

# Notes to the Financial Statements

*For the year ended 30 April 2004*

## 1. GENERAL

The Company is a public listed company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Invest Gain Limited, a company incorporated in British Virgin Islands.

The Company's principal activity is investment holding and the activities of its subsidiaries and associates are set out in notes 13 and 15 respectively.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA:

SSAP 12 (Revised)	Income Taxes
SSAP 35	Government Grants

### Income Taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying 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 revised accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

As a result of this change in policy, the balance of accumulated losses at 1 May 2002 has been increased by HK\$3,058,000, representing the cumulative effect of the change in policy on the results for periods prior to 1 May 2002. The balance in the Group's interests in associates at 1 May 2002 has been decreased by HK\$14,275,000 and the minority interests at 1 May 2002 has been decreased by HK\$11,217,000. The change has resulted in an increase in the profit of HK\$8,428,000 for the year ended 30 April 2004 (2003: a decrease in the net loss of HK\$7,325,000).

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

#### Government Grants

In previous years, government grants were credited directly to equity. In accordance with SSAP 35, government grants are now recognised as income over the periods necessary to match them with the related costs. The Group has elected to apply the accounting provisions of SSAP 35 retrospectively.

The change in accounting policy did not have any significant effect on the results for periods prior to 1 May 2002. The change has resulted in an increase in the profit of HK\$1,097,000 for the year ended 30 April 2004 (2003: a decrease in the net loss of HK\$7,018,000).

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out as follows:

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 April 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.

#### Investments in subsidiaries

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

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2004*

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 plus the goodwill in so far as it has not already been amortised, less any identified impairment loss.

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition. Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment

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

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

Leasehold improvements	Over the term of the lease
Furniture and fixtures	33 <sup>1</sup> / <sub>2</sub> %
Computer and office equipment	33 <sup>1</sup> / <sub>2</sub> %
Motor vehicles	12 <sup>1</sup> / <sub>2</sub> %

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.

#### Properties under development

Properties under development for sale are stated at the lower of cost and net realisable value. Cost of property in the course of development comprises land cost and development costs during the development period.

#### Inventories

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

#### Revenue recognition

Services income is recognised when services are provided.

Rental income is recognised on a straight-line basis over the terms of the relevant leases.

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

#### 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 items that are never taxable and deductible.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the 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 is 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.

#### Foreign currencies

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

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

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement and are reported separately as under other operating income.

#### Operating leases

Rental paid and payable under such operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

#### Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

### 4. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Turnover

Turnover represents amounts received and receivable for services rendered and rental income, and is summarised as follows:

	2004 HK\$'000	2003 HK\$'000
Provision of property management consultancy services	654	–
Provision of internet consultancy services	–	500
Rental income	–	22
	654	522

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

**4. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS**

(continued)

**Business segments**

For management purposes, the Group is organised into two operating divisions - property development and investment, and internet consulting (discontinued operations, see note 7). These divisions are the basis on which the Group reports its primary segment information.

**INCOME STATEMENT**

For the year ended 30 April 2004

	Continuing operation	Discontinued operation	
	Property development and investment	Internet consulting	Consolidated
	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>			
Turnover from external customers	654	-	654
<b>RESULT</b>			
Segment result	(1,424)	(399)	(1,823)
Amortisation of goodwill arising from acquisition of subsidiaries			(2,574)
Unallocated corporate income			4,479
Unallocated corporate expenses			(9,651)
Loss from operations			(9,569)
Interest on bank borrowings wholly repayable within five years			(719)
Gain on disposal of subsidiaries	26,978	42,171	69,149
Loss on disposal of an associate	-	(8,502)	(8,502)
Share of results of associates	(64,826)	(198)	(65,024)
Loss before taxation			(14,665)
Taxation	15,288	-	15,288
Profit before minority interests			623
Minority interests			9,125
Profit attributable to shareholders			9,748

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

#### 4. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

##### Business segments (continued)

##### BALANCE SHEET

At 30 April 2004

	Continuing operation	Discontinued operation	
	Property development and investment	Internet consulting	Consolidated
	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>			
Segment assets	138,344	–	138,344
Interests in associates	342,629	–	342,629
Unallocated corporate assets			17,542
			<u>498,515</u>
<b>LIABILITIES</b>			
Segment liabilities	280	–	280
Unallocated corporate liabilities			193,054
			<u>193,334</u>

##### OTHER INFORMATION

For the year ended 30 April 2004

	Continuing operation	Discontinued operation	
	Property development and investment	Internet consulting	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Amortisation of goodwill arising from acquisition of associates	22,999	–	22,999
Capital additions	2,791	–	2,791
Depreciation	959	73	1,032



## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 4. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

#### Business segments (continued)

#### INCOME STATEMENT

For the year ended 30 April 2003

	Continuing operation	Discontinued operation	Consolidated
	Property development and investment HK\$'000	Internet consulting HK\$'000	HK\$'000 (Restated)
<b>TURNOVER</b>			
Turnover from external customers	22	500	522
<b>RESULT</b>			
Segment result	(340)	(5,386)	(5,726)
Amortisation of goodwill arising from acquisition of subsidiaries			(7,722)
Unallocated corporate income			579
Unallocated corporate expenses			(16,150)
Loss from operations			(29,019)
Interest on bank borrowings wholly repayable within five years			(569)
Gain on disposal of subsidiaries	30,895	–	30,895
Share of results of associates	(25,327)	–	(25,327)
Loss before taxation			(24,020)
Taxation	1,354	–	1,354
Loss before minority interests			(22,666)
Minority interests			2,355
Loss attributable to shareholders			(20,311)

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 4. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

#### Business segments (continued)

#### BALANCE SHEET

At 30 April 2003

	Continuing operation	Discontinued operation	Consolidated
	Property development and investment HK\$'000	Internet consulting HK\$'000	HK\$'000 (Restated)
<b>ASSETS</b>			
Segment assets	59,524	403	59,927
Interests in associates	183,546	–	183,546
Unallocated corporate assets			<u>64,639</u>
			<u>308,112</u>
<b>LIABILITIES</b>			
Segment liabilities	7,738	1,394	9,132
Unallocated corporate liabilities			<u>23,790</u>
			<u>32,922</u>

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 4. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

#### Business segments (continued)

#### OTHER INFORMATION

For the year ended 30 April 2003

	Continuing operation	Discontinued operation	Consolidated
	Property development and investment HK\$'000	Internet consulting HK\$'000	HK\$'000 (Restated)
Allowance for bad and doubtful debt	3,000	1,500	4,500
Allowance for slow moving inventories	–	6,197	6,197
Amortisation of goodwill arising from acquisition of associates	22,996	–	22,996
Capital additions	1,477	–	1,477
Depreciation	1,774	286	2,060
Loss on disposal of property, plant and equipment	895	–	895

#### Geographical segments

Over 90% of the activities of the Group during the year were carried out in the People's Republic of China ("PRC") and over 90% of the assets of the Group were located in the PRC. Accordingly, a geographical analysis is not presented.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

**5. OTHER OPERATING INCOME**

	2004 HK\$'000	2003 HK\$'000
Interest income:		
– bank	54	10
– loan to an associate	3,894	–
– others	531	569
Waiver of other payables ( <i>Note</i> )	–	7,202
Others	240	31
	4,719	7,812

*Note:* A former subsidiary of the Company, which was disposed of by the Company in the previous year, agreed to waive its receivables of HK\$7,202,000 due from the Company in 2003.

**6. LOSS FROM OPERATIONS**

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration		
– current year	839	481
– overprovision in prior year	(2)	–
	837	481
Staff costs, including directors' emoluments		
– capitalised under properties under development	817	–
– included in administrative expenses	3,865	3,185
	4,682	3,185
Retirement benefits scheme contributions	172	185
	4,854	3,370
Allowance for bad and doubtful debts	30	4,500
Allowance for slow moving inventories	–	6,197
Amortisation of goodwill arising on acquisition of subsidiaries (included in other operating expenses)	2,574	7,722
Depreciation	1,032	2,060
Loss on disposal of property, plant and equipment	–	895

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 7. DISCONTINUED OPERATIONS

In January 2003, the Company entered into a sale and purchase agreement to dispose of 45% equity interest in a 85% owned subsidiary, WebVideoShop.com Limited ("WebVideoShop"), which was engaged in internet consulting segment for a cash consideration of HK\$72,000,000. The disposal was to ensure the adherences of the Group's long term strategy to focus its activities on the areas of property development and investment in the PRC. The disposal was completed in August 2003 and WebVideoShop became an associate of the Group thereafter.

The results of the internet consulting operations for the period from May 2003 to date of disposal, which have been included in the consolidated financial statements, were as follows:

	1.5.2003 to date of disposal HK\$'000	1.5.2002 to 30.4.2003 HK\$'000
Sales and results:		
Sales	–	500
Operating expenses	(399)	(5,886)
Loss for the period/year	(399)	(5,386)

WebVideoShop did not contribute significantly to the Group's cash flows for both years.

The carrying amounts of the assets and liabilities of WebVideoShop at the date of disposal, and at 30 April 2003 were as follows:

	Date of disposal HK\$'000	30 April 2003 HK\$'000
Total assets	330	403
Total liabilities	(9,920)	(9,594)
	(9,590)	(9,191)

In September 2003, the Company entered into another sale and purchase agreement to dispose of the remaining 40% equity interest in WebVideoShop at a consideration of HK\$18,000,000. The disposal was completed in October 2003 and a loss of HK\$8,502,000 is recognised as loss on disposal of an associate for the year ended 30 April 2004.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

**8. DIRECTORS' EMOLUMENTS**

	2004 HK\$'000	2003 HK\$'000
Directors' fees:		
Executive	–	–
Non-executive	–	80
	–	80
Emoluments of executive directors		
– Salaries and other benefits	923	201
– Contribution to Mandatory Provident Fund Scheme	–	–
	923	201
	923	281

The emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil - HK\$1,000,000	10	7

**9. EMPLOYEES' EMOLUMENTS**

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

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	856	1,518
Contribution to Mandatory Provident Fund Scheme	24	48
	880	1,566

The emoluments of each of the two individuals (2003: five) are below HK\$1,000,000.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

**10. TAXATION**

	2004 HK\$'000	2003 HK\$'000
The tax (credit) charge comprises:		
Current tax of a PRC subsidiary	2	–
Share of taxation attributable to associates	(15,290)	(1,354)
	<b>(15,288)</b>	<b>(1,354)</b>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not derive any assessable profit for the year.

The subsidiaries and associates established in the PRC are subject to enterprise income tax on its taxable income at the rate of 33% (2003: 33%).

The tax (credit) charge for the year can be reconciled to the loss before taxation as follows:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Loss before taxation	(14,665)		(24,020)	
Tax credit at PRC enterprise income tax rate of 33% (2003: 33%)	(4,840)	33.0	(7,927)	33.0
Tax effect of share of results of associates	(1,422)	9.7	(585)	2.4
Tax effect of expenses not deductible for tax purposes	11,679	(79.6)	14,307	(59.6)
Tax effect of income not taxable for tax purposes	(24,279)	165.5	(10,199)	42.5
Tax effect of deferred tax assets not recognised	1,896	(12.9)	1,488	(6.2)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,678	(11.5)	1,562	(6.5)
Tax credit and effective tax rate for the year	<b>(15,288)</b>	<b>104.2</b>	<b>(1,354)</b>	<b>5.6</b>

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2004*

### 10. TAXATION (continued)

At 30 April 2004, the Group has unused tax losses of HK\$93,296,000 (2003: HK\$89,770,000) available for offset against future profits. The tax losses may be carried forward indefinitely. In addition, at 30 April 2004, the Group has deductible temporary differences of HK\$1,099,000 (2003: HK\$513,000). No deferred tax asset has been recognised in relation to tax losses and deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

### 11. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit attributable to shareholders of HK\$9,748,000 (2003: loss of HK\$20,311,000 (as restated)) and on the weighted average number of 1,902,170,151 (2003: 875,940,643) ordinary shares in issue throughout the years.

No diluted earnings per share for the current year has been presented because the exercise price of the Company's options was higher than the average market price of shares.

No diluted loss per share for the previous year has been presented because the exercise of the Company's share options would reduce the loss per share.

The adjustment to comparative basic loss per share, arising from the adoption of SSAP 12 (Revised) and SSAP 35 shown in note 2 above, is as follows:

	HK cents
Reconciliation of basic loss per share for the year ended 30 April 2003	
Reported figure before adjustments	(3.96)
Adjustment arising from the adoption of SSAP 12 (Revised)	0.84
Adjustment arising from the adoption of SSAP 35	0.80
Restated	(2.32)



## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

**12. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
<b>COST</b>					
At 1 May 2003	630	1,847	2,644	1,189	6,310
Acquisition of subsidiaries	–	–	479	1,838	2,317
Additions	–	33	74	367	474
Disposals	–	–	(948)	–	(948)
Disposal of subsidiaries	(630)	(130)	(395)	–	(1,155)
<b>At 30 April 2004</b>	<b>–</b>	<b>1,750</b>	<b>1,854</b>	<b>3,394</b>	<b>6,998</b>
<b>DEPRECIATION</b>					
At 1 May 2003	594	698	2,455	202	3,949
Provided for the year	37	582	190	223	1,032
Eliminated on disposals	–	–	(948)	–	(948)
Disposal of subsidiaries	(631)	(103)	(332)	–	(1,066)
<b>At 30 April 2004</b>	<b>–</b>	<b>1,177</b>	<b>1,365</b>	<b>425</b>	<b>2,967</b>
<b>NET BOOK VALUE</b>					
<b>At 30 April 2004</b>	<b>–</b>	<b>573</b>	<b>489</b>	<b>2,969</b>	<b>4,031</b>
At 30 April 2003	36	1,149	189	987	2,361

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

**12. PROPERTY, PLANT AND EQUIPMENT** (continued)

	Furniture and fixtures HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
<b>COST</b>				
At 1 May 2003	1,717	2,249	1,189	5,155
Additions	–	36	–	36
Disposals	–	(948)	–	(948)
<b>At 30 April 2004</b>	<b>1,717</b>	<b>1,337</b>	<b>1,189</b>	<b>4,243</b>
<b>DEPRECIATION</b>				
At 1 May 2003	603	2,151	202	2,956
Provided for the year	572	104	149	825
Disposals	–	(948)	–	(948)
<b>At 30 April 2004</b>	<b>1,175</b>	<b>1,307</b>	<b>351</b>	<b>2,833</b>
<b>NET BOOK VALUE</b>				
<b>At 30 April 2004</b>	<b>542</b>	<b>30</b>	<b>838</b>	<b>1,410</b>
At 30 April 2003	1,114	98	987	2,199

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	–	255,753
Less: Impairment losses	–	(186,885)
	–	68,868
Amounts due from subsidiaries	475,102	241,783
Less: Allowance	(80,080)	(14,354)
	395,022	227,429
	395,022	296,297

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

Particulars of the Company's subsidiaries at 30 April 2004 are set out below:

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held	Principal activities
<b>Directly held by the Company</b>				
Active Power Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Far Eagle Investments Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Glorious Star Development Limited	British Virgin Islands	1 ordinary share of US\$1	100%	Inactive

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held	Principal activities
<b>Directly held by the Company (continued)</b>				
High Step Trading Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Noble Time Development Inc.	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Sano Group Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Spot On Assets Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
<b>Indirectly held by the Company</b>				
Best Modern Properties Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Capital Team Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100%	Inactive
Neo-China Industrial Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Neo-China Property Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Neo-China Technology Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Newshine Development Limited (Note a)	Hong Kong	100 ordinary shares of HK\$1 each	42%	Investment holding

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held	Principal activities
Indirectly held by the Company (continued)				
Oasiscity Limited ("Oasiscity")	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Phoenix Real Property Limited ("Phoenix Real Property", note b)	British Virgin Islands/Hong Kong	100 ordinary shares of US\$1 each	100%	Investment holding
Shenzhen Phoenix Real Estates Company Limited ("Shezhen Phoenix", notes b and c)	PRC	USD10,000,000	100%	Property development
Sunkit Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Wellink Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Inactive
中新方圓科技(深圳) 有限公司 (note d)	PRC	HK\$10,000,000	100%	Inactive
中置(北京)企業管理 有限公司 (note d)	PRC	HK\$30,000,000	100%	Investment holding

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2004*

### 13. INTERESTS IN SUBSIDIARIES (continued)

*Note:*

- (a) Newshine Development Limited is accounted for as a subsidiary since apart from the Group, the remaining shareholder of Newshine Development Limited consents to waive its right to control the subsidiary.
- (b) The Group effectively held 60% and 54% interest in Phoenix Real Property and Shenzhen Phoenix, respectively. However the Company is entitled to 100% of the results of Phoenix Real Property and Shenzhen Phoenix ultimately and are therefore classified as wholly owned subsidiaries. Details of this are set out in note 27.
- (c) These companies were established in the PRC in the form sino-foreign equity joint ventures.
- (d) These companies were established in the PRC in the form wholly foreign-owned enterprises.

### 14. GOODWILL

	<b>THE GROUP</b> HK\$'000
<b>COST</b>	
At 1 May 2003	255,100
Eliminated on disposals during the year	(135,053)
Transferred to interests in associates	(120,047)
<b>At 30 April 2004</b>	<b>–</b>
<b>AMORTISATION</b>	
At 1 May 2003	194,607
Charge for the year	2,574
Eliminated on disposals during the year	(104,390)
Transferred to interests in associates	(92,791)
<b>At 30 April 2004</b>	<b>–</b>
<b>CARRYING AMOUNT</b>	
<b>At 30 April 2004</b>	<b>–</b>
At 30 April 2003	60,493

Goodwill is amortised on a straight-line basis over the estimated useful life of ten years.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

## 15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000 (Restated)
Share of net assets		
– as originally stated	88,268	136,388
– prior year adjustment on adoption of SSAP 12 (Revised)	–	(30,441)
– prior year adjustment on adoption of SSAP 35	–	(3,457)
– as restated	88,268	102,490
Goodwill (Note a)		
– as originally stated	58,059	57,565
– prior year adjustment on adoption of SSAP 12 (Revised)	–	23,491
– as restated	58,059	81,056
Loan to an associate (Note b)	196,302	–
	342,629	183,546

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

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

Note a:

	Goodwill HK\$'000
<b>COST</b>	
At 1 May 2003	
– as original stated	81,720
– prior year adjustment on adoption of SSAP 12 (Revised)	33,201
	<hr/>
– as restated	114,921
Arising on acquisition of an associate	2
Transfer arising on disposal 45% interest in WebVideoShop (Note 7)	27,256
Disposal of an associate	(27,256)
	<hr/>
<b>At 30 April 2004</b>	<b>114,923</b>
	<hr/>
<b>AMORTISATION</b>	
At 1 May 2003	
– as original stated	24,155
– prior year adjustment on adoption of SSAP 12 (Revised)	9,710
	<hr/>
– as restated	33,865
Charge for the year	22,999
	<hr/>
<b>At 30 April 2004</b>	<b>56,864</b>
	<hr/>
<b>CARRYING AMOUNT</b>	
<b>At 30 April 2004</b>	<b>58,059</b>
	<hr/>
At 30 April 2003	81,056
	<hr/>

The goodwill arising on the acquisition of associates is amortised on a straight-line basis over the estimated useful life of five years. Amortisation charged in the current year amounting to HK\$22,999,000 (2003: HK\$22,996,000, as restated) has been included in the amount reported as share of results of associates in the consolidated income statement.

Note b:

The loan is lent to 北京新松置地投資有限公司 (“New Shine Property”), an associate of the Group, for development of a property project in Beijing, the PRC. The property project is held by 北京市御水苑房地產開發有限公司 (“Beijing Yu Shui Yuan”), which is 50% owned by New Shine Property. The development of the property project has been commenced and was expected to be completed in 2006.

Pursuant to a loan agreement dated 1 January 2004, the loan is secured by the 50% equity interest in Beijing Yu Shui Yuan held by New Shine Property, bearing interest at 6% per annum and repayable in 2006.



## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 15. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's associates at 30 April 2004 are set out below:

Name	Place of incorporation and operations	Particulars of registered capital	Percentage of registered capital held by the Group	Principal activities
Shanghai Xin Yao Development Company Limited ("Shanghai Xin Yao")	PRC	RMB20,000,000	39%	Development and sale of properties in Shanghai
Beijing New Shine Garden Property Development Company Limited ("Beijing New Shine")	PRC	US\$6,000,000	14.7%	Development and sale of properties in Beijing
新疆光正鋼結構工程技術有限責任公司	PRC	RMB20,300,000	26.12%	Manufacturing and trading of steel and construction materials
New Shine Property	PRC	RMB30,000,000	25%	Investment holding

The Group's entitlement to share in profits of its associates is in proportion to its ownership interest, except in Beijing New Shine where the Group is entitled to 12.6% of the profits earned by Beijing New Shine. Beijing New Shine is 35% held by the Group's 42% owned subsidiary, Newshine Development Limited.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

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

The following details are extracted from the financial statements of the Group's significant associates, as adjusted to conform with SSAPs issued by the HKSA:

	Shanghai Xin Yao		Beijing New Shine		New Shine Property	
	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000
<b>Results for the year</b>						
Turnover	294,677	629,794	354,243	–	–	–
(Loss) profit attributable to shareholders	(23,559)	7,861	(51,812)	(13,475)	(32)	–
Group's share of (loss) profit attributable to shareholders	(9,188)	3,066	(15,544)	(4,043)	(8)	–
<b>Financial position</b>						
Non-current assets	381	504	511	390	424,351	–
Current assets	357,624	579,124	337,458	628,923	52	–
Current liabilities	(238,243)	(415,550)	(149,014)	(441,187)	(199,843)	–
Non-current liabilities	–	(20,755)	(84,906)	(32,075)	(196,302)	–
Net assets	119,762	143,323	104,049	156,051	28,258	–
Net assets attributable to the Group	46,707	55,895	31,215	46,815	7,064	–

**16. NON-CURRENT RECEIVABLES****THE GROUP**

The amount was unsecured and interest free. Through the disposal of a subsidiary during the year, the balance became nil as at 30 April 2004.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

**17. PROPERTIES UNDER DEVELOPMENT**

	THE GROUP HK\$'000
At 1 May 2003	–
Acquisition of a subsidiary	73,427
Additions	3,748
	<hr/>
At 30 April 2004	77,175
	<hr/> <hr/>

**18. INVENTORIES**

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Goods purchased for resale	–	6,197
Less: Allowance	–	(6,197)
	<hr/>	<hr/>
	–	–
	<hr/> <hr/>	<hr/> <hr/>

**19. TRADE AND OTHER RECEIVABLES**

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Trade receivables ( <i>note a</i> )	–	–
Other receivables ( <i>note b</i> )	60,581	8,183
Deposits and prepayments	1,929	1,036
	<hr/>	<hr/>
	62,510	9,219
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The following is an aging analysis of trade receivables as at the balance sheet date:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Over 90 days	–	1,500
Less: Allowance	–	(1,500)
	<hr/>	<hr/>
	–	–
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 19. TRADE AND OTHER RECEIVABLES (continued)

- (b) At 30 April 2004, included in other receivables is a loan to a third party of RMB47,400,000 (equivalent to approximately HK\$44,716,000). The loan is unsecured, bearing interest at 5.31% per annum and has been fully repaid in August 2004.

### 20. OTHER PAYABLES

#### THE GROUP AND THE COMPANY

On 25 March 2004, the Company entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in Noble Time Development Inc. for a consideration of HK\$123 million, of which, HK\$122,642,000 was received and included in other payables as of 30 April 2004. The disposal was subjected to certain conditions including the approval from the independent shareholders. The disposal was completed in August 2004. The directors estimated the gain on disposal of the subsidiary amounted to approximately HK\$101,000,000.

### 21. AMOUNT DUE TO A SHAREHOLDER

#### THE GROUP AND THE COMPANY

The amount was unsecured, non-interest bearing and had been fully repaid during the year.

### 22. SECURED BANK BORROWINGS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Secured bank borrowings repayable within a period of:		
Less than 1 year	–	7,547
More than 1 year but within 2 years	–	7,547
More than 2 years but within 5 years	–	8,491
	–	23,585
Less: Amount due within one year	–	(7,547)
Amount due after one year	–	16,038

The bank borrowings were secured by the properties located in the PRC which the Group has agreed to purchase. Deposits for acquisition of these properties of HK\$35,863,000 was paid by the Group as at 30 April 2003. Through the disposal of a subsidiary during the year, the balance of secured bank borrowings became nil as at 30 April 2004.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 23. LOAN PAYABLE

#### THE GROUP

Through the acquisition of a subsidiary during the year, the Group has a loan payable to Phoenix Satellite Television Company Limited as at 30 April 2004.

The amount is unsecured, non-interest bearing and will not be repayable before the completion of the development of a property project. Details of this are set out in note 27.

### 24. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Shares of HK\$0.10 per share at 1 May 2002 and 30 April 2003	20,000,000,000	2,000,000
Adjustment of nominal value (note a(i))	–	(1,800,000)
Cancellation (note a(ii))	(19,124,059,357)	(191,241)
Additions (note a(ii))	39,124,059,357	391,241
<b>Shares of HK\$0.01 per share at 30 April 2004</b>	<b>40,000,000,000</b>	<b>400,000</b>
Issued and fully paid:		
Shares of HK\$0.10 per share at 1 May 2002 and 30 April 2003	875,940,643	87,594
Adjustment of nominal value (note a(i))	–	(78,835)
Issue of shares (note b)	1,200,000,000	12,000
<b>Shares of HK\$0.01 per share at 30 April 2004</b>	<b>2,075,940,643</b>	<b>20,759</b>

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 24. SHARE CAPITAL (continued)

Details of the changes in the share capital of the Company during the year ended 30 April 2004 were as follows:

- (a) Pursuant to a special resolution passed in a special general meeting held on 19th June, 2003, the share capital of the Company was reorganised as follows:
  - (i) The nominal value of the issued share capital of the Company was reduced from HK\$0.10 per share to HK\$0.01 per share ("New Share") by way of cancellation of HK\$0.09 of the paid up capital on each share of the Company;
  - (ii) All of the existing authorised but unissued share capital of the Company (including the authorised but unissued share capital from the capital reduction per (i) above) was cancelled and subsequently the authorised capital was increased to HK\$400,000,000 comprising 40,000,000,000 New Shares; and
  - (iii) The amount of approximately HK\$131,286,000 standing to the credit of the share premium account of the Company as at 30 April 2002 was cancelled.

The credit of approximately HK\$210,121,000 comprising HK\$78,835,000 arising from the capital reduction per (i) above and HK\$131,286,000 arising from the cancellation of share premium per (iii) above was wholly used in or towards reduction of the accumulated losses of the Company.

- (b) Pursuant to a subscription agreement dated 8 April 2003, Invest Gain Limited, which is beneficially wholly owned by Mr. Li Song Xiao, subscribed for 1,200,000,000 new shares of HK\$0.01 each in the Company at price of HK\$0.025 per share satisfied by cash. The proceeds were used to provide working capital for the Company. The subscription price of HK\$0.025 represented a discount of approximately 28.57% to the closing price of HK\$0.035 on 18 March 2003, being the last trading day on which the shares of the Company were traded prior to 8 April 2003. These shares were issued under the general mandate granted to the directors at the special general meeting of the Company held on 19 June 2003 and rank pari passu with the existing shares in all respects. Mr. Li Song Xiao was appointed as a director of the Company on 29 October 2003.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 25. RESERVES

Details of on movements in the Group's reserves are set out in the consolidated statement of changes in equity page 18 of the financial statements.

	Share premium HK\$'000	Other reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
At 1 May 2002	131,286	11,240	368,234	(305,153)	205,607
Released upon expiry of share options	–	(11,240)	–	11,240	–
Net loss for the year	–	–	–	(581)	(581)
At 30 April 2003	131,286	–	368,234	(294,494)	205,026
Reduction of capital (note 24 (a))	(131,286)	–	–	210,121	78,835
Issue of new shares (note 24(b))	18,000	–	–	–	18,000
Share issue expenses	(962)	–	–	–	(962)
Net loss for the year	–	–	–	(38,620)	(38,620)
At 30 April 2004	17,038	–	368,234	(122,993)	262,279

### 26. SHARE OPTIONS

Pursuant to a special general meeting of the Company held on 12 December 2002, the share option scheme adopted by the Company on 19 August 1993 and amended on 24 October 2000 (the "Old Scheme") was terminated and a new scheme (the "New Scheme") was adopted by the Company. As a result, the Company can no longer grant any further options under the Old Scheme. However, all options granted prior to the termination of the Old Scheme will remain in full force and effect. The purpose of the New Scheme is to enable the Company to grant options to eligible participants, thereby as incentive or rewards for their contribution to the Group. Eligible participants of the New Scheme include the directors, employees, suppliers, customers and shareholders of the Group. Unless otherwise terminated or amended, the New Scheme will remain in force for ten years from date of adoption to 12 December 2012.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 26. SHARE OPTIONS (continued)

Pursuant to the New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK\$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of the Company, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. As at 30 April 2004, no option has been issued under the New Scheme.

In accordance with the placing agreement dated 31 March, 2000 as announced on 3 April, 2000 and pursuant to resolutions passed at a special general meeting of the Company held on 9th May, 2000, the Company has granted 1,124,000,000 share options at a consideration of HK\$0.01 per option to several independent investors to subscribe for 1,124,000,000 new shares of HK\$0.10 per share of the Company at an initial exercise price of HK\$0.10 per share, subject to adjustments. Upon the capital reorganisation and rights issues of the Company on 31 December, 2001 and 22 January, 2002 respectively, the exercise price of the outstanding share options was adjusted to HK\$0.84 per share. These options are exercisable at any time within two years from the date of issue of such options.

On 30 October 2000, the Company granted 26,000,000 share options under the Old Scheme to certain employees of the Company at a consideration of HK\$1.00 for each grantee to subscribe for 26,000,000 new shares of HK\$0.10 per share of the Company at an initial exercise price of HK\$0.10 per share. These options will expire on 30 October 2005. Upon the capital reorganisation and rights issues of the Company on 31 December 2001 and 22 January 2002 respectively, the exercise price was adjusted to HK\$1.00 per share.



## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 26. SHARE OPTIONS (continued)

The following table discloses details of the Company's share options held by employees and independent investors and movement in such holdings during both years:

	Employees	Independent investors	Total
At 1 May 2002	360,000	1,124,000,000	1,124,360,000
Lapsed during the year	(310,000)	(1,124,000,000)	(1,124,310,000)
At 30 April 2003	50,000	–	50,000
Cancelled during the year	(50,000)	–	(50,000)
<b>At 30 April 2004</b>	<b>–</b>	<b>–</b>	<b>–</b>

The options were cancelled during the year after resignation of the relevant employees.

The financial impact of share options granted 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 recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the 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 lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

### 27. ACQUISITION OF SUBSIDIARIES

In October 2003, Oasiscity, a wholly owned subsidiary of the Group, entered into a subscription and shareholders' agreement ("Agreement") with Phoenix Satellite Television Company Limited ("Phoenix Satellite TV") and Phoenix Real Properties in relation to the joint development of a property project (the "Phoenix Tower") in Shenzhen, the PRC.

Pursuant to the Agreement, Oasiscity subscribed 60 new shares at par value of US\$1 each issued by Phoenix Real Properties, representing 60% of its enlarged issued share capital. Upon the issue of the new shares, Oasiscity executed a share charge in favour of Phoenix Satellite TV, under which it charges 30 new shares of Phoenix Real Properties, representing 30% of the enlarged issued share capital, as security for the due performance of the Group's obligations under the Agreement. In addition, Oasiscity has paid approximately HK\$4.7 million to Phoenix Satellite TV in accordance with the terms of the Agreement.

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2004*

### **27. ACQUISITION OF SUBSIDIARIES (continued)**

Furthermore, pursuant to the Agreement, Oasiscity may increase its shareholding interests to 100% in Phoenix Real Properties upon providing further financing for the development of Phoenix Tower and fulfillment of certain other terms and conditions in future.

Oasiscity, through its interest in Phoenix Real Properties, the 90% shareholder of Shenzhen Phoenix, will be responsible for the implementation of the property project of Phoenix Tower, with the cooperation of Phoenix Satellite TV and Beijing Honda Construction Company Limited ("Honda"), the other 10% shareholder of Shenzhen Phoenix.

Under the agreement, Phoenix Satellite TV and Honda, will have the property right over 25,000 square meters, in aggregate, of the self-use area of the Phoenix Tower.

Oasiscity will be responsible for providing all the required financing for the development of Phoenix Tower in future and in return it will has ownership title over all the saleable floor area of Phoenix Tower and the remaining portion of the self-use area after allowed for the entitlement of Phoenix Satellite TV and Honda as mentioned above. As Oasiscity is entitled to 100% of the results of Phoenix Real Property and Shenzhen Phoenix ultimately, they are therefore classified as wholly owned subsidiaries of the Group.

The development of Phoenix Tower commenced during the year and is expected to be completed in 2006. In case the development of Phoenix Tower cannot meet the timetable as stated in the Agreement, the Group needs to pay a penalty of approximately HK\$33,000 to Phoenix Satellite TV each day until completion of the property project.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 27. ACQUISITION OF SUBSIDIARIES (continued)

Details of the net assets acquired in respect of acquisition of subsidiaries are summarised below:

	2004 HK\$'000	2003 HK\$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	2,317	–
Properties under development	73,427	–
Trade and other receivables	4,915	–
Bank balances and cash	21,918	–
Other payables	(28,539)	–
Loan payable	(69,065)	–
	<b>4,973</b>	–
Satisfied by:		
Cash consideration	4,717	–
Stamp duty	256	–
	<b>4,973</b>	–
Net cash inflow arising on acquisition:		
Cash paid	(4,973)	–
Bank balances and cash acquired	21,918	–
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>16,945</b>	–

The subsidiaries acquired during the year did not contribute significantly to the Group's results and cash flows.

### 28. DISPOSAL OF SUBSIDIARIES

During the year, the Company had disposed of the following subsidiaries:

- (a) In January 2003, the Company entered into a sale and purchase agreement with an independent third party to dispose of 45% equity interest in WebVideoShop for a consideration of HK\$72,000,000. The disposal was completed in August 2003. A gain of HK\$42,171,000 arose on the disposal of 45% equity interest in WebVideoShop. Details of the disposal are set out in note 7.
- (b) In October 2003, the Company entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Graceful Sun Investments Limited for a consideration of HK\$62,000,000. The disposal was completed in October 2003. A gain of HK\$26,978,000 arose on the disposal of Graceful Sun Investments Limited.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

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

Details of the net assets (liabilities) disposed of in respect of disposal of subsidiaries are summarised below:

	2004 HK\$'000	2003 HK\$'000
<b>NET ASSETS (LIABILITIES) DISPOSED OF</b>		
Property, plant and equipment	89	16,686
Non-current deposits	35,863	–
Non-current receivables	15,453	–
Trade and other receivables	10,284	574
Amounts due from group companies	–	1,320
Bank balances and cash	3,389	153
Other payables	(6,958)	(32,301)
Amounts due to group companies	(8,200)	–
Secured bank borrowings	(23,585)	(3,010)
Minority interests	(903)	–
	25,432	(16,578)
Attributable goodwill	57,919	–
Attributable exchange reserve	–	3
Interests in associates	(26,700)	–
	56,651	(16,575)
Gain on disposal of subsidiaries	69,149	30,895
	125,800	14,320
Satisfied by:		
Cash consideration	134,000	13,000
Waiver of amounts due by the Company to the subsidiaries	–	1,320
Waiver of amounts due to the Company by the subsidiaries	(8,200)	–
	125,800	14,320
Net cash inflow arising on disposal:		
Cash received	134,000	10,000
Bank balances and cash disposed of	(3,389)	(153)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	130,611	9,847

The subsidiaries disposed of during the year did not contribute significantly to the Group's results and cash flows.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 29. COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Development expenditure of properties in PRC contracted for but not provided in the financial statements	6,960	–

The Company had no commitment at the balance sheet date.

### 30. CONTINGENT LIABILITIES

As at 30 April 2004, the Company gave a guarantee in favour of Phoenix Satellite TV, under which the Company guaranteed the due performance of Oasiscity, of the Group's obligations under the subscription and shareholders' agreement related to Phoenix Tower. Details of this property project are set out in note 27.

### 31. PLEDGE OF ASSETS

As at 30 April 2004, the Group pledged 30% equity interest in Phoenix Real Property to Phoenix Satellite Television Company Limited. Details of this are set out in note 27.

### 32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases during the year for premises	1,654	4,756

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	959	1,548
In the second to fifth year inclusive	420	336
	1,379	1,884

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of 2 to 3 years.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2004

### 33. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the schemes, and the contribution by employees is at 5%.

The total cost charged to the consolidated income statement of HK\$172,000 (2003: HK\$185,000) represents contributions payable to these schemes by the Group for the year.

### 34. POST BALANCE SHEET EVENTS

The Company entered into a sale and purchases agreement with an outsider in February 2004 to acquire 100% equity interest in Top Fair Limited for a consideration of HK\$210 million. Top Fair Limited is a limited liability company incorporated in the British Virgin Islands. It is an investment holding company which holds 45% equity interests in 北京金馬文華園房地產開發有限公司 ("Beijing Jin Ma"). The principal business activity of Beijing Jin Ma is to develop a property project in Beijing, the PRC.

The consideration will be satisfied by way of convertible note in the sum of HK\$210 million to be issued by the Company. The conversion price of the convertible note is HK\$0.26 per share, subject to adjustments, and the maturity date of the convertible note is 28 February 2007. The interest payable under the convertible note will be 1% per annum, payable semi-annually in arrears on the last date of February and August of each year.

The transaction was approved by the independent shareholders at the special general meeting of the Company held on 12 August 2004 and the convertible note was issued at the same date. Details of the transaction are set out in the circular dated 30 June 2004 issued by the Company.