

## 1 PRINCIPAL ACCOUNTING POLICIES

### (a) General Information

The Company was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its subsidiaries are principally engaged in providing financial information services, wireless applications development, securities trading system licensing, property and investment holding.

### (b) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain property and available-for-sale financial assets are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

With effect from 1st April 2004, the Group has early adopted the following new HKFRSs:

HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement

Under HKAS 39, financial instruments will be carried at either amortised cost or fair value, depending on their classification. Movements in fair value will be either charged to net profit or loss or taken to equity. In addition, all derivatives, including those embedded in non-derivatives host contracts will be recognised in the balance sheet at fair value.

The accounting standards early adopted by the Group do not require retrospective application and HKAS 32 requires simultaneous adoption with HKAS 39.

The adoption of HKAS 39 resulted in an increase in shareholders' funds of HK\$117,348,914 as at 31st March 2005.

The Group had already commenced an assessment of the impact of the other new HKFRSs which have not been early adopted by the Group. Whilst the Group believes the standards with the most material effect on the Group's accounts are those early adopted for 2004/2005, the Group is not yet in a position to state whether the remaining new HKFRSs would have significant impact on its results of operations and net financial position.

# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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### (c) *Group accounting*

#### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the Board of directors; or to cast majority of votes at the meetings of the Board of directors.

The results of subsidiaries acquired or disposed of in prior year were included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill and any related accumulated foreign currency exchange reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### (ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Foreign currency assets, being equity investments or other long-term non-monetary assets, the holding or the use or the subsequent disposal of which will generate receipts in a foreign currency, hedged by foreign currency borrowings, are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

Exchange gains and losses are dealt with in the profit and loss account, except those arising from the translation at closing rates of foreign currency assets hedged by foreign currency borrowings, and the gains and losses on those foreign currency borrowings (to the extent of exchange differences arising on the foreign currency assets), which are taken directly to reserves.

The accounts of subsidiaries expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

## 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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### (d) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than twenty years in general.

Goodwill on acquisitions that occurred prior to 1st April 2001 was written off against reserves in the year of acquisition. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However, where an indication of impairment exist, such goodwill previously written off against reserves is accounted in accordance with SSAP 31 and any impairment losses should be recognised as an expense in the profit and loss account in the period when such impairment loss is identified.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st April 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1st April 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill/negative goodwill relating to the entity disposed of or, for pre 1st April 2001 acquisitions, the related goodwill/negative goodwill dealt with in the reserves to the extent it has not previously been realised in the profit and loss account.

# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (e) *Investment property*

Investment property is interest in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment property held on lease with unexpired periods greater than fifty years is valued every year by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are charged to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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

### (f) *Property, plant and equipment*

Property, plant and equipment other than investment property (Note 1(e)) and other properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Other properties are interests in land and buildings. Other properties acquired before 12th September 1991 are stated at gross carrying amount less accumulated depreciation and accumulated impairment losses, if any. Other properties acquired on or after 12th September 1991 are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Gross carrying amount represents the professional valuation, on an open market value basis, made in 1991.

Leasehold land is depreciated over the remaining period of the lease. Buildings are amortised over fifty years or remaining term of the lease, whichever is the shorter.

Plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	Over the terms of individual lease or 5 years, whichever is shorter
Computer equipment	3 years
Furniture and fixtures	5 years

Major costs incurred in restoring property, plant and equipment to its normal working condition to allow continued use of the overall asset are capitalised and depreciated over the period to the next overhaul.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

## 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (f) *Property, plant and equipment (continued)*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in property, plant and equipment and other properties are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of property, plant and equipment and other properties other than investment property is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profit and is shown as a movement in reserves.

### (g) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

### (h) *Investments*

#### (i) Classification

From 1st April 2004, investments of the Group are classified under the following categories:

#### **Financial assets at fair value through profit or loss**

This category comprises financial assets held for trading and those designated as fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. This category includes derivatives which are not qualified for hedge accounting. Debt securities and bank deposits with embedded derivatives for yield enhancement whose economic characteristics and risks are not closely related to the host securities and deposits are designated as financial assets at fair value through profit or loss.

#### **Available-for-sale financial assets**

This category comprises financial assets which are non-derivatives and are designated as available-for-sale financial assets or not classified under other investment categories.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and with no intention of trading the receivables. Bank deposits are treated as loans and receivables and are disclosed as pledged deposits and cash equivalents.

## 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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### (h) *Investments (continued)*

#### (ii) Recognition and initial measurement

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses in the profit and loss account. Investments not designated as fair value through profit or loss are initially recognised at fair value plus transaction costs.

#### (iii) Derecognition

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially the risk and rewards of ownership.

#### (iv) Gains or losses on subsequent measurement and interest income

#### **Financial assets at fair value through profit or loss**

Investments under this category are carried at fair value. Unrealised gains and losses arising from changes in the fair value are included in the profit and loss account in the period in which they arise. Upon disposal, the difference between the net sales proceeds and the carrying value is included in the profit and loss account.

Interest income is recognised using the effective interest method and included as net realised and unrealised gains/(losses) and interest income from these investments.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in investment revaluation reserve, except for monetary securities whose exchange differences resulting from changes in amortised costs are recognised in profit and loss account. When the securities are sold, the difference between the net sales proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal.

Interest income is recognised using the effective interest method and disclosed as interest income.

#### **Loans and receivables**

Loans and receivables are carried at amortised cost using the effective interest method less provision for impairment.

Interest income is recognised using the effective interest method and disclosed as interest income.

## 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (h) Investments (continued)

#### (v) Fair value measurement principles

Fair values of quoted investments are based on bid prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. When those methods of reasonably estimating fair value are clearly unworkable, these investments are carried at cost less accumulated impairment losses.

#### (vi) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in the profit or loss – is removed from investment revaluation reserve and recognised in the profit and loss account.

In case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the securities below their cost is considered in determining whether the securities are impaired. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

A provision of impairment for loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. The amount of provision is recognised in the profit and loss account.

#### (vii) Investment securities (only applicable to accounting periods ended on or before 31st March 2004)

For the accounting periods ended on or before 31st March 2004, investment securities are listed and unlisted investments and are stated at cost less provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (h) *Investments (continued)*

- (viii) Redesignation of available-for-sale financial assets held by the Group as at 1st April 2004

As detailed in Note 18(a) to the accounts, opening investment revaluation reserve as at 1st April 2004 have been increased by HK\$204,138,382, which represent the unrealised gains arising from changes in the fair value of available-for-sale financial assets. This change has resulted in an increase in available-for-sale financial assets as at 1st April 2004 by HK\$204,138,382.

### (i) *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with banks and cash investments with a maturity of three months or less from date of investment.

### (j) *Employee benefits*

- (i) Employee entitlements to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

- (ii) The Group operates two defined contribution schemes for all qualified employees.

#### **Occupational Retirement Contributions Scheme**

The Group operates an occupational retirement scheme registered under the Hong Kong Occupational Retirement Scheme Ordinance (Cap. 426). This scheme has been granted exemption pursuant to Section 5 of the Hong Kong Mandatory Provident Fund Schemes Ordinance (Cap.485) ("the MPF Ordinance"). The employees are either not required to make contribution or required to contribute an amount equal to 5% of the basic monthly salary and the employer's monthly contribution is at a range of 5% to 10% of employees' basic monthly salary. The Group's contributions to the scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

#### **Mandatory Provident Fund Scheme**

The Group also joins a mandatory provident fund scheme ("the MPF Scheme") under the MPF Ordinance. Where staff elect to join the MPF Scheme, both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK\$2,000 per month). Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to certain exceptions. Staff may elect to contribute more than the minimum as a voluntary contribution.

Contributions for the above schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund manager.



## 1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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### *(k) Deferred taxation*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### *(m) Revenue recognition*

- (i) Financial quotation subscription fee income is recognised on a straight-line basis over the subscription period.
- (ii) Revenue from securities trading system licensing and wireless applications is recognised when services are rendered.
- (iii) Dividend income is recognised when the Company's right to receive payment is established.
- (iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (v) Rental income is recognised on a straight-line basis over the lease term.

### *(n) Segment reporting*

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of property, plant and equipment and current assets, and mainly exclude investment property, available-for-sale financial assets, investment securities, other investments and taxation recoverable. Segment liabilities comprise operating liabilities and exclude items such as taxation payable, bank loans and deferred taxation. Capital expenditure represents additions to property, plant and equipment, including additions resulting from acquisitions through purchase of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

# Notes to the Accounts

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the business of technology development and financial quotation services, and in telecommunications investments. Revenues recognised during the year are as follows:

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Turnover		
Income from financial quotation, securities trading system licensing and sales of related products	<b>25,020,061</b>	21,767,981
Income from wireless applications	<b>21,798</b>	142,541
	<b>25,041,859</b>	21,910,522
Other revenues		
Interest income	<b>3,117,445</b>	1,138,396
Rental incomes from investment property	<b>1,066,668</b>	1,066,668
Dividends income from listed available-for-sale financial assets	<b>674,617</b>	–
Dividends income from listed investment securities	–	4,903,322
	<b>4,858,730</b>	7,108,386
	<b>29,900,589</b>	29,018,908

Primary reporting format – business segments

The Group is organised on a worldwide basis into three main business segments:

- Financial quotation, securities trading system licensing and sales of related products
- Wireless applications
- Corporate activities and investment holdings – holding of corporate assets and liabilities

Secondary reporting format – geographical segments

Although the Group's three business segments are managed on a worldwide basis, they operate in three main geographical areas:

Hong Kong	:	Financial quotation, securities trading system licensing and sales of related products, wireless applications, and corporate activities and investment holdings
Asia	:	Investment holdings
Canada and United States	:	Investment holdings

# Notes to the Accounts

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Primary reporting format – business segments

	Financial quotation, securities trading system licensing, and sales of related products 2005 HK\$	Wireless applications 2005 HK\$	Corporate activities and investment holdings 2005 HK\$	Total 2005 HK\$
Turnover from external customers (Note (a))	25,020,061	21,798	–	25,041,859
Segment results	371,922	(2,416,222)	(8,979,499)	(11,023,799)
Other income				
– Interest income	–	–	3,117,445	3,117,445
– Dividend income	–	–	674,617	674,617
– Rental income from investment property	–	–	1,066,668	1,066,668
– Surplus on revaluation of investment property	–	–	3,420,000	3,420,000
– Gain on disposal of available-for-sale financial assets	–	–	88,471,791	88,471,791
Operating profit				85,726,722
Finance costs				(258,399)
Profit attributable to shareholders				85,468,323
Segment assets	4,178,749	133,867	233,946,591	238,259,207
Investment property	–	–	18,920,000	18,920,000
Available-for-sale financial assets	–	–	182,399,704	182,399,704
Total assets				439,578,911
Segment liabilities	5,020,385	105,900	697,854	5,824,139
Bank loans, secured	–	–	42,541,305	42,541,305
Total liabilities				48,365,444
Capital expenditure	995,452	14,102	28,800	1,038,354
Depreciation	527,267	16,857	2,855,130	3,399,254

# Notes to the Accounts

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Primary reporting format – business segments (continued)

	Financial quotation, securities trading system licensing, and sales of related products 2004 HK\$	Wireless applications 2004 HK\$	Corporate activities and investment holdings 2004 HK\$	Total 2004 HK\$
Turnover from external customers (Note (a))	21,767,981	142,541	–	21,910,522
Segment results	(1,519,763)	(3,871,986)	(10,158,040)	(15,549,789)
Other income/(expenses)				
– Interest income	–	–	1,138,396	1,138,396
– Dividend income	–	–	4,903,322	4,903,322
– Rental income from investment property	–	–	1,066,668	1,066,668
– Surplus on revaluation of investment property	–	–	2,700,000	2,700,000
– Loss on impairment of other property	–	–	(4,235,992)	(4,235,992)
– Gain on disposal of listed investment securities	–	–	60,963,517	60,963,517
– Loss on disposal of other investments	–	–	(849,332)	(849,332)
– Provision for impairment of investment securities	–	–	(981,953)	(981,953)
– Gain on liquidation of subsidiaries	–	–	163,787	163,787
Operating profit				49,318,624
Finance costs				(400,858)
Profit before taxation				48,917,766
Taxation				233,868
Profit attributable to shareholders				49,151,634
Segment assets	3,447,944	170,638	189,674,495	193,293,077
Investment property	–	–	15,500,000	15,500,000
Investment securities	–	–	84,727,237	84,727,237
Total assets				293,520,314
Segment liabilities	4,593,706	23,584	784,747	5,402,037
Bank loans, secured	–	–	43,669,579	43,669,579
Total liabilities				49,071,616
Capital expenditure	386,908	22,030	–	408,938
Depreciation	950,497	49,640	3,043,170	4,043,307
Other non-cash expenses (Note (b))	–	–	5,217,945	5,217,945

Notes:

- (a) Sales and other transactions between the business segments have been excluded in the calculation of revenue.
- (b) Non-cash expenses comprise loss on impairment of other properties and provision for impairment of investment securities.

# Notes to the Accounts

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Secondary reporting format – geographical segments

	Turnover 2005 HK\$	Operating profit/(loss) 2005 HK\$	Total assets 2005 HK\$	Capital expenditure 2005 HK\$
Hong Kong	25,041,859	(3,370,616)	257,828,214	1,038,354
Asia				
– Taiwan	–	89,106,128	3,031,484	–
– Japan	–	–	157,274,163	–
– Others	–	(8,790)	793	–
Canada and United States	–	–	21,444,257	–
	<b>25,041,859</b>	<b>85,726,722</b>	<b>439,578,911</b>	<b>1,038,354</b>
	Turnover 2004 HK\$	Operating profit/(loss) 2004 HK\$	Total assets 2004 HK\$	Capital expenditure 2004 HK\$
Hong Kong	21,910,522	(6,739,748)	209,289,247	408,938
Asia				
– Taiwan	–	57,058,315	22,590,283	–
– Japan	–	–	42,579,000	–
– Others	–	(17,990)	777	–
Canada and United States	–	(981,953)	19,061,007	–
	<b>21,910,522</b>	<b>49,318,624</b>	<b>293,520,314</b>	<b>408,938</b>

# Notes to the Accounts

## 3 OPERATING PROFIT

	2005 HK\$	2004 HK\$
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Operating profit is stated after crediting and charging the following:

### Crediting

Gain on disposal of listed available-for-sale financial assets	88,471,791	–
Gain on disposal of listed investment securities	–	60,963,517
Gain on liquidation of subsidiaries (Note 22(b))	–	163,787
Net exchange gain	4,342	7,619
Rental income from investment property less outgoings of HK\$77,748 (2004: HK\$73,081)	988,920	993,587
Surplus on revaluation of investment property	3,420,000	2,700,000

### Charging

Auditors' remuneration	384,600	343,550
Depreciation of owned property, plant and equipment	3,399,254	4,043,307
Loss on disposal of other investments	–	849,332
Loss on disposal of property, plant and equipment	46	1,564
Loss on impairment of other properties	–	4,235,992
Provision for impairment of investment securities	–	981,953
Staff costs (Note 9)	12,126,349	13,927,059

## 4 FINANCE COSTS

	2005 HK\$	2004 HK\$
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Interest on bank loans	258,399	400,858
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## 5 TAXATION

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2004: Nil).

	2005 HK\$	2004 HK\$
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The amount of taxation credited to the consolidated profit and loss account represents:

Deferred taxation (Note 19)	–	(233,868)
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## 5 TAXATION (CONTINUED)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2005 HK\$	2004 HK\$
Profit before taxation	<b>85,468,323</b>	48,917,766
Calculated at a taxation rate of 17.5% (2004: 17.5%)	<b>14,956,957</b>	8,560,609
Income not subject to taxation	<b>(17,484,226)</b>	(15,303,662)
Expenses not deductible for taxation purposes	<b>943,833</b>	5,124,581
Tax losses not recognised	<b>2,091,252</b>	2,055,267
Utilisation of previously unrecognised temporary differences	<b>(507,816)</b>	(341,243)
Temporary differences on withholding tax	-	(233,868)
Effect of different taxation rate in other countries	-	(95,552)
	<b>-</b>	(233,868)

## 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of HK\$85,903,149 (2004: HK\$57,077,273) which has been dealt with in the accounts of the Company.

## 7 DIVIDENDS

	2005 HK\$	2004 HK\$
2005 Interim, paid of HK¢2 (2004: HK¢1) per ordinary share	<b>9,337,720</b>	4,668,860
2004 Final, paid of HK¢10 per ordinary share	-	46,688,600
2005 Final, proposed of HK¢11 per ordinary share	<b>51,357,460</b>	-
	<b>60,695,180</b>	51,357,460

At a meeting held on 8th July 2005, the directors proposed a final dividend of HK¢11 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of contributed surplus of the Company for the year ending 31st March 2006.

## 8 PROFIT PER SHARE

The profit per share is calculated based on the profit attributable to shareholders of HK\$85,468,323 (2004: HK\$49,151,634) and on the weighted average number of 466,886,000 (2004: 466,886,000) shares in issue during the year.

Diluted profit per share is not presented as the exercise of the outstanding shares options of the Company would be anti-dilutive in respect of both years presented.

# Notes to the Accounts

## 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2005 HK\$	2004 HK\$
Wages, salaries and other benefits	11,831,461	13,275,788
Retirement benefit costs		
– defined contribution schemes (Note 1(j)(ii))	600,682	689,852
– refund of forfeited contributions (Note 1(j)(ii))	(305,794)	(38,581)
	<b>12,126,349</b>	13,927,059

Forfeited contributions totalling HK\$10,554 (2004: Nil) were available at the year end to reduce future contributions.

Contributions totalling HK\$29,743 (2004: Nil) were payable to the fund at the year end.

## 10 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

### (a) Directors' emoluments

The emoluments including employee share option benefits of every director for the years ended 31st March 2005 and 2004, are set out below:

Name of Director	2005				Total HK\$
	Fees HK\$	Salary HK\$	Employer's contribution to provident fund HK\$	Other benefits HK\$	
<b>Chairman and non-executive directors</b>					
Mr. Tse Chi Hung, Michael	30,000	408,000	–	–	438,000
Mr. George Ho	30,000	–	–	–	30,000
Mr. Leung Kwok Kit	30,000	–	–	–	30,000
Mr. David Miao	30,000	–	–	–	30,000
Mr. Fu Hau Chak, Adrian <sup>#</sup>	30,000	–	–	–	30,000
Mr. Li Kwok Sing, Aubrey <sup>#</sup>	30,000	–	–	–	30,000
Mr. Kwok Chi Hang, Lester, JP (note 1) <sup>#</sup>	30,000	–	–	–	30,000
	<b>210,000</b>	<b>408,000</b>	<b>–</b>	<b>–</b>	<b>618,000</b>
<b>Executive directors</b>					
Ms. Yeung Shuk Kwan, Patricia	10,000	1,200,000	120,000	–	1,330,000
Mr. George Joseph Ho	10,000	360,000	36,000	–	406,000
Mr. Joey Fan (note 1)	10,000	168,750	6,250	100,000	285,000
	<b>30,000</b>	<b>1,728,750</b>	<b>162,250</b>	<b>100,000</b>	<b>2,021,000</b>



# Notes to the Accounts

## 10 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)

### (a) Directors' emoluments (continued)

Name of Director	2004				
	Fees HK\$	Salary HK\$	Employer's contribution to provident fund HK\$	Other benefits HK\$	Total HK\$
<b>Chairman and non-executive directors</b>					
Mr. Tse Chi Hung, Michael	10,000	408,000	–	–	418,000
Mr. George Ho	10,000	–	–	–	10,000
Mr. Leung Kwok Kit	10,000	–	–	–	10,000
Mr. David Miao	10,000	–	–	–	10,000
Mr. Fu Hau Chak, Adrian <sup>#</sup>	10,000	–	–	–	10,000
Mr. Li Kwok Sing, Aubrey <sup>#</sup>	10,000	–	–	–	10,000
Ms. Fu Yum Chiu (note 2) <sup>#</sup>	10,000	–	–	–	10,000
	70,000	408,000	–	–	478,000
<b>Executive directors</b>					
Ms. Yeung Shuk Kwan, Patricia	10,000	1,200,000	120,000	–	1,330,000
Mr. George Joseph Ho	10,000	360,000	36,000	–	406,000
	20,000	1,560,000	156,000	–	1,736,000

#### Notes:

(1) Appointed on 30th September 2004.

(2) Resigned on 1st October 2003.

<sup>#</sup> Independent non-executive director

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2004: one) directors whose emoluments are reflected in the analysis in Note 10 (a) above. The emoluments payable to the remaining three (2004: four) individuals during the year are as follows:

	2005 HK\$	2004 HK\$
Salaries, housing allowances, other allowances and benefits in kind	1,895,552	2,443,864
Contributions to retirement schemes	48,000	109,516
	1,943,552	2,553,380

# Notes to the Accounts

## 10 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)

(b) *Five highest paid individuals (continued)*

Their emoluments fell within the following band:

Emolument band	Number of individuals	
	2005	2004
HK\$0-HK\$1,000,000	<b>3</b>	4

## 11 PROPERTY, PLANT AND EQUIPMENT

*Group*

	Investment property in Hong Kong HK\$	Other properties in Hong Kong HK\$	Leasehold improvements HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Total HK\$
Cost, gross carrying amount, or valuation						
At 1st April 2004	15,500,000	25,323,951	11,185,870	15,514,127	3,023,433	70,547,381
Additions	-	-	-	1,004,774	33,580	1,038,354
Disposals	-	-	-	-	(68,000)	(68,000)
Revaluation	3,420,000	-	-	-	-	3,420,000
<b>At 31st March 2005</b>	<b>18,920,000</b>	<b>25,323,951</b>	<b>11,185,870</b>	<b>16,518,901</b>	<b>2,989,013</b>	<b>74,937,735</b>
Accumulated depreciation and impairment						
At 1st April 2004	-	8,637,388	7,992,667	14,945,408	2,411,427	33,986,890
Charge for the year	-	200,245	2,213,509	534,891	450,609	3,399,254
Disposals	-	-	-	-	(67,954)	(67,954)
<b>At 31st March 2005</b>	<b>-</b>	<b>8,837,633</b>	<b>10,206,176</b>	<b>15,480,299</b>	<b>2,794,082</b>	<b>37,318,190</b>
Net book value						
<b>At 31st March 2005</b>	<b>18,920,000</b>	<b>16,486,318</b>	<b>979,694</b>	<b>1,038,602</b>	<b>194,931</b>	<b>37,619,545</b>
At 31st March 2004	15,500,000	16,686,563	3,193,203	568,719	612,006	36,560,491

## 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) The analysis of cost, gross carrying amount or valuation of the Group's investment property and other properties is as follows:

	2005 HK\$	2004 HK\$
Investment property		
– At open market value	<b>18,920,000</b>	15,500,000
Other properties		
– At cost	<b>1,351,330</b>	1,351,330
– At gross carrying amount–professional valuation 1991	<b>23,972,621</b>	23,972,621
	<b>25,323,951</b>	25,323,951
	<b>44,243,951</b>	40,823,951

Investment property was revalued at 31st March 2005 on the basis of open market value by Vigers Appraisal & Consulting Limited, an independent professional valuer, employed by the Group.

Other properties acquired before 12th September 1991 are stated at gross carrying amount less accumulated depreciation and accumulated impairment losses. Gross carrying amount represents the professional valuation, on an open market value basis, made in 1991. In the preparation of the accounts, the directors place reliance on the transitional provision set out in paragraph 80 of the Statement of Standard Accounting Practice Number 17 "Property, Plant and Equipment" issued by the HKICPA. Accordingly, these properties are not revalued regularly.

All other property, plant and equipment are stated at cost.

- (b) The tenure of the Group's properties is as follows:

	2005 HK\$	2004 HK\$
Investment property		
Long term leasehold land	<b>18,920,000</b>	15,500,000
Other properties		
Medium term leasehold land	<b>1,351,330</b>	1,351,330
Long term leasehold land	<b>23,972,621</b>	23,972,621
	<b>25,323,951</b>	25,323,951
	<b>44,243,951</b>	40,823,951

- (c) None of the properties has been pledged as at year ended 31st March 2005 (2004: Nil).

# Notes to the Accounts

## 12 INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$	2004 HK\$
Unlisted shares, at cost	<b>253,304,023</b>	253,304,038
Less: Provision for impairment losses	<b>(235,012,469)</b>	(238,940,485)
	<b>18,291,554</b>	14,363,553
Amounts due from subsidiaries	<b>392,729,856</b>	326,622,048
Less: Provision for impairment losses	<b>(198,215,355)</b>	(208,482,433)
	<b>194,514,501</b>	118,139,615
Amounts due to a subsidiary	<b>(147,420)</b>	–
	<b>212,658,635</b>	132,503,168

The amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal subsidiaries as at 31st March 2005 are as follows:

Name	Place of incorporation/ operation	Principal activities	Issued and paid up capital	Class of shares held	Interest held	
					Directly	Indirectly
ABC Communications Limited	Hong Kong	Investment holding	HK\$1,000	Ordinary HK\$23,300,000 (non-voting deferred shares)	100%	–
ABC Communications (Cellular) Limited	Hong Kong	Investment holding	HK\$2	Ordinary	–	100%
ABC Communications (Investments) Limited	Hong Kong	Investment holding	HK\$2	Ordinary	–	100%
ABC Financial Information Services Limited	Hong Kong	Financial information services	HK\$30	Ordinary	–	99.95%
ABC Global Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$1	Ordinary	100%	–
ABC QuickSilver Limited	British Virgin Islands/ Hong Kong	Wireless applications development	US\$25	Ordinary	–	80%

## 12 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ operation	Principal activities	Issued and paid up capital	Class of shares held	Interest held	
					Directly	Indirectly
Abcomm Realty Limited	Hong Kong	Property investment	HK\$10,000	Ordinary	–	100%
Abcomm Technology Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$1	Ordinary	100%	–
Choudary Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$10,003	Ordinary	100%	–
Gine Well Properties Limited	Hong Kong	Property investment	HK\$2	Ordinary	–	100%
Lotus Flower International Limited	British Virgin Islands	Investment holding	US\$1	Ordinary	100%	–
On Smart Enterprises Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$1	Ordinary	100%	–
QuotePower International Limited	Hong Kong	Financial information services and securities trading system licensing	HK\$67,264,000	Ordinary	–	99.95%

# Notes to the Accounts

## 13 AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENT SECURITIES

In accordance with HKAS 39, all investment securities were redesignated as available-for-sale financial assets at fair value through investment revaluation reserve on 1st April 2004. There was no such redesignation in 2003 as retrospective application of HKAS 39 is not permitted.

Available-for-sale financial assets

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Equity securities		
Listed in Hong Kong, at fair value	<b>649,800</b>	-
Listed outside Hong Kong, at fair value (Note a)	<b>160,305,647</b>	-
	<b>160,955,447</b>	-
	-----	-----
Unlisted in Hong Kong, at cost	<b>472,518</b>	-
Less: Provision for impairment losses	<b>(472,518)</b>	-
	-	-
	-----	-----
Unlisted outside Hong Kong, at cost	<b>32,403,548</b>	-
Less: Provision for impairment losses	<b>(32,403,548)</b>	-
	-	-
	-----	-----
	<b>160,955,447</b>	-
	-----	-----
Investment funds		
Unlisted outside Hong Kong, at cost (Note b)	<b>33,085,350</b>	-
Less: Provision for impairment losses	<b>(11,641,093)</b>	-
	<b>21,444,257</b>	-
	-----	-----
	<b>182,399,704</b>	-
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# Notes to the Accounts

## 13 AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENT SECURITIES (CONTINUED)

Investment securities

	<b>2005</b>	<b>Group</b>
	<b>HK\$</b>	<b>2004</b>
		<b>HK\$</b>
Equity securities, at cost		
Listed in Hong Kong	–	496,947
Listed outside Hong Kong (Note a)	–	65,169,283
	–	65,666,230
Unlisted in Hong Kong	–	472,518
Less: Provision for impairment losses	–	(472,518)
	–	–
Unlisted outside Hong Kong	–	32,403,548
Less: Provision for impairment losses	–	(32,403,548)
	–	–
	–	65,666,230
Investment funds		
Unlisted outside Hong Kong, at cost (Note b)	–	29,202,100
Less: Provision for impairment losses	–	(10,141,093)
	–	19,061,007
	–	84,727,237
Market value of listed shares		
Listed in Hong Kong	–	649,800
Listed outside Hong Kong	–	269,154,812

Notes:

- (a) The Group has invested in Far EasTone Telecommunications Co., Limited ("Far EasTone"), a company listed on the Taiwan Stock Exchange and eAccess Limited, ("eAccess"), a company listed on the Tokyo Stock Exchange.

Shares in Far EasTone are held by a wholly owned subsidiary, Lotus Flower International Limited ("Lotus Flower") which is an investment holding entity.

During the fiscal year, the Group had disposed of 14,678,000 shares in Far EasTone and after the year-end, the directors have confirmed that the Far EasTone shares held through Lotus Flower are intended as long-term investments and therefore are classified as available-for-sale financial assets.

The investment made by the Group in eAccess is intended to be held for long-term investment purposes and therefore the Group classified them as available-for-sale financial assets as at 31st March 2005.

- (b) During the year, the Group made further contributions of approximately HK\$3.9 million to a Wireless Internet Fund. The future cost of investment committed by the Group is shown in Note 20.

# Notes to the Accounts

## 14 TRADE RECEIVABLES

The Group has granted credit to substantially all its trade debtors ranging from 14 to 90 days. The ageing analysis of trade receivables is as follows:

	0-3 months HK\$	4-6 months HK\$	Over 6 months HK\$	Total HK\$
Balance as at				
31st March 2005	<b>1,801,773</b>	<b>20,078</b>	-	<b>1,821,851</b>
31st March 2004	1,622,417	48,000	8,000	1,678,417

## 15 PLEDGED DEPOSITS

Fixed deposits have been placed in banks as securities against the Group's bank loans and certain guarantees provided by the bank.

## 16 TRADE AND OTHER PAYABLES

	Group 2005 HK\$	2004 HK\$
Amount due to a holding company (Note (a))	<b>253,045</b>	253,045
Trade payables (Note (b))	<b>1,324,830</b>	1,286,964
Other payables	<b>1,070,205</b>	749,293
	<b>2,648,080</b>	2,289,302

(a) The amount due to a holding company is unsecured, interest free and has no fixed terms of repayment.

(b) The ageing of trade payables is within 3 months.



## 17 SHARE CAPITAL

	<b>Group and Company</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Authorised:		
600,000,000 ordinary shares of HK\$0.1 each	<b>60,000,000</b>	60,000,000
Issued and fully paid:		
466,886,000 (2004: 466,886,000) ordinary shares of HK\$0.1 each	<b>46,688,600</b>	46,688,600

### (a) Share options

The outstanding share options granted and being accepted by the directors under the Company's share option scheme were as follows:

<b>Date of share options granted</b>	<b>Outstanding number of options as at 31st March 2005</b>	<b>Exercise price HK\$</b>	<b>Exercise period</b>
23rd February 2000	1,250,000	1.41	23rd March 2000 to 22nd February 2010
23rd February 2000	1,250,000	1.41	23rd February 2001 to 22nd February 2010
	<u>2,500,000</u>		

Details of the share options are disclosed in the directors' report. No share options were granted or exercised during the year.

# Notes to the Accounts

## 18 RESERVES

	General reserve	Asset replacement reserve	Property revaluation reserve	Investment revaluation reserve	Contributed surplus	Share premium	Capital redemption reserve	Capital reserve	Exchange reserve	Retained profits/ (accumulated losses)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
(a) Group											
At 1st April 2003	2,000,000	5,150,000	257,085	-	90,681,578	76,470,297	176,000	3,662,954	182,773	(16,768,214)	161,812,473
Profit for the year	-	-	-	-	-	-	-	-	-	49,151,634	49,151,634
2003 final dividends paid	-	-	-	-	-	-	-	-	-	(4,668,860)	(4,668,860)
2004 interim dividends paid	-	-	-	-	-	-	-	-	-	(4,668,860)	(4,668,860)
Exchange differences arising on translation of subsidiaries	-	-	-	-	-	-	-	-	(60,848)	-	(60,848)
Realisation of exchange reserve upon liquidation of subsidiaries	-	-	-	-	-	-	-	-	(163,787)	-	(163,787)
Realisation of reserve on disposal of investment securities	-	-	-	-	-	-	-	(3,384,569)	-	-	(3,384,569)
Loss on impairment of other properties	-	-	(257,085)	-	-	-	-	-	-	-	(257,085)
At 31st March 2004	2,000,000	5,150,000	-	-	90,681,578	76,470,297	176,000	278,385	(41,862)	23,045,700	197,760,098
Redesignation of available- for-sale financial assets	-	-	-	204,138,382	-	-	-	-	-	-	204,138,382
At 1st April 2004, as redesignated	2,000,000	5,150,000	-	204,138,382	90,681,578	76,470,297	176,000	278,385	(41,862)	23,045,700	401,898,480
Profit for the year	-	-	-	-	-	-	-	-	-	85,468,323	85,468,323
2004 final dividends paid	-	-	-	-	-	-	-	-	-	(46,688,600)	(46,688,600)
2005 interim dividends paid	-	-	-	-	-	-	-	-	-	(9,337,720)	(9,337,720)
Fair value gain on available-for-sale financial assets	-	-	-	18,070,164	-	-	-	-	-	-	18,070,164
Realisation of reserves on disposal of available-for-sale financial assets	-	-	-	(104,859,632)	-	-	-	-	-	-	(104,859,632)
Exchange differences arising on translation of subsidiaries	-	-	-	-	-	-	-	-	(26,148)	-	(26,148)
At 31st March 2005	2,000,000	5,150,000	-	117,348,914	90,681,578	76,470,297	176,000	278,385	(68,010)	52,487,703	344,524,867

## 18 RESERVES (CONTINUED)

	Contributed surplus HK\$	Share premium HK\$	Capital redemption reserve HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
(b) Company					
At 1st April 2003	140,737,413	76,470,297	176,000	(66,863,330)	150,520,380
Profit for the year	-	-	-	57,077,273	57,077,273
2003 final dividends paid	-	-	-	(4,668,860)	(4,668,860)
2004 interim dividends paid	-	-	-	(4,668,860)	(4,668,860)
At 31st March 2004	140,737,413	76,470,297	176,000	(19,123,777)	198,259,933
Profit for the year	-	-	-	85,903,149	85,903,149
2004 final dividends paid	-	-	-	(46,688,600)	(46,688,600)
2005 interim dividends paid	-	-	-	(9,337,720)	(9,337,720)
At 31st March 2005	140,737,413	76,470,297	176,000	10,753,052	228,136,762

(c) The contributed surplus of the Company, which arose as a result of a group reorganisation in 1991 and the transfer from share premium account pursuant to the special resolutions passed on 27th March 2002, is distributable to shareholders under the Companies Act 1981 of Bermuda (as amended). However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if there are reasonable grounds for believing that:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2005 HK\$	2004 HK\$
Contributed surplus	140,737,413	140,737,413
Retained profits/(accumulated losses)	10,753,052	(19,123,777)
	<b>151,490,465</b>	121,613,636

# Notes to the Accounts

## 19 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

Deferred tax liabilities represented withholding tax that would be payable on the unremitted earnings of an overseas subsidiary.

The movement on the deferred tax liabilities account is as follows:

	2005 HK\$	2004 HK\$
At beginning of the year	–	2,338,680
Deferred taxation credited to profit and loss account	–	(233,868)
Overseas taxation paid	–	(2,104,812)
At end of the year	–	–

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st March 2005 and 2004, the Group has unrecognised tax benefits in respect of the losses amounting to approximately HK\$175,829,205 and HK\$164,793,691 respectively, to carry forward against future taxable profits with no expiry date.

## 20 CAPITAL COMMITMENTS

	Group	
	2005 HK\$	2004 HK\$
Contracted but not provided for in respect of investment in available-for-sale financial assets	<b>5,832,000</b>	9,708,750

## 21 OPERATING LEASES

As at 31st March 2005 the Group had future aggregate minimum lease receivables under the non-cancellable operating leases in respect of the investment property as follows:

	Group	
	2005 HK\$	2004 HK\$
Not later than one year	<b>380,000</b>	1,200,000
Later than one year and not later than five years	<b>300,000</b>	200,000
	<b>680,000</b>	1,400,000

# Notes to the Accounts

## 22 CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash outflow generated from operations:

	2005 HK\$	2004 HK\$
Profit before taxation	<b>85,468,323</b>	48,917,766
Depreciation	<b>3,399,254</b>	4,043,307
Dividend income from listed available-for-sale financial assets	<b>(674,617)</b>	–
Dividend income from listed investment securities	–	(4,903,322)
Interest expenses	<b>258,399</b>	400,858
Interest income	<b>(3,117,445)</b>	(1,138,396)
Loss on disposal of property, plant and equipment	<b>46</b>	1,564
Loss on disposal of other investments	–	849,332
Gain on liquidation of subsidiaries	–	(163,787)
Provision for impairment of unlisted investment securities	–	981,953
Surplus on revaluation of investment property	<b>(3,420,000)</b>	(2,700,000)
Loss on impairment of other property	–	4,235,992
Gain on disposal of listed available-for-sale financial assets	<b>(88,471,791)</b>	–
Gain on disposal of listed investment securities	–	(60,963,517)
Operating loss before working capital changes	<b>(6,557,831)</b>	(10,438,250)
Increase in trade receivables	<b>(143,434)</b>	(958,022)
(Increase)/decrease in other receivables, deposits and prepayments	<b>(122,217)</b>	826,954
Increase/(decrease) in advance subscriptions and licence fees received	<b>104,019</b>	(136,127)
Decrease in customer deposits	<b>(40,695)</b>	(82,330)
Increase in trade and other payables	<b>358,797</b>	309,233
Exchange (gains)/losses	<b>(28,174)</b>	188,151
Net cash outflow generated from operations	<b>(6,429,535)</b>	(10,290,391)

(b) Liquidation of subsidiaries

	2005 HK\$	2004 HK\$
Net assets disposed of:		
Other receivables, deposits and prepayments	–	6,376
Cash and bank balances	–	5,595,708
	–	5,602,084
Exchange reserve realised	–	(163,787)
Gain on liquidation	–	163,787
	–	5,602,084
Satisfied by:		
Included in other receivables, deposits and prepayments	–	5,602,084

# Notes to the Accounts

## 22 CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Liquidation of subsidiaries (continued)

Analysis of net cash outflow in respect of liquidation of subsidiaries:

	<b>2005</b> <b>HK\$</b>	2004 HK\$
Net cash outflow in respect of liquidation of subsidiaries	–	5,595,708

(c) Analysis of changes in financing during the year

	<b>Share capital (including share premium and contributed surplus)</b> HK\$	<b>Bank loans</b> HK\$	<b>Total</b> HK\$
Balance at 1st April 2003	213,840,475	38,476,828	252,317,303
Non-cash considerations:			
Exchange translation differences	–	5,192,751	5,192,751
Balance at 31st March 2004	213,840,475	43,669,579	257,510,054
Non-cash considerations:			
Exchange translation differences	–	(1,128,274)	(1,128,274)
Balance at 31st March 2005	213,840,475	42,541,305	256,381,780

(d) Analysis of the balances of cash and cash equivalents

	<b>2005</b> <b>HK\$</b>	2004 HK\$
Pledged deposits	<b>51,589,072</b>	51,052,338
Cash and bank balances	<b>160,122,793</b>	113,598,102
	<b>211,711,865</b>	164,650,440

## 23 FINANCIAL RISK MANAGEMENT

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The Group's investment policy is to prudently invest all funds of the Group in a manner which will satisfy liquidity requirements, safeguard financial assets, manage risks while optimising return on investments.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and equity price risk) and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

Investment is governed by investment policies and risk management guidelines approved by the Board. Investment restrictions and guidelines form an integral part of risk control.

### (a) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates mainly relating to investments and borrowings denominated in foreign currencies. As at 31st March 2005, the aggregate foreign currency investments amounted to approximately HK\$181.7 million, of which approximately HK\$160.3 million were non-USD investments (2004: approximately HK\$84.2 million, of which approximately HK\$65.2 million were non-USD investments).

As at 31st March 2005, the Group had Japanese Yen denominated loans of approximately HK\$42.5 million (2004: approximately HK\$43.7 million), USD denominated pledged deposits and bank balances of approximately HK\$51.6 million and HK\$157.0 million respectively (2004: approximately HK\$51.1 million and HK\$110.0 million respectively).

#### (ii) Equity price risk

The Group is exposed to equity price risk as listed equities are held as part of the available-for-sale financial assets.

### (b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are made for losses that have been incurred at the balance sheet date. The Group has policies in place to ensure that services are made to customers with appropriate credit history.

## 24 ULTIMATE HOLDING COMPANY

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The ultimate holding company is H.C.B.C. Enterprises (BVI) Limited, a company incorporated in the British Virgin Islands.

## 25 APPROVAL OF ACCOUNTS

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The accounts were approved by the Board of directors on 8th July 2005.