



中國高速(集團)有限公司

China Velocity Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 149



Interim Report

2006

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive directors*

Chan Yeung Nam (*Chairman*)

Fu Jie Pin (*Chief Executive Officer*)

#### *Independent non-executive directors and audit committee members*

Tang Cheung Fai

Tong Ka Ming

Jee Wengue

### Company Secretary

Sin Ka Man

### Auditors

Deloitte Touche Tohmatsu

### Solicitors

#### *Hong Kong*

Coudert Brothers

#### *Bermuda*

Appleby Spurling & Kempe

### Principal Bankers

Bank of China

Citic Ka Wah Bank

### Principal Registrar and Transfer Agent

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre,

11 Bermudianna Road,

Pembroke HM08,

Bermuda

### Sub-Registrar and Transfer Agent in Hong Kong

Computershare Hong Kong Investor Services Limited

46th Floor,

Hopewell Centre,

183 Queen's Road East,

Hong Kong

### Registered Office

Cedar House,

41 Cedar Avenue,

Hamilton HM12,

Bermuda

### Principal Place of Business in Hong Kong

Room 901, 9th Floor

China Merchants Tower

Shun Tak Centre

Sheung Wan

Hong Kong

Tel: (852) 3527 3622

Fax: (852) 3527 3620

### Stock Code

Hong Kong Stock Exchange (Main Board) 149



## Review of Operations and Results

The turnover of the group for the half year ended 30th June, 2006 was approximately HK\$17.9 million compared to approximately HK\$4.5 million for the corresponding period in the previous year. The increase was mainly contributed by the restaurant business acquired last year.

The loss attributable to shareholders of the Group for the period was HK\$11.7 million while the loss was HK\$15.3 million for the corresponding period in the previous year.

The Board of the Company does not recommend the payment of any interim dividend for the period (2005: Nil).

### Longgang Property Project

The Group acquired the parcel of land in Longgang District, Shenzhen, PRC last year. The development site has an aggregate area of approximately 92,000 square meters and located at the designated areas of residential use. The Group is now negotiating with one of the biggest property developers in PRC for the cooperation in developing the site to be a large residential community.

### Restaurant Operation

The Group is now operating two restaurants in PRC, of which one is located in Shenzhen and the other is in Beijing. This operation was nearly break even for the first half of the year and was expected to be profitable in the coming period under the new management. Active measures will be implemented to improve the revenue from these two restaurants.

### Liquidity and Financial Resources

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

As at 30th June, 2006, the Group's cash and bank balances amounted to approximately HK\$1.2 million while the total assets and the net assets were approximately HK\$87.4 million and HK\$67.8 million respectively. Most of the Group's deposits were deposited with banks as short-term deposits and denominated in either Hong Kong dollars or Renimbi, which are directly related to the Group's business in the areas of currencies concerned.

The short term borrowing of approximately HK\$119.2 million as at 31st December, 2005 were totally repaid in April 2006. The Group did not have any long term borrowing as at 30th June, 2005. The borrowing was mainly deployed for the acquisition of business in previous years. The group's gearing ratio was nil (31.12.2005: nil) which is calculated based on long term borrowings and the total shareholders' fund as at 30th June, 2006.

As at 30th June, 2006, the Group's borrowings bear interest at floating rates. Since all the borrowings were denominated in Hong Kong dollars, there was no any foreign exchange risk. The Group did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities. However, the Group will continue to seek other refinancing opportunities in the market to further reduce borrowing costs of the Group. As at 30th June, 2006, the Group did not have any committed borrowing facilities.

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

### Prospects and Plan for the Future

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



## Other Information

### Substantial shareholders

As at 30th June, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance (“SFO”) showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

#### Long position

#### Ordinary share of US\$0.02 each of the Company

	Capacity	Number of Shares		Total interest	Percentage of issued share capital	Note
		Direct interest	Deemed interest			
Velocity International Limited (the “Velocity”)	Beneficial owner	207,765,080	—	207,765,080	74.9%	a
Chan Yeung Nam	Interest of a controlled corporation	—	207,765,080 (through 100% direct interest in Velocity)	207,765,080	74.9%	a

Notes:

- (a) Mr. Chan Yeung Nam holds the entire beneficial interest in Velocity and Mr. Chan Yeung Nam is accordingly deemed to be interested in 207,765,080 shares in the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th June, 2006.

### Directors’ interests in securities

Other than as disclosed in the section “Substantial shareholders”, none of the directors, chief executives, nor their associates, had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 30th June, 2006, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Director of Listed Companies.





## Share options scheme

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

No share options under the Scheme were outstanding at the beginning and at the end of the six months ended 30th June, 2006 and no share options were granted, exercised, cancelled or lapsed during the financial period.

## Purchase, sale or redemption of listed shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2006.

## Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30th June, 2006 except for the following deviations:—

### Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive directors of the Company are not appointed for a specific term. However, all directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 98 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance are no less than those in the Code.

## Review by audit committee

The Group's interim financial report for the six months ended 30th June, 2006 have been reviewed by the audit committee which comprises three independent non-executive directors of the Company and by the Company's auditors, Deloitte Touche Tohmatsu.

## Appreciations

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

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

Hong Kong, 26th September, 2006.



# Deloitte.

## 德勤

### Independent Interim Review Report

**TO THE BOARD OF DIRECTORS OF CHINA VELOCITY GROUP LIMITED**

**中國高速(集團)有限公司**

*(incorporated in Bermuda with limited liability)*

#### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 7 to 18.

#### Directors' responsibilities

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

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

#### Review work performed

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

#### Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2006.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26th September, 2006



## Condensed Consolidated Income Statement

For the six months ended 30th June, 2006

	NOTES	Six months ended 30th June,	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Revenue	3	17,891	4,527
Cost of sales		(11,882)	(227)
Gross profit		6,009	4,300
Other income		254	4
Administrative expenses		(7,615)	(4,978)
Other expenses		(550)	(1,697)
Impairment loss recognised in respect of disposal group	9	—	(8,600)
Finance costs	4	(9,844)	(4,354)
Loss before taxation		(11,746)	(15,325)
Income tax expense	5	(4)	—
Loss for the period	6	(11,750)	(15,325)
Attributable to:			
— Equity holders of the Company		(11,743)	(15,319)
— Minority interests		(7)	(6)
		(11,750)	(15,325)
Loss per share	7		
— Basic		HK\$(0.04)	HK\$(0.06)





## Condensed Consolidated Balance Sheet

At 30th June, 2006

	NOTES	30.6.2006 HK\$'000 (unaudited)	31.12.2005 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		2,348	2,720
Prepaid lease payments		33,321	33,801
Goodwill		11,804	11,804
		<b>47,473</b>	48,325
<b>Current assets</b>			
Inventories, at cost		682	645
Properties held for sale	8	1,341	5,937
Trade and other receivables	9	35,750	35,233
Prepaid lease payments		959	959
Bank balances and cash		1,214	3,247
		<b>39,946</b>	46,021
Assets classified as held for sale	10	—	143,694
		<b>39,946</b>	189,715
<b>Current liabilities</b>			
Trade and other payables	11	7,819	11,196
Other borrowing	12	—	119,228
Loan from ultimate holding company		2,989	—
Tax payable		125	17
		<b>10,933</b>	130,441
Liabilities associated with assets classified as held for sale	10	—	14,437
		<b>10,933</b>	144,878
Net current assets		<b>29,013</b>	44,837
Total assets less current liabilities		<b>76,486</b>	93,162
<b>Non-current liabilities</b>			
Loan from ultimate holding company		—	4,359
Deferred tax liabilities		8,657	8,657
		<b>8,657</b>	13,016
		<b>67,829</b>	80,146
<b>Capital and reserves</b>			
Share capital	13	43,276	43,276
Reserves		10,705	22,448
Equity attributable to equity holders of the Company		<b>53,981</b>	65,724
Minority interests		13,848	14,422
Total equity		<b>67,829</b>	80,146



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2006

	Attributable to equity holders of the Company						Minority interests	Total
	Share capital	Capital reserve	Shareholders' contribution	Contributed surplus	Deficit	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2005	43,276	945	—	2,096,598	(2,043,170)	97,649	14,430	112,079
Loss and total recognised expense for the period	—	—	—	—	(15,319)	(15,319)	(6)	(15,325)
At 30th June, 2005	43,276	945	—	2,096,598	(2,058,489)	82,330	14,424	96,754
Loss for the period	—	—	—	—	(17,270)	(17,270)	(2)	(17,272)
Imputed interest expenses on non-current interest free loan from ultimate holding company	—	—	664	—	—	664	—	664
Total recognised income and expenses for the period	—	—	664	—	(17,270)	(16,606)	(2)	(16,608)
At 31st December, 2005	43,276	945	664	2,096,598	(2,075,759)	65,724	14,422	80,146
Loss and total recognised expense for the period	—	—	—	—	(11,743)	(11,743)	(7)	(11,750)
Disposal of a subsidiary	—	—	—	—	—	—	(567)	(567)
At 30th June, 2006	43,276	945	664	2,096,598	(2,087,502)	53,981	13,848	67,829



## Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2006

	NOTE	Six months ended 30th June,	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Net cash (used in) from operating activities		(321)	4,921
Net cash from (used in) investing activities:			
Disposal of a subsidiary	16	128,954	—
Other investing cash flows		(224)	(415)
		128,730	(415)
Net cash used in financing activities:			
Repayment of other borrowing		(119,228)	—
Interest paid		(9,844)	(4,354)
Other financing cash flows		(1,370)	(212)
		(130,442)	(4,566)
Net decrease in cash and cash equivalents		(2,033)	(60)
Cash and cash equivalents at 1st January,		3,247	2,476
Cash and cash equivalents at 30th June, representing bank balances and cash		1,214	2,416



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2006

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting".

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2005.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" <sup>2</sup>
HK(IFRIC) — INT 8	Scope of HKFRS 2 "Share-based Payments" <sup>3</sup>
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006.



### 3. SEGMENTAL INFORMATION

#### Business segments

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

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

#### Six months ended 30th June, 2006

	Property sale and development <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Restaurant operation <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>				
External sales	4,595	2,277	11,019	17,891
<b>RESULT</b>				
Segment result	(483)	1,454	(251)	720
Unallocated corporate expenses				(2,876)
Other income				254
Finance costs				(9,844)
Loss before taxation				(11,746)
Income tax expense				(4)
Loss for the period				(11,750)

#### Six months ended 30th June, 2005

	Property sale and development <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>			
External sales	—	4,527	4,527
<b>RESULT</b>			
Segment result	(9,013)	2,431	(6,582)
Unallocated corporate expenses			(4,393)
Other income			4
Finance costs			(4,354)
Loss before taxation			(15,325)



#### 4. FINANCE COSTS

	Six months ended 30th June,	
	2006 HK\$'000	2005 HK\$'000
Interest on other borrowing wholly repayable within five years	4,844	4,354
Penalty interest on default of other borrowing (note 12)	5,000	—
	<b>9,844</b>	4,354

#### 5. INCOME TAX EXPENSE

The taxation charge for the six months ended 30th June, 2006 represents taxation charge in the People's Republic of China (the "PRC").

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

Taxation charge in the PRC is calculated at the rates prevailing in the respective jurisdictions.

#### 6. LOSS FOR THE PERIOD

	Six months ended 30th June,	
	2006 HK\$'000	2005 HK\$'000
Loss for the period has been arrived at after charging the following items:		
Depreciation and amortisation	596	19
Amortisation of prepaid lease payments	480	—

#### 7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the loss for the period attributable to equity holders of the Company of approximately HK\$11,743,000 (HK\$15,319,000 for the six months ended 30th June, 2005) and on 277,408,596 ordinary shares in issue during both periods.

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





## 8. PROPERTIES HELD FOR SALE

In August 2004, a wholly owned subsidiary of the Group entered into various conditional sale and purchase agreements ("S&P Agreements") with independent third parties for the disposal of all the properties held for sale.

During the six months ended 30th June, 2006, the Group disposed of properties held for sale with a carrying amount of approximately HK\$4,595,000 pursuant to the S&P Agreements.

The title to the land use rights and property ownership in respect of the properties at the balance sheet date 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 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.

## 9. 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 30th June, 2006 are trade receivables of HK\$1,084,000 (31.12.2005: HK\$1,254,000) and their aged analysis is as follows:

	<b>30.6.2006</b> <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
0 - 90 days	<b>881</b>	1,254
91 - 180 days	<b>72</b>	—
Over 180 days	<b>131</b>	—
	<b>1,084</b>	1,254
Other receivable (note)	<b>34,666</b>	33,979
	<b>35,750</b>	35,233

Note: 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 consideration of RMB50.0 million (equivalent to HK\$46.8 million). At 30th June, 2006, the outstanding amounts of HK\$32.8 million (31.12.2005: HK\$32.8 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.



## 10. 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% interests 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.

During the six months ended 30 June, 2005, the directors of the Group have re-assessed the recoverable amounts of the relevant assets and liabilities with reference to the sales proceeds, and accordingly, impairment loss of approximately HK\$8,600,000 has been identified and recognised in the income statement.

The transactions were completed on 12th April, 2006.

## 11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$944,000 (31.12.2005: HK\$993,000), which are aged within 90 days. The remaining balance mainly comprises deposits received for properties held for sale of approximately HK\$6,875,000 (31.12.2005: HK\$10,203,000).

## 12. OTHER BORROWING

The amount is interest bearing at prime rate plus 3.25% p.a. and repayable on 30th June, 2005. Starting from 1st October, 2005, the interest rate on the other borrowing was increased to prime rate plus 7.75% p.a..

Due to the delay in the completion of the disposal of More Cash to 12th April, 2006, the Group defaulted the repayment of the other borrowings on 30th June, 2005. Accordingly, penalty interest of HK\$5,000,000 and HK\$5,000,000 was mutually agreed between both parties and charged to the income statement for the year ended 31st December, 2005 and the six months ended 30th June, 2006, respectively.

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

## 13. SHARE CAPITAL

	Number of shares	Share capital
Ordinary shares of US\$0.02 each:		
Authorised		
At 1st January, 2005, 31st December, 2005 and 30th June, 2006	19,000,000,000	US\$380,000
Issued and fully paid		
At 1st January, 2005, 31st December, 2005 and 30th June, 2006	277,408,596	HK\$43,276,000



## 14. CAPITAL COMMITMENTS

At 31st December, 2005, the Group had capital expenditures of approximately HK\$129,393,000 contracted for but not provided in the financial statements relating to properties under construction of More Cash and its subsidiaries ("More Cash Group").

The capital expenditures relating to properties under construction at 31st December, 2005 was released on the disposal of More Cash on 12th April, 2006.

## 15. CONTINGENT LIABILITIES

### Litigations

- (a) In August 1999, the architect of Paul Y. Plaza located in Guangzhou, the PRC, initiated legal proceedings against Eventic Limited ("Eventic"), 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.

- (b) In June 2003, a sub-contractor of Paul Y. Plaza initiated legal proceedings against Eventic in respect of a claim for payment of sub-contract works of approximately RMB5.2 million (equivalent to HK\$5 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 (equivalent to HK\$4 million) and RMB0.8 million (equivalent to HK\$0.7 million) respectively paid to the sub-contractor.

The above litigations were related to More Cash Group and were eliminated on the disposal of More Cash on 12th April, 2006.



## 16. DISPOSAL OF A SUBSIDIARY

As detailed in note 10, the disposal of More Cash was completed on 12th April, 2006. The net assets of More Cash Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	2,702
Investment properties	140,000
Trade and other receivables	1,281
Bank balances and cash	1,046
Trade and other payables	(14,512)
Minority interest	(567)
	<u>129,950</u>
Gain on disposal	<u>50</u>
Total consideration	<u>130,000</u>
Total consideration satisfied by cash	<u>130,000</u>
	<i>HK\$'000</i>

Net cash inflow of cash and cash equivalents in respect of disposal of More Cash:

Consideration received	130,000
Bank balances and cash disposed of	<u>(1,046)</u>
	<u>128,954</u>

The subsidiary disposed of during the six months ended 30th June, 2006 contributed HK\$2,277,000 to the Group's turnover and loss of HK\$1,454,000 to the Group's loss for the period.



## 17. RELATED PARTY DISCLOSURES

## (a) Balance

Loan from ultimate holding company is unsecured, interest free (31.12.2005: carried effective interest rate at 8.25%) and repayable on demand.

## (b) Compensation of key management personnel

The remuneration of directors as key management of the Group during the period was as follows:

	<b>Six months ended</b>	
	<b>30th June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Short-term benefits	<b>905</b>	905
Post-employment benefits	<b>(12)</b>	(12)
	<b>893</b>	893

The remuneration of key management personnel, which were the directors of the Company, were decided by the Board of Directors, who are authorised by the shareholders, having regard to the performance of the individuals and market trends.

