Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is Velocity International Limited ("Velocity"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39.

2. Application of Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 is related to the acquisition of subsidiaries occurred during 2005.

Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January 2005 onwards. The adoption of HKAS 40 has had no material effect on the results for the current or prior accounting years.

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

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets* which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. The adoption of this interpretation has had no material effect on the results for the current or prior accounting years.

Non-current Assets Held for Sale

In the current year, the Group has, for the first time, applied HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". HKFRS 5 requires an entity to classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. The assets classified as held for sale should be measured at the lower of carrying amount and fair value, less costs to sell. The Group has applied the relevant transitional provisions in HKFRS 5 and elected to apply HKFRS 5 from 1st January, 2005 onwards. In the current year, the Group has reclassified the relevant assets and liabilities of a disposal group to assets held for sale. The adoption of HKFRS 5 has had no material impact on the results for the current or prior accounting years.

Share-based Payments

In the current year, the Group has applied HKFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). There were no share options granted since the adoption of the Group's share option scheme. The adoption of HKFRS 2 has had no material impact on the results for the current or prior accounting years.

Financial Instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 39 *Financial Instruments: Recognition and Measurement.* HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting years. The principal effects resulting from the implementation of HKAS 39 are summarised below:

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

Financial Instruments *(continued)*

Classification and measurement of financial assets and financial liabilities other than debt and equity securities

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

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24 "Accounting for Investment in Securities" issued by the HKICPA) in accordance with the requirements of HKAS 39. Financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

The adoption of this accounting policy has had no material effect on the results for the current year.

Interest free non-current loan

Prior to the application of HKAS 39, an interest-free non-current loan from the ultimate holding company was stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free loan is measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, there is no material impact on the carrying amount of the loan and accumulated deficit as at 1st January 2005.

However, this change in accounting policy has resulted in an increase in the loss for the year of HK$332,000 due to recognition of imputed interest expenses and an increase in shareholders' contribution of HK$664,000 and decrease in loan from ultimate holding company of HK$332,000 as at 31st December, 2005, which represented the deemed capital contribution from the ultimate holding company made on the recognition of the loan.

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

Financial Instruments *(continued)*

Interest free non-current loan (continued)

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.

3. Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost basis, except for the certain properties, are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

3. Significant Accounting Policies *(continued)*

Basis of consolidation *(continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

Goodwill

Goodwill arising on acquisition of subsidiaries for which the agreement date is on or after 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

3. Significant Accounting Policies *(continued)*

Non-current assets held for sale *(continued)*

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivables and amounts receivable for goods and services provided in the normal course of business, net of discount and sales related taxes.

Income from sale of completed properties is recognised on the executive of a binding sales agreement.

Sales of food and beverages are recognised when payment was received.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of financial asset to that asset's net carrying amount.

Investment properties

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

Property, plant and equipment

Properties under construction and construction in progress

Properties under construction and construction in progress are stated at cost, which includes related construction costs less accumulated impairment losses. No depreciation is provided on properties under construction and construction in progress until the construction is completed and the properties and assets are ready for use.

Other property, plant and equipment

Property, plant and equipment, other than properties under construction and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of furniture, equipment and motor vehicles and leasehold improvements over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

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

3. Significant Accounting Policies *(continued)*

Prepaid lease payments

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term.

Retirement benefit scheme

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

Foreign currencies

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

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

3. Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

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

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base 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 investments 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. Significant Accounting Policies *(continued)*

Inventories

Inventories, represented food and beverages, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Costs comprises direct materials and net realisable value represented selling prices less any estimated cost of completion and costs to be included in marketing, selling and distribution. Net realisable value represents the estimated selling price less any estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

3. Significant Accounting Policies *(continued)*

Financial liabilities and equity *(continued)*

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

Financial liabilities

Financial liabilities, including trade and other payables, other borrowings and loan from ultimate holding company, are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Impairment losses (other than goodwill, see the accounting policy in respect of goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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 loss on trade and other receivables

The policy for doubtful receivables of the Group is based on the on-going evaluation of the collectability and aging analysis of the trade receivables and on the management's judgements. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, and the past collection history of each customer and the present value of estimated future cash flows discounted at the effective interest rate. If the financial conditions of the customers are to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

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

Impairment loss on properties held for sale

Management exercises its judgement in making allowance for properties held for sale with reference to the existing market environment, the sales performance in previous years and estimated market value of the properties, i.e., the estimated selling price, less estimated costs of selling expenses. A specific impairment for properties held for sales is made if the estimated market value of the properties is lower than its carrying amount.

Litigation

Management exercise their judgement and estimation in determining the possible outcome of litigations, with reference to the advice from the Group's legal counsels. Details of the litigations are disclosed in Note 34.

5. Financial Risk Management Objectives and Policies

The Group's major financial instruments include other borrowings, trade and other receivables, trade and other payables and loan from ultimate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow— up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers in the restaurant operation at 31st December, 2005.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Currency risk

Certain of the trade and other receivables and payables are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

5. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its other borrowings. Other borrowings at variable rates expose the Group to cash flow interest rate risk. The other borrowing was fully repaid on 12th April, 2006.

The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

6. Turnover

Turnover represents the amounts received and receivable from outside customers during the year, net of sales taxes, and is analysed as follows:

	2005	2004
	HK$'000	HK$'000
Property rental income	**8,734**	12,605
Sales of properties	**2,924**	—
Sales of food and beverages	**3,823**	—
	15,481	12,605

7. Business and Geographical Segments

Business segments

For management purposes, the Group is currently organised into three major operating divisions — (i) property sales and development; (ii) property rental; and (iii) restaurant operation (which is a new business segment acquired in 2005). These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property investment	— sales and development of properties
	— leasing of properties
Restaurant operation	— sales of food and beverages

7. Business and Geographical Segments *(continued)*

For the year ended 31st December, 2005

	Property sales and development HK$'000	Property rental HK$'000	Restaurant operation HK$'000	Consolidated HK$'000
TURNOVER				
External sales	2,924	8,734	3,823	15,481
RESULT				
Segment result	(3,379)	4,187	384	1,192
Unallocated corporate expenses				(17,274)
Other income				14
Finance costs				(16,512)
Loss before taxation				(32,580)
Taxation				(17)
Loss for the year				(32,597)

	Property sales and development HK$'000	Property rental HK$'000	Restaurant operation HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	41,090	143,694	16,860	201,644
Unallocated corporate assets				36,396
Consolidated total assets				238,040
LIABILITIES				
Segment liabilities	23,874	3,266	3,224	30,364
Unallocated corporate liabilities				127,530
Consolidated total liabilities				157,894

7. Business and Geographical Segments *(continued)*

OTHER INFORMATION

	Property sales and development HK$'000	Property rental HK$'000	Restaurant operation HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	—	127	11	39	177
Impairment losses and revaluation decrease	11,514	—	—	—	11,514

For the year ended 31st December, 2004

	Property sales and development HK$'000	Property rental HK$'000	Consolidated HK$'000
TURNOVER			
External sales	—	12,605	12,605
RESULT			
Segment result	(119,514)	(94,403)	(213,917)
Unallocated corporate expenses			(10,570)
Other income			24
Finance costs			(6,472)
Loss before taxation			(230,935)

	Property sales and development HK$'000	Property rental HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	40,528	123,588	164,116
Unallocated corporate assets			69,295
Consolidated total assets			233,411
LIABILITIES			
Segment liabilities	12,523	3,430	15,953
Unallocated corporate liabilities			105,379
Consolidated total liabilities			121,332

7. Business and Geographical Segments *(continued)*

OTHER INFORMATION

	Property sales and development HK$'000	Property rental HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	9,467	50	54	9,571
Depreciation	—	40	39	79
Impairment losses and revaluation decrease	117,301	113,682	—	230,983

Geographical segments

No analysis of the Group's turnover, carrying amount of segment assets and capital additions by geographical area is presented as less than 10% are generated from or located outside the PRC.

8. Impairment Losses and Revaluation Decrease

	2005 ***HK$'000***	2004 HK$'000
Impairment losses and revaluation decrease recognised in respect of:		
— disposal group (note 24)	**9,025**	—
— properties held for sale (note 21)	**2,489**	16,650
— investment properties (note 15)	**—**	113,682
— properties under construction (note 16)	**—**	91,288
— loans to minority shareholders of subsidiary (note 20)	**—**	9,363
	11,514	230,983

9. Finance Costs

	2005 ***HK$'000***	2004 HK$'000
Interest on other borrowings wholly repayable within five years	**11,180**	6,472
Imputed interest expense on non-current interest-free loan from ultimate holding company	**332**	—
Penalty interest on default of other borrowing (note 26)	**5,000**	—
	16,512	6,472

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

10. Loss Before Taxation

	2005 HK$'000	2004 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' emoluments (note 11)	1,834	2,296
Other staff costs	3,940	5,091
Total staff costs	5,774	7,387
Depreciation	177	79
Prepaid lease payments recognised	240	—
Auditors' remuneration	981	640
Cost of inventories recognised as expenses	2,924	—
and after crediting:		
Interest income	14	24
Net rental income in respect of premises after direct expenses of HK$460,000 (2004: HK$920,000)	8,734	11,685

Included in total staff costs is an aggregate amount of approximately HK$137,000 (2004: HK$120,000) in respect of contribution to retirement benefit schemes paid or payable by the Group.

11. Directors' Emoluments

The emoluments paid or payable to each of the 5 (2004: 8) directors were as follows:

	Chan Yeung Nam HK$'000	Fu Jie Pin HK$'000	Tang Cheung Fai HK$'000	Lam Ping Cheung HK$'000	Jee Wengue HK$'000	Total 2005 HK$'000
Fees	—	—	100	100	50	250
Other emoluments:						
Salaries and other benefits	1,200	360	—	—	—	1,560
Contributions to retirement benefits schemes	12	12	—	—	—	24
Total emoluments	1,212	372	100	100	50	1,834

	Chan Yeung Nam HK$'000	Fu Jie Pin HK$'000	Chan Wai Kit HK$'000	Tang Cheung Fai HK$'000	Lam Ping Cheung HK$'000	Jee Wengue HK$'000	Chan Shu Kin HK$'000	Wong Pui Fai HK$'000	Total 2004 HK$'000
Fees	—	—	—	100	100	12	7	7	226
Other emoluments:									
Salaries and other benefits	1,200	360	483	—	—	—	—	—	2,043
Contributions to retirement benefits schemes	12	12	3	—	—	—	—	—	27
Total emoluments	1,212	372	486	100	100	12	7	7	2,296

No directors waived any emoluments during the year ended 31st December, 2004 and 2005.

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For the year ended 31st December, 2005

12. Employees' Emoluments

The five highest paid individuals in the Group included two (2004: three) directors of the Company whose emoluments are disclosed in note 11. The emoluments of the remaining three (2004: two) highest paid individuals were as follows:

	2005	2004
	HK$'000	*HK$'000*
Remuneration,		
Salaries and benefits	**2,012**	1,656
Retirement benefits schemes contribution	**33**	24
	2,045	1,680

The emoluments of the individuals for both years were less than HK$1,000,000.

13. Taxation

The taxation charge for the year ended 31st December, 2005 represented taxation charge in the PRC.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profit in both years.

Tax in the PRC is calculated at the rates prevailing in the respective jurisdictions.

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

	2005	2004
	HK$'000	*HK$'000*
Loss before taxation	**(32,580)**	(230,935)
Tax at the domestic income tax rate of 33%	**(10,751)**	(76,209)
Tax effect of expenses not deductible for tax purpose	**5,006**	13,433
Tax effect of income not taxable for tax purposes	**—**	(2,852)
Tax effect of deferred tax asset and tax losses not recognised	**3,155**	65,448
Utilisation of deferred tax assets not recognised in previous years	**(1,561)**	—
Utilisation of tax losses not recognised in previous years	**(112)**	(1,169)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,280**	1,349
Taxation charge for the year	**17**	—

13. Taxation *(continued)*

At the balance sheet date, the deferred taxation liability of HK$8,657,000 (2004: Nil), arisen from the acquisition of subsidiary during the year, represented the taxable temporary difference arising from the fair value adjustment of properties.

At the balance sheet date, the Group has unutilised tax losses of approximately HK$63,412,000 (2004: HK$48,815,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profits stream. Included in unrecognised tax losses are loses of HK$61,412,000 (2004: HK$48,815,000) that will expire in 2007 to 2011 (2004: 2007 to 2010).

At the balance sheet date, the Group has deductible temporary differences of HK$283,408,000 (2004: HK$286,770,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

14. Loss Per Share

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the loss attributable to the equity holders of the Company of HK$32,589,000 (2004: HK$235,515,000) and on 277,408,596 (2004: 277,408,596) ordinary shares in issue during the year.

No diluted loss per share has been presented as there is no potential ordinary share in issue during both years.

15. Investment Properties

	HK$'000
FAIR VALUE	
At 1st January, 2004	281,955
Disposal of subsidiaries	(28,273)
Revaluation decrease charged to income statement	(113,682)
At 31st December, 2004	140,000
Reclassified as assets held for sale	(140,000)
At 31st December, 2005	—

The Group's investment properties at 31st December, 2004 are held under medium term land use rights in the PRC.

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For the year ended 31st December, 2005

16. Property, Plant and Equipment

	Construction in progress	Properties under construction	Furniture, equipment and motor vehicles	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1st January, 2004	1,403	258,548	4,672	—	264,623
Additions	—	—	104	—	104
Disposals	—	—	(46)	—	(46)
Disposal of subsidiaries	(1,403)	—	(2,248)	—	(3,651)
At 31st December, 2004	—	258,548	2,482	—	261,030
Acquisition of subsidiaries	—	—	949	1,746	2,695
Reclassified as assets held for sale	—	(258,548)	(2,280)	—	(260,828)
At 31st December, 2005	—	—	1,151	1,746	2,897
DEPRECIATION AND IMPAIRMENT LOSS					
At 1st January, 2004	—	155,666	4,116	—	159,782
Charge for the year	—	—	79	—	79
Impairment loss for the year	—	91,288	—	—	91,288
Eliminated on disposals	—	—	(46)	—	(46)
Eliminated on disposal of subsidiaries	—	—	(2,002)	—	(2,002)
At 31st December, 2004	—	246,954	2,147	—	249,101
Charge for the year	—	—	100	77	177
Reclassified as assets held for sale	—	(246,954)	(2,147)	—	(249,101)
At 31st December, 2005	—	—	100	77	177
CARRYING VALUES					
At 31st December, 2005	—	—	1,051	1,669	2,720
At 31st December, 2004	—	11,594	335	—	11,929

The properties under construction at 31st December, 2004 are situated in the PRC and are held under medium-term land use rights.

17. Prepaid Lease Payments

	2005	2004
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise land use rights in the PRC under medium term leases	**34,760**	—
Analysed for reporting purposes as:		
Current asset	**959**	—
Non-current asset	**33,801**	—
	34,760	—

The title to the land use right in respect of the property has not yet transferred to the Group since the date of acquisition. While the Group has paid the full amount of the consideration in accordance with the sale and purchase agreement, the relevant government authority has not granted formal title to the land use rights to the Group. The directors believe that formal title to the land use rights will be granted to the Group in due course.

18. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
Arising on acquisition of subsidiaries and at 31st December, 2005	11,804

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill have been allocated to the following individual cash generating units (CGUs). The carrying amounts of goodwill as at 31st December 2005 allocated to these units are as follows:

	Goodwill
	HK$'000
Restaurant operation — Beijing (Unit A)	540
Restaurant operation — Shenzhen (Unit B)	2,607
Property investment — Shenzhen (Unit C)	8,657
	11,804

During the year ended 31st December 2005, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

18. Goodwill

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A and Unit B

The recoverable amount of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 8.25% for both units. One key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the past performance and management's expectations for the market development of Unit A and Unit B.

Unit C

During the year ended 31st December 2005, the Group determined the recoverable amount of this unit based on fair value less cost to sell. The fair value, determined with reference to independent professional valuation carried out by RHL Appraisal Limited. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. The fair value less cost to sell calculation method, exceeded the aggregate recoverable amount.

19. Properties Under/Held for Development

	HK$'000
COST	
At 1st January, 2004	347,525
Development costs incurred	9,467
Disposal of subsidiary	(356,992)
At 31st December, 2004 and 31st December, 2005	—
IMPAIRMENT	
At 1st January, 2005	188,925
Disposal of subsidiary	(188,925)
At 31st December, 2004 and 31st December, 2005	—
CARRYING VALUES	
At 31st December, 2005	—
At 31st December, 2004	—

20. Loans to Minority Shareholders of Subsidiaries

	2005	2004
	HK$'000	HK$'000
At 1st January	—	30,771
Impairment losses	—	(9,363)
Disposal of subsidiaries	—	(21,408)
At 31st December	—	—

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For the year ended 31st December, 2005

21. Properties Held for Sale

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
At 1st January	**11,350**	31,695
Disposal of subsidiaries	—	(3,695)
Disposal	**(2,924)**	—
Impairment loss	**(2,489)**	(16,650)
At 31st December, at net realisable value	**5,937**	11,350

All the Group's properties held for sale are situated in the PRC under long term land use rights.

In August 2004, a wholly owned subsidiary of the Group entered into various conditional sale and purchase agreements ("S&P Agreements") with independent third parties for the disposal of all the properties held for sale with a carrying amount of approximately HK$11,350,000 for a consideration of approximately RMB12,000,000 (equivalent to approximately HK$11,225,000). Pursuant to a supplemental agreement dated 28th November, 2005, the consideration was revised to RMB9,700,000 (equivalent to approximately HK$8,861,000) and an impairment loss of HK$2,489,000 was recognised during the year ended 31st December, 2005.

In December 2005, the Group disposed of properties held for sale with carrying amount of HK$2,924,000 pursuant to the supplemental agreement.

The title to the land use right and the property ownership in respect of properties with a carrying amount of HK$5,937,000 (2004: HK$11,350,000) has not yet been transferred to the Group from the title holder since the date of acquisition. The Group has paid the full amount of the consideration in accordance with the sale and purchase agreement and is now in negotiation with the title holder for the transfer of the titles to the purchaser in accordance with the S&P Agreements. At the balance sheet date, the transfer of the titles for the remaining properties have not been completed and the directors are of the opinion that such transfer of titles will be completed in due course.

22. Trade and Other Receivables

The Group allows an average credit period of 30 days to 60 days to its trade customers. Included in trade and other receivables at 31st December, 2005 are trade receivables of HK$1,254,000 (2004: Nil), which are aged within 0 to 90 days.

In August 2004, the Group disposed of its entire interest in, and shareholders' loan to, Huizhou Gladly Property Limited, Huizhou World Express Property Limited and Huizhou Best Glory Limited (the "Huizhou Companies") to State Achieve Properties Limited (the "Purchaser") for a cash consolidation of RMB50.0 million (equivalent to HK$46.8 million). At 31st December, 2005, the outstanding amounts of HK$32.8 million (2004; HK$37.5 million) were secured by the shares of the Purchaser. In the opinion of the directors, the underlying value of the shares of the Purchaser are not less than the carrying value of the consideration receivables.

22. Trade and Other Receivables *(continued)*

In September 2004, the Group disposed of its entire interest in, and shareholders' loan to, Fast Gain Investments Limited ("Fast Gain") and Meiner Investments Limited ("Meiner") for a cash consideration of HK$32.0 million. The outstanding amount of approximately HK$28.8 million at 31st December, 2004 was fully settled during the year ended 31st December, 2005.

The fair value of the Group's trade and other receivables at 31st December, 2005 approximates to the corresponding carrying amount.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that are interest bearing at prevailing market rate and have original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The bank balances and cash of the Group are mainly denominated in Hong Kong dollars and Renminbi. Included in the bank balances and cash as at 31st December, 2005 was amount in Renminbi of RMB1,719,000 (2004: RMB2,342,000) respectively. Renminbi is not freely convertible into other currencies.

24. Assets Held for Sale

On 25th February, 2005 and 21st April, 2005, a wholly-owned subsidiary of the Company, entered into conditional sale and purchase agreements with a third party for the disposal of respective 40% and 60% interest in More Cash Limited ("More Cash"), a wholly owned subsidiary of the Company, for a cash consideration of HK$40,000,000 and HK$90,000,000. More Cash, through its subsidiary, Guang Zhou Jiang Nan Property Co., Ltd., is engaged in property investment and development in Guangzhou, the PRC. Details of the disposal of 40% and 60% interest are set out in the circular of the Company dated 24th March, 2005 and 16th June, 2005, respectively. Under the terms of the agreements, the completion date for both transactions is 24th May, 2005. Supplemental agreements were entered into in June 2005 and July 2005 to extend the completion date of both agreements to 25th October, 2005. The transactions were completed on 12th April, 2006.

The directors of the Group expected no further cost to sell will be incurred and have re-assessed the recoverable amounts of the relevant assets and liabilities with reference to the sales proceeds, and accordingly, impairment loss in respect of property, plant and equipment of approximately HK$9,025,000 has been identified and recognised in the income statement for the year ended 31st December, 2005.

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For the year ended 31st December, 2005

24. Assets Held for Sale *(continued)*

The major classes of assets and liabilities comprised by More Cash and its subsidiaries ("More Cash Group") at 31st December, 2005 and classified as assets held for sale as follows:

	Property sales and development *HK$'000*	Property rental *HK$'000*	Total *HK$'000*
Property, plant and equipment (note)	11,727	—	11,727
Investment properties (note)	—	140,000	140,000
Other receivables	—	992	992
	11,727	140,992	152,719
Less: impairment loss	(9,025)	—	(9,025)
Total assets classified as held for sale	2,702	140,992	143,694
Trade and other payables, and total for liabilities associated with assets classified held for sale	(11,171)	(3,266)	(14,437)
Net assets of disposal group	(8,469)	137,726	129,257

Note:

Included in property, plant and equipment is properties under construction of HK$11,594,000 situated in the PRC and are held under medium term land use rights.

The fair values of the Group's investment properties held under medium term land use rights in the PRC, as at 31st December, 2005 of HK$140,000,000 have been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was arrived at by reference to conditional sale and purchase agreements dated 25th February, 2005 and 21st April, 2005.

The capital commitment, operating leases arrangement and litigations related to More Cash are disclosed in notes 32, 33 and 34 respectively.

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For the year ended 31st December, 2005

25. Trade and Other Payables

Included in trade and other payables are trade payables of HK$993,000 (2004: HK$845,000), and their aged analysis is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 90 days	**993**	143
91 to 180 days	**—**	143
Over 180 days	**—**	559
	993	845
Construction cost payable	**—**	13,667
Other payables	**10,203**	3,105
	11,196	17,617

The fair value of the Group's trade and other payables at 31st December, 2005 approximates to the corresponding carrying amount.

26. Other Borrowing

	2005	2004
	HK$'000	*HK$'000*
Unsecured other borrowing	**119,228**	103,048

The amount is interest bearing at prime rate plus 3.25% and repayable on 30th June, 2005. Due to the delay in the completion of the disposal of More Cash as detailed in note 24, the Group defaulted in repayment of the other borrowings on 30th June, 2005. Accordingly, penalty interest of HK$5,000,000 was mutually agreed between both parties and charged to the income statement during the year ended 31st December, 2005. Starting from 1st October, 2005, the interest rate on the other borrowing was increased to prime rate plus 7.75%.

The fair value of the Group's other borrowings at 31st December, 2005 approximates to the carrying amount.

On 12th April, 2006, the other borrowings was fully settled.

27. Loan from Ultimate Holding Company

The amount is unsecured, interest free and repayable in June, 2007. The effective interest rate of the loan from ultimate holding company is 8.25%.

The fair value of the loan from the ultimate holding company as at the balance sheet, determined based on the present value of the estimated future cash outflow discounted using the prevailing market rate at the balance sheet date, approximates to its carrying amount.

28. Share Capital

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

29. Share Options

On 4th June, 2003, the Company adopted a new share option scheme (the "Scheme") for the primary purpose of providing incentives and rewards to employees, executives or officers, directors of the Company or any of its subsidiaries and any business consultants, agents, legal or financial advisers of the Company or any of its subsidiaries (the "Participants") for their contribution to the Group. The Scheme will expire on 3rd June, 2012. Under the Scheme, the board of directors (the "Board") may grant options to the participants to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of:

(a) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the offer date which must be a business day (and for this purpose, shall be taken to be the date of the Board meeting at which the Board proposes to grant the options);

(b) the average of the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the offer date; and

(c) The nominal value of a share.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 13,624,193 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the Scheme or approximately 4.9% of the issued share capital of the Company as at 31st December, 2005. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules") from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

29. Share Options *(continued)*

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12 month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. The participant and his associates (as defined in the Listing Rules) are abstained from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

During the year ended 31st December, 2004 and 2005, no options under the Scheme were granted or exercised by any directors or employees of the Company and its subsidiaries and no options were cancelled or lapsed since the adoption date.

30. Acquisition of Subsidiaries

In September, 2005, the Group acquired the entire interest in Renowned for a cash consideration of HK$35,000,000.

In October, 2005, the Group acquired the entire interest in Zhong Hua Health Food Culture Research Limited and Zhong Hua Jin Long Teng Health Food (Holdings) Limited ("Restaurants") for a cash consideration of HK$5,500,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	At the date of acquisition				
	Renowned			Restaurants	
	Carrying amount	Fair value adjustment	Fair value	Carrying amounts and fair value	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net assets acquired:					
Property, plant and equipment	—	—	—	2,695	2,695
Prepaid lease payments	9,004	25,996	35,000	—	35,000
Inventories	—	—	—	408	408
Trade and other receivables	—	—	—	3,237	3,237
Bank and cash balances	—	—	—	1,764	1,764
Trade and other payable	—	—	—	(5,751)	(5,751)
Deferred tax liabilities	—	(8,657)	(8,657)	—	(8,657)
	9,004	17,339	26,343	2,353	28,696
Goodwill			8,657	3,147	11,804
Total consideration			35,000	5,500	40,500
Total consideration satisfied by:					
Cash					40,500
Net cash outflow of cash and cash equivalents in respect of acquisition of subsidiaries:					
Cash consideration paid					40,500
Bank balances and cash acquired					(1,764)
					38,736

The acquired subsidiaries contributed HK$3,823,000 to the Group's turnover and profit of HK$368,000 to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1st January 2005, total proforma group revenue for the year would have been HK$21,743,000 and proforma loss for the year would have been HK$72,921,000. This proforma information is for illustrative purposes 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 1st January, 2005, nor is it intended to be a projection of future results.

31. Disposal of Subsidiaries

On 10th August, 2004, the Company disposed of the entire interest in, and shareholders' loan to, the Huizhou Companies for a total consolidation of RMB50,000,000 (equivalent to approximately HK$46,817,000).

On 28th September, 2004, the Company disposed of the entire interest in, and shareholders' loan to, Yetwide Investments Limited for a consideration of HK$31,000,000.

Further on 18th November, 2004, the Company disposed of the entire interest in, and shareholders' loan to, Fast-Gain and Meiner for a total consideration of HK$32,000,000.

	2004 *HK$'000*
Net assets disposed of:	
Investment properties	28,273
Property, plant and equipment	1,649
Property under development	168,067
Properties held for sale	3,695
Trade and other receivables	1,314
Bank balances and cash	3,077
Trade and other payables	(18,885)
Deposit received	(93,311)
Loan to (from) minority shareholders of a subsidiary	21,408
Minority interests	(21,079)
	94,208
Gain on disposal of subsidiaries	15,609
Total consideration	109,817
Total consideration satisfied by:	
Cash	43,563
Deferred consideration *(Note 23)*	66,254
	109,817
Net cash inflow of cash and cash equivalents in respect of disposal of subsidiaries:	
Consideration received	43,563
Bank balances and cash disposed of	(3,077)
	40,486

The subsidiaries disposed of during the year ended 31st December, 2004 contributed HK$3,802,000 to the Group's turnover and loss of HK$620,000 to the Group's loss from operations.

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32. Capital Commitments

At 31st December, 2005, the Group had capital expenditures of approximately HK$129,393,000 (2004: HK$129,393,000) contracted for but not provided in the financial statements relating to properties under construction.

The capital commitment at 31st December, 2005 and 2004 were related to More Cash Group as detailed in note 24.

33. Operating Lease Arrangements

The Group as lessee

The Group made minimum lease payments of approximately of HK$1,559,000 (2004: HK$565,000) under operating leases during the year in respect of office properties. Operating lease payments represent rent payable by the Group for certain of its office premises.

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

	2005	2004
	HK$'000	*HK$'000*
Within one year	**2,567**	—
In the second to fifth years inclusive	**10,658**	—
	13,225	—

The Group as lessor

Property rental income earned during the year was approximately HK$8,734,000 (2004: HK$12,605,000), net of outgoing of HK$460,000 (2004: HK$920,000). All of the properties held have committed tenants for the next three to five years.

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

	2005	2004
	HK$'000	*HK$'000*
Within one year	**8,890**	8,573
In the second to fifth years inclusive	**27,226**	36,116
Over five years	**76,615**	76,615
	112,731	121,304

The operating lease arrangement at 31st December, 2005 and 2004 were related to More Cash Group as detailed in note 24.

34. Contingent Liabilities

Litigation

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

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

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

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

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

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

The litigations at 31st December, 2005 and 2004 were related to More Cash Group as detailed in note 24.

35. Retirement Benefits Scheme

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

36. Post Balance Sheet Events

As detailed in note 24, the disposal of More Cash has been completed on 12th April, 2006.

37. Related Party Disclosures

Other than as disclosed in note 27 to the financial statements, the Group had no other significant related party disclosures.

38. Balance Sheet of the Company

	2005 *HK$'000*	2004 *HK$'000*
Non— current asset		
Interests in subsidiaries	**161,467**	198,467
Current asset		
Bank balances and cash	**1,467**	17
Current liabilities		
Other payables	**32,846**	4,184
Other borrowing	**100,000**	100,000
	132,846	104,184
Net current liabilities	**(131,379)**	(104,167)
Total assets less incurred liabilities	**30,088**	94,300
Non— current liability		
Loan from ultimate holding company	**4,359**	667
	25,729	93,633
Capital and reserves		
Share capital	**43,276**	43,276
Reserves *(Note)*	**(17,547)**	50,357
	25,729	93,633

38. Balance Sheet of the Company

Note:

Reserves

	Capital reserve *HK$'000* (Note a)	Shareholders' contribution *HK$'000* (Note b)	Contributed surplus *HK$'000* (Note c)	Accumulated deficits *HK$'000*	Total *HK$'000*
THE COMPANY					
At 1st January, 2004	945	—	470,001	(180,133)	290,813
Net loss for the year	—	—	—	(240,456)	(240,456)
At 31st December, 2004	945	—	470,001	(420,589)	50,357
Imputed interest expenses on non-current interest free loan from ultimate holding company	—	664	—	—	664
Net loss for the year	—	—	—	(68,568)	(68,568)
At 31st December, 2005	945	664	470,001	(489,157)	(17,547)

Notes:

(a) The capital reserve of the Company represents capital redemption reserve.

(b) The shareholder' contribution represents imputed interest expenses on non-current interest free loan from ultimate holding Company.

(c) The contributed surplus of the Company represents (i) aggregate of the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of the share capital issued by the Company under a group reorganisation in 1995 and (ii) contribution arising from capital reorganisation and group reorganisation in prior years.

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39. Principal Subsidiaries

Particulars of the principal subsidiaries of the Company at 31st December, 2005 are as follows:

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities and place of operation
Alpha Sheen Development Limited	HK$100	Hong Kong	—	100	Property investment, PRC
Best Glory Limited	HK$2	Hong Kong	—	70	Investment holding, Hong Kong
Bremer Assets Limited	US$1	BVI	—	100	Investment holding, Hong Kong
Bright Regent Limited	HK$2	Hong Kong	—	100	Dormant
China Land Group Limited	HK$2	Hong Kong	—	100	Management services, Hong Kong
China Land Holdings Limited	US$1	BVI	100	—	Investment holding, Hong Kong
China Land (HK) Limited	US$1	BVI	—	100	Investment holding, Hong Kong
China Land (PRC) Limited	US$1	BVI	—	100	Investment holding, Hong Kong
China Land Resources Limited	US$1	BVI	—	100	Inactive, Hong Kong
China Velocity Investments Limited	HK$6,000,000	Hong Kong	—	100	Investment holding, Hong Kong
Dionysus Investments Limited	US$10	BVI	—	70	Investment holding, Hong Kong
Eventic	HK$2	Hong Kong	—	100	Investment holding, Hong Kong
Exburg Limited	US$1	BVI	—	70	Investment holding, Hong Kong
Gladly Development Limited ("Gladly")	HK$2	Hong Kong	—	70	Investment holding, Hong Kong
Goldsmith Assets Limited	US$1	BVI	—	70	Investment holding, Hong Kong
Guang Zhou Jiang Nan Property Co., Ltd. *(Note)*	HK$68,000,000	PRC	—	100	Property development, PRC

39. Principal Subsidiaries *(continued)*

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities and place of operation
Holburn Property Limited	US$1	BVI	—	70	Investment holding, Hong Kong
Hongkong Macau (Nominees) Limited	HK$2	Hong Kong	—	100	Nominee services, Hong Kong
Hongkong Macau (International) Ltd.	US$1	BVI	100	—	Investment holding, Hong Kong
Hongkong Macau Secretarial Services Limited	HK$2	Hong Kong	—	100	Investment holding, Hong Kong
More Cash	US$2	BVI	—	100	Investment holding, Hong Kong
Pearlbound Properties Limited	US$1	BVI	—	100	Investment holding, Hong Kong
Renowned	US$1	BVI	—	100	Investment holding, Hong Kong
Superwide Development Limited	US$10,000	BVI	—	100	Property investment, PRC
World Express Limited	HK$2	Hong Kong	—	70	Investment holding, Hong Kong
Zhong Hua Health Food Culture Research Limited	HK$2	Hong Kong	—	100	Investment holding, Hong Kong
Zhong Hua Jin Long Teng Health Food (Holdings) Limited	HK$2	Hong Kong	—	100	Investment holding, Hong Kong
北京金龍騰健康飲食（集團）有限公司	RMB500,000	PRC	—	100	Restaurant operation
深圳金龍騰海鮮酒樓（深圳）有限公司	RMB5,000,000	PRC	—	100	Restaurant operation

Note: This is a PRC sino-foreign co-operative joint venture.

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