

## **1. GENERAL**

The Company is incorporated in Hong Kong and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are property trading and property investment.

## **2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS**

In year 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Company has not early adopted these new HKFRSs in the financial statements for the year ended 31st January, 2005.

The Company has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment property.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st January each year.

The results of subsidiaries and associates 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less identified impairment loss.

#### **Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

#### **Revenue recognition**

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

#### **Investment property**

Investment property is completed property which is held for its investment potential, any rental income being negotiated at arm's length.

Investment property is stated at its open market value based on independent professional valuation at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment property is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the consolidated income statement. Where a decrease has previously been charged to the consolidated income statement and a revaluation increase subsequently arises, this increase is credited to the consolidated income statement to the extent of the decrease previously charged.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment property (continued)

On disposal of investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the consolidated income statement.

No depreciation is provided on investment property except where the unexpired term of the relevant lease is 20 years or less.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Air-conditioning system	10%
Other assets	20%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the estimated sales proceeds less selling expenses.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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, such 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

#### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

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 bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative 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 and associates, except where the Company 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable 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 period when the liability is settled or the asset is realised. Deferred tax is charged or credited to 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.

### 4. SEGMENT INFORMATION

The Group is mainly engaged in property development and trading and property investment. This is the basis on which the Group reports its primary segment information.

#### (a) Business Segments

##### INCOME STATEMENT

	Turnover	Contribution to profit (loss) before taxation	Turnover	Contribution to profit (loss) before taxation
	2005	2005	2004	2004
	HK\$	HK\$	HK\$	HK\$
Property development and trading	–	(52,891)	–	(417,700)
Property investment	304,000	(978,351)	370,000	1,217,049
	<u>304,000</u>		<u>370,000</u>	
(Loss) profit from operations		(1,031,242)		799,349
Finance costs		(265,229)		(371,375)
Share of results of associates		1,265,862		(2,024,720)
Gain on disposal of associates		3,089,612		–
Gain on disposal of subsidiaries		–		16,065,957
		<u>3,059,003</u>		<u>14,469,211</u>

**4. SEGMENT INFORMATION (continued)****(a) Business Segments (continued)**

## BALANCE SHEET

	Segment assets		Segment liabilities	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Property development and trading	<b>41,700,000</b>	41,700,000	<b>30,000</b>	40,000
Property investment	<b>4,800,000</b>	8,500,000	<b>593,973</b>	789,408
Interests in associates	<b>15,740,206</b>	15,912,992	–	–
Amount due to an associate	–	–	<b>415,267</b>	428,201
Unallocated	<b>282,612</b>	269,645	<b>4,334,352</b>	11,276,545
	<b><u>62,522,818</u></b>	<u>66,382,637</u>	<b><u>5,373,592</u></b>	<u>12,534,154</u>

## OTHER INFORMATION

	Depreciation	
	2005	2004
	HK\$	HK\$
Property development and trading	–	630
Property investment	<b>602</b>	354
	<b><u>602</u></b>	<u>984</u>

**(b) Geographical Segments**

The Group's turnover is principally generated in Hong Kong. Accordingly, no analysis of the turnover by geographically segment is presented.

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets	
	At	At
	31.1.2005	31.1.2004
	HK\$	HK\$
Hong Kong	<b>5,082,612</b>	8,766,193
People's Republic of China (the "PRC")	<b>41,700,000</b>	44,403,700
Macau	<b>15,740,206</b>	13,212,744
	<b><u>62,522,818</u></b>	<u>66,382,637</u>

## 5. (LOSS) PROFIT FROM OPERATIONS

	2005 HK\$	2004 HK\$
(Loss) profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	223,660	233,640
Directors' emoluments ( <i>note 7</i> )	160,000	120,000
Other staff costs	32,000	58,210
Depreciation of property, plant and equipment	602	984
Loss on disposal of an investment property	7,154	—
Bank interest income	(25)	(4,837)
Gross rents from investment properties under operating leases	(304,000)	(370,000)
Less: Outgoings	24,578	23,890
Net rental income	<u>(279,422)</u>	<u>(346,110)</u>

## 6. FINANCE COSTS

	2005 HK\$	2004 HK\$
The finance costs comprise:		
Interest on bank borrowings not wholly repayable within five years	265,200	350,694
Interest on bank overdrafts	29	20,681
	<u>265,229</u>	<u>371,375</u>

## 7. DIRECTORS' EMOLUMENTS

	2005 HK\$	2004 HK\$
Directors' fees:		
Executive directors	—	—
Non-executive directors	—	—
Independent non-executive directors	160,000	120,000
	<u>160,000</u>	<u>120,000</u>

## 8. EMPLOYEES' EMOLUMENTS

One staff (2004: one) was employed by the Group during the year.

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Salaries and other benefits	<b>32,000</b>	58,210

## 9. TAXATION CREDIT

The taxation in credit represents the share of taxation for an associate.

No provision for Hong Kong Profits Tax and overseas tax has been made in the financial statements as there are no assessable profits for both years.

Details of the deferred taxation are set out in note 17.

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

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Profit before taxation	<b>3,059,003</b>	14,469,211
Tax at the income tax rate of 17.5% (2004: 17.5%)	<b>(535,326)</b>	(2,532,112)
Tax effect of share of results of associates	<b>463,266</b>	(354,326)
Tax effect of expenses not deductible for tax purpose	<b>(21,420)</b>	(104,623)
Tax effect of income not taxable for tax purpose	<b>640,305</b>	3,152,792
Tax effect of tax losses not recognised	<b>(305,085)</b>	(179,719)
Effect of different tax rates of a subsidiary operating in other jurisdiction	-	(6,610)
Others	-	24,598
Taxation credit for the year	<b>241,740</b>	-



## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Earnings for the purposes of basic and diluted earnings per share		
– Net profit for the year	<b><u>3,300,743</u></b>	<u>14,538,519</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>86,141,399</b>	<u>86,141,399</u>
Effect of dilutive potential ordinary shares for preference shares	<b><u>1,694,731</u></b>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>87,836,130</u></b>	

## 11. INVESTMENT PROPERTIES

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
At beginning of the year	<b>8,500,000</b>	6,550,000
Disposal	<b>(4,150,000)</b>	–
Revaluation surplus	<b><u>450,000</u></b>	<u>1,950,000</u>
At end of the year	<b><u>4,800,000</u></b>	<u>8,500,000</u>

Investment property was revalued at 31st January, 2005 by DTZ Debenham Tie Leung Limited, an independent professional valuer, on an open market existing state basis. This valuation gave rise to a revaluation surplus of HK\$450,000 which has been credited to the consolidated income statement.

The investment property, which is situated in Hong Kong and is held on medium-term lease, has been pledged to secure general banking facilities granted to the Group. The Group's investment property is leased out under operating lease.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Air- conditioning system</b>	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>Computer system</b>	<b>Total</b>
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>THE GROUP AND THE COMPANY</b>					
COST					
At 1st February, 2004					
and 31st January, 2005	<u>38,000</u>	<u>43,410</u>	<u>39,540</u>	<u>197,300</u>	<u>318,250</u>
DEPRECIATION					
At 1st February, 2004	36,484	43,293	39,422	196,790	315,989
Provided for the year	<u>303</u>	<u>47</u>	<u>47</u>	<u>205</u>	<u>602</u>
At 31st January, 2005	<u>36,787</u>	<u>43,340</u>	<u>39,469</u>	<u>196,995</u>	<u>316,591</u>
NET BOOK VALUES					
At 31st January, 2005	<u>1,213</u>	<u>70</u>	<u>71</u>	<u>305</u>	<u>1,659</u>
At 31st January, 2004	<u>1,516</u>	<u>117</u>	<u>118</u>	<u>510</u>	<u>2,261</u>

## 13. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2005</b>	2004
	HK\$	HK\$
Unlisted shares, at cost	<b>2,762,297</b>	2,762,297
Amounts due from subsidiaries	<b>39,489,088</b>	39,426,137
	<b>42,251,385</b>	42,188,434
Less: Impairment losses recognised	<b>(577,358)</b>	(577,358)
	<b>41,674,027</b>	41,611,076

### 13. INTERESTS IN SUBSIDIARIES (continued)

The amounts due from subsidiaries are unsecured, non-interest bearing. In the opinion of the Company's directors, the amounts due from subsidiaries will not be repayable in the next twelve months from the balance sheet date and accordingly, the amounts have been classified as non-current asset.

Details of the Company's subsidiaries at 31st January, 2005 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held by the Company directly	Paid up issued share capital	Principal activities
Buildmore Finance Limited	Hong Kong	Ordinary	100%	HK\$1,000,000	Inactive
Keen Luck (China) Limited ("Keen Luck")	Hong Kong/ PRC	Ordinary	100%	HK\$10,000	Property trading
Lloyd Bridge Investment (H.K.) Limited	Hong Kong	Ordinary	100%	HK\$100,000	Inactive

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

### 14. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Unlisted shares, at cost	—	—	8,696,708	20,522,786
Less: Impairment losses recognised	—	—	—	(7,200,000)
Share of net assets	<u>13,366,832</u>	<u>13,349,618</u>	<u>—</u>	<u>—</u>
	13,366,832	13,349,618	8,696,708	13,322,786
Amount due from an associate	<u>2,373,374</u>	<u>2,563,374</u>	<u>2,373,374</u>	<u>2,563,374</u>
	<u><b>15,740,206</b></u>	<u>15,912,992</u>	<u><b>11,070,082</b></u>	<u>15,886,160</u>

## 14. INTERESTS IN ASSOCIATES (continued)

In the opinion of the Company's directors, the amount due from an associate will not be repayable in the next twelve months from the balance sheet date and, accordingly, the amount has been classified as a non-current asset.

The following details have been extracted from the unaudited consolidated financial statements of the Group's significant associate, Gladiolus Trading Limited.

	2005 HK\$	2004 HK\$
Results for the year		
Turnover	<b>21,000,000</b>	—
Profit (loss) from ordinary activities before taxation	<b>6,747,888</b>	(710,651)
Profit (loss) from ordinary activities before taxation attributable to the Company	<b>2,479,174</b>	(261,093)
Financial position		
Non-current assets	<b>41,110,954</b>	44,673,562
Current assets	<b>32,600,537</b>	7,840,556
Current liabilities	<b>(29,152,726)</b>	(17,027,726)
Minority interests	<b>(8,176,533)</b>	(6,510,023)
Net assets	<b>36,382,232</b>	28,976,369
Net assets attributable to the Group	<b>13,366,832</b>	10,645,918

**14. INTERESTS IN ASSOCIATES (continued)**

Details of the Group's associates at 31st January, 2005 are as follows:

Name of associate	Form of business structure	Place of incorporation/operation	Class of share held	Proportion of nominal value of issued capital/registered capital held by the Group		Nature of business
				Directly	Indirectly	
Gladiolus Trading Limited ("Gladiolus") (Note)	Incorporated	British Virgin Islands	Ordinary	36.74%	—	Investment holding

*Note:* Gladiolus holds 81.65% equity interest in Ka Fai Land Investment Company Limited ("Ka Fai"). The principal activities of Ka Fai is property development and trading.

**15. PROPERTIES HELD FOR RESALE**

The properties represent 51 residential units and 15 car parking spaces within a residential area located in Fuzhou, the PRC.

The properties were valued by DTZ Debenham Tie Leung Limited, independent professional valuer, at 31st January, 2005 on open market value basis at a value of HK\$42,500,000.

On 10th May, 2005, Keen Luck, a wholly owned subsidiary of the Company entered into an underwriting agreement with a third party undertaking to dispose of the above properties at or above an amount of approximately HK\$43 million.

## 16. BORROWINGS

### THE GROUP AND THE COMPANY

	2005 HK\$	2004 HK\$
Bank loans		
Secured	<b>3,112,467</b>	7,555,351
Shareholder's loan		
Unsecured	<b>505,208</b>	3,004,517
	<b>3,617,675</b>	10,559,868
The maturity profile of the above borrowings is as follows:		
On demand or within one year	<b>614,758</b>	3,739,866
More than one year, but not exceeding two years	<b>114,297</b>	776,890
More than two years, but not exceeding five years	<b>373,480</b>	805,539
More than five years	<b>2,515,140</b>	5,237,573
	<b>3,617,675</b>	10,559,868
Less: Amounts due within one year shown under current liabilities	<b>(614,758)</b>	(3,739,866)
Amount due after one year	<b>3,002,917</b>	6,820,002

The shareholder's loan is unsecured and non-interest bearing. The loan will be repaid within the next twelve months, accordingly, the amount is disclosed as current.

## 17. DEFERRED TAXATION

### THE GROUP

The following is major deferred tax liability recognised and movement thereon during the year.

	<b>Fair value adjustment on acquisition of a subsidiary</b>
	HK\$
At 1st February, 2003	—
Acquisition of a subsidiary	716,677
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At 31st January, 2004 and 31st January, 2005	716,677
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### THE GROUP AND THE COMPANY

At the balance sheet date, the estimated unused tax losses of approximately HK\$10,114,000 (2004: HK\$8,371,000) are available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the uncertainty of future profit streams. The losses may be carried forward indefinitely.

## 18. SHARE CAPITAL

	<b>Number of shares</b>		<b>Share capital</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
			<b>HK\$</b>	HK\$
Authorised:				
Ordinary shares of HK\$1.00 each				
At beginning of the year and at				
end of the year	<b>196,967,761</b>	196,967,761	<b>196,967,761</b>	196,967,761
5% convertible preference shares				
of HK\$1.00 each				
At beginning of the year and at				
end of the year	<b>3,032,239</b>	3,032,239	<b>3,032,239</b>	3,032,239
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>200,000,000</b>	200,000,000	<b>200,000,000</b>	200,000,000
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## 18. SHARE CAPITAL (continued)

	Number of shares		Share capital	
	2005	2004	2005 HK\$	2004 HK\$
Issued and fully paid:				
Ordinary shares of HK\$1.00 each				
At beginning of the year and at end of the year	<b>86,141,399</b>	86,141,399	<b>86,141,399</b>	86,141,399
5% convertible preference shares of HK\$1.00 each				
At beginning of the year and at end of the year	<b>3,032,239</b>	3,032,239	<b>3,032,239</b>	3,032,239
	<b>89,173,638</b>	89,173,638	<b>89,173,638</b>	89,173,638

The holders of the preference shares are not entitled to vote at the general meetings of the Company.

The preference shares are entitled to a cumulative dividend of approximately HK\$1,600,000 (2004: HK\$1,600,000) and rank in priority to the ordinary shares in the Company as to dividends and return of capital.

Pursuant to an extraordinary general meeting of the Company held on 12th July, 2004, the Company removed the requirement for conversion within a predetermined period originally attached to the preference shares. Thereafter, the preference shares can be converted into ordinary shares of the Company at any time.

## 19. SHARE PREMIUM AND RESERVES

	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
<b>THE COMPANY</b>			
At 1st February, 2003	197,803,247	(253,321,411)	(55,518,164)
Net profit for the year	—	20,582,979	20,582,979
At 31st January, 2004	197,803,247	(232,738,432)	(34,935,185)
Net loss for the year	—	(1,268,008)	(1,268,008)
At 31st January, 2005	<u>197,803,247</u>	<u>(234,006,440)</u>	<u>(36,203,193)</u>

At each of 31st January, 2005 and 2004, the Company has no reserves available for distribution to shareholders.



## 20. GAIN ON DISPOSAL OF ASSOCIATES

Pursuant to an agreement dated 24th May, 2004 entered into between the Company and an independent third party, the Company disposed of its 45% equity interest in Property Development Limited and Staten (Fujian) Real Estate Co., Ltd to the third party for a consideration of HK\$4,580,000, resulting in a gain on disposal of HK\$3,089,612.

## 21. DISPOSAL OF SUBSIDIARIES

Pursuant to an agreement dated 27th November, 2003 entered into between the Company and Mr. Jong Kong Ki, a director of the Company, the Company disposed of its 63.26% equity interest in Gladiolus and assigned the loan of approximately HK\$5.3 million due from Ka Fai, a subsidiary of Gladiolus, to Mr. Jong Kong Ki in exchange for the entire issued share capital of Keen Luck and the assignment of the shareholder's loan of Keen Luck of approximately HK\$39.3 million from Mr. Jong Kong Ki to the Company.

	2005 HK\$	2004 HK\$
Net assets disposed of		
Property, plant and equipment	-	5,671
Properties under development	-	44,527,368
Pledged bank deposits	-	97,132
Sundry receivables	-	6,486,828
Amounts due from group companies	-	428,201
Bank balances and cash	-	1,493,043
Sundry payables	-	(7,060,220)
Amount due to a shareholder	-	(7,868,933)
Taxation	-	(2,043,252)
Other borrowings	-	(58,200)
Minority interests	-	(6,611,406)
	-	29,396,232
Reclassification to interests in associates	-	(10,821,657)
	-	18,574,575
Assignment of amount due from Ka Fai	-	5,318,603
Direct costs incurred for the disposal	-	1,024,188
Gain on disposal of subsidiaries	-	16,065,957
	-	40,983,323
Satisfied by acquisition of a subsidiary ( <i>note 22</i> )	-	

**21. DISPOSAL OF SUBSIDIARIES (continued)**

Analysis of outflow of cash and cash equivalent in respect of the disposal of subsidiaries:

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Bank balances and cash disposed of	<u>-</u>	<u>(1,493,043)</u>

The subsidiaries disposed of for the year ended 31st January, 2004 contributed an operating loss of HK\$377,700 to the Group's operating results and did not contribute any turnover and cash flows to the Group.

**22. ACQUISITION OF A SUBSIDIARY**

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Net assets acquired		
Properties held for resale	-	41,700,000
Shareholder's loan	-	(39,321,026)
Deferred taxation	-	(716,677)
	<u>-</u>	<u>-</u>
	-	1,662,297
Assignment of the shareholder's loan	-	39,321,026
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>40,983,323</u>
Satisfied by disposal of subsidiaries ( <i>note 21</i> )	<u>-</u>	<u>40,983,323</u>

The subsidiary acquired did not contribute any turnover, operating results and cash flows to the Group for the year ended 31st January, 2004.

**23. OPERATING LEASE COMMITMENTS**

Property rental income earned during the year was HK\$304,000 (2004: HK\$370,000). The property is expected to generate rental yield of approximately 4% (2004: 4%) on an ongoing basis.

At the balance sheet date, the Company had contracted with tenant for the following future minimum lease payments which fall due as follows:

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Within one year	-	264,000
In the second to fifth year inclusive	-	119,000
	<u>-</u>	<u>383,000</u>

**24. RELATED PARTY TRANSACTIONS**

During the year, the Group entered into the following transaction with related party:

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Rental income from a related company	<u><b>192,000</b></u>	<u>216,000</u>

The above transaction was carried out at market price.

In addition, the Group also has a balance with a shareholder, details of which are set out in note 16.