	47	233
Year ended 31 December 2005							
Opening net book value	–	66	89	–	31	47	233
Exchange differences	–	–	1	–	1	1	3
Acquisition of a subsidiary	339	–	1,021	992	–	254	2,606
Additions	–	75	61	–	1	–	137
Depreciation	–	(63)	(70)	(39)	(3)	(15)	(190)
Disposals	–	–	(7)	–	–	–	(7)
Closing net book value	339	78	1,095	953	30	287	2,782
At 31 December 2005							
Cost	339	203	1,239	992	34	304	3,111
Accumulated depreciation	–	(125)	(144)	(39)	(4)	(17)	(329)
Net book value	339	78	1,095	953	30	287	2,782

7. Fixed assets *(continued)*

	The Company		
	Leasehold improvements HK$'000	**Office equipment** HK$'000	**Total** HK$'000
At 1 January 2004			
Cost	128	101	229
Accumulated depreciation	(36)	(46)	(82)
Net book value	92	55	147
Year ended 31 December 2004			
Opening net book value	92	55	147
Additions	–	12	12
Depreciation	(26)	(26)	(52)
Closing net book value	66	41	107
At 31 December 2004			
Cost	128	113	241
Accumulated depreciation	(62)	(72)	(134)
Net book value	66	41	107
Year ended 31 December 2005			
Opening net book value	66	41	107
Additions	–	19	19
Depreciation	(26)	(21)	(47)
Closing net book value	40	39	79
At 31 December 2005			
Cost	128	132	260
Accumulated depreciation	(88)	(93)	(181)
Net book value	40	39	79

8. Properties under development

	The Group HK$'000
Year ended 31 December 2004	
Beginning of the year	5,556
Additions	269
End of the year	5,825
Year ended 31 December 2005	
Beginning of the year	5,825
Additions	839
Impairment losses	(4,803)
End of the year	1,861

Notes:

(a) The properties under development are held on leases of between 10 to 50 years in Hong Kong. The value of land portion cannot be splited.

(b) The properties under development are pledged to a loan facility of HK$9,000,000 granted by an independent third party to the Group. At 31 December 2005, the Group utilised the loan facility of HK$3,097,000 (Note 20(a)).

9. Interests in subsidiaries

	The Company	
	2005 HK$'000	2004 HK$'000
Unlisted, at cost	**38,656**	12,738
Loans to subsidiaries	**833,509**	861,338
	872,165	874,076
Less: Impairment losses	**(845,927)**	(870,545)
	26,238	3,531

The loans to subsidiaries are unsecured, interest free and will not be repayable within the next twelve months.

9. Interests in subsidiaries *(continued)*

Details of subsidiaries which, in the opinion of the directors of the Company, materially contributed to the results of the Group or held a material portion of assets or liabilities of the Group are set out below. To give full details of subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held
Direct subsidiaries				
Cheong Wa Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	100 ordinary shares of HK$1 each	70%
Day Success Company Limited	Hong Kong, limited liability company	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Marson Development Limited	Hong Kong, limited liability company	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Top Pro Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Indirect subsidiaries				
Henrich Development Limited	Hong Kong, limited liability company	Property re-development in Hong Kong	10,000 ordinary shares of HK$1 each	95%
Fuzhou Landun Science of Life Co., Ltd ("Fuzhou Landun")	The PRC, wholly-foreign owned enterprise with limited liability	Manufacture and distribution of cosmetic and health products	HK$10,000,000*	70%
Shanghai Pei Lian Trading Company Limited 上海佩蓮商貿有限公司 ("Shanghai Pei Lian")	The PRC, wholly-foreign owned enterprise with limited liability^^	Retail and distribution of consumer products, and provision of media management services in the PRC	RMB3,000,000**	100%
Smartest Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	100%

* The registered capital of Fuzhou Landun is HK$10,000,000 and HK$5,000,000 has been paid up as at 31 December 2005.

** The registered capital of Shanghai Pei Lian is RMB3,000,000 and RMB500,000 has been paid up as at 31 December 2005.

^^ The legal entity of Shanghai Pei Lian was approved by the Ministry of Commerce of the PRC (中華人民共和國國家商務部) as wholly-foreign owned enterprise on 20 December 2005. The business licence of the aforesaid changes has not yet been issued up to the date of this report.

None of the subsidiaries has issued any debt securities.

10. Goodwill

	The Group HK$'000
Year ended 31 December 2005	
Acquisition of a subsidiary (Note 36) and closing net book amount	28,422
At 31 December 2005	
Cost and net book amount	28,422

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the Group's cash-generating unit ("CGU") of retail and distribution of consumer products and the provision of media management services, which is a reportable segment, for impairment testing. The Group tests goodwill annually for impairment, or more frequently if there are indication that goodwill might be impaired.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the operation unit head. The discount rate applied to cash flow projections is 12% and cash flows beyond the five-year period are extrapolated using a growth rate of 8% which does not exceed the average long-term growth rate for the general PRC retail business in which the CGU operates.

Key assumptions were used in the value-in-use calculation of the CGU for 31 December 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the relevant units.

11. Available-for-sale financial assets

	The Group 2005 HK$'000
Beginning of the year	**997**
Disposal of a subsidiary	**(997)**
End of the year	**–**

	The Group 2005 HK$'000	The Group 2004 HK$'000
Club debentures	**–**	997

12. Properties held for resale

	The Group 2005 HK$'000	The Group 2004 HK$'000
At 1 January	**16,880**	31,100
Disposals	**(8,380)**	–
Delivery of possession to a bank	**–**	(10,600)
Reversal of write down/(write down)	**1,200**	(3,620)
At 31 December	**9,700**	16,880

An analysis of the carrying value of properties held for resale is as follows:

	The Group 2005 HK$'000	The Group 2004 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**–**	8,380
Leases of between 10 to 50 years	**9,700**	8,500
	9,700	16,880

(i) At 31 December 2005, the carrying value of properties held for resale that was carried at net realisable value amounted to HK$9,700,000 (2004: HK$16,880,000).

(ii) At 31 December 2005, the properties held for resale with carrying value of HK$9,700,000 (2004: HK$8,500,000) were pledged to a bank as a security for trade payables of HK$2,089,000 (2004: HK$1,710,000).

13. Inventories

	The Group	
	2005	2004
	HK$'000	HK$'000
Finished goods	**2,232**	890

14. Trade and other receivables

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (Note)	**11,324**	2,748	**22**	22
Other receivables	**20,367**	18,414	**42**	79
Less: allowance for doubtful debts	**(17,641)**	(17,365)	**–**	–
	2,726	1,049	**42**	79
Prepayments and deposits	**4,239**	1,878	**110**	110
	18,289	5,675	**174**	211

Note: The Group's turnover included consideration received/realised on the disposal/deemed disposal of properties and rental income which are paid in accordance with the terms of the respective agreements, with rental income normally due on the first day of the month. The other portion of the turnover is the invoiced amounts of products sold or services rendered. The payment term of the sales to distributors in the health products segment is normally from 30 to 60 days. Sales to retail customers in the retail and media management segment are on cash-on-delivery basis to the logistic providers who received on the Group's behalf upon delivery of goods and reimburse the fund so collected within 15 to 45 days. The payment terms of media management services provided are normally at 180 days.

As at 31 December 2005, the ageing analysis of the trade receivables was as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current – 60 days	**8,915**	378	**–**	–
61 – 90 days	**75**	277	**–**	–
Over 90 days	**2,334**	2,093	**22**	22
	11,324	2,748	**22**	22

The Group has recognised a loss of HK$625,000 (2004: HK$Nil) for the impairment of its trade receivables during the year ended 31 December 2005. The loss has been included in other operating expenses in the consolidated income statement.

15. Bank and cash balances

At 31 December 2005, HK$1,973,000 (approximately RMB2,052,000) (2004: HK$690,000 (approximately RMB731,000)) of the Group's bank and cash balances were demominated in Renminbi and kept in the PRC. The conversion of Renminbi into foreign currencies and the remittance of these funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

At 31 December 2005, HK$1,214,000 of the Group's bank balance in Hong Kong was under the bank mnitoring, pending for the outcome of the hearing in respect of a winding up petition (the "Petition") filed against the Company by a former director. Subsequent to the balance sheet date, a court order (the "Order") has been released that the Petition be dismissed and the aforesaid bank balance was re-activated (Note 38(a)).

16. Share capital

	No. of shares '000	**HK$'000**
Authorised:		
Ordinary shares of HK$0.10 (2004: HK$0.10) each		
At 31 December 2004 and 2005	16,000,000	1,600,000
Issued and fully paid:		
Ordinary shares of HK$0.10 (2004: HK$0.10) each		
At 1 January 2004	362,792	36,279
Issue of shares (Note (a))	3,360,000	336,000
At 31 December 2004 and 31 December 2005	3,722,792	372,279

During 2004, the following transactions in respect of the share capital of the Company took place:

(a) On 12 January 2004, the lender of a loan of HK$5,000,000 executed the subscription agreement, and subscribed for 500,000,000 shares of the Company at HK$0.10 each. The subscription shares were issued together with 1,500,000,000 bonus shares on the basis of three bonus shares for each share subscribed by the lender.

On 10 January 2004 and 13 January 2004, the Company entered into four loan capitalisation agreements with four of its creditors in respect of a total outstanding loan amount of HK$34,000,000. Pursuant to the loan capitalisation agreements, 340,000,000 shares of the Company at HK$0.10 each were issued to the creditors. The capitalisation shares were issued together with 1,020,000,000 bonus shares on the basis of three bonus shares for each share subscribed by the creditors.

17. Share options

On 28 May 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "2004 Share Option Scheme").

2004 Share Option Scheme

Under the 2004 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the board of directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules.

Options to subscribe for 144,000,000 option shares of the Company have been granted to directors and a key employee of the Company under the 2004 Share Option Scheme. The 2004 Share Option Scheme will expire on 27 May 2014.

Details of the movement of the share options under the 2004 Share Option Scheme are as follows:

	2005		2004	
	Exercise price in HK$ per share	**Options**	Exercise price in HK$ per share	Options
At 1 January	**0.113**	**144,000,000**	–	–
Granted during the year	**–**	**–**	0.113	144,000,000
At 31 December (Note (a))	**0.113**	**144,000,000**	0.113	144,000,000

No share options were exercised, forfeited, cancelled or lapsed during the years 2004 and 2005.

(a) Terms of share options at the balance sheet date were as follows:

Exercise period	**Exercise price HK$**	**2005 Number**	2004 Number
24 June 2005 to 23 December 2007	0.113	**70,000,000**	70,000,000
27 June 2005 to 26 December 2007	0.113	**74,000,000**	74,000,000
		144,000,000	144,000,000

18. Other reserves

(a)

	The Group				
	Share premium	Employee share-based compensation reserve	Special capital reserve	Exchange reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	318,267	–	726,699	–	1,044,966
Issue of shares	(1,872)	–	–	–	(1,872)
Issue of bonus shares (Note 16(a))	(252,000)	–	–	–	(252,000)
At 31 December 2004	64,395	–	726,699	–	791,094
At 1 January 2005	64,395	–	726,699	–	791,094
Currency translation differences	–	–	–	134	134
Employee share-based compensation benefits	–	5,778	–	–	5,778
At 31 December 2005	64,395	5,778	726,699	134	797,006

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

The application of the special capital reserve is subject to the court order granted by the High Court of Hong Kong SAR. Pursuant to the High Court Order dated 20 November 2002, as long as the Company shall remain a listed company, the balances shall be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Hong Kong Companies Ordinance (Cap. 32) or any statutory re-enactment or modification thereof provided that (1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied; and (2) the amount standing to the credit of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as a result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits.

18. Other reserves *(continued)*

(b)

	The Company			
	Share premium	Employee share-based compensation resserve	Special capital reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	318,267	–	726,699	1,044,966
Issue of shares	(1,872)	–	–	(1,872)
Issue of bonus shares (Note 16(a))	(252,000)	–	–	(252,000)
At 31 December 2004	64,395	–	726,699	791,094
At 1 January 2005	64,395	–	726,699	791,094
Employee share-based compensation benefits	–	5,778	–	5,778
At 31 December 2005	64,395	5,778	726,699	796,872

At 31 December 2005 the aggregate amount of reserves available for distribution to equity holders of the Company was HK$Nil (2004: HK$Nil).

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

The application of the special capital reserve is subject to the court order granted by the High Court of Hong Kong SAR (Note 18(a)).

19. Trade and other payables

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (Note (a))	**6,491**	2,464	**–**	–
Other payables and accruals (Note (b))	**32,368**	6,603	**27,572**	5,729
Deposits received	**189**	1,770	**–**	–
Due to directors (Note (c))	**1,574**	553	**1,133**	553
	40,622	11,390	**28,705**	6,282

Notes:

(a) At 31 December 2005, the ageing analysis of the trade payables was as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current – 60 days	**871**	818	**–**	–
61 – 90 days	**36**	34	**–**	–
Over 90 days	**5,584**	1,612	**–**	–
	6,491	2,464	**–**	–

(b) The other payables and accruals of the Group and the Company included consideration of HK$20,000,000 (2004: HK$Nil) to be paid on business combination. After the balance sheet date, the consideration was settled through loan from a shareholder.

(c) The amounts due to directors are unsecured, interest free and have no fixed terms of repayment.

20. Borrowings

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Other loans, secured (Note (a))	**3,097**	–	**–**	–
Other loans, unsecured (Note (b))	**3,000**	–	**–**	–
Loan from a minority shareholder (Note (c))	**3,000**	–	**–**	–
	9,097	–	**–**	–
Current				
Bank loans, secured (Note (d))	**–**	4,493	**–**	4,493
Other loans, unsecured (Note (e))	**4,706**	6,144	**521**	–
Loan from a shareholder (Note (f))	**5,800**	–	**7,700**	–
Loan from a director	**–**	500	**–**	500
	10,506	11,137	**8,221**	4,993
Total borrowings	**19,603**	11,137	**8,221**	4,993

Notes:

(a) The other loan is secured by the project of the properties under development of the Group (Note 8), interest bearing at the prime rate of The Hongkong and Shanghai Banking Corporation (the "HSBC") from time to time and is repayable on 29 April 2008.

(b) The unsecured other loan is interest bearing at the prime rate of the HSBC from time to time and is repayable on or before 29 April 2007.

(c) The loan from a minority shareholder is unsecured, interest bearing at the prime rate of the HSBC from time to time and is repayable on or before 29 April 2007.

(d) The loan was fully repaid upon disposal of a pledged property during the year.

(e) The unsecured other loan to the extent of HK$521,000 is interest bearing at 4% per annum and repayable on or before 31 December 2005. The loan has been extended for another three months and is interest bearing at the prime rate of the HSBC from time to time. The remaining balance is interest free and has no fixed terms of repayment.

(f) The Company obtained a loan facility of HK$30,000,000 from a shareholder, which is unsecured, interest at prime rate or below of the HSBC and is repayable in 6 months from draw date. Subject to the pre approval of the lender, the loan can be extended for another 12 months upon the first maturity date.

20. Borrowings *(continued)*

The maturity of borrowings is as follows:

	The Group						The Company					
	Bank borrowings		Other loans		Loan from a minority shareholder/ shareholder/ director		Bank borrowings		Other loans		Loan from a minority shareholder/ shareholder/ director	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Within 1 year	**-**	4,493	**4,706**	6,144	**5,800**	500	**-**	4,493	**521**	-	**7,700**	500
Between 1 and 2 years	**-**	-	**3,000**	-	**3,000**	-	**-**	-	**-**	-	**-**	-
Between 2 and 5 years	**-**	-	**3,097**	-	**-**	-	**-**	-	**-**	-	**-**	-
	-	4,493	**10,803**	6,144	**8,800**	500	**-**	4,493	**521**	-	**7,700**	500

The effective interest rates at the balance sheet date were as follows:

	2005 HK$	2004 HK$
Bank borrowings	**N/A**	4.45%
Other loans	**6.11%**	N/A
Loan from a minority shareholder	**6.11%**	N/A
Loan from a shareholder	**6%**	N/A
Loan from a director	**N/A**	4%

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2005	2004	**2005**	2004
Loan from a minority shareholder	**3,000**	–	**2,766**	–
Other loans	**6,097**	–	**5,453**	–
	9,097	–	**8,219**	–

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 6.11% for loan from a minority shareholder and other loans (2004: N/A).

The carrying amounts of short-term borrowings approximate their fair value.

20. *Borrowings (continued)*

The carrying amounts of the borrowings are denominated in the following currencies:

	The Group		The Company	
	2005	2004	**2005**	2004
Hong Kong dollar	**15,418**	11,137	**8,221**	4,993
Renminbi	**4,185**	–	**–**	–
	19,603	11,137	**8,221**	4,993

The Group has the following undrawn borrowing facilities:

	2005 HK$'000	2004 HK$'000
Floating rate		
– expiring beyond one year	**30,103**	–

The facilities have been arranged to help finance the proposed expansion of the Group's activities.

21. Other revenue

	2005 HK$'000	2004 HK$'000
Other revenue		
Interest income	**8**	6
Other income	**85**	14
	93	20

22. Gain on debts restructuring arrangements

The gain of HK$144,843,000 represented the overdrafts, loans principal and accrued interest payable of the Group waived by certain banks in 2004 in accordance with the respective terms of the debt restructuring arrangements.

23. Expenses by nature

	2005 HK$'000	2004 HK$'000
Expenses included in cost of sales, distribution costs, administrative expenses and other operating expenses are analysed as follows:		
Direct operating expenses that generate rental income	**626**	1,264
Advertising costs, net (Note)	**2,990**	–
Auditors' remuneration	**650**	550
Bad debts written off	**466**	–
Cost of inventories	**4,837**	6,569
Deposit written off	**20**	–
Depreciation on owned fixed assets	**190**	59
Employee benefit expenses (Note 28)	**10,593**	3,573
Loss on disposal of fixed assets	**6**	–
Operating lease on land and buildings	**776**	536
Allowance for bad and doubtful debts	**159**	–
Allowance for other receivables	**269**	359

Note: The amount represented advertising costs paid net of proceeds arising from unused air time sold. During the year ended 31 December 2005, the Group sold its unused air time to various independent companies in the PRC for approximately HK$3,691,000.

24. Finance costs

	2005 HK$'000	2004 HK$'000
Interest on bank loans and overdrafts	**37**	2,814
Interest on other loans wholly repayable within five years	**142**	234
Interest on loan from a shareholder	**95**	–
Interest on loan from a minority shareholder	**256**	–
Interest on loan notes	**–**	371
	530	3,419

Note: Included in interest on bank loans and overdrafts was an amount of HK$Nil (2004: HK$664,000) which related to bank overdrafts borrowed through a third party.

25. Taxation

(a) Taxation in the consolidated income statement represents:

	2005 HK$'000	2004 HK$'000
Current income tax		
– PRC taxation	**1,967**	–

No provision for Hong Kong profits tax is required for current year since each individual Hong Kong company sustained losses for taxation purposes.

The subsidiary, Fuzhou Landun operating in the PRC, is subject to enterprise income tax rate at 33% in accordance with Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法). However, pursuant to a notice issued by Fuzhou Economic & Technological Development District State Tax Bureau (福州經濟技術開發區國家稅務局), Fuzhou Landun is exempted from enterprise income tax for two years starting from the first year of profitable operation in 2004, followed by a 50% reduction for the next three years.

The subsidiary, Shanghai Pei Lian is currently subject to enterprise income tax calculated at the rate determined by the local tax authority at 4% on the invoiced amount of the retail sales. Such locally determined tax rate may in certain area inconsistent with the national tax law and may subject to a subsequent review when new interpretation of tax law or guidance note is being released or executed. On prudent measure, the taxable profit of Shanghai Pei Lian upon consolidation is provided at the standard enterprise income tax rate of 33% in accordance with Provisional Regulations of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例). The provision of tax as at 31 December 2005 in the amount of HK$5,303,000 would be reassessed at each balance sheet date and would be written back if consider excessive in future.

25. Taxation *(continued)*

(b) The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax taxation rate as follows:

	The Group	
	2005	2004
	HK$'000	HK$'000
(Loss)/Profit before taxation	**(15,358)**	133,821
Tax at domestic income tax rate of 17.5% (2004: 17.5%)	**(2,688)**	23,419
Tax effect of income that is not taxable in determining current year's taxable profits	**(254)**	(25,356)
Tax effect of expenses that is not deductible in determining current year's taxable profits	**3,563**	2,591
Tax effect of profits that is exempted from PRC tax authority	**–**	(558)
Tax effect of unrecognised temporary differences	**(72)**	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**958**	–
Tax effect of unused tax losses not recognised	**460**	–
Tax effect of utilisation of tax losses	**–**	(96)
Taxation for the year	**1,967**	–

(c) At the balance sheet date the Group and the Company has unused tax losses of HK$30,077,000 (2004: HK$27,449,000) and HK$3,739,000 (2004: HK$3,739,000) respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unused tax losses of the Group are losses of HK$664,000 (2004: HK$548,000) that have not yet agreed by Inland Revenue Department.

26. (Loss)/profit attributable to equity holders of the Company

The (loss)/profit attributable to equity holders of the Company includes a loss of HK$8,787,000 (2004: loss of HK$17,834,000) which has been dealt with in the financial statements of the Company.

27. (Loss)/Earnings per share

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year (Note 16).

	2005 **HK$'000**	2004 HK$'000
(Loss)/Profit attributable to equity holders of the Company	**(16,572)**	132,974
Weighted average number of ordinary shares in issue (thousands)	**3,722,792**	3,070,989
Basic (loss)/earnings per share	**(0.4) cents**	4 cents

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options of dilutive potential ordinary shares. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

A diluted loss per share for the year ended 31 December 2005 has not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 December 2004 is based on the Group's profit attributable to equity holders of the Company for the year of HK$132,974,000 and on 3,092,642,856 ordinary shares, being the weighed average number of 3,070,988,721 ordinary shares in issue during the year, as used in the basic earnings per share calculation plus the weighted average of 21,654,135 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

28. Employee benefit expenses

	2005 HK$'000	2004 HK$'000
Wages and salaries	**4,425**	3,504
Unutilised annual leave	**250**	–
MPF contributions	**79**	67
Pension costs	**61**	2
Employee share-based compensation benefits	**5,778**	–
	10,593	3,573

29. Retirement benefits

The Group did not operate any retirement scheme up to 30 November 2000. With effect from 1 December 2000, MPF Scheme has been set up for employees, including executive directors of the Company, in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme from 31 December 2000. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's contributions to the MPF Scheme and PRC pension scheme for PRC staff charged to the consolidated income statement during the year amounted to approximately HK$79,000 (2004: HK$67,000) and HK$61,000 (2004: HK$2,000) respectively.

30. Directors' emoluments

The remuneration of every director for the year ended 31 December 2005 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Inducement fees HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Compensation for loss of office as director HK$'000	Sub-total HK$'000	Employee share-based compensation benefits HK$'000	Total HK$'000
Executive directors:										
Mr. Ni Xinguang	-	360	-	-	-	12	-	372	1,485	1,857
Mr. Wang Zhiming (i)	-	413	-	-	-	11	-	424	1,485	1,909
Mr. Ha Shu Tong	-	960	-	-	-	12	-	972	1,404	2,376
Mr. Ng Chun Chuan, David	-	720	-	-	-	12	-	732	1,404	2,136
	-	2,453	-	-	-	47	-	2,500	5,778	8,278
Independent non-executive directors:										
Mr. Chan Wai Sum	120	-	-	-	-	-	-	120	-	120
Mr. Tang Chi Wing	120	-	-	-	-	-	-	120	-	120
Mr. Lu Wei (ii)	65	-	-	-	-	-	-	65	-	65
Mr. Lee Kit Ming, Edmund (iii)	55	-	-	-	-	-	-	55	-	55
	360	-	-	-	-	-	-	360	-	360
	360	2,453	-	-	-	47	-	2,860	5,778	8,638

(i) Mr. Wang Zhiming resigned as executive director of the Company on 11 November 2005.

(ii) Mr. Lu Wei appointed as independent non-executive director of the Company on 15 June 2005.

(iii) Mr. Lee Kit Ming, Edmund resigned as independent non-executive director of the Company on 15 June 2005.

30. Directors' emoluments *(continued)*

The remuneration of every director for the year ended 31 December 2004 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Inducement fees HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Compensation for loss of office as director HK$'000	Total HK$'000
Executive directors:								
Mr. Ni Xinguang	–	290	–	–	–	10	–	300
Mr. Wang Zhiming	–	309	–	–	–	10	–	319
Mr. Ha Shu Tong	–	1,080	–	–	–	12	–	1,092
Mr. Ng Chun Chuan, David	–	780	–	–	–	12	–	792
	–	2,459	–	–	–	44	–	2,503
Independent non-executive directors:								
Mr. Chan Wai Sum	120	–	–	–	–	–	–	120
Mr. Tang Chi Wing	120	–	–	–	–	–	–	120
Mr. Lee Kit Ming, Edmund	120	–	–	–	–	–	–	120
	360	–	–	–	–	–	–	360
	360	2,459	–	–	–	44	–	2,863

There were no director waived emoluments in 2004 and 2005.

31. Five highest paid individuals

Of the five individuals with the highest emoluments within the Group for the year, 3 (Note (iii)) (2004: 4) are directors whose emoluments are disclosed in Note 30 above. The emoluments in respect of the remaining individuals during the year are as follows:

	2005 HK$'000	2004 HK$'000
Basic salaries, allowances and benefits in kind	**843**	209
MPF contributions	**24**	11
Employee share-based compensation benefits	**1,485**	–
	2,352	220

(i) The emoluments fell within the following bands:

	Number of individuals	
	2005	2004
Emolument bands		
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**1**	–

(ii) No emoluments were paid or payable to the five highest paid individuals by the Group as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2004 and 2005.

(iii) Mr. Wang Zhiming resigned as executive director on 11 November 2005. Included in the five highest paid individuals above for the year ended in December 2005 was director's emolument of HK$1,909,000 paid to Mr. Wang Zhiming, which was included in Note 30 above.

32. Notes to the consolidated cash flow statement

Disposal/Deconsolidation of subsidiaries

	2005 HK$'000	2004 HK$'000
Net assets/(liabilities) disposed of:		
Available-for-sale financial assets	**997**	–
Trade and other payables	**–**	(44)
Net gain on disposal/deconsolidation	**253**	44
Net inflow of cash and cash equivalents in respect of the disposal/deconsolidation of subsidiaries	**1,250**	–

33. Pending litigation

At 31 December 2005, the pending litigations of the Group are as follows:

(a) On 11 November, 2004, an independent third party issued a writ of summons against the Company claiming a sum of HK$2,483,000 together with interest and costs.

(b) On 15 November, 2004, a winding up petition against the Company was served by a former executive director ("FED"). The FED demanded payment by the Company of a sum of HK$1,178,000 for allegedly arrears of wages, end of year payment, director's fees and disbursements. Subsequent to the balance sheet date, the aforesaid sum was fully paid by the Company and the Petition was dismissed. The Company has provided legal costs of HK$300,000 for the Petitioner in the captioned proceedings. (Note 38(a)).

(c) A subsidiary of the Group was involved in a District Court action as well as a High Court action in respect of certain allegedly outstanding management fees due to the plaintiffs in the amount of HK$219,000 and HK$1,821,000 respectively. The Group has duly filed or given a right to file a defence and counterclaim and the parties in both cases are currently attending to interlocutory matters. The Group has fully accrued for the said outstanding management fees as at 31 December 2005.

The Company is currently seeking legal advice on the litigations mentioned above. The directors believe that appropriate provisions have been made in the financial statements and the Company has valid defence against the above and consider that these would not have material adverse impact on the Group.

34. Commitments under operating leases

At 31 December 2005, the future aggregate minimum lease payments under non-cancellable operating leases of the Group and the Company are as follows:

Operating leases payable for the office premises

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**324**	283	**131**	243
In the second to fifth years inclusive	**–**	131	**–**	131
	324	414	**131**	374

35. Operating lease arrangements

At 31 December 2005, the future aggregate minimum lease receipts under non-cancellable operating leases of the Group and the Company are as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	105	**–**	–
In the second to fifth years inclusive	**–**	–	**–**	–
	–	105	**–**	–

36. Business combinations

On 1 November 2005, the Group effectively controlled 100% of the share capital of Top Pro Group, which is engaged in retail and distribution of consumer products and provision of media management services in the PRC. The acquired business contributed revenues of HK$12,855,000 and net profit of HK$3,944,000 to the Group for the period from 1 November 2005 to 31 December 2005. If the acquisition had occurred on 1 January 2005, the Group's turnover would have been approximately HK$54,091,000 and loss for the year would have been approximately HK$18,081,000. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, or is it intended to be a projection of future results.

Details of net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– Cash paid	5,000
– Payable upon completion of acquisition	20,000
– Direct costs relating to the acquisition	918
Total purchase consideration	25,918
Fair value of net liabilities acquired – shown as below	2,504
Goodwill (Note 10)	28,422

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Top Pro Group.

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000
Fixed assets	2,606
Inventories	3,039
Trade and other receivables	11,069
Bank and cash balances	378
Trade and other payables	(16,200)
Provision for taxation	(3,396)
Net liabilities acquired	(2,504)
Purchase consideration settled in cash	5,918
Cash and cash equivalents acquired	(378)
Cash outflow on acquisition	5,540

The carrying amount of assets and liabilities approximate their fair value.

There was no acquisition in the year ended 31 December 2004.

37. Related party transactions

(a) In the normal course of business the Group entered into the following transactions with its related parties during the year:

	2005 HK$'000	2004 HK$'000
Sales of health products to a related company (i)	-	1,466
Marketing and distribution expenses to a related company (ii)	-	566

(i) During the year 2004, the Group had sales of health products of HK$1,466,000 to 上海綠力保健品科技有限公司(「上海綠力」). Mr. Ni Xinguang, the executive director of the Company, has 10% shareholding of 上海綠力.

(ii) During the year 2004, the Group paid marketing and distribution expenses of HK$566,000 to 上海力星生化科技有限公司(「上海力星」). Mr. Wang Zhiming, the executive director of the Company in 2004, has 90% shareholding of 上海力星.

(b) At 31 December 2005, included in trade receivables of the financial statements is an amount due from a related company of HK$175,000 (2004: HK$552,000). The amount due from a related company is unsecured and payable in normal trading terms.

38 Events after the balance sheet date

(a) Subsequent to the balance sheet date, the Company fully repaid the indebtedness of HK$1,178,000 to a former executive director. The Petition was accordingly dismissed pursuant to an Order made on 20 March 2006.

(b) Subsequent to the balance sheet date, the Company entered into the subscription agreement with an independent professional global fund, for the subscription of 238,250,000 subscription shares at a price of HK$0.118 per share ("Subscription").

On the same date, the Company entered into the share placing agreement with SBI Crosby Limited ("SBI") in connection with the placing, pursuant to which, SBI being the sole financial adviser and the sole placing agent, has agreed, on a best endeavor basis, to place an aggregate of 200,000,000 new shares in the capital of the Company to investors at HK$0.118 per Share ("Placing").

The estimated aggregate net proceeds of the Subscription and the Placing of about HK$50 million will be used as general working capital and for future expansion of the Group in the retail and distribution segment in the PRC.

The Subscription and the Placing are conditional upon the approval of The Stock Exchange of Hong Kong Limited.

39. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies (Note 2(a)) and to comform with the current year's presentation.