

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries and associates are set out in notes 15 and 16, respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term of Hong Kong Financial Reporting Standards is inclusive of SSAPs and Interpretations issued by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly.

As a result of this change in accounting policy, the Group's revaluation reserve at 1st April, 2002 has been decreased by HK\$11,934,000 and deficit at 1st April, 2002 has been increased by HK\$51,188,299. The Group's loss for the year has been decreased by HK\$5,486,025 (2003: profit for the year increased by HK\$163,547).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and 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 March 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.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any 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.

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.

Property, plant and equipment

Property, plant and equipment, other than hotel property, are stated at cost less depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of the assets, other than hotel property, over their estimated useful lives and after taking into account their residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of lease
Buildings and building improvements	Over the shorter of the term of the leases, or 50 years
Furniture, fixtures, equipment, motor vehicles and others	10% to 33.3%

Hotel property comprises interests in land and buildings and its integral fixed plant which are collectively used in the operation of a hotel and are stated at their open market values on the basis of ongoing periodic professional valuations. Any revaluation increase arising on revaluation of hotel property is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of hotel property is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that hotel property. On subsequent sale or retirement of a revalued hotel property, the attributable revaluation surplus is transferred to retained profits.

It is the Group's policy to maintain the hotel property in such condition that its residual value is not currently diminished by the passage of time and that any element of depreciation is insignificant. Therefore, no depreciation charge is recognised in respect of its hotel property. The related maintenance and repairs expenditure is charged to the income statement in the year in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Property, plant and equipment (continued)**

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or over the terms of the relevant leases, whichever is shorter.

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value, based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties 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 income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

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

Intangible asset

Intangible asset represents the cost of acquisition of a sauna business licence in the People's Republic of China (the "PRC") and is amortised on a straight-line basis over its estimated useful lives.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

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. Impairment losses are 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Revenue recognition

Revenue from hotel operation is recognised when services are rendered.

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

Sales of securities are recognised when the sale transactions are completed and ownership of the securities is transferred.

Income from investments is recognised when the Group's right to receive payment has been established.

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

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Foreign currencies**

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Taxation 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 and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or 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 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset 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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

4. TURNOVER

	2004	2003
	HK\$	HK\$
Securities investment and trading	28,499,312	23,098,413
Revenue from hotel operation	11,180,180	11,235,094
Rental income from:		
Service apartment	4,072,125	5,097,427
Investment properties	2,222,274	1,443,364
Interest income from loan advance to an associate	5,530,882	34,866,574
Income from investment in intangible asset	1,220,117	612,630
	52,724,890	76,353,502

Comparative figures have been reclassified to conform with current year's presentation.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

For management purposes, the Group is currently organised into five operating divisions – hotel operation, property letting, securities investment and trading, loan financing, and investment holding. Others include holding of property pending for future development. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operation	– operation of hotel
Property letting	– leasing of investment properties and service apartment
Securities investment and trading	– investment and trading in securities
Loan financing	– loan advance to an associate for property development project
Investment holding	– investment in sauna business licence

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (continued)

Segment information about these businesses is presented below.

2004

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
REVENUE							
Turnover	11,180,180	6,294,399	28,499,312	5,530,882	1,220,117	-	52,724,890
RESULTS							
Segment results	769,140	(11,075,106)	15,866,115	4,691,428	1,220,117	(1,138,684)	10,333,010
Bank interest income							71,153
Dividend income	-	-	732,797	-	-	-	732,797
Unallocated administrative expenses							(10,288,796)
Revaluation increase on investment properties	-	3,150,000	-	-	-	-	3,150,000
Revaluation increase on hotel property	2,010,459	-	-	-	-	-	2,010,459
Finance costs							(4,630,842)
Share of results of associates	-	116,768	-	(5,217,211)	-	(7,523,047)	(12,623,490)
Loss before taxation							(11,245,709)
Taxation							(548,907)
Loss before minority interests							(11,794,616)
Minority interests							-
Loss for the year							(11,794,616)
ASSETS							
Segment assets	41,638,413	99,816,985	189,947,234	-	8,427,000	44,689,255	384,518,887
Interests in associates	-	11,578,445	-	110,543,367	-	86,589,793	208,711,605
Unallocated segment assets							8,897,728
Consolidated total assets							602,128,220
LIABILITIES							
Segment liabilities	2,430,816	4,987,930	1,020,539	36,581	-	754,926	9,230,792
Unallocated segment liabilities							1,988,764
Deferred tax liabilities							7,519,423
Borrowings							104,950,954
Consolidated total liabilities							123,689,933

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)**Business segments (continued)**

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
OTHER INFORMATION							
Capital additions	1,741,985	2,035,260	-	-	-	468,386	4,245,631
Depreciation	80,000	4,366,500	-	-	-	1,272,842	5,719,342
Amortisation of intangible asset	-	-	-	-	1,885,400	-	1,885,400
Revaluation increase on investment properties	-	3,150,000	-	-	-	-	3,150,000
Revaluation increase on hotel property	2,010,459	-	-	-	-	-	2,010,459
Unrealised holding gain on listed other investments	-	-	(5,451,984)	-	-	-	(5,451,984)
Impairment loss on property plant and equipment	-	2,517,803	-	-	-	-	2,517,803
Loss on disposal of property, plant and equipment	-	1,475,507	-	-	-	63,659	1,539,166
Loss on disposal of investment properties	-	55,000	-	-	-	-	55,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (continued)

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
OTHER INFORMATION							
Capital additions	2,545,337	508,620	–	–	–	458,191	3,512,148
Depreciation	80,000	4,329,317	–	–	–	1,260,806	5,670,123
Amortisation of intangible asset	–	–	–	–	1,000,000	–	1,000,000
Revaluation decrease on investment properties	–	9,888,702	–	–	–	–	9,888,702
Revaluation decrease on hotel property	6,297,782	–	–	–	–	–	6,297,782
Unrealised holding loss on listed other investments	–	–	702,855	–	–	–	702,855
Loss on disposal of property, plant and equipment	–	–	–	–	–	–	121,742

Geographical segments

The Group's operations are located in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Hong Kong	48,652,765	71,256,075	14,986,639	(1,119,156)
PRC	4,072,125	5,097,427	(8,978,016)	(7,095,979)
	52,724,890	76,353,502	6,008,623	(8,215,135)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to intangible assets, property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to intangible assets, property, plant and equipment	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Hong Kong	540,823,645	563,875,611	2,710,371	14,365,520
PRC	61,304,575	101,325,645	1,535,260	459,028
	602,128,220	665,201,256	4,245,631	14,824,548

6. PROFIT (LOSS) FROM OPERATIONS

	2004 HK\$	2003 HK\$
Profit (loss) from operations has been arrived at after charging:		
Allowance for doubtful debts	–	1,026,061
Amortisation of intangible asset (included in administrative expenses)	1,885,400	1,000,000
Auditors' remuneration:		
Current year	436,415	491,390
Overprovision in prior year	–	(25,000)
Depreciation:		
Owned assets	5,538,503	5,553,636
Assets held under finance leases	180,839	116,487
Directors' remuneration and other staff costs, including retirement benefit schemes contributions of HK\$355,277 (2003: HK\$427,968)	10,120,445	10,776,916
Exchange loss, net	–	17,267
Impairment loss on property, plant and equipment (included in administrative expenses)	2,517,803	–
Loss on disposal of property, plant and equipment	1,539,166	121,742
Loss on disposal of investment properties	55,000	–
Operating lease rentals in respect of:		
Land and buildings	4,537,690	4,633,151
Other equipment	27,000	2,250
Unrealised holding loss on listed other investments	–	702,855
and after crediting:		
Rental income	6,294,399	6,540,791
Less: Outgoings	(7,798,540)	(8,073,991)
	(1,504,141)	(1,533,200)
Bank interest income	71,153	625,479
Dividend income from listed other investments	732,797	307,661
Unrealised holding gain on listed other investments	5,451,984	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

7. FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on bank and other borrowings:		
Wholly repayable within five years	4,059,945	4,800,003
Not wholly repayable within five years	518,733	505,318
Interest on finance leases	52,164	33,898
	4,630,842	5,339,219

8. DIRECTORS' EMOLUMENTS

	2004 HK\$	2003 HK\$
Fees	150,000	150,000
Other emoluments:		
Salaries and other benefits	2,712,551	3,267,995
Retirement benefit schemes contributions	56,500	54,000
	2,919,051	3,471,995

The emoluments disclosed above include directors' fees of HK\$20,000 (2003: HK\$20,000) payable to independent non-executive directors.

In addition to the above, certain leasehold land and buildings of the Group are occupied by a director and the estimated rateable value of this director's quarter amounts to approximately HK\$267,900 (2003: HK\$267,900).

The emoluments of the directors are within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	14	13
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2003: two) were directors whose emoluments are disclosed in note 8. The emoluments of the remaining two (2003: three) individuals were as follows:

	2004 HK\$	2003 HK\$
Salaries and other benefits	572,400	907,250
Retirement benefit schemes contributions	24,000	36,000
	596,400	943,250

10. TAXATION

	2004 HK\$	2003 HK\$ (restated)
Deferred taxation		
Current year	(178,880)	(163,547)
Attributable to a change in tax rate	659,855	–
	480,975	(163,547)
Share of taxation of associates	67,932	8,863,543
	548,907	8,699,996

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

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

	2004 HK\$	2003 HK\$
(Loss) profit before taxation	(11,245,709)	45,627,890
Tax at the domestic income tax rate of 17.5% (2003: 16%)	(1,967,999)	7,300,463
Tax effect of share of results of associates	2,277,043	(605,616)
Tax effect of expenses not deductible for tax purpose	1,095,970	1,925,343
Tax effect of income not taxable for tax purpose	(3,643,761)	(4,751,987)
Tax effect of tax losses not recognised	2,482,424	2,662,937
Tax effect of utilisation of tax losses previously not recognised	1,032,525	1,067,424
Others	(727,295)	1,101,432
Taxation charge for the year	548,907	8,699,996

Details of deferred taxation are set out in note 31.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

11. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss for the year of HK\$11,794,616 (2003: profit of HK\$38,427,691) and on 488,842,675 (2003: 488,842,675) ordinary shares in issue during the year.

(b) Diluted (loss) earnings per share

The computation of diluted (loss) earnings per share has not assumed the exercise of the outstanding share options of the Company since their exercise prices were greater than the average market price of shares for both years.

12. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP				THE COMPANY	
	Land, buildings and building improvements in Hong Kong HK\$	Buildings in PRC HK\$	Hotel property in Hong Kong HK\$	Furniture, fixtures, equipment, and others in motor vehicles HK\$	Total HK\$	Furniture, fixtures, equipment, and others in motor vehicles HK\$
COST OR VALUATION						
At 1st April, 2003	68,783,540	79,237,243	36,586,333	10,886,307	195,493,423	2,125,727
Additions	–	1,345,855	1,741,985	1,157,791	4,245,631	468,387
Disposals	(175,940)	(1,415,094)	–	(681,213)	(2,272,247)	(620,800)
Revaluation increase	–	–	2,010,459	–	2,010,459	–
At 31st March, 2004	68,607,600	79,168,004	40,338,777	11,362,885	199,477,266	1,973,314
Comprising:						
At cost	68,607,600	79,168,004	–	11,362,885	159,138,489	1,973,314
At valuation – 2004	–	–	40,338,777	–	40,338,777	–
	68,607,600	79,168,004	40,338,777	11,362,885	199,477,266	1,973,314
DEPRECIATION AND IMPAIRMENT						
At 1st April, 2003	11,765,091	19,132,248	–	4,992,179	35,889,518	818,691
Provided for the year	1,410,014	3,192,405	–	1,116,923	5,719,342	199,799
Impairment loss recognised	2,517,803	–	–	–	2,517,803	–
Eliminated on disposals	(175,940)	–	–	(553,141)	(729,081)	(553,141)
At 31st March, 2004	15,516,968	22,324,653	–	5,555,961	43,397,582	465,349
NET BOOK VALUES						
At 31st March, 2004	53,090,632	56,843,351	40,338,777	5,806,924	156,079,684	1,507,965
At 31st March, 2003	57,018,449	60,104,995	36,586,333	5,894,128	159,603,905	1,307,036

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The properties located in Hong Kong are held under medium-term leases.

Certain leasehold land and buildings in Hong Kong with carrying value of HK\$42,968,137 (2003: HK\$43,990,303) are registered in the name of a company controlled by Mr. Deacon Te-ken Chiu and his family ("the Chiu Family") as trustee for the Group.

The hotel property in Hong Kong was revalued at 31st March, 2004 by Lanbase Surveyors Limited, an independent firm of professional valuers, on an open market value basis. The revaluation increase amounting to HK\$2,010,459 (2003: revaluation decrease of HK\$6,297,782) has been recognised in the income statement.

If the hotel property had not been revalued, it would have been included in the financial statements at historical cost of HK\$49,312,343 (2003: HK\$47,570,358).

At 31st March, 2004, the directors conducted a review of the Group's property by reference to the market value made by a professional valuer on the same date and identified an impairment loss of HK\$2,517,803. Accordingly, such impairment loss has been recognised in the income statement.

The net book values of the Group's and the Company's motor vehicles includes an amount of HK\$1,375,131 (2003: HK\$1,150,951) in respect of assets held under finance leases.

13. INVESTMENT PROPERTIES

	THE GROUP
	HK\$
VALUATION	
At 1st April, 2003	26,580,000
Disposal	(910,000)
Revaluation increase	3,150,000
At 31st March, 2004	<u>28,820,000</u>

The carrying amount of investment properties comprises land in Hong Kong as follows:

	THE GROUP	
	2004	2003
	HK\$	HK\$
Long leases	26,000,000	23,000,000
Medium-term leases	2,820,000	3,580,000
	28,820,000	<u>26,580,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

13. INVESTMENT PROPERTIES (CONTINUED)

All of the Group's investment properties were revalued at 31st March, 2004 by Lanbase Surveyors Limited, an independent firm of professional valuers, on an open market value basis. The revaluation increase amounting to HK\$3,150,000 (2003: revaluation decrease of HK\$9,888,702) has been recognised in the income statement.

The investment properties with carrying value of HK\$26,950,000 (2003: HK\$23,900,000) are leased out under operating lease.

An investment property with a carrying value of HK\$930,000 (2003: HK\$880,000) is registered in the name of the spouse of Mr. Derek Chiu as trustee for the Group.

14. INTANGIBLE ASSET

	THE GROUP AND THE COMPANY
	HK\$
GROSS AMOUNT	
At 1st April, 2003 and 31st March, 2004	11,312,400
AMORTISATION	
At 1st April, 2003	1,000,000
Charge for the year	1,885,400
At 31st March, 2004	2,885,400
CARRYING VALUES	
At 31st March, 2004	8,427,000
At 31st March, 2003	10,312,400

The intangible asset represents the cost of acquisition of a sauna business operating in the PRC. Under an agreement signed with a PRC partner on 23rd September, 2002, the Group transferred the right of business operation to the PRC partner for a period of four years commencing from 1st October, 2002 at an annual fee of RMB1,300,000. The intangible asset is amortised over the remaining licence period of six years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$	2003 HK\$
Unlisted shares, at cost	89,209,222	89,209,240
Amounts due from subsidiaries	294,404,679	307,452,620
Less: Impairment loss recognised	(45,919,494)	(45,919,494)
	337,694,407	350,742,366

The amounts due from subsidiaries are unsecured and, in the opinion of directors, the amounts will not be demanded for repayment within the next twelve months. Accordingly, the amounts are shown as non-current. The amounts bear interest at the following rates:

	2004 HK\$	2003 HK\$
Hong Kong Prime Rate plus 1%	14,728,452	–
Hong Kong Prime Rate minus 4%	54,982,913	50,479,774
Hong Kong Prime Rate minus 3%	–	16,981,995
Hong Kong Prime Rate minus 2%	–	13,208,867
7% per annum (note)	–	17,342,659
Interest-free	224,693,314	209,439,325
	294,404,679	307,452,620

Note: Interest was charged up to 31st December, 2002 and the loan became interest-free since then.

Particulars of the subsidiaries of the Company at 31st March, 2004 are as follows:

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activities
		Directly %	Indirectly %	
Alabama Investment Company Limited	HK\$9,000 Ordinary shares	97.8	–	Hotel operation
Cankon Properties Limited	HK\$2 Ordinary shares	100	–	Property holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activities
		Directly %	Indirectly %	
Far East Communication Technology Limited	HK\$2 Ordinary shares	100	–	Investment holding
Faubert Investment Limited	HK\$2 Ordinary shares	100	–	Property investment
Garmelo Secretarial Limited	HK\$2 Ordinary shares	100	–	Provision of company secretarial services to group companies
Kingwell Century Limited	HK\$2 Ordinary shares	100	–	Inactive
Lai Chi Kok Amusement Park Company, Limited	HK\$25,200,000 Ordinary shares	100	–	Property holding
Long Challenge Limited	HK\$10,000 Ordinary shares	100	–	Investment holding and property investment
Neochem Development Limited	HK\$100 Ordinary shares	100	–	Inactive
Rex Entertainment Limited	HK\$100,000 Ordinary shares	100	–	Property holding
Ricci Hall Investment Limited	US\$1 Ordinary share	100	–	Inactive
Sintex Holdings Limited *	US\$1 Ordinary share	100	–	Investment holding
Chartersend Limited	HK\$2 Ordinary shares	–	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activities
		Directly %	Indirectly %	
Jones Town Limited	HK\$2 Ordinary shares	–	100	Property investment
Oneyon Limited	HK\$2 Ordinary shares	–	100	Investment holding
Timing Mark Development Limited	HK\$2 Ordinary shares	–	100	Inactive
Yuk Sue Investment Limited	HK\$2 Ordinary shares	–	100	Securities trading and investment
Tradeland Investments Limited	HK\$250,000 Ordinary shares	–	100	Investment holding
Beijing Hai Lian Property Management Co., Ltd.	RMB25,115,180 Paid up registered capital	–	90	Property investment and service apartments operation
Jenago Limited	HK\$2 Ordinary shares	100	–	Property investment
Superlight Limited	HK\$2 Ordinary shares	100	–	Investment holding
Far East Global Entertainment Limited	HK\$2 Ordinary shares	–	100	Inactive

* The shareholding in this subsidiary has been pledged to a bank for bank facilities granted to the Company.

All the subsidiaries are incorporated and operate in Hong Kong except for Ricci Hall Investment Limited and Sintex Holdings Limited which are incorporated in the British Virgin Islands and operate in Hong Kong, and Beijing Hai Lian Property Management Co., Ltd. which is a Sino-foreign equity joint venture registered and operates in the PRC.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$ (restated)	2004 HK\$	2003 HK\$
Unlisted shares, at cost	–	–	212,578,511	212,578,511
Share of net assets	137,986,791	153,182,610	–	–
Elimination of interest charged by Group	–	(2,501,841)	–	–
Less: Impairment loss recognised	–	–	(126,000,000)	(55,000,000)
	137,986,791	150,680,769	86,578,511	157,578,511
Loan to an associate	64,600,296	86,691,255	–	–
Amounts due from associates	6,124,518	1,485,956	6,088,866	1,447,733
	208,711,605	238,857,980	92,667,377	159,026,244

The loan to an associate is unsecured, bears interest at Hong Kong Prime Rate. In the opinion of the directors, the amount will not be demanded for repayment within the next twelve months. Accordingly, the amount is shown as non-current.

The amounts due from associates are unsecured, interest-free and, in the opinion of the directors, the amounts will not be demanded for repayment within the next twelve months. Accordingly, the amounts are shown as non-current.

Particulars of the associates of the Group at 31st March, 2004 are as follows:

Name of associate	Place of incorporation/ operation	Issued share capital	Proportion of nominal value of issued share capital held by the Group %	Principal activities
Bolan Holdings N.V. #	Netherlands Antilles/ Australia	US\$100 Common shares US\$6,000 Non-cumulative 5% preference shares	45	Investment holding
Central More Limited # *	Hong Kong	HK\$2 Ordinary shares	50	Property development
Star River Investment Limited #	Hong Kong	HK\$4 Ordinary shares	50	Property development
Polyspring Limited	Hong Kong	HK\$4 Ordinary shares	50	Property investment
Nob Hill Management Limited #	Hong Kong	HK\$2 Ordinary shares	50	Property management

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

16. INTERESTS IN ASSOCIATES (*CONTINUED*)

In order to avoid unreasonable delay in the production of the Group's consolidated financial statements, the financial statements of these associates which are prepared to 31st December are used.

* The Group's interest in Central More Limited has been assigned in favour of a bank to secure banking facilities granted to the Group.

The following details have been extracted based on the consolidated financial statements of the Group's principal associates and after taking into account the adoption of SSAP 12 (Revised):

	Bolan Holdings N.V.		Central More Limited	
	2004 HK\$	2003 HK\$ (restated)	2004 HK\$	2003 HK\$
OPERATING RESULTS				
Turnover	4,546,222	7,565,345	142,929,000	1,996,906,168
Profit (loss) before taxation	13,357,196	2,301,242	(10,224,422)	115,858,796
Profit (loss) before taxation attributable to the Group	6,010,738	1,035,559	(5,112,211)	57,929,398
FINANCIAL POSITION				
Non-current assets	366,979,150	413,472,891	212,307,595	275,143,354
Current assets	1,025,209	2,284,784	152,944,160	499,095,384
Current liabilities	(4,764,154)	(5,237,700)	(208,943,115)	(548,868,233)
Non-current liabilities	(171,732,717)	(183,924,780)	(64,422,498)	(123,259,941)
Net assets	191,507,488	226,595,195	91,886,142	102,110,564
Net assets attributable to the Group	86,178,370	101,967,838	45,943,071	51,055,282

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

17. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP						
Equity securities:						
Listed – Hong Kong	–	–	9,522,296	14,322,968	9,522,296	14,322,968
Unlisted – Hong Kong	–	–	–	1,030,524	–	1,030,524
Unlisted – overseas	180,411,545	180,411,545	–	–	180,411,545	180,411,545
	180,411,545	180,411,545	9,522,296	15,353,492	189,933,841	195,765,037
Market values of listed securities	–	–	9,522,296	14,322,968	9,522,296	14,322,968
Carrying amount analysed for reporting purposes as:						
Non-current	180,411,545	180,411,545	5,509,400	3,679,500	185,920,945	184,091,045
Current	–	–	4,012,896	11,673,992	4,012,896	11,673,992
	180,411,545	180,411,545	9,522,296	15,353,492	189,933,841	195,765,037

	Investment securities		Other investments		Total	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE COMPANY						
Equity securities:						
Listed – Hong Kong	–	–	2,092,920	1,931,550	2,092,920	1,931,550
Unlisted – Hong Kong	–	–	–	1,030,524	–	1,030,524
Unlisted – overseas	157,026,351	157,026,351	–	–	157,026,351	157,026,351
	157,026,351	157,026,351	2,092,920	2,962,074	159,119,271	159,988,425
Market values of listed securities	–	–	2,092,920	1,931,550	2,092,920	1,931,550
Carrying amount analysed for reporting purpose as:						
Non-current	157,026,351	157,026,351	–	–	157,026,351	157,026,351
Current	–	–	2,092,920	2,962,074	2,092,920	2,962,074
	157,026,351	157,026,351	2,092,920	2,962,074	159,119,271	159,988,425

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March, 2004

17. INVESTMENTS IN SECURITIES (CONTINUED)

Particulars of the investment securities are as follows:

Name of company	Effective percentage of issued ordinary share capital held by the Group %	Place of incorporation	Principal activities
Warwick Holdings S.A.	16.09	Luxemburg	Investment holding, hotel investment and operation
Far East Consortium International Limited ("FEC")	0.47	Cayman Islands (Listed in Hong Kong)	Investment holding and property investment

The Group's interest in a former overseas associate, Warwick Holdings S.A., was reclassified as investments securities, held for long-term purposes in early January 1988 after the Group disposed part of its interest therein and the Group was no longer in a position to exercise significant influence over the investee. The investment is stated at its carrying value at the date of reclassification, which comprises its cost of acquisition plus the Group's share of its post-acquisition profits accounted for using the equity method up to that date, as reduced by any impairment loss.

The Chiu Family together with the related trusts are controlling shareholders of Warwick Holdings S.A. and FEC.

18. INVENTORIES

The amount represents food and beverage and other consumable, of which HK\$244,955 (2003: HK\$225,552) are stated at net realisable value.

19. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of not more than 30 days to its customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2004 HK\$	2003 HK\$
0 – 30 days	159,860	154,677
31 – 60 days	79,960	124,378
Over 60 days	179,577	61,856
Trade receivables	419,397	340,911
Other receivables	4,938,090	3,486,435
	5,357,487	3,827,346

The Company did not have any trade receivables at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

20. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from (to) companies controlled by the directors are as follows:

Name of company	Name of directors related	THE GROUP			THE COMPANY		
		Balance at 31.3.2004 HK\$	Balance at 1.4.2003 HK\$	Maximum amount outstanding during the year HK\$	Balance at 31.3.2004 HK\$	Balance at 1.4.2003 HK\$	Maximum amount outstanding during the year HK\$
Far East Theatres Management Ltd.	Deacon Te-ken Chiu Chiu Ju Ching-lan Dick Tat-sang Chiu David Tat-cheong Chiu	49,045	216,482	216,482	49,044	216,482	216,482
Far East Technology International Limited	Deacon Te-ken Chiu David Tat-cheong Chiu Margaret Chiu Dennis Tat-shing Chiu Daniel Tat-jung Chiu Derek Chiu, Desmond Chiu Duncan Chiu	804,430	804,430	<u>804,430</u>	420,716	420,716	<u>420,716</u>
		<u>853,475</u>	<u>1,020,912</u>		<u>469,760</u>	<u>637,198</u>	

The above amounts are unsecured, interest-free and repayable on demand.

21. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2004 HK\$	2003 HK\$
0 – 30 days	260,804	287,435
31 – 60 days	271,196	373,756
Over 60 days	1,667,810	1,208,175
Trade payables	2,199,810	1,869,366
Other payables	7,056,766	8,878,482
	<u>9,256,576</u>	<u>10,747,848</u>

The Company did not have any trade payables at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

22. AMOUNT DUE TO AN ASSOCIATE

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

23. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and have no fixed repayment terms.

24. AMOUNT DUE TO A RELATED COMPANY

Name of company	Name of directors related	THE GROUP AND THE COMPANY	
		2004 HK\$	2003 HK\$
Great Eastern Advertising & Publishing Co., Ltd.	Derek Chiu Janny Lin-chun Leung	8,365	28,770

The amount is unsecured, interest-free and repayable on demand.

25. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
THE GROUP AND THE COMPANY				
Amounts payable under finance leases:				
Within one year	330,444	282,504	293,023	252,891
In the second to fifth year inclusive	403,392	431,052	369,724	377,973
	733,836	713,556	662,747	630,864
Less: Future finance charges	(71,089)	(82,692)	–	–
Present value of lease obligations	662,747	630,864	662,747	630,864
Less: Amount due within one year shown under current liabilities			(293,023)	(252,891)
Amount due after one year			369,724	377,973

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term ranges from four to five years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

27. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Bank and other borrowings comprise:				
Mortgage loans	22,156,330	26,525,453	–	–
Bank loans	60,199,970	125,930,861	60,199,971	125,930,861
Other loan	15,027,670	–	15,027,670	–
Bank overdrafts	6,904,237	–	6,904,237	–
	104,288,207	152,456,314	82,131,878	125,930,861
Analysed as:				
Secured	89,260,537	152,456,314	67,104,208	125,930,861
Unsecured	15,027,670	–	15,027,670	–
	104,288,207	152,456,314	82,131,878	125,930,861
The above borrowings are repayable as follows:				
Within one year	74,321,001	76,188,884	70,435,380	72,537,865
More than one year, but not exceeding two years	5,244,438	54,814,748	1,301,165	51,071,434
More than two years, but not exceeding five years	16,089,418	14,134,091	3,903,494	2,321,562
More than five years	8,633,350	7,318,591	6,491,839	–
	104,288,207	152,456,314	82,131,878	125,930,861
Less: Amount due within one year shown under current liabilities	(74,321,001)	(76,188,884)	(70,435,380)	(72,537,865)
Amount due after one year	29,967,206	76,267,430	11,696,498	53,392,996

Other loan bear interest rates ranging from 12% to 18% per annum.

28. SHARE CAPITAL

	Authorised 2004 & 2003 HK\$	Issued and fully paid 2004 & 2003 HK\$
Ordinary shares of HK\$1 each	750,000,000	488,842,675

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

29. RESERVES

	Share premium HK\$	Capital reserve HK\$	Capital redemption reserve HK\$	Deficit HK\$	Total HK\$
THE COMPANY					
At 1st April, 2002	92,805,386	21,223,231	28,990,000	(41,005,830)	102,012,787
Loss for the year	–	–	–	(37,583,597)	(37,583,597)
At 31st March, 2003	92,805,386	21,223,231	28,990,000	(78,589,427)	64,429,190
Loss for the year	–	–	–	(67,316,929)	(67,316,929)
At 31st March, 2004	92,805,386	21,223,231	28,990,000	(145,906,356)	(2,887,739)

The Company did not have any reserve available for distribution to shareholders at the balance sheet date.

30. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured and interest-free. The amounts will not be demanded for repayment within the next twelve months. Accordingly, the amounts are shown as non-current.

31. DEFERRED TAXATION

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$
At 1st April, 2002	
– as originally reported	–
– prior period adjustment on adoption of SSAP 12 (Revised)	7,201,995
– as restated	7,201,995
Credit to income statement	(163,547)
At 31st March, 2003	7,038,448
Credit to income statement	(178,880)
Effect of change in tax rate – charge to income statement	659,855
At 31st March, 2004	7,519,423

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

31. DEFERRED TAXATION (CONTINUED)

At 31st March, 2004, the Group has unused tax losses of approximately HK\$89,693,000 (2003: HK\$74,464,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except for an amount of approximately HK\$22,017,000 (2003: HK\$19,992,000) which will expire in the following years:

	2004	2003
	HK\$	HK\$
2004	–	3,546,000
2005	3,280,000	3,280,000
2006	2,963,000	2,963,000
2007	4,102,000	4,102,000
2008	6,101,000	6,101,000
2009	5,571,000	–
	22,017,000	19,992,000

At 31st March, 2004, the Company has unused tax losses of approximately HK\$5,900,000 (2003: HK\$4,200,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

32. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the date of inception of the leases of HK\$405,019 (2003: Nil).

33. PLEDGE OF ASSETS

At the balance sheet date, the bank and other loans facilities of the Group and the Company amounted to approximately HK\$89,356,000 (2003: HK\$159,456,000) and HK\$67,200,000 (2003: HK\$132,931,000) respectively, of which approximately HK\$89,260,600 (2003: HK\$152,456,000) and HK\$67,104,000 (2003: HK\$125,931,000) were utilised, respectively. These facilities were secured by the following:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Hotel property	40,338,777	36,586,333	–	–
Leasehold land and buildings	8,900,000	11,694,598	–	–
Investment properties	28,820,000	26,580,000	–	–
Bank deposits	2,173,166	2,161,807	2,053,157	2,042,265
	80,231,943	77,022,738	2,053,157	2,042,265

In addition, the facilities of the Group were also secured by a floating charge on all the assets and undertakings, both present and future, including the uncalled capital, of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

34. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Guarantee given to a bank in respect banking facilities utilised by:				
A subsidiary	–	–	20,000,000	20,000,000
An associate	10,155,000	–	–	–
	10,155,000	–	20,000,000	20,000,000

35. COMMITMENTS

(a) Operating lease arrangements

The Group as lessee:

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

	THE GROUP	
	2004 HK\$	2003 HK\$
Within one year	4,042,682	4,354,656
In the second to fifth year inclusive	15,849,057	18,422,243
Over five years	61,415,094	100,063,148
	81,306,833	122,840,047

Leases are negotiated for a term ranging from two to twenty-eight years with fixed rentals over the lease term.

The Group as lessor:

Property rental income earned during the year was HK\$6,294,399 (2003: HK\$6,540,791). The properties are expected to generate an average rental yield of 10% per annum and have committed tenants for a term of two years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

35. COMMITMENTS (CONTINUED)**(a) Operating lease arrangements (continued)**

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

	THE GROUP	
	2004 HK\$	2003 HK\$
Within one year	2,264,000	2,686,075
In the second to fifth year inclusive	–	2,056,849
	2,264,000	4,742,924

(b) Capital commitments

	THE GROUP	
	2004 HK\$	2003 HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	1,386,431	1,065,233

(c) Other commitments

At 31st March, 2004, the Group had contracted with an independent consultancy company for the project of Kau Wah Keng Old Village, Lai Chi Kok, Kowloon and the outstanding commitment for procurement fees amounted to HK\$28,000,000 (2003: HK\$28,000,000).

36. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

- The Group received interest on loan advance to an associate amounting to HK\$5,530,882 (2003: HK\$34,866,574). Details of the loan advanced to, and amounts due from (to), associates are disclosed in notes 16 and 22.
- The Group paid rentals of HK\$260,912 (2003: Nil) to and an associate in respect of premises leased to the Group. The rentals were charged by reference to market rate.

In 2003, the Group acquired 10,000,000 shares in FEC at a consideration of HK\$2,750,000 from Far East Technology International Limited ("FET") through the Stock Exchange. Mr. Deacon Te-ken Chiu is a controlling shareholder in both FEC and FET.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

37. SHARE OPTION SCHEME

In accordance with the Company's share option scheme (the "Scheme"), which was adopted pursuant to an ordinary resolution passed on 22nd September, 1995, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Details of the share options outstanding at the balance sheet date are as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of shares issued upon exercise of the share options	Exercisable period
Mr. Deacon Te-ken Chiu	15.11.1995	1.42	5,000,000	November 1995 – October 2005
Mr. Derek Chiu	16.10.1995	1.44	590,000	October 1995 – September 2005
	9.9.1997	3.01	1,000,000	September 1997 – August 2007
Madam Chiu Ju Ching-lan	11.4.1996	1.60	4,000,000	April 1996 – March 2006
Ms. Margaret Chiu	19.11.1997	1.74	7,000,000	November 1997 – October 2007
Mr. Sung-ki Tang	11.4.1996	1.60	150,000	April 1996 – March 2006
	29.1.2000	1.00	6,000,000	January 2000 – December 2009
			<u>23,740,000</u>	

Particulars of the Scheme are set out as follows:

- (a) The purpose of the Scheme is to motivate employees of the Company or any subsidiary and to allow them to participate in the growth of the Company.
- (b) The directors may, at their discretion, invite employees of the Group, including executive directors of any member of the Group, to take up options at HK\$10 per option to subscribe for shares at a price calculated in accordance with paragraph mentioned below.
- (c) The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) under the Scheme will not exceed 10% of the issued share capital of the Company (excluding any shares issued pursuant to the Scheme) from time to time.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

37. SHARE OPTION SCHEME (*CONTINUED*)

- (d) No option may be granted to any employee which if exercised in full would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and issuable to him or her under the Scheme, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.
- (e) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined by the Board and notified to each grantee and in any event such period of time not exceeding a period of 10 years which shall commence immediately after the date on which the option is accepted in accordance with the Scheme and shall expire on the last day of such period.
- (f) The Scheme will remain in force for a period of 10 years commencing on 22nd September, 1995 being the date on which it was adopted by resolution of the Company in general meeting.
- (g) The exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher.

As the Scheme no longer complies with the amendment rules in The Rules Governing the Listing of Securities on the Stock Exchange announced on 23rd August, 2001, no further share option can be granted under the Scheme from 1st September, 2001. Nevertheless, all share options granted prior to 1st September, 2001 will continue to be exercisable in accordance with the Scheme.

38. RETIREMENT BENEFIT SCHEMES

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

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.