

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries and associates are set out in notes 15 and 16, respectively.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for business combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss, less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment, other than hotel property, are stated at cost less depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of the assets, other than hotel property, over their estimated useful lives and after taking into account their residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of lease
Buildings and building improvements	Over the shorter of the term of the leases, or 50 years
Furniture, fixtures, equipment, motor vehicles and others	10% to 33.3%

Hotel property comprises interests in land and buildings and its integral fixed plant which are collectively used in the operation of a hotel and are stated at their open market values on the basis of ongoing periodic professional valuations. Any revaluation increase arising on revaluation of hotel property is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of hotel property is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that hotel property. On subsequent sale or retirement of a revalued hotel property, the attributable revaluation surplus is transferred to retained profits.

It is the Group's policy to maintain the hotel property in such condition that its residual value is not currently diminished by the passage of time and that any element of depreciation is insignificant. Therefore, no depreciation charge is recognised in respect of its hotel property. The related maintenance and repairs expenditure is charged to the income statement in the year in which it is incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or over the terms of the relevant leases, whichever is shorter.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value, based on independent professional valuations at the balance sheet date. Any increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Intangible asset

Intangible asset represents the cost of acquisition of a sauna business licence in the People's Republic of China (the "PRC") and is amortised on a straight-line basis over its estimated useful lives.

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation increase under that standard.

Inventories

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

Revenue recognition

Revenue from hotel operation is recognised when services are rendered.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Sales of securities are recognised when the sale transactions are completed and ownership of the securities is transferred.

Income from investments is recognised when the Group's right to receive payment has been established.

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

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

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 net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. 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 period in which the operation is disposed of.

Taxation

Taxation 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 and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

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

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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

4. TURNOVER

	2005 HK\$	2004 HK\$
Securities investment and trading	7,485,517	28,499,312
Revenue from hotel operation	13,478,741	11,180,180
Rental income from:		
Service apartment	5,051,138	4,072,125
Investment properties	1,764,475	2,222,274
Interest income from loan advance to an associate	919,493	5,530,882
Income from investment in intangible asset	1,226,415	1,220,117
	29,925,779	52,724,890

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions-hotel operation, property letting, securities investment and trading, loan financing, and investment holding. Others include holding of property pending for future development. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operation	– operation of hotel
Property letting	– leasing of investment properties and service apartment
Securities investment and trading	– investment and trading in securities
Loan financing	– loan advance to an associate for property development project
Investment holding	– investment in sauna business licence

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (continued)

Segment information about these businesses is presented below.

2005

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
REVENUE							
Turnover	13,478,741	6,815,613	7,485,517	919,493	1,226,415	-	29,925,779
RESULTS							
Segment results	1,756,841	(3,736,398)	2,332,159	919,493	(596,962)	(633,474)	41,659
Bank interest income							6,003
Dividend income	-	-	254,220	-	-	-	254,220
Unallocated administrative expenses							(11,371,606)
Gain on disposal of investment properties	-	8,130,370	-	-	-	-	8,130,370
Revaluation increase on investment properties	-	520,880	-	-	-	-	520,880
Revaluation increase on hotel property	1,301,340	-	-	-	-	-	1,301,340
Loss from operations							(1,117,134)
Finance costs							(3,908,175)
Share of results of associates	-	13,752,717	-	12,335,707	-	(10,980,380)	15,108,044
Profit before taxation							10,082,735
Taxation							(1,290,866)
Profit for the year							8,791,869
ASSETS							
Segment assets	48,581,129	85,317,647	197,172,388	-	6,541,600	43,616,190	381,228,954
Interests in associates	-	1,869,487	-	57,152,501	-	74,364,092	133,386,080
Unallocated segment assets							40,171,988
Consolidated total assets							554,787,022
LIABILITIES							
Segment liabilities	2,473,402	9,338,815	41,942	3,836,581	1,712,574	989,926	18,393,240
Unallocated segment liabilities							18,629,215
Deferred tax liabilities							7,519,423
Borrowings							29,545,304
Consolidated total liabilities							74,087,182

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (continued)

2005 (continued)

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
OTHER INFORMATION							
Capital additions	(7,441,218)	(29,724,032)	-	-	(33,487)	(25,000)	(37,223,737)
Depreciation	(80,000)	(4,227,915)	-	-	(198,123)	(1,079,291)	(5,585,329)
Allowance for doubtful debts	-	(467,582)	-	-	-	-	(467,582)
Amortisation of intangible asset	-	-	-	-	(1,885,400)	-	(1,885,400)
Revaluation increase on investment properties	-	520,880	-	-	-	-	520,880
Revaluation increase on hotel property	1,301,340	-	-	-	-	-	1,301,340
Unrealised holding gain on listed other investments	-	-	4,284,278	-	-	-	4,284,278
Impairment loss on property, plant and equipment reversed	-	2,517,803	-	-	-	-	2,517,803
Loss on disposal of property, plant and equipment	-	(13,431)	-	-	(11,011)	-	(24,442)
Gain on disposal of investment properties	-	8,130,370	-	-	-	-	8,130,370

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (continued)

2004

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
REVENUE							
Turnover	11,180,180	6,294,399	28,499,312	5,530,882	1,220,117	–	52,724,890
RESULTS							
Segment results	769,140	(11,075,106)	15,866,115	4,691,428	(665,283)	(1,138,684)	8,447,610
Bank interest income							71,153
Dividend income	–	–	732,797	–	–	–	732,797
Unallocated administrative expenses							(8,348,396)
Loss on disposal of investment properties	–	(55,000)	–	–	–	–	(55,000)
Revaluation increase on investment properties	–	3,150,000	–	–	–	–	3,150,000
Revaluation increase on hotel property	2,010,459	–	–	–	–	–	2,010,459
Profit from operations							6,008,623
Finance costs							(4,630,842)
Share of results of associates	–	116,768	–	(5,217,211)	–	(7,523,047)	(12,623,490)
Loss before taxation							(11,245,709)
Taxation							(548,907)
Loss for the year							(11,794,616)
ASSETS							
Segment assets	41,638,413	99,816,985	189,947,234	–	8,427,000	44,689,255	384,518,887
Interests in associates	–	11,578,445	–	110,543,367	–	86,589,793	208,711,605
Unallocated segment assets							8,897,728
Consolidated total assets							602,128,220
LIABILITIES							
Segment liabilities	2,430,816	4,987,930	1,020,539	36,581	–	754,926	9,230,792
Unallocated segment liabilities							2,651,511
Deferred tax liabilities							7,519,423
Borrowings							104,288,207
Consolidated total liabilities							123,689,933

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (continued)

2004 (continued)

	Hotel operation HK\$	Property letting HK\$	Securities investment and trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
OTHER INFORMATION							
Capital additions	(1,741,985)	(2,035,260)	-	-	-	(468,386)	(4,245,631)
Depreciation	(80,000)	(4,366,500)	-	-	-	(1,272,842)	(5,719,342)
Amortisation of intangible asset	-	-	-	-	(1,885,400)	-	(1,885,400)
Revaluation increase on investment properties	-	3,150,000	-	-	-	-	3,150,000
Revaluation increase on hotel property	2,010,459	-	-	-	-	-	2,010,459
Unrealised holding gain on listed other investments	-	-	5,451,984	-	-	-	5,451,984
Impairment loss on property plant and equipment	-	(2,517,803)	-	-	-	-	(2,517,803)
Loss on disposal of property, plant and equipment	-	(1,475,507)	-	-	-	(63,659)	(1,539,166)
Loss on disposal of investment properties	-	(55,000)	-	-	-	-	(55,000)

Geographical segments

The Group's operations are located in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to (loss) profit from operations	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Hong Kong	24,874,641	48,652,765	5,651,004	14,986,639
PRC	5,051,138	4,072,125	(6,768,138)	(8,978,016)
	29,925,779	52,724,890	(1,117,134)	6,008,623

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties, property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Hong Kong	495,636,955	540,823,645	34,978,654	2,710,371
PRC	59,150,067	61,304,575	2,245,083	1,535,260
	554,787,022	602,128,220	37,223,737	4,245,631

6. (LOSS) PROFIT FROM OPERATIONS

	2005 HK\$	2004 HK\$
(Loss) profit from operations has been arrived at after charging:		
Allowance for doubtful debts	467,582	–
Amortisation of intangible asset (included in administrative expenses)	1,885,400	1,885,400
Auditors' remuneration	490,000	436,415
Depreciation:		
Owned assets	5,404,490	5,538,503
Assets held under finance leases	180,839	180,839
Directors' remuneration and other staff costs, including retirement benefit schemes contributions of HK\$494,902 (2004: HK\$355,277)	10,972,432	10,120,445
Exchange loss, net	43,717	–
Impairment loss on property, plant and equipment (included in administrative expenses)	–	2,517,803
Loss on disposal of property, plant and equipment	24,442	1,539,166
Operating lease rentals in respect of:		
Land and buildings	4,771,427	4,537,690
Other equipment	27,000	27,000
and after crediting:		
Rental income	6,815,613	6,294,399
Less: Outgoings	(2,020,103)	(7,798,540)
	4,795,510	(1,504,141)
Bank interest income	68,025	71,153
Dividend income from listed other investments	254,220	732,797
Impairment loss on property, plant and equipment reversed (included in administrative expenses)	2,517,803	–
Unrealised holding gain on listed other investments	4,284,278	5,451,984

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

7. FINANCE COSTS

	2005 HK\$	2004 HK\$
Interest on bank and other borrowings:		
Wholly repayable within five years	3,109,330	4,059,945
Not wholly repayable within five years	756,781	518,733
Interest on finance leases	42,064	52,164
	3,908,175	4,630,842

8. DIRECTORS' EMOLUMENTS

	2005 HK\$	2004 HK\$
Fees	314,167	150,000
Other emoluments:		
Salaries and other benefits	2,123,526	2,712,551
Retirement benefit schemes contributions	49,000	56,500
	2,486,693	2,919,051

The emoluments disclosed above include directors' fees of HK\$194,167 (2004: HK\$20,000) payable to independent non-executive directors.

In addition to the above, certain leasehold land and buildings of the Group are occupied by a director and the estimated rateable value of this director's quarter amounts to approximately HK\$266,760 (2004: HK\$267,900).

The emoluments of the directors are within the following bands:

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	16	14
HK\$1,500,001 to HK\$2,000,000	-	1

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2004: three) were directors whose emoluments are disclosed in note 8. The emoluments of the remaining two (2004: two) individuals were as follows:

	2005 HK\$	2004 HK\$
Salaries and other benefits	624,400	572,400
Retirement benefit schemes contributions	24,000	24,000
	648,400	596,400

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

10. TAXATION

	2005 HK\$	2004 HK\$
Underprovision in prior year Hong Kong	112,427	–
Deferred taxation		
Current year	–	(178,880)
Attributable to a change in tax rate	–	659,855
	–	480,975
Share of taxation of associates	1,178,439	67,932
	1,290,866	548,907

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no assessable profit in both years.

The taxation charge for the year can be reconciled to the profit (loss) before taxation per consolidated income statement as follows:

	2005 HK\$	2004 HK\$
Profit (loss) before taxation	10,082,735	(11,245,709)
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	1,764,479	(1,967,999)
Tax effect of share of results of associates	(1,465,469)	2,277,043
Tax effect of expenses not deductible for tax purpose	1,230,370	1,095,970
Tax effect of income not taxable for tax purpose	(2,292,258)	(3,643,761)
Underprovision in respect of prior year	112,427	–
Tax effect of tax losses not recognised	2,274,409	2,482,424
Tax effect of utilisation of tax losses previously not recognised	–	(1,032,525)
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	–	659,855
Others	(333,092)	677,900
Taxation charge for the year	1,290,866	548,907

Details of deferred taxation are set out in note 31.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

11. EARNINGS (LOSS) PER SHARE

(a) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit for the year of HK\$8,791,869 (2004: loss of HK\$11,794,616) and 488,842,675 (2004: 488,842,675) ordinary shares in issue during the year.

(b) Diluted earnings (loss) per share

The computation of diluted earnings per share has not assumed the exercise of the outstanding share options of the Company since their exercise prices were greater than the average market price of shares for the year.

No diluted loss per share is presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share in year 2004.

12. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP				THE COMPANY	
	Land and buildings and building improvements in Hong Kong HK\$	Buildings in PRC HK\$	Hotel property in Hong Kong HK\$	Furniture, fixtures, equipment, motor vehicles and others HK\$	Total HK\$	Furniture, fixtures, equipment, motor vehicles and others HK\$
COST OR VALUATION						
At 1st April, 2004	68,607,600	79,168,004	40,338,777	11,362,885	199,477,266	1,973,314
Additions	–	2,222,951	5,265,438	87,418	7,575,807	33,486
Disposals	–	–	–	(159,338)	(159,338)	(25,044)
Revaluation increase	–	–	1,301,340	–	1,301,340	–
Reclassification	(513,963)	–	–	513,963	–	–
At 31st March, 2005	68,093,637	81,390,955	46,905,555	11,804,928	208,195,075	1,981,756
Comprising:						
At cost	68,093,637	81,390,955	–	11,804,928	161,289,520	1,981,756
At valuation – 2005	–	–	46,905,555	–	46,905,555	–
	68,093,637	81,390,955	46,905,555	11,804,928	208,195,075	1,981,756
DEPRECIATION AND IMPAIRMENT						
At 1st April, 2004	15,516,968	22,324,653	–	5,555,961	43,397,582	465,349
Provided for the year	1,329,568	3,338,930	–	916,831	5,585,329	198,123
Impairment loss reversed	(2,517,803)	–	–	–	(2,517,803)	–
Eliminated on disposals	–	–	–	(134,896)	(134,896)	(14,033)
At 31st March, 2005	14,328,733	25,663,583	–	6,337,896	46,330,212	649,439
NET BOOK VALUES						
At 31st March, 2005	53,764,904	55,727,372	46,905,555	5,467,032	161,864,863	1,332,317
At 31st March, 2004	53,090,632	56,843,351	40,338,777	5,806,924	156,079,684	1,507,965

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

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

The properties located in Hong Kong and the PRC are held under medium-term leases.

Certain leasehold land and buildings in Hong Kong with carrying value of HK\$41,945,970 (2004: HK\$42,968,137) are registered in the name of a company controlled by Mr. Deacon Te-ken Chiu and his family ("the Chiu Family") as trustee for the Group.

The hotel property in Hong Kong was revalued at 31st March, 2005 by Lanbase Surveyors Limited, an independent firm of professional valuers, on an open market value basis. The revaluation increase amounting to HK\$1,301,340 (2004: HK\$2,010,459) has been recognised in the consolidated income statement.

If the hotel property had not been revalued, it would have been included in the financial statements at historical cost of HK\$54,577,781 (2004: HK\$49,312,343).

At 31st March, 2005, the directors conducted a review of the Group's property by reference to the market value made by a professional valuer on the same date and identified the recoverable amount is higher than the then carrying value. Accordingly, impairment loss of HK\$2,517,803 recognised in prior year was reversed.

The net book values of the Group's and the Company's furniture, fixtures, equipment, motor vehicles and others includes an amount of HK\$1,194,292 (2004: HK\$1,375,131) in respect of assets held under finance leases.

13. INVESTMENT PROPERTIES

	THE GROUP
	HK\$
VALUATION	
At 1st April, 2004	28,820,000
Additions	29,647,930
Disposal	(26,950,000)
Revaluation increase	520,880
At 31st March, 2005	<u>32,038,810</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

13. INVESTMENT PROPERTIES (CONTINUED)

The carrying amount of investment properties comprises land in Hong Kong as follows:

	THE GROUP	
	2005 HK\$	2004 HK\$
Long leases	–	26,000,000
Medium-term leases	32,038,810	2,820,000
	32,038,810	28,820,000

All of the Group's investment properties were revalued at 31st March, 2005 by Lanbase Surveyors Limited, an independent firm of professional valuers, on an open market value basis. The revaluation increase amounting to HK\$520,880 (2004: HK\$3,150,000) has been recognised in the income statement.

The investment properties with carrying value of HK\$1,030,000 (2004: HK\$26,950,000) are leased out under operating lease.

An investment property with a carrying value of HK\$1,020,000 (2004: HK\$930,000) is registered in the name of the spouse of Mr. Derek Chiu, a director of the Company, as trustee for the Group.

14. INTANGIBLE ASSET

	THE GROUP AND THE COMPANY HK\$
GROSS AMOUNT	
At 1st April, 2004 and 31st March, 2005	11,312,400
AMORTISATION	
At 1st April, 2004	2,885,400
Charge for the year	1,885,400
At 31st March, 2005	4,770,800
CARRYING VALUES	
At 31st March, 2005	6,541,600
At 31st March, 2004	8,427,000

The intangible asset represents the cost of acquisition of a sauna business operating in the PRC. Under an agreement signed with a PRC partner on 23rd September, 2002, the Group transferred the right of business operation to the PRC partner for a period of four years commencing from 1st October, 2002 at an annual fee of RMB1,300,000. However, the intangible asset is amortised over six years represented the licence period of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$	2004 HK\$
Unlisted shares, at cost	89,209,227	89,209,222
Amounts due from subsidiaries	302,297,097	294,404,679
Less: Impairment loss recognised	(95,919,494)	(45,919,494)
	295,586,830	337,694,407

The amounts due from subsidiaries are unsecured. The amounts will not be demanded for repayment within the next twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current. The amounts bear interest at the following rates:

	2005 HK\$	2004 HK\$
Hong Kong Prime Rate plus 1%	–	14,728,452
Hong Kong Prime Rate minus 4%	62,815,479	54,982,913
Interest-free	239,481,618	224,693,314
	302,297,097	294,404,679

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

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activities
		Directly %	Indirectly %	
Alabama Investment Company Limited	HK\$9,000 Ordinary shares	97.8	–	Hotel operation
Anway Century Limited	HK\$1 Ordinary share	100	–	Inactive
Cankon Properties Limited	HK\$2 Ordinary shares	100	–	Property holding
Far East Communication Technology Limited	HK\$2 Ordinary shares	100	–	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activities
		Directly %	Indirectly %	
Faubert Investment Limited	HK\$2 Ordinary shares	100	–	Property investment
Gaingrace Limited	HK\$1 Ordinary share	100	–	Property investment
Garmelo Secretarial Limited	HK\$2 Ordinary shares	100	–	Provision of company secretarial services
Grand Sparkle Limited	HK\$1 Ordinary share	100	–	Property investment
Jenago Limited	HK\$2 Ordinary shares	100	–	Property investment
Kingwell Century Limited	HK\$2 Ordinary shares	100	–	Property investment
Lai Chi Kok Amusement Park Company, Limited	HK\$25,200,000 Ordinary shares	100	–	Property holding
Long Challenge Limited	HK\$10,000 Ordinary shares	100	–	Investment holding
Neochem Development Limited	HK\$100 Ordinary shares	100	–	Property sub-letting
Ongrade Limited	HK\$1 Ordinary share	100	–	Property investment
Rex Entertainment Limited	HK\$100,000 Ordinary shares	100	–	Property holding
Ricci Hall Investment Limited	US\$1 Ordinary share	100	–	Inactive
Saneworld Limited	HK\$1 Ordinary share	100	–	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activities
		Directly %	Indirectly %	
Sintex Holdings Limited	US\$1 Ordinary share	100	–	Investment holding
Superlight Limited	HK\$2 Ordinary shares	100	–	Investment holding
Beijing Hai Lian Property Management Co., Ltd.	RMB25,115,180 Paid up registered capital	–	90	Property investment and service apartments operation
Chartersend Limited	HK\$2 Ordinary shares	–	100	Property investment
Far East Global Entertainment Limited	HK\$2 Ordinary shares	–	100	Property sub-letting
Jones Town Limited	HK\$2 Ordinary shares	–	100	Property investment
Oneyon Limited	HK\$2 Ordinary shares	–	100	Investment holding
Timing Mark Development Limited	HK\$2 Ordinary shares	–	100	Inactive
Tradeland Investments Limited	HK\$250,000 Ordinary shares	–	100	Investment holding
Yuk Sue Investment Limited	HK\$2 Ordinary shares	–	100	Securities trading and investment

All the subsidiaries are incorporated and operate in Hong Kong except for Ricci Hall Investment Limited and Sintex Holdings Limited which are incorporated in the British Virgin Islands and operate in Hong Kong, and Beijing Hai Lian Property Management Co., Ltd. which is a Sino-foreign equity joint venture registered and operates in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Unlisted shares, at cost	–	–	212,578,512	212,578,511
Share of net assets	133,386,080	137,986,791	–	–
Less: Impairment loss recognised	–	–	(139,000,000)	(126,000,000)
	133,386,080	137,986,791	73,578,512	86,578,511
Loan to an associate	–	64,600,296	–	–
Amounts due from associates	–	6,124,518	–	6,088,866
	133,386,080	208,711,605	73,578,512	92,667,377

The loan to an associate was unsecured and bore interest at Hong Kong Prime Rate per annum and fully repaid in 2005.

The amounts due from associates are unsecured, interest-free and fully repaid during the year.

The directors of the Company have reviewed the carrying amount of the investment in an associate of the Company as at 31st March, 2005, and have determined to recognise an impairment loss of HK\$13,000,000 (2004: HK\$71,000,000), by reference to the carrying value of the underlying assets of the associate.

Particulars of the associates of the Group at 31st March, 2005 are as follows:

Name of associate	Place of incorporation/ operation	Issued share capital	Proportion of nominal value of issued share capital held by the Group %	Principal activities
Bestyard Limited	Hong Kong	HK\$2 Ordinary shares	50	Property sub-letting
Bolan Holdings N.V. #	Netherlands Antilles/ Australia	US\$100 Common shares US\$6,000 Non-cumulative 5% preference shares	45	Investment holding
Central More Limited #	Hong Kong	HK\$2 Ordinary shares	50	Property development
Nob Hill Management Limited #	Hong Kong	HK\$2 Ordinary shares	50	Property management
Polyspring Limited	Hong Kong	HK\$4 Ordinary shares	50	Property investment

In order to avoid unreasonable delay in the production of the Group's consolidated financial statements, the financial statements of these associates which are prepared to 31st December are used.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

16. INTERESTS IN ASSOCIATES (CONTINUED)

The following details have been extracted based on the audited/unaudited financial statements, as adjusted, of the Group's principal associates:

	Bolan Holdings N.V.		Central More Limited		Polyspring Limited	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
OPERATING RESULTS						
Turnover	768,253	4,546,222	9,900,000	142,929,000	1,169,595	812,268
Profit (loss) before taxation	(25,112,717)	13,357,196	24,671,116	(10,224,422)	27,505,434	233,536
Profit (loss) before taxation attributable to the Group	(11,300,722)	6,010,738	12,335,558	(5,112,211)	13,752,717	116,768
FINANCIAL POSITION						
Non-current assets	327,683,663	366,979,150	160,313,842	212,307,595	–	42,000,000
Current assets	528,395	1,025,209	17,088,010	152,944,160	4,279,358	214,713
Current liabilities	(4,502,082)	(4,764,154)	(48,976,414)	(208,943,115)	(540,384)	(1,412,767)
Non-current liabilities	(159,887,442)	(171,732,717)	(14,120,436)	(64,422,498)	–	(29,822,788)
Net assets	163,822,534	191,507,488	114,305,002	91,886,142	3,738,974	10,979,158
Net assets attributable to the Group	73,720,140	86,178,370	57,152,501	45,943,071	1,869,487	5,489,579

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

17. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
THE GROUP						
Equity securities:						
Listed – Hong Kong	–	–	16,215,122	9,522,296	16,215,122	9,522,296
Unlisted – overseas	180,411,545	180,411,545	–	–	180,411,545	180,411,545
	180,411,545	180,411,545	16,215,122	9,522,296	196,626,667	189,933,841
Market values of listed securities	–	–	16,215,122	9,522,296	16,215,122	9,522,296
Carrying amount analysed for reporting purposes as:						
Non-current	180,411,545	180,411,545	7,880,250	5,509,400	188,291,795	185,920,945
Current	–	–	8,334,872	4,012,896	8,334,872	4,012,896
	180,411,545	180,411,545	16,215,122	9,522,296	196,626,667	189,933,841
THE COMPANY						
Equity securities:						
Listed – Hong Kong	–	–	2,440,550	2,092,920	2,440,550	2,092,920
Unlisted – overseas	157,026,351	157,026,351	–	–	157,026,351	157,026,351
	157,026,351	157,026,351	2,440,550	2,092,920	159,466,901	159,119,271
Market values of listed securities	–	–	2,440,550	2,092,920	2,440,550	2,092,920
Carrying amount analysed for reporting purpose as:						
Non-current	157,026,351	157,026,351	–	–	157,026,351	157,026,351
Current	–	–	2,440,550	2,092,920	2,440,550	2,092,920
	157,026,351	157,026,351	2,440,550	2,092,920	159,466,901	159,119,271

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

17. INVESTMENTS IN SECURITIES (CONTINUED)

Particulars of the major investments in securities are as follows:

Name of company	Effective percentage of issued ordinary share capital held by the Group %	Place of incorporation	Principal activities
Warwick Holdings S.A.	16.09	Luxemburg	Investment holding, hotel investment and operation
Far East Consortium International Limited ("FEC")	0.22	Cayman Islands (Listed in Hong Kong)	Investment holding and property investment

The Group's interest in a former overseas associate, Warwick Holdings S.A., was reclassified as investments securities, held for long-term purposes in early January 1988 after the Group disposed part of its interest therein and the Group was no longer in a position to exercise significant influence over the investee. The investment is stated at its carrying value at the date of reclassification, which comprises its cost of acquisition plus the Group's share of its post-acquisition profits accounted for using the equity method up to that date, as reduced by any impairment loss.

The Chiu Family together with the related trusts are controlling shareholders of Warwick Holdings S.A. and FEC.

18. INVENTORIES

The amount represents food and beverage and other consumable, of which HK\$281,477 (2004: HK\$244,955) are stated at net realisable value.

19. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of not more than 30 days to its customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2005 HK\$	2004 HK\$
0-30 days	259,853	159,860
31-60 days	52,666	79,960
Over 60 days	136,015	179,577
Trade receivables	448,534	419,397
Other receivables	7,031,009	4,938,090
	7,479,543	5,357,487

The Company did not have any trade receivables at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

20. AMOUNTS DUE FROM / TO ASSOCIATES

THE GROUP AND THE COMPANY

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

21. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from companies controlled by the directors are as follows:

Name of company	Name of directors related	THE GROUP			THE COMPANY		
		Balance at 31.3.2005	Balance at 1.4.2004	Maximum amount outstanding during the year	Balance at 31.3.2005	Balance at 1.4.2004	Maximum amount outstanding during the year
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Far East Theatres Management Ltd.	Deacon Te-ken Chiu Chiu Ju Ching-lan Dick Tat-sang Chiu David Tat-cheong Chiu	–	49,045	49,045	–	49,044	49,044
Far East Technology International Limited	Deacon Te-ken Chiu David Tat-cheong Chiu Margaret Chiu Dennis Tat-shing Chiu Daniel Tat-jung Chiu Derek Chiu Desmond Chiu Duncan Chiu	420,715	804,430	804,430	420,716	420,716	420,716
Tang Dynasty City Pte. Ltd.	Deacon Te-ken Chiu Dennis Tat-shing Chiu Derek Chiu Margaret Chiu Duncan Chiu (Alternate to Deacon Te-ken Chiu)	383,715	–	383,715	–	–	–
		<u>804,430</u>	<u>853,475</u>	<u>–</u>	<u>420,716</u>	<u>469,760</u>	<u>–</u>

The above amounts are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2005 HK\$	2004 HK\$
0-30 days	780,172	260,804
31-60 days	466,670	271,196
Over 60 days	1,019,269	1,667,810
Trade payables	2,266,111	2,199,810
Other payables	24,273,203	4,752,695
	26,539,314	6,952,505

The Company did not have any trade payables at the balance sheet date.

23. AMOUNTS DUE TO DIRECTORS

THE GROUP AND THE COMPANY

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

24. AMOUNTS DUE TO RELATED COMPANIES

Name of company	Name of common directors	THE GROUP AND THE COMPANY	
		2005 HK\$	2004 HK\$
Great Eastern Advertising & Publishing Co., Ltd.	Derek Chiu	93,585	8,365
Far East Theatres Management Limited	Deacon Te-ken Chiu Chiu Ju Ching-lan Dick Tat-sang Chiu David Tat-cheong Chiu	7,225	—
		100,810	8,365

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

25. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured, interest-free and repayable on demand.

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
THE GROUP AND THE COMPANY				
Amounts payable under finance leases:				
Within one year	260,132	330,444	238,190	293,023
In the second to fifth year inclusive	115,117	403,392	108,034	369,724
	375,249	733,836	346,224	662,747
Less: Future finance charges	(29,025)	(71,089)	–	–
Present value of lease obligations	346,224	662,747	346,224	662,747
Less: Amount due within one year shown under current liabilities			(238,190)	(293,023)
Amount due after one year			108,034	369,724

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term ranges from four to five years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

27. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Bank and other borrowings comprise:				
Mortgage loans	12,905,700	22,156,330	–	–
Bank loans	11,710,483	60,199,970	11,710,483	60,199,971
Other loan	–	15,027,670	–	15,027,670
Bank overdrafts	4,929,121	6,904,237	4,929,121	6,904,237
	29,545,304	104,288,207	16,639,604	82,131,878
Analysed as:				
Secured	29,545,304	89,260,537	16,639,604	67,104,208
Unsecured	–	15,027,670	–	15,027,670
	29,545,304	104,288,207	16,639,604	82,131,878
The above borrowings are repayable as follows:				
Within one year	7,321,375	74,321,001	6,230,286	70,435,380
More than one year, but not exceeding two years	1,853,162	5,244,438	1,301,165	1,301,165
More than two years, but not exceeding five years	5,669,187	16,089,418	3,903,494	3,903,494
More than five years	14,701,580	8,633,350	5,204,659	6,491,839
	29,545,304	104,288,207	16,639,604	82,131,878
Less: Amount due within one year shown under current liabilities	(7,321,375)	(74,321,001)	(6,230,286)	(70,435,380)
Amount due after one year	22,223,929	29,967,206	10,409,318	11,696,498

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

28. SHARE CAPITAL

	Authorised 2005 & 2004	Issued and fully paid 2005 & 2004
	HK\$	HK\$
Ordinary shares of HK\$1 each	750,000,000	488,842,675

29. RESERVES

	Share premium	Capital reserve	Capital redemption reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
THE COMPANY					
At 1st April, 2003	92,805,386	21,223,231	28,990,000	(78,589,427)	64,429,190
Loss for the year	–	–	–	(67,316,929)	(67,316,929)
At 31st March, 2004	92,805,386	21,223,231	28,990,000	(145,906,356)	(2,887,739)
Loss for the year	–	–	–	(54,633,318)	(54,633,318)
At 31st March, 2005	92,805,386	21,223,231	28,990,000	(200,539,674)	(57,521,057)

The Company did not have any reserve available for distribution to shareholders at the balance sheet date.

30. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured and interest-free. The subsidiaries have agreed not to demand repayment within the next twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

31. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	Tax losses	Total
	HK\$	HK\$	HK\$
At 1st April, 2003	7,038,448	–	7,038,448
Credit to income statement	(178,880)	–	(178,880)
Effect of change in tax rate – charge to income statement	659,855	–	659,855
At 31st March, 2004	7,519,423	–	7,519,423
Charge to income statement	3,969,998	(3,969,998)	–
At 31st March, 2005	11,489,421	(3,969,998)	7,519,423

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

31. DEFERRED TAXATION (CONTINUED)

For the purposes of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

At 31st March, 2005, the Group has unused tax losses of approximately HK\$88,221,000 (2004: HK\$75,106,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$22,686,000 (2004: Nil) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$65,535,000 (2004: HK\$75,106,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except for an amount of approximately HK\$25,076,000 (2004: HK\$22,017,000) which will expire in the following years:

	2005 HK\$	2004 HK\$
2005	2,963,000	3,280,000
2006	4,102,000	2,963,000
2007	7,232,000	4,102,000
2008	5,572,000	6,101,000
2009	5,207,000	5,571,000
	25,076,000	22,017,000

At 31st March, 2005, the Company has unused tax losses of approximately HK\$21,672,000 (2004: HK\$19,178,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

32. PROVISION FOR LONG SERVICE PAYMENTS

The Group does not have any formal retirement scheme before participating in the Mandatory Provident Fund Scheme, but makes provision for long service payments on an annual basis. The directors are of the opinion that the provision at the balance sheet date is sufficient to cover the Group's probable obligations. The level of such provision will be reviewed on an annual basis and adjusted as appropriate.

Movements in the provision for long service payments during the year are as follows:

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
At beginning of the year	2,304,071	2,304,071	1,200,000	1,200,000
Amount utilised	(139,537)	–	(23,100)	–
At end of the year	2,164,534	2,304,071	1,176,900	1,200,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

33. MAJOR NON-CASH TRANSACTIONS

The consideration in respect of the acquisition of investment properties of HK\$16,390,000 during the year ended 31st March, 2005 had not been settled at the balance sheet date.

During the year ended 31st March, 2004, the Group entered into finance lease arrangements in respect of assets with a total capital value at the date of inception of the leases of HK\$405,019.

34. PLEDGE OF ASSETS

At the balance sheet date, bank loan and overdraft facilities of the Group and the Company amounted to approximately HK\$31,734,000 (2004: HK\$89,356,000) and HK\$18,710,000 (2004: HK\$67,200,000) respectively, of which approximately HK\$29,545,000 (2004: HK\$89,260,000) and HK\$16,640,000 (2004: HK\$67,104,000) were utilised, respectively. These facilities were secured by the following:

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Hotel property	46,905,555	40,338,777	–	–
Leasehold land and buildings	11,650,741	8,900,000	–	–
Investment properties	8,590,000	28,820,000	–	–
Bank deposits	2,178,192	2,173,166	2,058,071	2,053,157
	69,324,488	80,231,943	2,058,071	2,053,157

At 31st March, 2004, the facilities of the Group were also secured by a floating charge on all the assets and undertakings, both present and future, including the uncalled capital, of the Company.

35. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Guarantee given to a bank in respect of banking facilities utilised by:				
A subsidiary	–	–	7,765,178	20,000,000
An associate	–	10,155,000	–	–
	–	10,155,000	7,765,178	20,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

36. COMMITMENTS

(a) Operating lease arrangements

The Group as lessee:

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

	THE GROUP	
	2005 HK\$	2004 HK\$
Within one year	4,224,764	4,042,682
In the second to fifth year inclusive	15,849,057	15,849,057
Over five years	57,452,830	61,415,094
	77,526,651	81,306,833

Leases are negotiated for terms ranging from two to twenty-eight years with fixed rentals over the lease term.

The Group as lessor:

Property rental income earned during the year was HK\$6,815,613 (2004: HK\$6,294,399). The properties are expected to generate an average rental yield of 10% per annum and have committed tenants for a term of two years.

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

	THE GROUP	
	2005 HK\$	2004 HK\$
Within one year	4,200	2,264,000

(b) Capital commitments

	THE GROUP	
	2005 HK\$	2004 HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	630,409	1,386,431

(c) Other commitments

At 31st March, 2004, the Group had contracted with an independent consultancy company for the project of Kau Wah Keng Old Village, Lai Chi Kok, Kowloon and the outstanding commitment for procurement fees amounted to HK\$28,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

37. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for all qualifying employees in Hong Kong commencing from December 2000. The assets of the Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF, which contribution is matched by employees.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of its employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

38. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

- (a) The Group received management fee and interest from an associate amounting to HK\$500,000 (2004: Nil) and HK\$879,930 (2004: HK\$5,530,882) respectively. Details of amounts due from/to associates are disclosed in notes 16 and 20.
- (b) The Group paid rentals of HK\$333,833 (2004: HK\$260,912) to associates in respect of premises leased to the Group. The rentals were charged by reference to market rate.

The above transactions were carried out at terms agreed by the parties concerned.

In addition, a subsidiary entered into a lease agreement with its minority shareholder for the use of land located in the PRC at an annual rental of RMB4,200,000 for a term of twenty-eight years commencing from 1996. During the year, rentals of HK\$3,962,000 (2004: HK\$3,962,000) were paid to the minority shareholder.

39. SHARE OPTION SCHEME

In accordance with the Company's share option scheme (the "Scheme"), which was adopted pursuant to an ordinary resolution passed on 22nd September, 1995, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Details of the share options outstanding at the balance sheet date are as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of shares issued upon exercise of the share options	Exercisable period
Mr. Deacon Te-ken Chiu	15.11.1995	1.42	5,000,000	November 1995 – October 2005
Mr. Derek Chiu	16.10.1995	1.44	590,000	October 1995 – September 2005
	9.9.1997	3.01	1,000,000	September 1997 – August 2007
Madam Chiu Ju Ching-lan	11.4.1996	1.60	4,000,000	April 1996 – March 2006
Ms. Margaret Chiu	19.11.1997	1.74	7,000,000	November 1997 – October 2007
Mr. Tang Sung-ki	11.4.1996	1.60	150,000	April 1996 – March 2006
	29.1.2000	1.00	6,000,000	January 2000 – December 2009
			23,740,000	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2005

39. SHARE OPTION SCHEME (*CONTINUED*)

Particulars of the Scheme are set out as follows:

- (a) The purpose of the Scheme is to motivate employees of the Company or any subsidiary and to allow them to participate in the growth of the Company.
- (b) The directors may, at their discretion, invite employees of the Group, including executive directors of any member of the Group, to take up options at HK\$10 per option to subscribe for shares at a price calculated in accordance with paragraph mentioned below.
- (c) The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) under the Scheme will not exceed 10% of the issued share capital of the Company (excluding any shares issued pursuant to the Scheme) from time to time.
- (d) No option may be granted to any employee which if exercised in full would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and issuable to him or her under the Scheme, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.
- (e) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined by the Board and notified to each grantee and in any event such period of time not exceeding a period of 10 years which shall commence immediately after the date on which the option is accepted in accordance with the Scheme and shall expire on the last day of such period.
- (f) The Scheme will remain in force for a period of 10 years commencing on 22nd September, 1995 being the date on which it was adopted by resolution of the Company in general meeting.
- (g) The exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher.

No options were granted or exercised in both years.

As the Scheme no longer complies with the amendment rules in The Rules Governing the Listing of Securities on the Stock Exchange announced on 23rd August, 2001, no further share option can be granted under the Scheme from 1st September, 2001. Nevertheless, all share options granted prior to 1st September, 2001 will continue to be exercisable in accordance with the Scheme.