1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on the Stock Exchange since 13 October 1998. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

In November 2003, the Company's shareholders received a voluntary conditional cash offer (the "Offer") from Victory Rider Limited ("Victory Rider") to acquire all the issued shares of the Company. Victory Rider is incorporated in the British Virgin Islands and is wholly-owned by Ms. Huang Ning, a director of the Company. After the close of the Offer, Victory Rider became the major substantial shareholder of the Company.

During the year, the Group was involved in the following principal activities:

- manufacture and distribution of precision components processing equipment*;
- provision of corporate finance, securities investment and investment advisory services*;
- trading of precision components processing equipment**;
- property investment; and
- provision of financial services.

* *The operations were discontinued during the year. Further details of which are included in note 10 to the financial statements.*

** *The operations were discontinued subsequent to the balance sheet date on 23 July 2004. Further details of which are included in note 10 to the financial statements.*

Pursuant to a conditional agreement dated 29 March 2004, the Group acquired the entire issued share capital of Smart Wave Limited ("Smart Wave") and the shareholder loan owing by Smart Wave to its existing shareholder for the considerations of approximately $21.3 million and $33.7 million, respectively. Smart Wave was incorporated in the British Virgin Islands and was engaged in property investment in Shenzhen. As at 31 March 2004, a deposit of $15 million was paid and the remaining consideration of $40 million was disclosed as capital commitments as at the balance sheet date in note 32 to the financial statements. The acquisition was completed on 9 July 2004.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The following revised SSAP and Interpretation are effective for the first time for the current year's financial statements and have had a significant impact thereon:

- SSAP 12 (Revised) : "Income taxes"
- Interpretation 20 : "Income taxes – Recovery of revalued non-depreciable assets"

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12.

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and

- a deferred tax liability has been recognised on the revaluation of the Group's investment properties.

Disclosures:

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 9 and 25 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes are included in the accounting policy for deferred tax in note 3 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain equity investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, together with the Group's share of post-acquisition results and reserves of its jointly-controlled entity under the equity method of accounting. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances have been eliminated on consolidation.

Subsidiaries

A subsidiary is a company over which the Company can exercise control, which is normally evidenced when the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. In the Company's financial statements, interests in subsidiaries are stated at cost less any impairment losses, while income from subsidiaries is recorded to the extent of dividends received and receivable.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies *(Continued)*

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset is recognised in the profit and loss account. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the profit and loss account in the period in which it arises and to the extent of the impairment loss previously charged.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. Major expenditures on modifications and betterments of fixed assets which will increase their future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on the straight-line basis to write off the cost of each asset over its estimate useful life. The annual rates of depreciation are as follows:

Leasehold land	Over the lease terms
Building	2.2%
Leasehold improvements	25% – 33% (over the unexpired period of the leases)
Machinery and equipment	20%
Furniture and office equipment	20%
Motor vehicles	33%

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from fixed assets.

Gains and losses on disposal of fixed assets are recognised in the profit and loss account based on the net sales proceeds less the then carrying amount of the relevant assets.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values based on directors' valuation on an individual basis.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes costs of raw materials determined using the first-in, first-out method of costing and, in the case of work in progress and finished goods, also direct labour and an appropriate proportion of production overheads. Net realisable value is based on estimated selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, on the following bases:

(i) the sale of goods is recognised when the merchandise is shipped and title has passed;

(ii) interest income is recognised on a time proportion basis that takes into account the principal outstanding and the effective interest rate applicable;

(iii) corporate finance and investment advisory fees are recognised when services are rendered;

(iv) gain on disposal of marketable securities is recognised on the trade date;

(v) dividend income is recognised when the right to receive payment has been established; and

(vi) rental income is recognised on the straight-line basis over the terms of the leases.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessor. Where the Group is the lessor, rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Foreign currencies

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the financial statements of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable exchange rates ruling at the time of the transaction; monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable exchange rate ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account of the individual companies.

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, all the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable exchange rate ruling at the balance sheet date; all income and expense items are translated into Hong Kong dollars at the applicable average exchange rates during the year. Exchange differences arising from such translation are dealt with as movement in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for its eligible employees in Hong Kong who are eligible to participate in the MPF Scheme.

Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefits scheme (Continued)

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in the retirement benefits scheme (the "RB Scheme") operated by the local municipal government in Mainland China. This subsidiary is required to contribute a certain percentage of its payroll costs to the RB Scheme to fund the benefits. The only obligation of the Group with respect to the RB Scheme is to pay the ongoing required contributions under the RB Scheme. Contributions under the RB Scheme are charged to the profit and loss account as they become payable in accordance with the rules of the RB Scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations

(a) the property investment;

(b) the provision of financial services;

Discontinued/discontinuing operations

(c) the provision of corporate finance, securities investment and investment advisory services;

(d) the manufacture and distribution of precision components processing equipment; and

(e) the trading of precision components processing equipment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

Group

	Continuing operations				Discontinued/discontinuing operations									
	Property investment		Financial services		Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision components processing equipment		Trading of precision components processing equipment		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:														
Sales and services to external customers	**1,587**	–	**1,232**	–	**2,236**	2,190	**18,089**	28,798	**499**	5,429	**-**	–	**23,643**	36,417
Intersegment sales	**-**	–	**-**	–	**2,466**	1,680	**-**	200	**-**	–	**(2,466)**	(1,880)	**-**	–
Other revenue	**-**	–	**50**	44	**100**	47	**130**	497	**22**	1	**-**	–	**302**	589
Total	**1,587**	–	**1,282**	44	**4,802**	3,917	**18,219**	29,495	**521**	5,430	**(2,466)**	(1,880)	**23,945**	37,006
Segment results	**1,382**	–	**1,093**	(345)	**(533)**	3,133	**(1,198)**	(7,345)	**(11,558)**	(11,354)	**(2,466)**	(1,880)	**(13,280)**	(17,791)
Unallocated interest income, dividend income and unallocated gains													**3,709**	1,326
Unallocated expenses													**(26,543)**	(60,115)
Loss from operating activities													**(36,114)**	(76,580)
Finance costs													**(788)**	(112)
Loss before tax													**(36,902)**	(76,692)
Tax													**(435)**	612
Net loss from ordinary activities attributable to shareholders													**(37,337)**	(76,080)

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Continuing operations				Discontinued/discontinuing operations							
	Property investment		Financial services		Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision components processing equipment		Trading of precision components processing equipment		Consolidated	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Segment assets	**77,348**	–	**40,384**	591	**-**	17,542	**-**	42,464	**1,932**	13,487	**119,664**	74,084
Unallocated assets											**48,753**	112,039
Total assets											**168,417**	186,123
Segment liabilities	**3,605**	–	**162**	246	**-**	3,261	**-**	17,304	**298**	284	**4,065**	21,095
Unallocated liabilities											**10,238**	19,857
Total liabilities											**14,303**	40,952
Other segment information:												
Depreciation	**-**	–	**147**	86	**114**	170	**1,090**	1,918	**1,638**	971	**2,989**	3,145
Unallocated depreciation											**562**	247
Total											**3,551**	3,392
Provision for bad and doubtful debts	**-**	–	**-**	234	**955**	–	**-**	269	**863**	5,365	**1,818**	5,868
Unallocated provision for bad and doubtful debts											**22**	–
											1,840	5,868
Impairment losses recognised in the profit and loss account	**-**	–	**-**	–	**-**	–	**-**	–	**5,526**	–	**5,526**	–
Unallocated unrealised loss on short term listed investments											**6,076**	20,190
Surplus on revaluation recognised directly in equity	**4,285**	–	**-**	–	**-**	–	**-**	–	**-**	–	**4,285**	–
Capital expenditure	**71,187**	–	**-**	441	**-**	136	**51**	12,094	**-**	8,009	**71,238**	20,680
Unallocated capital expenditure											**901**	5,315
Total											**72,139**	25,995

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments *(Continued)*

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Taiwan		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:										
Sales and services to external customers	**3,967**	7,618	**10,360**	14,004	**9,316**	17,305	**-**	(2,510)	**23,643**	36,417
Other revenue	**173**	113	**78**	80	**51**	396	**-**	–	**302**	589
Total	**4,140**	7,731	**10,438**	14,084	**9,367**	17,701	**-**	(2,510)	**23,945**	37,006
Other segment information:										
Segment assets	**91,069**	142,183	**77,348**	21,051	**-**	22,889	**-**	–	**168,417**	186,123
Capital expenditure	**944**	13,901	**71,187**	12,012	**8**	82	**-**	–	**72,139**	25,995

5. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, income from the rendering of services, rental income and interest income earned during the year.

An analysis of the Group's turnover, other revenue and gains is as follows:

	2004 $'000	2003 $'000
Turnover		
Corporate finance and investment advisory fees:		
Discontinued operations	**2,236**	2,190
Sale of goods:		
Discontinued/discontinuing operations	**18,588**	34,227
Rental income, net of business tax of $88,825:		
Continuing operations	**1,587**	–
Interest income:		
Continuing operations	**1,232**	–
	23,643	36,417
Other revenue		
Interest income from bank	**24**	1,150
Dividend income from listed investments	**–**	59
Others	**370**	626
	394	1,835
Gains		
Gain on disposal of an associate	**–**	80
Gain on disposal of other investments	**1,500**	–
Exchange gains, net	**16**	–
	1,516	80
	1,910	1,915

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Notes	2004 $'000	2003 $'000
Cost of inventories sold		**16,503**	30,286
Depreciation	*13*	**3,551**	3,392
Minimum lease payments under operating leases on leasehold land and buildings		**3,599**	3,689
Auditors' remuneration		**550**	650
Staff costs (excluding directors' remuneration – *note 8*):			
Wages and salaries		**6,735**	10,820
Pension scheme contributions		**337**	310
		7,072	11,130
Provision for inventory obsolescence		**446**	2,258
Loss on disposal of fixed assets*		**270**	297
Impairment of fixed assets*		**5,526**	–
Provision for bad and doubtful debts*		**1,840**	5,866
Loss on disposal of short term listed investments, net*		**20,035**	19,324
Unrealised loss on short term listed investments*		**6,076**	20,190
Legal and professional fees in respect of a conditional cash offer to acquire all the issued shares and outstanding share options of the Company*		**–**	4,428
Write-back of provision for staff bonus	*23*	**(3,109)**	(4,547)
Net rental income		**(1,382)**	–

* *Included in "Other operating expenses" on the face of the consolidated profit and loss account.*

7. FINANCE COSTS

	2004	2003
	$'000	*$'000*
Interest on amounts due to securities dealers	**766**	112
Interest on finance leases	**22**	–
	788	112

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004	2003
	$'000	*$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**100**	380
	100	380
Other emoluments (executive directors):		
Basic salaries, housing benefits, other allowances and benefits in kind	**2,160**	5,708
Compensation for loss of office	**–**	1,000
Retirement scheme contributions	**24**	20
	2,184	6,728
	2,284	7,108

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Directors' remuneration *(Continued)*

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil – $1,000,000	**7**	10
$1,000,001 – $2,000,000	**1**	–
$2,000,001 – $2,500,000	**–**	2
	8	12

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Five highest paid employees

The five highest paid employees during the year included two (2003: four) directors of the Company and their remuneration has been included in the directors' remuneration set out above. The details of the remuneration of the remaining three (2003: one) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	$'000	*$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**1,183**	1,560
Retirement scheme contributions	**36**	12
	1,219	1,572

	Number of employees	
	2004	2003
Nil – $1,000,000	**3**	–
$1,500,001 – $2,000,000	**–**	1
	3	1

9. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil).

The Group's subsidiary registered in the People's Republic of China (the "PRC") is exempt from PRC corporate income tax for two years starting from the first profitable year of their operations and are entitled to a 50% relief from corporate income tax for the following three years under the PRC tax laws. No provision for income tax has been made as this subsidiary has available tax losses brought forward from prior years to offset the assessable profits generated during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof. In accordance with the relevant tax rules and regulations, the Company's subsidiary registered in Mainland China benefits from income tax exemption and reduction.

Tax recoverable represents the excess of provisional tax paid over the estimated tax liability.

	2004	2003
	$'000	*$'000*
Group:		
Current-Hong Kong		
Charge for the year	**–**	–
Under/(over) provision in prior years	**276**	(506)
Current-Elsewhere	**159**	–
Deferred	**–**	(106)
Total tax charge/(credit) for the year	**435**	(612)

9. TAX *(Continued)*

A reconciliation of the tax charge/credit applicable to loss before tax using the statutory rates for the countries in which the Company and its subsidiaries and joint ventures are principally domiciled to the tax expense at the Group's effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rate of Hong Kong) to the effective tax rate, are as follows:

	2004		2003	
	$'000	**%**	*$'000*	*%*
Loss before tax	**(36,902)**		(76,692)	
Tax at the statutory tax rate of 17.5% (2003: 16%)	**(6,458)**	**17.5**	(12,271)	16.0
Higher tax rate of other countries	**(159)**	**0.4**	(678)	0.9
Adjustments in respect of current tax of previous periods	**276**	**(0.7)**	(506)	0.7
Income not subject to tax	**(3,450)**	**9.3**	(208)	0.3
Expenses not deductible for tax	**9,692**	**(26.2)**	11,517	(15.1)
Tax losses utilised from previous periods	**(41)**	**0.1**	(301)	0.4
Tax losses not recognised	**575**	**(1.6)**	1,835	(2.4)
Tax charge/(credit) at the Group's effective rate	**435**	**(1.2)**	(612)	0.8

10. DISCONTINUED/DISCONTINUING OPERATIONS

Pursuant to a sale and purchase agreement dated 22 July 2003, the Group disposed of its entire interests in certain subsidiaries engaging in the manufacture and distribution of precision components processing equipment to an independent third party (the "Purchaser") for a cash consideration of $25 million. The disposal of the above business was completed on 21 August 2003 and resulted in a gain on disposal of subsidiaries of approximately $192,000.

Pursuant to a sale and purchase agreement dated 22 August 2003, the Group disposed of its entire interests in a subsidiary engaging in the provision of corporate finance and investment advisory services for a cash consideration of $7 million. The disposal of the above business was completed on 30 December 2003 and resulted in a gain on disposal of a subsidiary of approximately $1,909,000.

Pursuant to a board resolution passed on 23 July 2004, the Group ceased the operations of trading of precision components processing equipment through abandonment.

10. DISCONTINUED/DISCONTINUING OPERATIONS *(Continued)*

The results of the discontinued/discontinuing operations included in the consolidated profit and loss account for the two years ended 31 March 2004 were as follows:

	Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision components processing equipment		Trading of precision components processing equipment		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
TURNOVER	**2,236**	2,190	**18,089**	28,798	**499**	5,429	**20,824**	36,417
Cost of sales	**-**	–	**(16,214)**	(26,969)	**(735)**	(5,574)	**(16,949)**	(32,543)
Gross profit	**2,236**	2,190	**1,875**	1,829	**(236)**	(145)	**3,875**	3,874
Other revenue and gains	**103**	378	**135**	712	**23**	17	**261**	1,107
Selling and distribution costs	**-**	–	**-**	(374)	**-**	–	**-**	(374)
Administrative expenses	**(4,311)**	(984)	**(3,024)**	(9,229)	**(4,955)**	(5,487)	**(12,290)**	(15,700)
Other operating expenses	**(1,024)**	–	**(179)**	(268)	**(6,389)**	(5,723)	**(7,592)**	(5,991)
Gain on disposal of discontinued operations	**1,909**	–	**192**	–	**-**	–	**2,101**	–
PROFIT/(LOSS) BEFORE TAX	**(1,087)**	1,584	**(1,001)**	(7,330)	**(11,557)**	(11,338)	**(13,645)**	(17,084)
Tax	**(276)**	748	**-**	–	**-**	(108)	**(276)**	640
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**(1,363)**	2,332	**(1,001)**	(7,330)	**(11,557)**	(11,446)	**(13,921)**	(16,444)

10. DISCONTINUED/DISCONTINUING OPERATIONS *(Continued)*

The carrying amounts of the total assets and liabilities relating to the discontinued/discontinuing operations as at 31 March were as follows:

	Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision components processing equipment		Trading of precision components processing equipment		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Total assets	**-**	17,542	**-**	42,464	**1,923**	13,487	**1,923**	73,493
Total liabilities	**-**	(3,261)	**-**	(17,304)	**(298)**	(284)	**(298)**	(20,849)
Net assets	**-**	14,281	**-**	25,160	**1,625**	13,203	**1,625**	52,644

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company, was $24,115,000 (2003: $117,208,000).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of $37,337,000 (2003: $76,080,000) and the weighted average of 419,768,732 (2003: 306,833,231) ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

Diluted loss per share amounts for the years ended 31 March 2004 and 2003 have not been shown because the share options outstanding during these years had no dilutive effect on the basic loss per share for these years.

13. FIXED ASSETS

Group

	Investment properties $'000	Leasehold land and building $'000	Leasehold improve-ments $'000	Machinery and equipment $'000	Furniture and office equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:							
At beginning of year	–	4,480	878	13,682	9,686	597	29,323
Additions	–	145	–	–	100	707	952
Acquisition of a subsidiary	71,187	–	–	–	–	–	71,187
Disposal of subsidiaries	–	–	–	(13,682)	(521)	(146)	(14,349)
Disposals	–	–	(447)	–	(693)	–	(1,140)
Surplus arising on revaluation	4,285	–	–	–	–	–	4,285
At 31 March 2004	**75,472**	**4,625**	**431**	**-**	**8,572**	**1,158**	**90,258**
Analysis of cost or valuation:							
At cost	–	4,625	431	–	8,572	1,158	14,786
At 31 March 2004 valuation	75,472	–	–	–	–	–	75,472
	75,472	4,625	431	–	8,572	1,158	90,258
Accumulated depreciation and impairment:							
At beginning of year	–	51	331	1,828	1,749	118	4,077
Provided during the year	–	107	266	1,070	1,815	293	3,551
Impairment during the year recognised in the profit and loss account	–	–	–	–	5,523	3	5,526
Disposal of subsidiaries	–	–	–	(2,898)	(170)	(27)	(3,095)
Disposals	–	–	(244)	–	(626)	–	(870)
At 31 March 2004	**-**	**158**	**353**	**-**	**8,291**	**387**	**9,189**
Net book value:							
At 31 March 2004	**75,472**	**4,467**	**78**	**-**	**281**	**771**	**81,069**
At 31 March 2003	–	4,429	547	11,854	7,937	479	25,246

31 March 2004 (Expressed in Hong Kong dollars)

13. FIXED ASSETS *(Continued)*

The Group's leasehold land and building is situated in Hong Kong and held under medium term lease.

The Group's investment properties are situated in the PRC and are held under medium term leases.

The net book value of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 March 2004 amounted to $564,000 (2003: Nil).

The Group's investment properties were revalued on 31 March 2004 by Chung, Chan & Associates, independent professionally qualified valuers, at $75.5 million (equivalent to approximately RMB80 million) on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 31(a) to the financial statements. Further particulars of the Group's investment properties are as follows:

Location	Use	Tenure	Attributable interest of the Group
Shop space within Axes 1-10, 10-15, 16-22 and 28-32 on the 1st Level and shop space within Axes 1-10, 10-15, 15-22 and 28-32 on the 2nd Level, Buildings nos. 1, 2 and 3, Wan Di Ming Yuan, No. 39 Xi Si Huan Zhong Road, Hai Din District, Beijing, Hebei Province, the PRC	Office building	Medium term lease	100%

14. INTERESTS IN SUBSIDIARIES

	Company 2004 $'000	Company 2003 $'000
Unlisted shares, at cost	**131,899**	131,899
Due from subsidiaries	**165,410**	118,955
Due to subsidiaries	**(25,708)**	(23,893)
	271,601	226,961
Provision for impairment	**(132,000)**	(100,000)
	139,601	126,961

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
New Times Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary $1,000	100%	–	Investment holding
Elect Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	–	100%	Investment holding
Elegant Pool Limited	British Virgin Islands/ Mainland China	Ordinary US$100	–	100%	Property investment
Express Magic Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
First Up Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Grand Dynasty Capital Limited	Hong Kong	Ordinary $3,000,000	–	100%	Investment advisory

31 March 2004 (Expressed in Hong Kong dollars)

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ideal Far East Limited	Hong Kong	Ordinary $10,000	–	100%	Trading of precision components processing equipment
Jefta Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	–	100%	Investment holding/ provision of financial services
Key Foundation Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Profit Dynamic Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
South Richest Limited	Hong Kong	Ordinary $2	–	100%	Investment Holding
Team World Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	–	100%	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2004 $'000	Group 2003 $'000
Share of net assets	–	49,778
Loans from a jointly-controlled entity	–	(49,778)
	–	–

The loans from the jointly-controlled entity represented the Group's withdrawal of substantially its initial investment from the jointly-controlled entity, which was unsecured, interest-free and offset with the cost of investment upon the liquidation of the jointly-controlled entity during the year.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity indirectly attributable to the Company	Principal activity
E1-Sky Tech Investment Company Limited*	Corporate	Cayman Islands	– (2003: 50%)	Investment holding

** E1-Sky Tech Investment Company Limited was wound up voluntarily on 17 October 2003.*

16. INVESTMENTS

	Group 2004 $'000	Group 2003 $'000
Other investments		
Unlisted equity investments, at fair value	–	5,000
Short term investments		
Listed equity investments, at fair value:		
– Hong Kong	20,512	61,127
Market value of listed equity investments:		
– At balance sheet date	20,512	61,127
– At date of report	9,754	32,090

17. INVENTORIES

	Group 2004 $'000	2003 $'000
Raw materials	–	7,744
Work in progress	–	2,918
Finished goods	892	7,824
	892	18,486
Less: Provision for inventory obsolescence	(892)	(4,390)
	–	14,096

No inventory (2003: $13,060,000) was carried at net realisable value as at the balance sheet date.

18. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually allows an average credit period of 90 days to its customers and seeks to maintain strict control over its outstanding receivables. The following is an aged analysis of the trade receivables as at the balance sheet date, based on the invoice date.

	Group 2004 $'000	2003 $'000
Less than 90 days	2,112	6,719
91 – 180 days	34	1,774
Over 181 days	5,942	6,550
	8,088	15,043
Less: Provision for bad and doubtful debts	(5,973)	(5,675)
	2,115	9,368

19. LOAN RECEIVABLES

The loan receivables of $30,000,000 (2003: Nil) bear interest at the Hong Kong dollar prime rate per annum and are repayable within one year from the dates on which the loans are granted.

The remaining loan receivable of $10,000,000 (2003: Nil) bears interest at 5% per annum and is repayable within one year from the date on which the loan is granted.

All these loans were settled subsequent to the balance sheet date.

20. NOTE RECEIVABLES

The note receivables bear interest at 5% per annum on the principal amount and are repayable after one year from the date of issue of the note. The note is convertible into ordinary shares of a listed company on the Stock Exchange at $0.02 per share before the repayment date. The note was settled in cash subsequent to the balance sheet date.

21. TRADE PAYABLES

The following is an aged analysis of trade payables as at the balance sheet date, based on the invoice date.

	Group	
	2004	2003
	$'000	*$'000*
Less than 90 days	**–**	8,141
91-180 days	**–**	1,615
181-360 days	**–**	300
Over 360 days	**–**	301
	–	10,357

22. OTHER PAYABLES, DEPOSITS AND ACCRUED LIABILITIES

In the prior year, included in other payables, deposits and accrued liabilities of the Group was a loan due to a minority shareholder of a subsidiary amounting to $3,969,000. The balance was unsecured, interest-free and was disposed of during the year following the disposal of the subsidiaries.

23. PROVISIONS

Group

	Provision for legal and professional costs *$'000*	Provision for staff bonus *$'000*	Total *$'000*
Balance at beginning of year	13,780	3,109	16,889
Amounts utilised during the year	(478)	–	(478)
Reversal of unutilised amounts	(13,000)	(3,109)	(16,109)
At 31 March 2004	**302**	**–**	**302**

Company

	Provision for legal and professional costs *$'000*
Balance at beginning of year	13,780
Amounts utilised during the year	(478)
Reversal of unutilised amounts	(13,000)
At 31 March 2004	**302**

The amount of the provision for legal and professional costs is estimated based on the legal opinion obtained from the independent legal advisors of the Group. Owing to the settlement of the litigation as detailed in note 30 to the financial statements, an excess of the provision amounting to $13 million was written back to the current year's profit and loss account.

In the prior year, the Group provides staff bonuses for the purpose of providing incentives to encourage executives and management staff to remain with the Group in order to preserve management continuity. The amount of the provision for staff bonus was made based on the directors' estimation.

24. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms ranging from four to five years.

At 31 March 2004, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments 2004 $'000**	Minimum lease payments 2003 $'000	**Present value of minimum lease payments 2004 $'000**	Present value of minimum lease payments 2003 $'000
Amounts payable:				
Within one year	**167**	–	**133**	–
In the second year	**167**	–	**142**	–
In the third to fifth years, inclusive	**294**	–	**276**	–
Total minimum finance lease payments	**628**	–	**551**	–
Future finance charges	**(77)**	–		
Total net finance lease payables	**551**	–		
Portion classified as current liabilities	**(133)**	–		
Long term portion	**418**	–		

25. DEFERRED TAX LIABILITY

	Revaluation of investment properties $'000
Group	
At 1 April 2002 and at 1 April 2003	–
Deferred tax debited to equity during the year	1,286
At 31 March 2004	**1,286**

The Group has tax losses arising in Hong Kong on $19,837,000 (2003: $16,548,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2004, there is no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

SSAP12 (Revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax liability as at 31 March 2004 by $1,286,000.

26. SHARE CAPITAL

	2004 **$'000**	2003 $'000
Authorised:		
900,000,000 ordinary shares of $0.10 each	**90,000**	90,000
Issued and fully paid:		
433,302,000 (2003: 288,868,000) ordinary shares of $0.10 each	**43,330**	28,887

On 9 May 2003, 144,434,000 shares were issued to subscribers, through a rights issue, at $0.30 per share, for a total consideration, before expenses, of $43,330,200. The proceeds from the issue of share capital were used to finance the Group's working capital.

26. SHARE CAPITAL *(Continued)*

The movements in the Company's issued share capital up to the date of this report is as follows:

	Number of shares in issue	Issued share capital $'000	Share premium account $'000	Total $'000
At 1 April 2003	288,868,000	28,887	66,453	95,340
Rights issue of shares	144,434,000	14,443	28,887	43,330
Share issue expenses	–	–	(869)	(869)
At 31 March 2004	**433,302,000**	**43,330**	**94,471**	**137,801**

27. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include any director, or proposed director, including independent non-executive director, employee or proposed employee, secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee or distributor of goods or services of the Group, or any landlord or tenant of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The Scheme became effective on 30 August 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

Pursuant to the Scheme, the maximum number of share options may be granted under the Scheme and any other share option schemes of the Company is an amount equivalent, upon their exercise, not in aggregate exceed 30% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. At 31 March 2004, the number of share issuable under the share options granted under the Scheme was 28,886,800. The maximum number of shares issuable under share options to each eligible participant under the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of such limit is subject to shareholders' approval in a general meeting.

31 March 2004 (Expressed in Hong Kong dollars)

27. SHARE OPTION SCHEMES *(Continued)*

Pursuant to the Scheme, share options granted to a director chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive director, or any of their associates, will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the New Scheme and any other share option schemes of the Company, including options exercised, cancelled and outstanding, in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company shares at each date of grant, in excess of $5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of $1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options under the Scheme is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

Name or category of participant	At 1 April 2003	Granted during the year	At 31 March 2004	Date of grant of share options	Exercise period of share options	Exercise price of share options*	Price of Company's shares at grant date of options**
Non-director	28,886,800	–	28,886,800	15 October 2002	1 February 2003 to 31 January 2008	$0.67	$0.67

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

27. SHARE OPTION SCHEMES *(Continued)*

At the balance sheet date, the Company had 28,886,800 share options outstanding under the Scheme, which represented approximately 6.7% of the Company's shares in issue at that date. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 28,886,800 additional ordinary shares of the Company and additional share capital of $2,888,680 and share premium of $16,465,476 (before issue expenses).

Subsequent to the balance sheet date, 14,443,400 share options lapsed. Pursuant to an ordinary resolution passed at a special general meeting held on 28 June 2004, the outstanding 14,443,400 share options were cancelled. No consideration was payable by the Company for the cancellation of share options.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 20 of the financial statements.

The capital reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through a reorganisation in relation to the listing of the Company's shares on the Stock Exchange in October 1998.

(b) Company

	Share premium account *$'000*	**Contributed surplus** *$'000*	**Retained profits/ (accumulated losses)** *$'000*	**Total** *$'000*
At 1 April 2002	65,928	122,864	36,331	225,123
Exercise of share options	525	–	–	525
Net loss for the year	–	–	(117,208)	(117,208)
At 31 March 2003 and at 1 April 2003	66,453	122,864	(80,877)	108,440
Issue of shares *(note 26)*	28,887	–	–	28,887
Share issue expenses *(note 26)*	(869)	–	–	(869)
Net loss for the year	–	–	(24,115)	(24,115)
At 31 March 2004	**94,471**	**122,864**	**(104,992)**	**112,343**

28. RESERVES *(Continued)*

(b) Company *(Continued)*

The contributed surplus of the Company represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation prepared for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited and the nominal amount of the Company's shares issued for the acquisition. Under Section 54 of the Bermuda Companies Act 1981, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

	Note	**2004**	2003
		$'000	$'000
Net assets acquired:			
Fixed assets	*13*	**71,187**	–
Trade receivables		**787**	–
Cash and bank balances		**2**	–
Other payables, deposits and accrued liabilities		**(1,558)**	–
Tax payable		**(418)**	–
		70,000	–
Satisfied by:			
Cash		**70,000**	–

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2004	2003
	$'000	$'000
Cash consideration	**(70,000)**	–
Cash and bank balances acquired	**2**	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(69,998)**	–

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of a subsidiary *(Continued)*

Pursuant to an agreement dated 14 July 2003, the Group acquired the entire issued share capital of Elegant Pool Limited ("Elegant") and the shareholder loan owing by Elegant to its existing shareholder at considerations of approximately $8.7 million and $61.3 million, respectively. Elegant was incorporated in the British Virgin Islands and was engaged in acquiring certain properties situated in Beijing for investment purposes. The acquisition was completed on 31 December 2003.

Since its acquisition, the subsidiary contributed $1,587,000 to the Group's turnover and a profit of $1,223,000 to the consolidated loss after tax for the year ended 31 March 2004.

(b) Disposal of subsidiaries

	2004	2003
	$'000	*$'000*
Net assets disposed of:		
Fixed assets	**11,254**	–
Inventories	**13,126**	–
Trade receivables	**12,696**	–
Prepayments, deposits and other receivables	**1,598**	–
Cash and bank balances	**14,001**	–
Trade payables	**(13,944)**	–
Other payables and accrued liabilities	**(9,652)**	–
Exchange fluctuation reserve	**820**	–
	29,899	–
Gain on disposal of subsidiaries	**2,101**	–
	32,000	–
Satisfied by:		
Cash	**32,000**	–

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2004	2003
	$'000	*$'000*
Cash consideration	**32,000**	–
Cash and bank balances disposed of	**(14,001)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**17,999**	–

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of $619,000 (2003: Nil).

30. LITIGATION

On 8 March 2001, Kistefos Investment A.S. ("Kistefos"), a shareholder of the Company which owned approximately 14.4% (2003: 21.6%) of the issued share capital of the Company at the balance sheet date, filed a petition (the "Petition") against the Company and a former director of the Company, in the Supreme Court of Bermuda (the "Court") under Section 111(1) of the Bermuda Companies Act 1981. The Petition was based on an alleged claim that certain affairs of the Company had been conducted in a manner that was oppressive or unfairly prejudicial to the interests of certain shareholders of the Company, including Kistefos itself. Pursuant to the Petition, Kistefos sought an order from the Court to either (i) force the Company or the former director to purchase all the shares of the Company held by Kistefos, at a fair value to be determined by the Court; or (ii) wind-up the Company by the Court.

After taking legal advice from its legal advisors in Bermuda, the Company made a strike out application in relation to the Petition, the Court hearing of which was completed in September 2001. In October 2001, the Court struck out the claim of Kistefos to wind-up the Company, and the remaining relief claimed by Kistefos in the Petition remains to be dealt with by the Court in subsequent hearings. In December 2001, the Company appealed to the Court of Appeal of Bermuda to strike out the entire Petition. In February 2002, Kistefos filed a notice of intention to the Court of Appeal of Bermuda to appeal against the decision made by the Court to strike out the claim to wind-up the Company. The hearing of the appeal was conducted in June 2002 and the Court of Appeal of Bermuda dismissed both the appeal of the Company and the cross-appeal of Kistefos. As a result, the claim by Kistefos to wind-up the Company remains struck out while the remaining relief claim was dealt with by the Court on 28 June 2004.

30. LITIGATION *(Continued)*

On 8 July 2004, a compromise was reached between Kistefos and the Company in which a consent order (the "Consent Order") was issued by the Court for the parties. According to the Consent Order, the two parties will bear all of their own costs of the Petition and the Company and Kistefos have no further liability to each other for cost or otherwise in respect of the Petition. On 12 July 2004, a notice of discontinuance was filed by Kistefos to the Court to discontinue the Petition under the terms of the Consent Order.

Accordingly, the Company has written back the provision for legal and professional fees amounting to $13,000,000 to the consolidated profit and loss account for the year ended 31 March 2004.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13) under operating lease arrangements, with leases negotiated for terms ranging from four to five years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 March 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2004	2003
	$'000	*$'000*
Within one year	**6,704**	–
In the second to fifth years, inclusive	**18,097**	–
	24,801	–

31. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases its staff quarters and offices under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	$'000	*$'000*
Within one year	**531**	3,098
In the second to fifth years, inclusive	**–**	4,729
	531	7,827

The Company did not have any significant operating lease arrangements as at 31 March 2004 (2003: Nil).

32. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group and the Company had the following contracted, but not provided for commitments at the balance sheet date as follows:

	2004	2003
	$'000	*$'000*
Capital commitments in respect of the acquisition of a subsidiary	**40,000**	–

33. POST BALANCE SHEET EVENTS

Details of the Group's post balance sheet events have been disclosed in notes 1, 10, 16, 19, 20, 27 and 30 to the financial statements.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2004.