

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

1. GENERAL

The Company is an exempted limited company incorporated in the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiary are engaged in investment holding for medium to long-term capital appreciation purposes. During the year, the Company commenced business in trading of listed securities.

Pursuant to an investment management agreement dated 27th November, 2000 (the "Agreement"), the Company had appointed AVANTA Investment (International) Limited ("AVANTA Investment") as its investment manager with effect from 28th April, 2000. Pursuant to the Agreement, AVANTA Investment was entitled to a monthly management fee calculated at 1.5% per annum of the net asset value of the Group at each preceding month end as defined in the Agreement and an annual performance fee equivalent to 10% of the surplus in net asset value (with appropriate adjustment) of the Group over that of the previous financial year as defined in the Agreement. The Agreement was terminated on 31st August, 2003. On 9th September, 2003, the Company entered into an investment management agreement (the "Investment Management Agreement") with Simplex Capital Asia Limited ("Simplex") to appoint Simplex as its investment manager with effect from 1st September, 2003. Pursuant to the Investment Management Agreement, Simplex is entitled to a management fee of HK\$200,000 per annum.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes", which is one of the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The terms of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA. The principal effect of the implementation of SSAP12 (Revised) is in relation to deferred taxation. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this revised SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities and trading 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 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 have been eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at fair value. Unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

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.

Revenue recognition

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Proceeds from the disposal of investments are recognised on the trade-date when a sale and purchase contract is entered into.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

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 loss for interests in associates are dealt with in equity, until the associates are disposed of, at which time the cumulative losses previously recognised in equity are included in the net profit or loss for the year. Other impairment losses are recognised as expenses 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.

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity ("held-to-maturity securities") are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in investment revaluation reserve, until the securities are disposed of or are determined to be impaired, at which time the cumulative gains or losses are included in net profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvement	25%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	20%

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

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

Foreign currencies

Transactions in foreign currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 tax 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.

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

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

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

4. TURNOVER

An analysis of turnover is as follows:

	2004 '000	2003 '000
Dividend income – listed	–	530
Proceeds from sale of trading securities	4,315	–
Interest income	17	159
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	4,332	689
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5. LOSS ON DISPOSAL OF INVESTMENT IN SECURITIES

Included in loss on disposal of investment in securities is an amount of approximately HK\$959,000 (2003: approximately HK\$16,303,000) in respect of gain (2003: loss) on investment revaluation reserve released on disposal of securities as set out in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

All of the Group's turnover and contributions to operating results are attributable to investment activities. The following geographical markets are the basis on which the Group reports its primary segment information:

	The People's Republic of China (the "PRC")	Hong Kong	Indonesia	Total
	'000	'000	'000	'000
For the year ended 31st March, 2004				
Turnover	–	4,332	–	4,332
RESULTS				
Segment results	(8)	(4,480)	(88)	(4,576)
Unallocated corporate expenses				(3,838)
Loss from operations				(8,414)
Interest on bank overdrafts wholly repayable within five years				(2)
Loss on disposal of an associate				(2,196)
Loss before taxation				(10,612)
Taxation				–
Loss for the year				(10,612)
Assets and liabilities at 31st March, 2004				
ASSETS				
Segment assets	16,986	6,076	860	23,922
Unallocated corporate assets				6,009
Consolidated total assets				29,931
LIABILITIES				
Unallocated corporate liabilities and consolidated total liabilities				1,830
OTHER INFORMATION				
Capital additions	–	37	–	37
Depreciation	–	202	–	202
Allowance for other receivables	–	4,113	–	4,113

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

	The PRC	Hong Kong	The United States of America	Indonesia	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31st March, 2003					
Turnover	–	689	–	–	689
RESULTS					
Segment results	(40)	(23,178)	(57)	(154)	(23,429)
Unallocated corporate expenses					(4,953)
Loss from operations					(28,382)
Interest on bank overdrafts wholly repayable within five years					(1)
Gain on disposal of a subsidiary					1,115
Share of results of an associate					57
Loss before taxation					(27,211)
Taxation					–
Loss for the year					(27,211)
Assets and liabilities at 31st March, 2003					
ASSETS					
Segment assets	7,600	18,103	–	3,061	28,764
Interests in an associate					3,084
Unallocated corporate assets					1,998
Consolidated total assets					33,846
LIABILITIES					
Unallocated corporate liabilities and consolidated total liabilities					1,832
OTHER INFORMATION					
Capital additions	–	850	–	–	850
Depreciation	–	118	–	–	118
Allowance for other receivables	–	1,000	–	–	1,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

7. LOSS FROM OPERATIONS

	2004 '000	2003 '000
Loss from operations has been arrived at after charging:		
Staff costs including directors' emoluments	575	1,627
Retirement benefits scheme contributions	39	41
	<u>614</u>	<u>1,668</u>
Auditors' remuneration		
– current year	200	211
– underprovision in prior year	1	4
Depreciation	202	118
	<u>202</u>	<u>118</u>

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

	2004 '000	2003 '000
Directors' fees:		
Executive Directors	–	–
Non-executive Director	–	–
Independent Non-executive Directors	70	40
	<u>70</u>	<u>40</u>
Other emoluments:		
Salaries and other benefits paid to		
Executive Directors	161	1,364
Retirement benefits scheme contributions paid to:		
Executive Directors	20	30
Independent Non-executive Directors	1	2
	<u>202</u>	<u>1,436</u>
Total emoluments	<u>252</u>	<u>1,436</u>

Their emoluments were within the emoluments band of HK\$1,000,000.

During the year ended 31st March, 2004, a director had waived HK\$158,000 and HK\$711,000 in respect of his emoluments for the year ended 31st March, 2003 and for the year ended 31st March, 2004 respectively. No director waived any emoluments during the year ended 31st March, 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES (Continued)

(b) Employees' emoluments

Of the five highest paid individuals in the Group, two (2003: three) were directors of the Company whose remunerations were set out in (a) above. The emoluments of the remaining three (2003: two) individuals were as follows:

	2004 '000	2003 '000
Salaries and other benefits	344	209
Retirement benefits scheme contributions	18	9
	<u>362</u>	<u>218</u>

Their emoluments were within the emoluments band of HK\$1,000,000.

9. TAXATION

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

The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the year of assessment 2003/2004.

The taxation can be reconciled to the loss per the income statement as follows:

	2004 '000	2003 '000
Loss before taxation	<u>(10,612)</u>	<u>(27,211)</u>
Tax at the domestic income tax rate of 17.5% (2003: 16%)	(1,857)	(4,354)
Tax effect of expenses that are not deductible in determining taxable profit	1,298	3,748
Tax effect of income that are not taxable in determining taxable profit	–	(274)
Tax effect of deferred tax asset not recognised	<u>559</u>	<u>880</u>
Tax effect for the year	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

9. TAXATION (Continued)

At the balance sheet date, the Group has unused tax losses of HK\$9,925,000 (2003: HK\$6,864,000) available for offset against future profits and other deductible temporary difference of HK\$87,000 (2003: taxable temporary difference of HK\$45,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams and the tax losses may be carried forward indefinitely.

10. BASIC LOSS PER SHARE

The calculation of the loss per share is based on the loss for the year of approximately HK\$10,612,000 (2003: approximately HK\$27,211,000) and on the weighted average number of 282,703,344 (2003: the number of 246,568,000) shares in issue during the year.

11. INTERESTS IN A SUBSIDIARY

	THE COMPANY	
	2004 '000	2003 '000
Unlisted shares, at cost	4,501	4,501
Less: Impairment loss recognised	(4,501)	(3,023)
	<hr/>	<hr/>
	–	1,478
Amount due from a subsidiary	881	1,569
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	881	3,047
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The amount due from a subsidiary is unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors, the amount due from a subsidiary is not expected to be repayable within one year from the balance sheet date and is therefore shown in the balance sheet as non-current.

An impairment loss of HK\$4,501,000 (2003: HK\$3,023,000) has been recognised in respect of interests in a subsidiary to the recoverable amount which is determined by reference to the fair value of the underlying assets of the subsidiary at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

11. INTERESTS IN A SUBSIDIARY (Continued)

Particulars of the Group's subsidiary as at 31st March, 2004 are as follows:

Name of subsidiary	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held directly by the Company	Principal activity
Cyberlink Management Ltd. ("Cyberlink")	British Virgin Islands	Ordinary	100%	Investment holding

12. INTERESTS IN AN ASSOCIATE

	THE GROUP		THE COMPANY	
	2004 '000	2003 '000	2004 '000	2003 '000
Unlisted shares, at cost	-	-	-	5,233
Less: Impairment loss recognised	-	-	-	(2,149)
Share of net assets	-	3,084	-	-
	<u>-</u>	<u>3,084</u>	<u>-</u>	<u>3,084</u>

At 31st March, 2003, an impairment loss of HK\$2,149,000 had been recognised in respect of the Company's interests in an associate to its recoverable amount which was determined by reference to the fair value of the underlying assets of the associate at 31st March, 2003.

On 30th April, 2003, the Company disposed of its entire 29.98% interest in the issued share capital of its sole associate, Amplus Investments Limited ("Amplus"), upon a redemption of shares made by Amplus.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

12. INTERESTS IN AN ASSOCIATE (Continued)

Details of the Group's associate at 31st March, 2003 were as follows:

Name of associate	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held directly by the Company	Principal activity
Amplus	British Virgin Islands	Ordinary	29.98%	Investment holding

The following details had been extracted from the audited financial statements of the Group's associate:

	2003 '000
Results for the year	
Turnover	<u>10</u>
Profit from ordinary activities before taxation	<u>181</u>
Profit from ordinary activities before taxation attributable to the Group	<u>57</u>
Financial position	
Non-current assets	10,099
Current assets	856
Current liabilities	<u>(667)</u>
Net assets	<u>10,288</u>
Net assets attributable to the Group	<u>3,084</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

13. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP AND THE COMPANY				Total
	Leasehold improvement	Furniture and fixtures	Office equipment	Computer equipment	
	'000	'000	'000	'000	'000
COST					
At 1st April, 2003	548	167	36	99	850
Additions	18	–	1	18	37
At 31st March, 2004	<u>566</u>	<u>167</u>	<u>37</u>	<u>117</u>	<u>887</u>
DEPRECIATION					
At 1st April, 2003	92	11	6	9	118
Provided for the year	139	34	8	21	202
At 31st March, 2004	<u>231</u>	<u>45</u>	<u>14</u>	<u>30</u>	<u>320</u>
NET BOOK VALUES					
At 31st March, 2004	<u>335</u>	<u>122</u>	<u>23</u>	<u>87</u>	<u>567</u>
At 31st March, 2003	<u>456</u>	<u>156</u>	<u>30</u>	<u>90</u>	<u>732</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

14. INVESTMENT IN SECURITIES

	THE GROUP		THE COMPANY	
	2004 '000	2003 '000	2004 '000	2003 '000
Equity securities listed in Hong Kong, at cost	9,541	13,046	9,541	13,046
Unrealised loss	(7,071)	(5,456)	(7,071)	(5,456)
Fair value at 31st March	2,470	7,590	2,470	7,590
Unlisted equity securities, at cost	7,661	6,061	1,600	–
Unrealised loss	(5,255)	(3,000)	(54)	–
Fair value at 31st March	2,406	3,061	1,546	–
Unlisted convertible bond	3,080	–	3,080	–
	7,956	10,651	7,096	7,590

The convertible bond in the principal amount of HK\$3,080,000 carries the right to convert into shares of Amplus. The bond is unsecured, bears interest at 1% per annum and has a maturity date on 30th September, 2008. The Group has the right on any business day from 1st October, 2003 to the maturity date to convert the whole amount of the outstanding principal of the bond into shares in Amplus by using a predetermined formula.

At 31st March, 2004, no investment exceeds one tenth of the amount of the Group's total assets.

As at 31st March, 2003, the Group's investment in Hua Lien International (Holding) Company Limited ("Hua Lien"), carrying at market value of HK\$5,531,000, exceeded one tenth of the amount of the Group's total assets. The Group held 7,183,309 shares of Hua Lien, representing 1.05% of the issued share capital of Hua Lien, which is incorporated in the Cayman Islands. The cost and unrealised holding gain as at 31st March, 2003 amounted to HK\$4,280,000 and HK\$1,251,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

15. DEPOSITS PAID FOR ACQUISITION OF INVESTMENT IN SECURITIES

Particulars of the deposits paid for acquisition of investments in securities are as follows:

- (a) In October 2002, a deposit of HK\$1,600,000 was paid for acquisition of 10% equity interest in Shanghai Health Bio-Pharmaceutical Co., Ltd. During the year, the deposit was transferred to investment in securities upon completion of the acquisition. The title of ownership had been transferred to the Group in June 2003.
- (b) In December 2002, the Company made a deposit of HK\$6,000,000 to an independent third party (the "Independent Third Party") for a proposed acquisition of an effective 20% equity interest in a company, which was established in the PRC and is engaged in the provision of freight and cargo forwarding services, through acquisition of shares in a Samoa incorporated company (the "Samoa Company"). Pursuant to the memorandum for sale and purchase of shares in the capital of the Samoa Company dated 1st December, 2002, in the event that the Independent Third Party failed to complete the acquisition on or before 30th September, 2003, the deposit should be fully refunded to the Company. The deposit has not been refunded by the Independent Third Party. At 31st March, 2004, the Independent Third Party has pledged his bank deposit of HK\$6,000,000 in favour of the Company to secure the deposit paid by the Company.
- (c) In July 2003, the Company made a deposit of HK\$7,000,000 for a proposed acquisition of 25% equity interest in a company, which was established in the PRC and is engaged in research and marketing of new technology and new products in communication industry. Subsequent to 31st March, 2004, the investment proposal was terminated and the deposit had been fully refunded to the Company.
- (d) In August 2003, the Company made a deposit of HK\$2,440,000 to an independent third party for a proposed acquisition of 25% equity interest in a company which was established in the PRC and is engaged in development of new technology in the agricultural industry. Subsequent to 31st March, 2004, the investment proposal was postponed and the deposit had been fully refunded to the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

16. TRADING SECURITIES

	THE GROUP AND THE COMPANY	
	2004 '000	2003 '000
Equity securities listed in Hong Kong, at cost	398	–
Unrealised gain	128	–
	<hr/>	<hr/>
Market value at 31st March	526	–
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17. TRADE RECEIVABLE

At 31st March, 2004, the trade receivable was aged within 60 days. The Group has no credit policy on trade receivable as it represents interest income receivable from investments and proceeds from sale of trading securities.

18. OTHER RECEIVABLES

At 31st March, 2004, other receivables included receivables of approximately HK\$4,113,000 (2003: HK\$10,513,000), net of an allowance of HK\$4,113,000 (2003: HK\$1,000,000), in respect of the Group's disposal of certain listed equity securities and a partial disposal of a subsidiary. Details of which are as follows:

- Amount of HK\$1,586,000 (2003: HK\$7,086,000), net of an allowance of HK\$1,586,000 (2003: HK\$1,000,000), represented receivable from a partial disposal of a subsidiary during the year ended 31st March, 2003.
- Amount of HK\$327,000 (2003: HK\$3,427,000), net of an allowance of HK\$327,000 (2003: Nil) represented receivables from the disposal of listed equity securities in 7,470 shares of CEC International Holdings Limited and 74,900 shares of Grandmass Enterprise Solution Limited during the year ended 31st March, 2003.
- Amount of HK\$2,200,000, net of allowance of HK\$2,200,000 represented receivables from the disposal of listed equity securities in 5,500,000 shares of Hua Lien International (Holding) Company Limited during the year ended 31st March, 2004.

Despite of continuing effort made by the Company to chase for the collection of the above receivables, no further payment had been made by the debtors. The directors, after considering the fact that the debtors are in financial difficulty and legal letters had been issued to the debtors chasing for the debts currently, decided to make full allowance of these receivables in the financial statements at 31st March, 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

19. AMOUNTS DUE TO RELATED COMPANIES

The amounts represent amounts due to TIS Securities (HK) Limited ("TIS") and AVANTA Investment (International) Limited ("AVANTA Investment") of HK\$530,000 (2003: HK\$530,000) and HK\$187,000 (2003: Nil) respectively. Mr. Tai Chi Ching, a former director of the Company, is also a director of TIS and AVANTA Investment. The amounts are unsecured, interest-free and have no fixed repayment terms. At 31st March, 2004, the repayment terms are under negotiation. In the opinion of the directors, the amounts will be repayable within twelve months of the balance sheet date. Accordingly, the amounts are shown as current liabilities in the financial statements.

20. SHARE CAPITAL

	Number of shares	Share capital '000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st March, 2003 and 31st March, 2004	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1st April, 2002 and 31st March, 2003	246,568,000	2,466
Placing of shares	<u>108,488,000</u>	<u>1,085</u>
At 31st March, 2004	<u>355,056,000</u>	<u>3,551</u>

On 20th August, 2003, arrangement was made for a private placement to independent investors for 49,312,000 shares of HK\$0.01 each in the Company at a price of HK\$0.1 per share. The placing price of HK\$0.1 per share represented the closing market price of the Company's shares on 30th July, 2003. These shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 22nd August, 2002 and rank pari passu with other shares in issue in all respects.

On 25th February, 2004, another arrangement was made for a private placement to independent investors for 59,176,000 shares of HK\$0.01 each in the Company at a price of HK\$0.06 per share. The placing price of HK\$0.06 per share represented a discount of approximately 9.1% to the closing market price of the Company's shares on 29th January, 2004. These shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 9th September, 2003 and rank pari passu with other shares in issue in all respects.

The total net proceeds of approximately HK\$8,377,000 on the placements were used to finance the Group's general working capital and further development of the existing business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

21. RESERVES

	Share premium '000	Investment revaluation reserve '000	Accumulated losses '000	Total '000
THE COMPANY				
At 1st April, 2002	70,807	(11,327)	(3,351)	56,129
Unrealised loss arising on revaluation of non-trading securities	–	(15,604)	–	(15,604)
Loss realised on disposal of other securities	–	16,303	–	16,303
Loss for the year	–	–	(27,280)	(27,280)
At 31st March, 2003	70,807	(10,628)	(30,631)	29,548
Unrealised loss arising on revaluation of non-trading securities	–	(2,189)	–	(2,189)
Gain realised on disposal of non-trading securities	–	(959)	–	(959)
Loss realised on disposal of an associate	–	2,149	–	2,149
Issue of shares	7,397	–	–	7,397
Expenses incurred in connection with the issue of shares	(105)	–	–	(105)
Loss for the year	–	–	(11,256)	(11,256)
At 31st March, 2004	78,099	(11,627)	(41,887)	24,585

The investment revaluation reserve represents the net unrealised losses on revaluation of non-trading securities at the balance sheet date.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. It is provided that a dividend cannot be paid if this would result in the Company being unable to pay its debts as they fall due. In accordance with the Company's Articles of Association, the Company's reserves available for distribution to shareholders represent the accumulated losses and share premium which in total amounted to approximately HK\$36,212,000 (2003: approximately HK\$40,176,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

22. NET ASSET VALUE PER SHARE

THE GROUP

The calculation of the net asset value per share is based on the net assets of the Group as at 31st March, 2004 of approximately HK\$28,101,000 (2003: approximately HK\$32,014,000) and 355,056,000 (2003: 246,568,000) ordinary shares in issue as at that date.

23. DISPOSAL OF A SUBSIDIARY

On 28th October, 2002, the Company disposed of 70.02% interest in the issued share capital of Amplus at a consideration of approximately HK\$13,304,000. The net assets of Amplus at the date of disposal were as follows:

	2003 '000
Net assets disposed of:	
Investments in securities	17,408
Gain on disposal	<u>1,115</u>
	18,523
Interest retained as investment in an associate	<u>(5,219)</u>
	<u>13,304</u>
Satisfied by:	
Cash	7,300
Consideration receivable	<u>6,004</u>
	<u>13,304</u>
Net cash inflow arising on disposal:	
Cash consideration received	<u>7,300</u>

Consideration receivable of HK\$3,418,000 was paid during the year ended 31st March, 2004. In the opinion of the directors, the remaining consideration receivable of HK\$2,586,000 will be settled in cash by the purchasers on or before 31st March, 2005.

The subsidiary disposed of during the year ended 31st March, 2003 had contributed loss of approximately HK\$8,000 to the Group's loss from operations and did not contribute to the Group's turnover.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

24. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March, 2004, the associate had issued convertible bond with face value of HK\$3,080,000 to the Group as consideration for redemption of all its issued share capital held by the Group.

During the year ended 31st March, 2003, the Group converted the loan receivable from an investee company of HK\$3,510,000 into additional issued share capital of the investee company.

25. RELATED PARTY TRANSACTIONS

The Group entered into the following significant transactions during the year:

Name of related party	Nature of transactions	2004 '000	2003 '000
TIS (note i)	Commission paid (note iii)	–	8
	Service fee paid (note iv)	–	430
AVANTA Investment (note ii)	Investment management fee paid (note v)	<u>194</u>	<u>753</u>

Notes:

- (i) TIS is the holding company of TIC (HK), which is a former shareholder of the Company. Mr. Tai Chi Ching, a former director of the Company, is a director of TIS.
- (ii) Mr. Tai Chi Ching is a director of AVANTA Investment.
- (iii) The commission fee was charged at 0.25% of each sale and purchase transaction of listed securities. These transactions arose from the sale and purchase transactions of quoted securities through TIS with which the Company had a securities dealing account.
- (iv) The service fee was charged at mutually agreed rates.
- (v) The investment management fee was charged in accordance with the Agreement with AVANTA Investment for investment management services. The investment management fee was calculated at 1.5% per annum on the net asset value of the Group at each preceding month end as defined in the Agreement. The Agreement was terminated on 31st August, 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004 (Expressed in Hong Kong dollars)

26. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	2004	2003
	'000	'000
Minimum lease payments paid under operating leases in respect of office premises during the year	<u>601</u>	<u>450</u>

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under a non-cancellable operating lease which falls due as follows:

	2004	2003
	'000	'000
Within one year	300	895
In the second to fifth year inclusive	<u>–</u>	<u>300</u>
	<u>300</u>	<u>1,195</u>

Operating lease payments represent rentals payable by the Group and the Company for its office premises. The leases are negotiated and rentals are fixed for an average term of two years.

27. RETIREMENT BENEFITS SCHEME

The Group enrolled all eligible employees in Hong Kong into a Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost for the MPF scheme charged to the income statement represents contributions payable to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

28. POST BALANCE SHEET EVENT

Subsequent to 31st March, 2004, the Group has the following significant post balance sheet events:

- The Group made a deposit of HK\$6,000,000 for a proposed acquisition of 25% equity interest in a company established in the PRC; and
- The Group made a deposit of HK\$3,500,000 for the proposed investment in the establishment of a company in the PRC.