Notes to the Financial Statements

For the year ended 30 April 2005

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").

The Company's principal activity is investment holding and the activities of its subsidiaries and associates are set out in notes 15 and 16, respectively.

2. ADOPTION OF NEW ACCOUNTING STANDARDS AND POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 Business Combinations. The Group has applied HKFRS 3 to business combination for which the agreement date is on or after 1 May 2004. The Group has also early adopted the following new HKFRSs in the financial statements for the year ended 30 April 2005:

HKAS 36 Impairment of Assets

HKAS 38 Intangible Assets

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Prior to this, goodwill was:

- amortised on a straight-line basis over a period of not exceeding 20 years; and
- assessed for the impairment at each balance sheet date whenever there is an indication for impairment.

2. ADOPTION OF NEW ACCOUNTING STANDARDS AND POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

In accordance with the provisions of HKFRS 3:

- goodwill arising from a business combination, for which the agreement date is on or after 1 May 2004, is carried at cost less any accumulated impairment losses;
- the Group cease amortisation of goodwill prospectively from 1 May 2004;
- accumulated amortisation as at 30 April 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
- from the year ended 30 April 2005 onwards, goodwill is tested annually for impairment or in the financial year in which acquisitions take place, as well as when there are indications of impairment.

The Group has not early adopted other new HKFRSs. Except for HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement, the Group does not expect that the issuance of those new HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. The principal impact of HKAS 32 on the Group is in relation to convertible note issued by the Company that contain both liability and equity components. Currently, the convertible note is classified as liabilities on the balance sheet (see note 26). HKAS 32 generally requires retrospective application.

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.

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 business combination for which the agreement date is on or after 1 May 2004 represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or in the financial year in which acquisition take place, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Interests in associates" above.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill 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.

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:

Furniture and fixtures	$33^1/_2$%
Computer and office equipment	$33^1/_2$%
Motor vehicles	$12^1/_2$%

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 held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

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.

Revenue recognition

When properties under development are sold, income is recognised when the properties are completed and the relevant occupation permits are issued by the authorities. Payments received from the purchasers prior to the completion of the properties are recorded as advances from customers.

Services income is recognised when services are provided.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in 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 in which the operation is disposed of.

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 benefit costs

Payments to the Mandatory Provident Fund Scheme/state-management retirement benefit schemes are charged as an expense as they fall due.

4. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover

Turnover represents amounts received and receivable for properties sold by the Group to outside customers and services rendered is summarised as follows:

	2005 HK$'000	2004 HK$'000
Sales of properties	475,935	–
Provision of property management consultancy services	537	654
	476,472	654

Business segments

For management purposes, the Group was organised into two operating divisions – property development and investment, and internet consulting. During the year ended 30 April 2004, the Group ceased the operation of internet consulting division subsequent to the completion of disposal of a subsidiary. The Group is now principally engaged in property development and investment in the People's Republic of China ("PRC"). Accordingly, no business segment analysis is presented for the year ended 30 April 2005.

4. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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
TURNOVER			
Turnover from external customers	654	–	654
RESULT			
Segment result	(1,424)	(399)	(1,823)
Amortisation of goodwill 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

4. TURNOVER AND BUSINESS AND GEOGRAPHICAL 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
ASSETS			
Segment assets	138,344	–	138,344
Interests in associates	342,629	–	342,629
Unallocated corporate assets			17,542
			498,515
LIABILITIES			
Segment liabilities	280	–	280
Unallocated corporate liabilities			193,054
			193,334

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

Geographical segments

Over 90% of the activities of the Group during both years were carried out in the PRC and over 90% of the assets of the Group were located in the PRC. Accordingly, no geographical analysis is presented.

5. OTHER OPERATING INCOME

	2005 HK$'000	2004 HK$'000
Interest income:		
Bank	567	54
Loan to an associate	17,594	3,894
Other loan	3,998	531
PRC government subsidy	7,055	–
Others	134	240
	29,348	4,719

6. PROFIT (LOSS) FROM OPERATIONS

	2005 HK$'000	2004 HK$'000
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration		
– current year	923	839
– overprovision in prior year	–	(2)
	923	837
Staff costs, including directors' emoluments		
– capitalised under properties under development	1,376	817
– included in administrative expenses	4,776	3,865
	6,152	4,682
Retirement benefits scheme contributions	287	172
Total staff costs	6,439	4,854
Depreciation	1,450	1,032
Less: capitalised under properties under development	(499)	–
	951	1,032
Allowance for bad and doubtful debts	–	30
Amortisation of goodwill arising on acquisition of subsidiaries (included in other operating expenses)	–	2,574

7. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on:		
Bank borrowings wholly repayable with five years	(11,171)	(719)
Convertible note	(512)	–
	(11,683)	(719)
Less: Amount capitalised under properties under development	11,171	–
	(512)	(719)

8. 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 adherence 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 the date of disposal, which have been included in the consolidated financial statements, were as follows:

	1.5.2003 to date of disposal HK$'000
Sales and results:	
Sales	–
Operating expenses	(399)
Loss for the period	(399)

8. DISCONTINUED OPERATIONS (continued)

WebVideoShop did not contribute significantly to the Group's cash flows for the year ended 30 April 2004.

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

	Date of disposal HK$'000
Total assets	330
Total liabilities	(9,920)
	(9,590)

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 was recognised as loss on disposal of an associate for the year ended 30 April 2004.

9. DIRECTORS' EMOLUMENTS

	2005 **HK$'000**	2004 HK$'000
Directors' fees:		
Executive	–	–
Independent non-executive	–	–
	–	–
Emoluments of executive directors		
– Salaries and other benefits	1,755	923
– Contribution to Mandatory Provident Fund Scheme	–	–
	1,755	923
	1,755	923

9. DIRECTORS' EMOLUMENTS (continued)

The emoluments of the directors were within the following bands:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**12**	10

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2004: three) were directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining three (2004: two) individuals were as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other benefits	**1,429**	856
Contribution to Mandatory Provident Fund Scheme	**24**	24
	1,453	880

The emoluments of each of the three individuals (2004: two) were below HK$1,000,000.

11. TAXATION

	2005	2004
	HK$'000	HK$'000
The tax charge (credit) comprises:		
Current tax of a PRC subsidiary	73,374	2
Share of taxation attributable to associates	3,663	(15,290)
	77,037	(15,288)

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

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

11. TAXATION (continued)

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

	2005 HK$'000	2004 HK$'000
Profit (loss) before taxation	338,687	(14,665)
Tax charge (credit) at PRC enterprise income tax rate of 33%	111,767	(4,840)
Tax effect of share of results of associates	(153)	(1,422)
Tax effect of expenses not deductible for tax purposes	940	11,679
Tax effect of income not taxable for tax purposes	(26,087)	(24,279)
Tax effect of deferred tax assets not recognised	4,289	1,896
Effect of different tax rates of subsidiaries operating in other jurisdictions	(13,719)	1,678
Tax charge (credit) for the year	77,037	(15,288)

At 30 April 2005, the Group had unused tax losses of HK$106,275,000 (2004: HK$93,296,000) available for offset against future profits. The tax losses may be carried forward indefinitely. In addition, at 30 April 2005, the Group had deductible temporary differences of HK$1,117,000 (2004: HK$1,099,000). 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.

12. DIVIDENDS

	2005 HK$'000	2004 HK$'000
Final dividends proposed of HK2.2 cents (2004: Nil) per ordinary share	54,640	–

The final dividend of HK2.2 cents (2004: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2005 HK$'000	2004 HK$'000
Earnings:		
Net profit for the year and earnings for the purposes of basic earnings per share	**180,451**	9,748
Effect of dilutive potential ordinary shares in respect of interest on convertible note	**512**	–
Earnings for the purposes of diluted earnings per share	**180,963**	9,748
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,920,041,595**	1,902,170,151
Effect of dilutive potential ordinary shares in respect of convertible note	**196,775,553**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,116,817,148**	1,902,170,151

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP				
COST				
At 1 May 2004	1,750	1,854	3,394	6,998
Acquisition arising from transfer of an associate to a subsidiary *(note 16)*	225	503	–	728
Additions	209	670	–	879
At 30 April 2005	**2,184**	**3,027**	**3,394**	**8,605**
DEPRECIATION				
At 1 May 2004	1,177	1,365	425	2,967
Provided for the year	593	207	650	1,450
At 30 April 2005	**1,770**	**1,572**	**1,075**	**4,417**
NET BOOK VALUES				
At 30 April 2005	**414**	**1,455**	**2,319**	**4,188**
At 30 April 2004	573	489	2,969	4,031

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1 May 2004	1,717	1,337	1,189	4,243
Additions	–	2	–	2
At 30 April 2005	**1,717**	**1,339**	**1,189**	**4,245**
DEPRECIATION				
At 1 May 2004	1,175	1,307	351	2,833
Provided for the year	542	12	149	703
At 30 April 2005	**1,717**	**1,319**	**500**	**3,536**
NET BOOK VALUE				
At 30 April 2005	**–**	**20**	**689**	**709**
At 30 April 2004	542	30	838	1,410

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Less: Impairment losses	**–**	–
	–	–
Amounts due from subsidiaries	**651,599**	475,102
Less: Allowance	**(80,080)**	(80,080)
	571,519	395,022
	571,519	395,022

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's subsidiaries at 30 April 2005 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
Directly held by the Company				
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
High Step Trading Limited	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
Indirectly held by the Company				
Best Modern Properties Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Neo-China Industrial Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding

15. 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)				
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
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 a*)	British Virgin Islands/Hong Kong	100 ordinary shares of US$1 each	100%	Investment holding
Shenzhen Phoenix Real Estates Company Limited ("Shezhen Phoenix", *notes a and b*)	PRC	US$10,000,000	100%	Property development
Sunkit Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Top Fair Ltd ("Top Fair")	British Virgin Islands/Hong Kong	50,000 ordinary shares of US$1 each	100%	Investment holding
Wellink Services Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Inactive

15. 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)				
中新方圓科技(深圳)有限公司 *(note c)*	PRC	HK$10,000,000	100%	Inactive
中置(北京)企業管理有限公司 *(note c)*	PRC	HK$30,000,000	100%	Investment holding
北京金馬文華園房地產開發有限公司 ("金馬", *notes b & d*)	PRC	US$12,000,000	45%	Property development

Notes:

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

Pursuant to the Agreement, Oasiscity subscribed for 60 new shares at par value of US$1 each issued by Phoenix Real Property, 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 Property, 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 paid approximately HK$4.7 million to Phoenix Satellite TV in accordance with the terms of the Agreement.

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

15. INTERESTS IN SUBSIDIARIES (continued)

Notes: (continued)

Oasiscity, through its interest in Phoenix Real Property, 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 metres, 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 ended 30 April 2004 and was expected to be completed in 2006. If 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.

(b) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(c) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(d) 金馬 is accounted for as a subsidiary since the Group has control on the board of directors and operation of 金馬. Details of this are set out in note 16.

16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**51,380**	88,268
Goodwill *(Note a)*	**47,941**	58,059
Loan to an associate *(Note b)*	**269,099**	196,302
Interest receivables *(Note b)*	**21,488**	–
	389,908	342,629

16. INTERESTS IN ASSOCIATES (continued)

Note a:

	Goodwill HK$'000
COST	
At 1 May 2003	114,921
Arising on acquisition of an associate	2
Transfer arising on disposal 45% interest in WebVideoShop *(note 8)*	27,256
Disposal of an associate	(27,256)
At 30 April 2004	114,923
Disposal arising from disposal of a subsidiary	(10,118)
Eliminated with accumulated amortisation *(note 2)*	(56,864)
At 30 April 2005	**47,941**
ACCUMULATED AMORTISATION	
At 1 May 2003	33,865
Charge for the year	22,999
At 30 April 2004	56,864
Eliminated with cost *(note 2)*	(56,864)
At 30 April 2005	–
CARRYING AMOUNT	
At 30 April 2005	**47,941**
At 30 April 2004	58,059

The goodwill arising on the acquisition of associates was amortised on a straight-line basis over the estimated useful life of five years for the year ended 30 April 2004. The Group ceased amortisation of goodwill from 1 May 2004 as a result of early adoption of HKFRS 3. Amortisation charged in the year ended 30 April 2004 amounting to HK$22,999,000 had been included in the amount reported as share of results of associates in the consolidated income statement.

Notes to the Financial Statements (continued)

For the year ended 30 April 2005

16. INTERESTS IN ASSOCIATES (continued)

Note b:

The loan is lent to 北京新松置地投資顧問有限公司 ("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責任公司 ("Beijing Yu Shui Yuan"), which is 80% owned by New Shine Property. The development of the property project has been commenced and was expected to complete in 2006.

Pursuant the loan agreements, the loan is secured by the 80% equity interest in Beijing Yu Shui Yuan held by New Shine Property, bearing interest at market rate and repayable in December 2006.

Particulars of the Group's associates at 30 April 2005 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 Property Development Company Limited ("Shanghai Xin Yao")	PRC	RMB20,000,000	39%	Development and sale of properties in Shanghai
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
Beijing Yu Shui Yuan	PRC	RMB20,000,000	30%*	Development and sale of properties in Beijing

* Beijing Yu Shui Yuan is 80% owned by New Shine Property and 10% owned by the Group directly.

The Group's entitlement to share in profits of its associates is in proportion to its ownership interest.

In August 2004, the Company acquired 100% equity interest in Top Fair (note 30). Top Fair is an investment holding company which holds 45% equity interests in 金馬. The principal business activity of 金馬 is to develop a property project in Beijing, the PRC, and 金馬 was accounted for as an associate since then.

16. INTERESTS IN ASSOCIATES (continued)

On 15 October 2004, the shareholding of the other shareholders in 金馬 was changed. Subsequent to the change of the shareholding of 金馬, the Group became the single largest shareholder of 金馬. At the same date, the shareholders of 金馬 signed an amendment agreement to the Articles and Memorandum of 金馬 under which the Group can appoint the majority of the board of directors of 金馬. The amendment was approved by 北京市商務局 on 17 October 2004.

As a result, the Group becomes the single largest shareholder of 金馬 and controls its board of directors and therefore accounts for 金馬 as a subsidiary of the Group since 17 October 2004.

Details of the net assets of 金馬 as at the date of transfer from an associate to a subsidiary of the Group are summarised below:

	HK$'000
Property, plant and equipment	728
Pledged bank deposits	63,064
Properties held for sale	267,185
Properties under development	747,205
Trade and other receivables	131,434
Bank balances and cash	9,902
Trade and other payables	(425,210)
Advances from customers	(142,670)
Amounts due to related companies	(63,139)
Secured bank borrowings	(136,981)
Taxation payable	(65,111)
	386,407

16. INTERESTS IN ASSOCIATES (continued)

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

	Shanghai Xin Yao		New Shine Property	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Results for the year				
Turnover	**6,313**	294,677	**–**	–
Loss attributable to shareholders	**(21,788)**	(23,559)	**(153)**	(32)
Group's share of loss attributable to shareholders	**(8,497)**	(9,188)	**(38)**	(8)
Financial position				
Non-current assets	**1,228**	381	**199**	424,351
Current assets	**334,198**	357,624	**483,101**	52
Current liabilities	**(115,256)**	(238,243)	**(328,780)**	(199,843)
Non-current liabilities	**(111,321)**	–	**(126,351)**	(196,302)
Net assets	**108,849**	119,762	**28,169**	28,258
Net assets attributable to the Group	**42,451**	46,707	**7,042**	7,064

17. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits of HK$387,000 (2004: Nil) are placed in a bank in order to obtain a guarantee from the bank to a constructor of the Phoenix Tower which is expected to be completed in late 2006 and is therefore classified as non-current assets. The remaining deposits amounting to HK$41,539,000 (2004: Nil) have been pledged to secure long-term mortgage loan granted by banks to the buyer of 金馬's completed properties and are therefore also classified as non-current assets.

18. PROPERTIES UNDER DEVELOPMENT

	THE GROUP HK$'000
At 1 May 2004	77,175
Arising from transfer of an associate to a subsidiary *(note 16)*	747,205
Additions	221,699
At 30 April 2005	**1,046,079**

19. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Trade receivables *(note a)*	**197,720**	–
Other receivables *(note b)*	**116,515**	60,581
Deposits and prepayments	**9,757**	1,929
	323,992	62,510

Notes:

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

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
0 – 60 days	**197,720**	–

(b) At 30 April 2005, included in other receivables is a loan to a former related company of RMB99,952,000 (equivalent to approximately HK$94,294,000). The loan is unsecured, bearing interest at market rate of one-year bank loan and had been fully repaid in May 2005.

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

20. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(note a)*	**314,004**	–	**–**	–
Other payables *(note b)*	**45,412**	124,269	**1,458**	123,996
	359,416	124,269	**1,458**	123,996

20. TRADE AND OTHER PAYABLES (continued)

Notes:

(a) The following is an aged analysis of trade payables as at the balance sheet date:

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
0 – 60 days	314,004	–

(b) On 25th 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 completed in June 2004.

21. ADVANCE FROM CUSTOMERS

THE GROUP

The amount represents deposits received on sales of properties.

22. AMOUNTS DUE TO RELATED COMPANIES

THE GROUP

The amounts are unsecured, non-interest bearing and are repayable on demand.

23. AMOUNT DUE TO A SHAREHOLDER

THE GROUP AND THE COMPANY

The amount is unsecured, non-interest bearing and is repayment on demand.

24. SECURED BANK BORROWINGS

THE GROUP

The bank borrowings were secured by the properties under development amounting to approximately HK$142,899,000 located in the PRC and are repayable in 2006.

25. LOAN PAYABLE

THE GROUP

The loan payable to Phoenix Satellite TV is unsecured, non-interest bearing and will not be repayable before the completion of the development of Phoenix Tower.

26. CONVERTIBLE NOTE

THE GROUP AND THE COMPANY

On 24 January 2005, the Company issued the Convertible Note with a principal amount of HK$210,000,000 to Mr. Wang Yan as the consideration for the acquisition of Top Fair.

The Convertible Note bears interest at 1% per annum and is redeemable at par on 28 February 2007. The holder of the Convertible Note has the rights to convert all or any portion of the Convertible Note into shares of the Company at an initial conversion price of HK$0.26 per share, subject to adjustment. The conversion rights can be exercised at any time from the date of issue until the repayment of the Convertible Note, provided that the public float of the Company will not be less than 25% immediately after such conversion. During the year, the holder of the Convertible Note converted part of the Convertible Note amounting to HK$106,000,000 into shares of the Company. Consequently, 407,692,307 new shares of HK$0.01 each in the Company were issued to the holder.

27. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Authorised:		
Shares of HK$0.10 per share at 1 May 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
Shares of HK$0.01 per share at 30 April 2004 and 30 April 2005	40,000,000,000	400,000
Issued and fully paid:		
Shares of HK$0.10 per share at 1 May 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
Shares of HK$0.01 per share at 30 April 2004	2,075,940,643	20,759
Issue of shares by conversion of convertible note *(see note 26)*	407,692,307	4,077
Shares of HK$0.01 per share at 30 April 2005	2,483,632,950	24,836

Details of the changes in the share capital of the Company were as follows:

(a) Pursuant to a special resolution passed in a special general meeting held on 19 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

27. SHARE CAPITAL (continued)

(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 a 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.

28. RESERVES

Details of movements in the Group's reserves are set out in the consolidated statement of changes in equity on page 19 of the financial statements.

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY				
At 1 May 2003	131,286	368,234	(294,494)	205,026
Reduction of capital *(note 27(a)(iii))*	(131,286)	–	210,121	78,835
Issue of new shares *(note 27(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
Issue of new shares *(see note 26)*	101,923	–	–	101,923
Net profit for the year	–	–	71,348	71,348
At 30 April 2005	**118,961**	**368,234**	**(51,645)**	**435,550**

29. 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.

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 2005, no option has been issued under the New Scheme.

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. 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. These options were expired on 30 October 2004.

29. SHARE OPTIONS (continued)

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

At 1 May 2003	50,000
Cancelled during the year	(50,000)
At 30 April 2004 and 30 April 2005	**–**

The options were cancelled during the year ended 30 April 2004 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.

30. ACQUISITION OF A SUBSIDIARY

On 12 August 2004, the Company acquired 100% equity interest in Top Fair for a consideration of HK$210 million. This acquisition has been accounted for by the acquisition method of accounting.

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

	2005			
	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000	2004 HK$'000
NET ASSETS ACQUIRED				
Property, plant and equipment	–	–	–	2,317
Interests in an associate	189,881	20,064	209,945	–
Properties under development	–	–	–	73,427
Trade and other receivables	–	–	–	4,915
Bank balances and cash	55	–	55	21,918
Other payables	–	–	–	(28,539)
Loan payable	–	–	–	(69,065)
Net assets	189,936	20,064	210,000	4,973

30. ACQUISITION OF A SUBSIDIARY (continued)

	2005 HK$'000	2004 HK$'000
Satisfied by:		
Convertible note	210,000	–
Cash consideration	–	4,717
Stamp duty	–	256
	210,000	4,973
Net cash inflow arising on acquisition:		
Cash paid	–	(4,973)
Bank balances and cash acquired	55	21,918
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	55	16,945

The subsidiary acquired during the year contributed HK$475,935,000 to the Group's turnover and HK$260,576,000 to the Group's profit from operations.

If the acquisition had been completed on 1 May 2004, the total group's turnover for the year would have been approximately HK$988,147,000 and profit from operation would have been approximately HK$389,307,000.

31. DISPOSAL OF SUBSIDIARIES

In March 2004, the Company entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Noble Time Development Inc. during the year together with its 42% interest in subsidiary, Newshine Development Limited and its 14.7% interest in associate, Beijing New Shine Garden Property Development Company Limited, for a consideration of HK$123,000,000. The disposal was completed in June 2004. A gain of HK$100,011,000 arose on the disposal of the entire interest in Noble Time Development Inc..

31. DISPOSAL OF SUBSIDIARIES (continued)

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

	2005 HK$'000	2004 HK$'000
NET ASSETS DISPOSED OF		
Property, plant and equipment	–	89
Interest in an associate	40,969	–
Non-current deposits	–	35,863
Non-current receivables	–	15,453
Trade and other receivables	6	10,284
Bank balances and cash	–	3,389
Other payables	–	(6,958)
Amounts due to group companies	–	(8,200)
Secured bank borrowings	–	(23,585)
Minority interests	(17,765)	(903)
	23,210	25,432
Attributable goodwill	–	57,919
Attributable capital reserve	(221)	–
Interests in associates	–	(26,700)
	22,989	56,651
Gain on disposal of subsidiaries	100,011	69,149
	123,000	125,800
Satisfied by:		
Cash consideration	358	134,000
Deposit received *(note 20(b))*	122,642	–
Waiver of amounts due to the Company by the subsidiaries	–	(8,200)
	123,000	125,800
Net cash inflow arising on disposal:		
Cash received	358	134,000
Bank balances and cash disposed of	–	(3,389)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	358	130,611

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

32. COMMITMENTS

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Development expenditure of properties in PRC contracted for but not provided in the financial statements	**321,744**	6,960

The Company had no commitment at the balance sheet date.

33. CONTINGENT LIABILITIES

As at 30 April 2005, 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.

The Group has given guarantees to banks amounting to approximately to HK$704,389,000 in respect of certain facilities granted to the buyers of 金馬's completed properties.

34. PLEDGE OF ASSETS

As at 30 April 2005, the Group pledged 30% equity interest in Phoenix Real Property to Phoenix Satellite TV. Details of this are set out in note 15(a). The Group also has pledged bank deposits. Details of this are set out in note 17.

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year for premises	**1,370**	1,654

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	
	2005	2004
	HK$'000	HK$'000
Within one year	**471**	959
In the second to fifth year inclusive	**108**	420
	579	1,379

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.

36. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme 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 scheme, and the contribution by employees is at 5%.

Employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

The total cost charged to the consolidated income statement of HK$287,000 (2004: HK$172,000) represents contributions payable to the scheme by the Group for the year.