

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company, its ultimate holding company is Asian Allied Limited ("Asian Allied").

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 35.

## 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

The Group has commenced considering the potential impact of other 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 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 as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 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 inter-company transactions and balances within the Group are eliminated on consolidation.

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions is capitalised as an asset and amortised on a straight line basis over its useful economic life of not more than twenty years.

Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

Revenue is recognised upon completion of pipeline construction, which according to industry practice in the region coincides with the "fire ignition ceremony".

Sales of goods are recognised when goods are delivered and title has passed.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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

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

### Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any identified impairment losses.

Construction in progress represents assets under construction, which is stated at cost less accumulated impairment losses, if any. Cost comprises direct attributable costs of acquisition or construction which include capitalised borrowing costs. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for their intended use.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment (Continued)

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

|  |   |
|--|---|
| Land use right                           | Over the shorter of the term of the lease or the operation period of the relevant company |
| Building                                 | Over the shorter of 40 years or the operation period of the relevant company              |
| Leasehold improvements                   | Over the shorter of the terms of the leases, or 5 years                                   |
| Furniture, fixtures and office equipment | 20%   |
| Plant, machinery and pipeline            | 2.5%-20%  |
| Motor vehicles                           | 20%   |

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

#### Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to a jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the goodwill or less the negative goodwill in so far as it has not already been written off or amortised or released to income, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### Investments in subsidiaries

Investments in subsidiaries are included 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 written off or amortised or released to income, less any identified impairment loss.

### Inventories

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

### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises of the cost of the land together with direct costs attributable to the completion of the properties.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 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. An 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.

### Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group is the lessor, rentals receivable under operating leases are credited to income statement on a straight-line basis over the relevant lease term.

Where the Group is the lessee, rentals payable under operating leases are charged to income statement on a straight-line basis over the relevant lease term.

### 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 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 profit 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities 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 to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net 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 period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

### Retirement benefit costs

Payments to retirement benefit schemes for Hong Kong staff are charged as an expense as they fall due.

The retirement benefit scheme contribution for the staff in the People's Republic of China (the "PRC") charged to the income statement represents the Group's contribution payable to the retirement funds scheme managed by local social security bureau in accordance with the government regulations of the PRC.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 4. SEGMENT INFORMATION

### (a) Business segment

For management purposes the Group is currently organised into four operating divisions – property holding and investment, supply of natural gas, gas pipeline connection and glass product upon the completion of acquisition of certain subsidiaries as set out in note 29. These divisions are the basis on which the Group reports its primary segment information.

In prior year, the Group was organised into four operating divisions – building services (single-trade), packaged/design and build contracts, environmental engineering services and property holding and investments. Upon the completion of disposal of Kenworth Group as detailed in notes 5 and 29, the business of building services (single-trade), packaged/design and build contracts and environmental engineering services were discontinued.

Summary details of the business segments are as follows:

The following tables present turnover, profit (loss) and certain asset, liability and expenditure information for the Group's business segments.

|  | Property holding and investment |          | Supply of natural gas |          | Gas pipeline connection |          | Glass product |          | Discontinued operations          |          | Environmental engineering services  |          | Consolidated |          |          |         |
|--|---------------------------------|----------|-----------------------|----------|-------------------------|----------|---------------|----------|----------------------------------|----------|-------------------------------------|----------|--------------|----------|----------|---------|
|  | 2005                            | 2004     | 2005                  | 2004     | 2005                    | 2004     | 2005          | 2004     | Building services (single-trade) |          | Packaged/design and build contracts |          | 2005         | 2004     |          |         |
|  | HK\$'000                        | HK\$'000 | HK\$'000              | HK\$'000 | HK\$'000                | HK\$'000 | HK\$'000      | HK\$'000 | HK\$'000                         | HK\$'000 | HK\$'000                            | HK\$'000 | HK\$'000     | HK\$'000 | HK\$'000 |         |
| Turnover                                       | -                               | -        | 28,632                | -        | 41,738                  | -        | 6,680         | -        | 309                              | 10,107   | 419                                 | 26,433   | 1,009        | 1,703    | 78,787   | 38,243  |
| Other operating income                         | 2,293                           | 1,351    | 540                   | -        | 180                     | -        | 477           | -        | -                                | 2        | -                                   | 6        | 5            | 1        | 3,495    | 1,360   |
|  | 2,293                           | 1,351    | 29,172                | -        | 41,918                  | -        | 7,157         | -        | 309                              | 10,109   | 419                                 | 26,439   | 1,014        | 1,704    | 82,282   | 39,603  |
| Segment results                                | (4,393)                         | 904      | 3,674                 | -        | 34,457                  | -        | 1,320         | -        | (405)                            | (1,553)  | (514)                               | (5,418)  | (1,341)      | (553)    | 32,798   | (6,620) |
| Unallocated other operating income             |                                 |          |                       |          |                         |          |               |          |                                  |          |                                     |          |              |          | 433      | 64      |
| Unallocated corporate expenses                 |                                 |          |                       |          |                         |          |               |          |                                  |          |                                     |          |              |          | (7,418)  | (1,925) |
| Profit (loss) from operation                   |                                 |          |                       |          |                         |          |               |          |                                  |          |                                     |          |              |          | 25,813   | (8,481) |
| Finance costs                                  |                                 |          |                       |          |                         |          |               |          |                                  |          |                                     |          |              |          | (641)    | (518)   |
| Share of results of associates                 | -                               | -        | 2,784                 | -        | -                       | -        | -             | -        | -                                | -        | -                                   | -        | -            | -        | 2,784    | -       |
| Share of result of a jointly-controlled entity | -                               | -        | -                     | -        | -                       | -        | -             | -        | -                                | -        | -                                   | -        | (1)          | (25)     | (1)      | (25)    |
| Profit (loss) before taxation                  |                                 |          |                       |          |                         |          |               |          |                                  |          |                                     |          |              |          | 27,955   | (9,024) |
| Taxation                                       |                                 |          |                       |          |                         |          |               |          |                                  |          |                                     |          |              |          | (12,123) | (135)   |
| Profit (loss) before minority interests        |                                 |          |                       |          |                         |          |               |          |                                  |          |                                     |          |              |          | 15,832   | (9,159) |
| Minority interests                             |                                 |          |                       |          |                         |          |               |          |                                  |          |                                     |          |              |          | (496)    | 27      |
| Net profit (loss) for the year                 |                                 |          |                       |          |                         |          |               |          |                                  |          |                                     |          |              |          | 15,336   | (9,132) |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 4. SEGMENT INFORMATION (Continued)

### (a) Business segment (Continued)

|   | Property holding<br>and investment |          | Supply of<br>natural gas |          | Gas pipeline<br>connection |          | Glass<br>product |          | Discontinued operations                |          |  |          |  |          | Consolidated |          |
|---|------------------------------------|----------|--------------------------|----------|----------------------------|----------|------------------|----------|--|----------|--|----------|--|----------|--------------|----------|
|   |                                    |          |                          |          |                            |          |                  |          | Building<br>services<br>(single-trade) |          | Packaged/<br>design and<br>build contracts |          | Environmental<br>engineering<br>services |          |              |          |
|   | 2005                               | 2004     | 2005                     | 2004     | 2005                       | 2004     | 2005             | 2004     | 2005                                   | 2004     | 2005                                       | 2004     | 2005                                     | 2004     | 2005         | 2004     |
|   | HK\$'000                           | HK\$'000 | HK\$'000                 | HK\$'000 | HK\$'000                   | HK\$'000 | HK\$'000         | HK\$'000 | HK\$'000                               | HK\$'000 | HK\$'000                                   | HK\$'000 | HK\$'000                                 | HK\$'000 | HK\$'000     | HK\$'000 |
| Segment assets  | 48,474                             | 46,752   | 128,686                  | -        | 4,271                      | -        | 17,556           | -        | -                                      | 4,528    | -  | 4,492    | -  | 1,492    | 198,987      | 57,264   |
| Goodwill  | -                                  | -        | -                        | -        | 38,895                     | -        | -                | -        | -                                      | -        | -  | -        | -  | -        | 38,895       | -        |
| Interests in a<br>jointly-controlled<br>entity                              | -                                  | -        | -                        | -        | -                          | -        | -                | -        | -                                      | -        | -  | -        | -  | 556      | -            | 556      |
| Unallocated assets  | -                                  | -        | -                        | -        | -                          | -        | -                | -        | -                                      | -        | -  | -        | -  | 22,469   | 14,233       |          |
| Total assets  |                                    |          |                          |          |                            |          |                  |          |  |          |  |          |  | 260,351  | 72,053       |          |
| Segment liabilities   | 1,069                              | 8,940    | 11,054                   | -        | 43,049                     | -        | 2,755            | -        | -                                      | 4,110    | -  | 9,094    | -  | 830      | 57,927       | 22,974   |
| Unallocated liabilities   | -                                  | -        | -                        | -        | -                          | -        | -                | -        | -                                      | -        | -  | -        | -  | -        | 35,025       | 15,737   |
| Total liabilities   |                                    |          |                          |          |                            |          |                  |          |  |          |  |          |  | 92,952   | 38,711       |          |
| Other segment<br>information:   |                                    |          |                          |          |                            |          |                  |          |  |          |  |          |  |          |              |          |
| Depreciation  | -                                  | -        | 617                      | -        | 628                        | -        | 210              | -        | 10                                     | 66       | -  | -        | -  | -        | 1,465        | 66       |
| Unallocated<br>amounts  |                                    |          |                          |          |                            |          |                  |          |  |          |  |          |  |          | 63           | 59       |
|   |                                    |          |                          |          |                            |          |                  |          |  |          |  |          |  |          | 1,528        | 125      |
| Allowance for properties<br>held for sale                                   | -                                  | -        | -                        | -        | -                          | -        | -                | -        | -                                      | -        | -  | -        | -  | -        | 6,000        | -        |
| Amortisation of goodwill  | -                                  | -        | -                        | -        | 2,198                      | -        | -                | -        | -                                      | -        | -  | -        | -  | -        | 2,198        | -        |
| Loss on disposal of<br>property, plant<br>and equipment                     | -                                  | -        | 1,941                    | -        | -                          | -        | -                | -        | -                                      | -        | -  | -        | -  | -        | 1,941        | -        |
| Capital expenditure   |                                    |          |                          |          |                            |          |                  |          |  |          |  |          |  |          |              |          |
| Property, plant and<br>equipment, through<br>acquisition of<br>subsidiaries | -                                  | -        | 121,152                  | -        | 634                        | -        | -                | -        | -                                      | 11       | -  | -        | -  | -        | 121,786      | 11       |
| Unallocated amounts   |                                    |          |                          |          |                            |          |                  |          |  |          |  |          |  |          | 897          | 26       |
|   |                                    |          |                          |          |                            |          |                  |          |  |          |  |          |  |          | 122,683      | 37       |
| Investment in securities,<br>through acquisition of<br>subsidiaries         | -                                  | -        | 190                      | -        | -                          | -        | -                | -        | -                                      | -        | -  | -        | -  | -        | 190          | -        |
| Properties held for sale,<br>through acquisition of<br>subsidiaries         | 7,569                              | -        | -                        | -        | -                          | -        | -                | -        | -                                      | -        | -  | -        | -  | -        | 7,569        | 46,569   |
|   |                                    |          |                          |          |                            |          |                  |          |  |          |  |          |  |          | 130,442      | 37       |
| Goodwill  | -                                  | -        | -                        | -        | 41,093                     | -        | -                | -        | -                                      | -        | -  | -        | -  | -        | 41,093       | -        |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 4. SEGMENT INFORMATION (Continued)

### (b) Geographical segments

For the year ended 31 March 2005, over 90% of the Group's sales are made in the PRC and over 90% of the Group's assets are situated in the PRC. Accordingly, no segmental analysis of geographical segments is presented for the year.

The following table present revenue, and certain assets and expenditure information for the Group's geographical segments by locations of customers for the year ended 31 March 2004.

#### THE GROUP

|                            | <b>Hong Kong</b> | <b>2004<br/>Mainland<br/>China</b> | <b>Consolidated</b> |
|----------------------------|------------------|------------------------------------|---------------------|
|                            | <i>HK\$'000</i>  | <i>HK\$'000</i>                    | <i>HK\$'000</i>     |
| Turnover:                  |                  |                                    |                     |
| External sales             | <u>38,243</u>    | <u>–</u>                           | <u>38,243</u>       |
| Other segment information: |                  |                                    |                     |
| Segment assets             | <u>25,301</u>    | <u>46,752</u>                      | <u>72,053</u>       |
| Capital expenditure        | <u>37</u>        | <u>–</u>                           | <u>37</u>           |

## 5. DISCONTINUED OPERATIONS

On 18 February 2004, the Group entered into an agreement to dispose of its entire 100% equity interest in Kenworth Group Limited ("Kenworth Group") and its related shareholder's loan to Deson Development International Holdings Limited ("Deson") for a consideration of HK\$7,000,000. Upon completion of the disposal of Kenworth Group on 30 April 2004, the Group discontinued its business in the provision of electrical and mechanical engineering services (single-trade), which includes building services, packaged/design and build contracts and environmental engineering services.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 5. DISCONTINUED OPERATIONS (Continued)

The turnover, other revenue, expenses and results of the discontinued operations for the period from 1 April 2004 to the date of discontinuance, which have been included in the consolidated financial statements are as follows:

|  | <b>2005</b><br><b>HK\$'000</b> | 2004<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Turnover                                     | <b>1,737</b>                   | 38,243                  |
| Cost of sales                                | <b>(1,699)</b>                 | (35,246)                |
| Gross profit                                 | <b>38</b>                      | 2,997                   |
| Other operating income                       | <b>5</b>                       | 73                      |
| Administrative expenses                      | <b>(2,303)</b>                 | (12,799)                |
| Write-back of provision for doubtful debts   | <b>–</b>                       | 2,233                   |
| Loss from operating activities               | <b>(2,260)</b>                 | (7,496)                 |
| Finance costs                                | <b>(16)</b>                    | (182)                   |
| Share of loss of a jointly-controlled entity | <b>(1)</b>                     | (25)                    |
| Loss before minority interests               | <b>(2,277)</b>                 | (7,703)                 |
| Minority interests                           | <b>1</b>                       | 27                      |
| Net loss attributable to shareholders        | <b>(2,276)</b>                 | (7,676)                 |

The net cash flows from the discontinued operations are as follows:

|           | <b>2005</b><br><b>HK\$'000</b> | 2004<br><i>HK\$'000</i> |
|-----------|--------------------------------|-------------------------|
| Operating | <b>(1,775)</b>                 | (4,202)                 |
| Investing | <b>468</b>                     | (1,016)                 |
| Financing | <b>938</b>                     | 79                      |
|           | <b>(369)</b>                   | (5,139)                 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 5. DISCONTINUED OPERATIONS (Continued)

The carrying amounts of the total assets and liabilities, relating to the discontinued operations are as follows:

|  | <b>2005</b><br><i>HK\$'000</i> | 2004<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Total assets   | <b>22,496</b>                  | 31,723                  |
| Total liabilities                                    | <b>(22,705)</b>                | (23,547)                |
| Minority interests                                   | <b>(273)</b>                   | (274)                   |
|  | <hr/>                          | <hr/>                   |
| Net (liabilities) assets of subsidiaries disposed of | <b>(482)</b>                   | 7,902                   |
|  | <hr/> <hr/>                    | <hr/> <hr/>             |

## 6. PROFIT (LOSS) FROM OPERATIONS

|   | <b>2005</b><br><i>HK\$'000</i> | 2004<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit (loss) from operations has been arrived at after charging:                           |                                |                         |
| Staff costs (including directors' remuneration)   | <b>4,910</b>                   | 7,518                   |
| Retirement benefits schemes contributions net of forfeited contribution HK\$nil (2004: nil) | <b>165</b>                     | 180                     |
|   | <hr/>                          | <hr/>                   |
| Total staff costs   | <b>5,075</b>                   | 7,698                   |
|   | <hr/>                          | <hr/>                   |
| Auditors' remuneration  | <b>1,280</b>                   | 440                     |
| Depreciation  | <b>1,528</b>                   | 125                     |
| Amortisation of goodwill  | <b>2,198</b>                   | –                       |
| Minimum lease payments under operating leases for land and buildings                        | <b>392</b>                     | 418                     |
| Loss on disposal of property, plant and equipment   | <b>1,941</b>                   | –                       |
| Cost of inventories recognised as expenses  | <b>26,174</b>                  | –                       |
|   | <hr/>                          | <hr/>                   |
| after crediting:  |                                |                         |
| Interest income   | <b>433</b>                     | 62                      |
| Gain on disposal of property, plant and equipment   | –                              | 2                       |
| Rental income under operating leases, less outgoing of HK\$390,000 (2004: HK\$84,000)       | <b>1,903</b>                   | 1,267                   |
|   | <hr/> <hr/>                    | <hr/> <hr/>             |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 7. DIRECTOR'S SUPERVISORS' AND EMPLOYEES' REMUNERATION

### (a) Directors' remuneration:

|   | <b>2005</b>         | 2004         |
|---|---------------------|--------------|
|   | <b>HK\$'000</b>     | HK\$'000     |
| Executive directors:                    |                     |              |
| Fees                                    | <b>606</b>          | –            |
| Salaries and allowance                  | <b>643</b>          | 1,603        |
| Retirement benefit scheme contributions | <b>11</b>           | 12           |
|   | <u><b>1,260</b></u> | <u>1,615</u> |
| Independent non-executive directors:    |                     |              |
| Fees                                    | <b>79</b>           | 60           |
|   | <u><b>1,339</b></u> | <u>1,675</u> |

The number of directors whose remuneration fell within the following band is as follows:

|                      | <b>Number of directors</b> |          |
|----------------------|----------------------------|----------|
|                      | <b>2005</b>                | 2004     |
| Nil to HK\$1,000,000 | <u><b>13</b></u>           | <u>8</u> |

### (b) Highest paid individuals emoluments:

The five highest paid employees during the year included three (2004: three) directors, details of whose remuneration are set out in (a) above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees are as follows:

|   | <b>2005</b>      | 2004         |
|---|------------------|--------------|
|   | <b>HK\$'000</b>  | HK\$'000     |
| Salaries and allowance                  | <b>96</b>        | 1,095        |
| Retirement benefit scheme contributions | <b>1</b>         | 24           |
|   | <u><b>97</b></u> | <u>1,119</u> |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 7. DIRECTOR'S SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

#### (b) Highest paid individuals emoluments: (Continued)

The number of non-directors, highest paid employees whose remuneration fell within the following band is as follows:

|                      | <b>Number of employees</b> |          |
|----------------------|----------------------------|----------|
|                      | <b>2005</b>                | 2004     |
| Nil to HK\$1,000,000 | <u>2</u>                   | <u>2</u> |

### 8. FINANCE COSTS

|  | <b>2005</b>       | 2004       |
|--|-------------------|------------|
|  | <b>HK\$'000</b>   | HK\$'000   |
| Interest on convertible notes          | –                 | 81         |
| Interest on bank loans and overdrafts: |                   |            |
| wholly repayable within five years     | <b>228</b>        | 182        |
| wholly repayable after five years      | <b>413</b>        | 255        |
|  | <u><b>641</b></u> | <u>518</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 9. TAXATION

|   | <b>THE GROUP</b>     |            |
|---|----------------------|------------|
|   | <b>2005</b>          | 2004       |
|   | <b>HK\$'000</b>      | HK\$'000   |
| The charge comprises:                                     |                      |            |
| Current tax   |                      |            |
| PRC Enterprise Income Tax                                 | <b>11,603</b>        | 135        |
| Taxation attributable to the Company and its subsidiaries | <b>11,603</b>        | 135        |
| Share of taxation attributable to associates              | <b>520</b>           | –          |
|   | <b><u>12,123</u></b> | <u>135</u> |

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant law and regulations in the PRC, certain Company's PRC subsidiaries are entitled to exemption from PRC Enterprise Income Tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. During the year, Enterprise Income Tax has been provided in the financial statements for one of the PRC subsidiaries at 50% of the applicable tax rate as it is under the income tax relief. For other PRC subsidiaries they were subject to income tax rate of 33% on their taxable profits.

No share of taxation attributable to jointly controlled entities by the Group as the jointly controlled entities did not have any taxable profit for both years.

Details of the deferred tax liabilities are set out in note 28.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 9. TAXATION (Continued)

The taxation for the year can be reconciled to the profit (loss) per the income statements as follows:

|  | <b>2005</b>          | 2004           |
|--|----------------------|----------------|
|  | <b>HK\$'000</b>      | HK\$'000       |
| Profit (loss) before taxation                                  | <b><u>27,955</u></b> | <u>(9,024)</u> |
| Tax at the applicable tax rate of 33% (2004: 17.5%)            | <b>9,225</b>         | (1,579)        |
| Tax effect of share of results of associates                   | <b>(399)</b>         | –              |
| Tax effect of income not taxable in determining taxable profit | <b>(747)</b>         | (83)           |
| Tax effect of expenses not deductible for tax purpose          | <b>4,521</b>         | 122            |
| Tax loss not recognised  | <b>726</b>           | 1,577          |
| Tax effect of 50% income tax relief granted to a subsidiary    | <b>(1,863)</b>       | –              |
| Effect of different tax rate of subsidiaries                   | <b>544</b>           | –              |
| Others   | <b>116</b>           | 98             |
| Taxation for the year  | <b><u>12,123</u></b> | <u>135</u>     |

33% and 17.5% represent the applicable tax rate of PRC and Hong Kong. As the principal business is operated in the PRC, 33% is adopted for the current year.

### 10. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the following data:

|   | <b>THE GROUP</b>        |                  |
|---|-------------------------|------------------|
|   | <b>2005</b>             | 2004             |
|   | <b>HK\$'000</b>         | HK\$'000         |
| Net profit (loss) for the year  | <b><u>15,336</u></b>    | <u>(9,132)</u>   |
|   | <b>'000</b>             | '000             |
| Weighted average number of ordinary shares for the purposes of basic earnings per share   | <b>2,524,716</b>        | <u>1,440,382</u> |
| Effect of dilutive potential ordinary shares:   |                         |                  |
| Options   | <b><u>264,602</u></b>   |                  |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | <b><u>2,789,318</u></b> |                  |

Diluted loss per share for the year ended 31 March 2004 has not assumed the conversion of the convertible notes expired in prior year because the conversion would decrease net loss per share.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 11. PROPERTY, PLANT AND EQUIPMENT

|                                     | Land<br>use<br>right<br><i>HK\$'000</i> | Building<br><i>HK\$'000</i> | Leasehold<br>improve-<br>ments<br><i>HK\$'000</i> | Furniture,<br>fixtures<br>and office<br>equipment<br><i>HK\$'000</i> | Plant,<br>machinery<br>and<br>pipeline<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Con-<br>struction<br>in progress<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-------------------------------------|---|-----------------------------|---|--|---|--------------------------------------|---|--------------------------|
| <b>THE GROUP</b>                    |   |                             |   |  |   |                                      |   |                          |
| COST                                |   |                             |   |  |   |                                      |   |                          |
| At 1 April 2004                     | -                                       | -                           | 585   | 1,833  | 1,656   | 43                                   | -   | 4,117                    |
| Acquisition of<br>subsidiaries      | 4,733                                   | 8,264                       | -   | 438  | 18,521  | 1,217                                | 81,287  | 114,460                  |
| Additions                           | 377                                     | 167                         | -   | 122  | 7,254   | 38                                   | 265   | 8,223                    |
| Disposal of subsidiaries            | -                                       | -                           | (585)   | (1,833)  | (1,656)   | (43)                                 | -   | (4,117)                  |
| Transfer                            | -                                       | 2,308                       | -   | -  | 40,268  | -                                    | (42,576)  | -                        |
| Disposals                           | -                                       | -                           | -   | -  | -   | -                                    | (1,966)   | (1,966)                  |
| At 31 March 2005                    | <u>5,110</u>                            | <u>10,739</u>               | <u>-</u>  | <u>560</u>   | <u>66,043</u>   | <u>1,255</u>                         | <u>37,010</u>                                       | <u>120,717</u>           |
| DEPRECIATION AND<br>IMPAIRMENT LOSS |   |                             |   |  |   |                                      |   |                          |
| At 1 April 2004                     | -                                       | -                           | 582   | 1,691  | 1,522   | 43                                   | -   | 3,838                    |
| Provided for the year               | 47                                      | 126                         | -   | 53   | 1,203   | 99                                   | -   | 1,528                    |
| Disposal of subsidiaries            | -                                       | -                           | (582)   | (1,700)  | (1,522)   | (43)                                 | -   | (3,847)                  |
| At 31 March 2005                    | <u>47</u>                               | <u>126</u>                  | <u>-</u>  | <u>44</u>  | <u>1,203</u>  | <u>99</u>                            | <u>-</u>  | <u>1,519</u>             |
| NET BOOK VALUES                     |   |                             |   |  |   |                                      |   |                          |
| At 31 March 2005                    | <u>5,063</u>                            | <u>10,613</u>               | <u>-</u>  | <u>516</u>   | <u>64,840</u>   | <u>1,156</u>                         | <u>37,010</u>                                       | <u>119,198</u>           |
| At 31 March 2004                    | <u>-</u>                                | <u>-</u>                    | <u>3</u>  | <u>142</u>   | <u>134</u>  | <u>-</u>                             | <u>-</u>  | <u>279</u>               |

The net book values of the properties shown above comprise:

|  | <b>THE GROUP</b>       |                 |
|--|------------------------|-----------------|
|  | <b>2005</b>            | 2004            |
|  | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Medium term leasehold properties situated in the PRC,<br>excluding Hong Kong | <u><b>15,676</b></u>   | <u>-</u>        |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 12. INTERESTS IN SUBSIDIARIES

|                                  | <b>THE COMPANY</b> |           |
|----------------------------------|--------------------|-----------|
|                                  | <b>2005</b>        | 2004      |
|                                  | <b>HK\$'000</b>    | HK\$'000  |
| Unlisted shares, at cost         | <b>5,764</b>       | 118,655   |
| Amounts due from subsidiaries    | <b>140,969</b>     | 548,698   |
| Amounts due to subsidiaries      | <b>(11,364)</b>    | (19,067)  |
|                                  | <b>135,369</b>     | 648,286   |
| Less: Impairment loss recognised | –                  | (619,474) |
|                                  | <b>135,369</b>     | 28,812    |

The amounts due from (to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts will not be settled within the twelve months from the balance sheet date, accordingly, amounts are classified as non-current.

Particulars of the Company's principal subsidiaries as at 31 March 2005 are set out in note 35.

### 13. GOODWILL

|   | <b>THE GROUP</b> |
|---|------------------|
|   | HK\$'000         |
| <b>COST</b>   |                  |
| Arising on acquisition of subsidiaries and balance at 31 March 2005 | 41,093           |
| <b>AMORTISATION AND IMPAIRMENT</b>                                  |                  |
| Charge for the year and balance at 31 March 2005                    | 2,198            |
| <b>NET BOOK VALUE</b>   |                  |
| At 31 March 2005  | <u>38,895</u>    |

On 30 April 2004, the Group acquired a 49% equity interest in Xin Hua Resources Investment Limited ("Xin Hua") and the shareholder's loan for a consideration of HK\$29,500,000 and a goodwill of HK\$3,619,000 was arisen. Details of the acquisition are set out in note 24(vii).

On 25 October 2004, the Group acquired the remaining 51% equity interest in Xin Hua and the shareholder's loan for a consideration of HK\$65,000,000 and a goodwill of HK\$37,474,000 was arisen.

The amortisation period adopted for goodwill is 10 years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 14. INTEREST IN A JOINTLY CONTROLLED ENTITY

|                                      | <b>THE GROUP</b> |                 |
|--------------------------------------|------------------|-----------------|
|                                      | <b>2005</b>      | 2004            |
|                                      | <b>HK\$'000</b>  | <i>HK\$'000</i> |
| Share of net assets                  | –                | 475             |
| Due from a jointly-controlled entity | –                | 81              |
|                                      | <u>–</u>         | <u>556</u>      |

The amount due from the jointly-controlled entity was unsecured and interest-free.

Particulars of the jointly-controlled entity were as follows:

| <b>Name</b>                                | <b>Form of<br/>business<br/>structure</b> | <b>Place of<br/>registration<br/>and<br/>operations</b> | <b>Percentage of</b>          |                         |                           | <b>Principal activities</b>                                       |
|--|---|---|-------------------------------|-------------------------|---------------------------|---|
|  |   |   | <b>Ownership<br/>interest</b> | <b>Voting<br/>power</b> | <b>Profit<br/>sharing</b> |   |
| Kenworth-Watfield<br>Joint Venture Limited | Corporate                                 | Hong Kong   | 50                            | 50                      | 50                        | Provision of electrical<br>and mechanical<br>engineering services |

The jointly-controlled entity was held through a former subsidiary which was disposed of during the year.

## 15. INVESTMENT IN SECURITIES

|  | <b>THE GROUP</b> |                 |
|--|------------------|-----------------|
|  | <b>2005</b>      | 2004            |
|  | <b>HK\$'000</b>  | <i>HK\$'000</i> |
| Investment securities:                                   |                  |                 |
| Unlisted equity investment outside<br>Hong Kong, at cost | <u>190</u>       | <u>–</u>        |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 16. INVENTORIES

|                | <b>THE GROUP</b>    |          |
|----------------|---------------------|----------|
|                | <b>2005</b>         | 2004     |
|                | <b>HK\$'000</b>     | HK\$'000 |
| Consumables    | <b>291</b>          | –        |
| Raw materials  | <b>648</b>          | –        |
| Finished goods | <b>427</b>          | –        |
|                | <u><b>1,366</b></u> | <u>–</u> |

All the inventories are carried at cost as at the balance sheet date.

### 17. PROPERTIES HELD FOR SALE

|                          | <b>2005</b>          | 2004          |
|--------------------------|----------------------|---------------|
|                          | <b>HK\$'000</b>      | HK\$'000      |
| Properties held for sale | <u><b>48,138</b></u> | <u>46,569</u> |

The properties held for sale are leased to third parties under operating leases, further details of which are included in note 32.

The Group's properties held for sale amounting to HK\$41,569,000 (2004: HK\$46,569,000) are pledged to secure bank loans granted to the Group (Note 23).

All the properties held for sale are stated at net realisable value as at 31 March 2005 and stated at cost as at 31 March 2004.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 18. TRADE AND OTHER RECEIVABLES

An aged analysis of trade receivables as at the balance sheet date, based on invoice date, net of allowances, is as follows:

|   | <b>THE GROUP</b> |             |
|---|------------------|-------------|
|   | <b>2005</b>      | 2004        |
|   | <b>HK\$'000</b>  | HK\$'000    |
| <b>THE GROUP</b>  |                  |             |
| Current to 90 days                                      | <b>1,276</b>     | 4,132       |
| 91 to 180 days  | <b>398</b>       | 439         |
| 181 to 360 days   | <b>132</b>       | 177         |
| Over 360 days   | <b>–</b>         | 250         |
|   | <hr/>            | <hr/>       |
|   | <b>1,806</b>     | 4,998       |
| Retention money receivable ( <i>note 20</i> )           | <b>–</b>         | 947         |
| Deposit paid to Scheme Administrator ( <i>note 22</i> ) | <b>2,614</b>     | 2,614       |
| Deposit paid to court                                   | <b>–</b>         | 5,000       |
| Advances to third parties                               | <b>23,800</b>    | –           |
| Payment in advance to suppliers                         | <b>4,274</b>     | 1,366       |
| Deposit paid for investment                             | <b>2,272</b>     | –           |
| Others  | <b>7,675</b>     | 945         |
|   | <hr/>            | <hr/>       |
| Total   | <b>42,441</b>    | 15,870      |
|   | <hr/> <hr/>      | <hr/> <hr/> |

The Group allows a credit period ranging from 30 to 90 days to its customers. For retention receivables in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

As at 31 March 2004, include in other receivables is HK\$5,000,000 deposit paid to court as security for the claim made by the creditors under the scheme of arrangement. Details of the scheme of arrangement are set out in note 22.

The balance of advances to third parties at 31 March 2005 of HK\$23,800,000 has no fixed term of repayment and is secured by a piece of land located in the PRC and a guarantee.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 19. AMOUNTS DUE FROM/TO GROUP COMPANIES

The balances with group companies were unsecured and interest-free. Certain amount of the balances were settled during the year and the remaining balances were disposed of during the year. Details are set out in note 29.

### 20. AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

|   | <i>Notes</i> | <b>2005</b><br><b>HK\$'000</b> | 2004<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Contract costs incurred plus recognised profit less recognised losses to date | (i)          | –                              | 993,935                 |
| Less: Progress billings received and receivable                               | (i)          | –                              | (998,132)               |
|   |              | <u>–</u>                       | <u>(4,197)</u>          |
| Represented by:   |              |                                |                         |
| Amounts due from contract customers   | (ii)         | –                              | 750                     |
| Amounts due to contract customers   | (iii)        | –                              | (4,947)                 |
|   |              | <u>–</u>                       | <u>(4,197)</u>          |

*Notes:*

- (i) At 31 March 2004, the amounts were mainly related to construction contracts which had either been terminated or which had ceased, or had insignificant activities in prior year. Since there were numerous disputes and claims between the Group and its contract employers, suppliers, subcontractors and subcontractors' employees, the directors had not been able to negotiate and agree the final completion accounts for these terminated, ceased or inactive construction contracts.
- (ii) At 31 March 2004, retentions held by customers for contract works included in trade receivables under current assets amounted to HK\$947,000.
- (iii) At 31 March 2004, there were no advance received from customers for contract works included in trade payables under current liabilities.

The business relating to construction contracts was discontinued during the year upon completion of disposal of Kenworth Group. The details of disposal of Kenworth Group are set out in note 5.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 21. TRADE AND OTHER PAYABLES

An aged analysis of trade payables as at the balance sheet date is as follows:

|  | <b>THE GROUP</b> |             |
|--|------------------|-------------|
|  | <b>2005</b>      | 2004        |
|  | <b>HK\$'000</b>  | HK\$'000    |
| Current to 90 days                               | <b>6,492</b>     | 3,736       |
| 91 to 180 days                                   | <b>361</b>       | –           |
| Over 180 days                                    | <b>290</b>       | –           |
|  | <hr/>            | <hr/>       |
|  | <b>7,143</b>     | 3,736       |
| Deposits received from customers ( <i>Note</i> ) | <b>44,199</b>    | –           |
| Rental deposits received                         | <b>350</b>       | 302         |
| Accruals   | <b>1,280</b>     | 128         |
| Others   | <b>7,053</b>     | 3,329       |
|  | <hr/>            | <hr/>       |
|  | <b>60,025</b>    | 7,495       |
|  | <hr/> <hr/>      | <hr/> <hr/> |

*Note:*

Deposits received from customers represent the gas pipeline connection fee received but the pipelines have not yet been completed.

## 22. PROVISION FOR SCHEME DEBTS

The Group had made a scheme debt provision in prior years. The Company's directors have estimated and provided for the expected claims of the scheme debts on a case-by-case basis.

In prior years, the Company and certain of its then subsidiaries entered into a debt restructuring and share subscription agreement (the "DRA") with Wonderland Development Limited, Deson, the then holding companies of the Company, and certain of the Group's bank creditors. The DRA became unconditional on 10 August 2000. Three schemes of arrangement involving the Company and its two then subsidiaries, Kenworth Engineering Limited ("Kenworth") and Kenworth Group, were established under Section 166 of the Hong Kong Companies Ordinance (the "Schemes"), according to the terms of the restructuring proposal.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 22. PROVISION FOR SCHEME DEBTS (Continued)

Under the Schemes, for every HK\$10,000 of scheme debt, the Company, Kenworth and Kenworth Group, as appropriate, agreed to make a single cash payment to the scheme creditor in the amount of HK\$312.50 and the Company agreed to issue to the scheme creditor 5,000 new shares of HK\$0.10 each in the Company and convertible notes in the principal amount of HK\$187.50. The convertible notes would bear interest at a rate of 2% per annum and would be convertible into new shares in the Company at a conversion price of HK\$0.10 per share at any time up to the third anniversary of the issue date. For the Schemes of the Company and Kenworth Group, all admitted creditors were paid their entitlements in full in accordance with terms of the Schemes and the creditors were notified that the Schemes of the Company and Kenworth Group had been terminated on 13 November 2002. The convertible notes of the Company expired on 1 September 2003 at which date they were redeemed by the Company. The settlement arrangement for the portion of payment that would have been paid by way of convertible notes to the remaining creditors as at 1 September 2003 under the Scheme of Kenworth would be determined when their claims are admitted. The settlement of any and all of the debts due to the scheme creditors under the Schemes would constitute a full discharge and satisfaction of such debts. Any creditors who had initiated legal proceedings (including any winding-up petition) against the Group in connection with such debts were to pursue the termination of such proceedings.

As at 31 March 2005, an unclaimed amount of HK\$2,614,000 under the Scheme of Kenworth was kept by the Scheme Administrator and the balance has been included in other receivables in the financial statements.

On 12 April 2005, Kenworth and Nishimatsu Construction Co., Ltd. ("Nishimatsu"), a creditor of Kenworth, entered into a settlement agreement with respect to the terms of settlement of the disputes arising from certain contracts ("Settlement Agreement"), details of which are set out in the announcement of the Company dated 12 April 2005.

As a result of this settlement of the disputes between Kenworth and Nishimatsu, based on the notice of claims received under the Kenworth Scheme, all liabilities of the Company and Kenworth under Kenworth Scheme have been discharged or settled. The administrator of Kenworth Scheme is in the process of applying the release by the Court and all obligations of the administrator of the Kenworth Scheme will be discharged upon Court's Consent.

In the opinion of the directors, adequate provision for scheme debts has been made and no additional provision is required.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 23. BANK BORROWINGS

|   | <b>THE GROUP</b>      |                |
|---|-----------------------|----------------|
|   | <b>2005</b>           | 2004           |
|   | <b>HK\$'000</b>       | HK\$'000       |
| Bank overdrafts, secured                      | –                     | 3,832          |
| Bank loans, secured                           | <b>21,007</b>         | 8,117          |
| Trust receipt loans, secured                  | –                     | 261            |
|   | <u><b>21,007</b></u>  | <u>12,210</u>  |
| Bank overdrafts repayable on demand           | –                     | 3,832          |
| Bank loans repayable:                         |                       |                |
| Within one year or on demand                  | <b>9,922</b>          | 685            |
| In the second year                            | <b>969</b>            | 721            |
| In the third to fifth years, inclusive        | <b>3,262</b>          | 2,405          |
| Over five years                               | <b>6,854</b>          | 4,306          |
|   | <u><b>21,007</b></u>  | <u>8,117</u>   |
| Trust receipt loans repayable within one year | –                     | 261            |
|   | <u><b>21,007</b></u>  | <u>12,210</u>  |
| Portion classified as current liabilities     | <u><b>(9,922)</b></u> | <u>(4,778)</u> |
| Long term portion                             | <u><b>11,085</b></u>  | <u>7,432</u>   |

The Group's bank loans and banking facilities are secured by:

- (i) the Group's properties held for sale situated in the PRC amounting to HK\$41,569,000 (2004: HK\$46,569,000); and
- (ii) the pledged bank deposits amounting to HK\$130,000 (2004: HK\$5,283,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 24. SHARE CAPITAL

|  |              | <b>2005</b>                 | 2004                  |
|--|--------------|-----------------------------|-----------------------|
|  |              | <b>HK\$'000</b>             | HK\$'000              |
| Authorised:  |              |                             |                       |
| 4,999,999,999 (2004: 2,571,428,571) shares<br>at HK\$0.07 (2004: HK\$0.07) each          |              | <b><u>350,000</u></b>       | <u>180,000</u>        |
| Issued and fully paid:   |              |                             |                       |
| 2,614,715,736 (2004: 1,519,715,736) ordinary shares<br>of HK\$0.07 (2004: HK\$0.07) each |              | <b><u>183,030</u></b>       | <u>106,380</u>        |
|  |              | <b>Number of</b>            | <b>Amount</b>         |
|  | <i>Notes</i> | <b>ordinary shares</b>      | <i>HK\$'000</i>       |
| Authorised:  |              |                             |                       |
| At 1 April 2003  |              | 1,800,000,000               | 180,000               |
| Capital reduction  | (ii)         | –                           | (54,000)              |
| Increase in authorised capital   | (iii)        | <u>771,428,571</u>          | <u>54,000</u>         |
| At 31 March 2004   |              | 2,571,428,571               | 180,000               |
| Increase in authorised capital   | (iv)         | <u>2,428,571,428</u>        | <u>170,000</u>        |
| At 31 March 2005   |              | <b><u>4,999,999,999</u></b> | <b><u>350,000</u></b> |
| Issued and fully paid:   |              |                             |                       |
| At 1 April 2003  |              | 862,277,659                 | 86,228                |
| Capital reduction  | (i)          | –                           | (25,868)              |
| Placement of shares  | (v)          | 657,142,857                 | 46,000                |
| Issue of shares upon exercise of<br>convertible notes                                    | (vi)         | <u>295,220</u>              | <u>20</u>             |
| At 31 March 2004   |              | 1,519,715,736               | 106,380               |
| Issue of shares for acquisition of<br>a subsidiary and associates                        | (vii)        | 370,000,000                 | 25,900                |
| Placement of shares  | (viii)       | 400,000,000                 | 28,000                |
| Subscription of shares   | (ix)         | <u>325,000,000</u>          | <u>22,750</u>         |
| At 31 March 2005   |              | <b><u>2,614,715,736</u></b> | <b><u>183,030</u></b> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 24. SHARE CAPITAL (Continued)

*Notes:*

- (i) Pursuant to certain special resolutions passed at a special general meeting of the Company held on 12 May 2003 and board resolutions passed on the same date, a capital reorganisation was implemented on 13 May 2003. The nominal value of each issued ordinary share of the Company was reduced from HK\$0.10 to HK\$0.07 by the cancellation of HK\$0.03 of the paid-up capital (the "Capital Reduction"), and the credit arising from the Capital Reduction of approximately HK\$25,868,000 was applied to set off against the accumulated losses of the Company.
- (ii) Upon the Capital Reduction becoming effective on 13 May 2003, the authorised share capital of the Company was reduced to HK\$126,000,000, comprising 1,800,000,000 shares of HK\$0.07 each.
- (iii) On the same date, the authorised share capital of the Company was increased to HK\$180,000,000 by the creation of 771,428,571 new shares of HK\$0.07 each.
- (iv) Pursuant to certain ordinary resolutions passed at a special general meeting of the Company held on 16 April 2004, the authorised share capital of the Company was increased to HK\$350,000,000 by the creation of 2,428,571,428 new shares of HK\$0.07 each.
- (v) On 14 May 2003, the Group acquired a 100% interest in certain subsidiaries from Deson. The purchase consideration of HK\$46,000,000 for the acquisition was satisfied by way of issuing 657,142,857 shares in the Company.
- (vi) The conversion rights attaching to HK\$29,522 convertible notes were exercised at the conversion price of HK\$0.10 per share, resulting in the issuance of 295,220 new ordinary shares of HK\$0.07 each. Share premium of HK\$8,857 has been included in the share premium account. Details of the convertible notes were set out in note 26.
- (vii) On 18 February 2004, the Group entered into agreements with independent third parties to acquire an aggregate 49% equity interest in Xin Hua and its related shareholder's loan for HK\$29,500,000 (the "Xin Hua Acquisition"). The consideration was satisfied by way of issuing 295,000,000 shares in the Company at HK\$0.10 each.

On 18 February 2004, the Group also entered into an agreement with Deson to acquire the entire issued share capital of Penmark Limited ("Penmark") and its related shareholder's loan at a consideration of HK\$7,500,000 (the "Penmark Acquisition"). The consideration was satisfied by issuing 75,000,000 shares in the Company at HK\$0.10 each to Deson or its nominee. The Company also granted Deson's nominee an option to subscribe for one option share for every two shares issued at the option exercise price of HK\$0.105 per option share.

The above transactions were approved by independent shareholders and shareholders of the Company at a special general meeting on 16 April 2004 and completed on 30 April 2004.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 24. SHARE CAPITAL (Continued)

*Notes: (Continued)*

(viii) On 18 February 2004, the Company entered into a placing agreement with a placing agent to place up to 800,000,000 new shares in the Company at a price of HK\$0.10 per share (the "Placing"). The placing agent agreed to place to not less than six independent placees (a) 200,000,000 placing shares on a fully underwritten basis and (b) 600,000,000 placing shares on a best endeavours basis. An aggregate of 400,000,000 placing shares were successfully placed. Pursuant to the placing agreement, the Company granted each placee a placing option which will entitle the placee to subscribe for one option share for every two placing shares subscribed for by the placee at the option exercise price of HK\$0.105 per option share.

The above transactions were approved by independent shareholders and shareholders of the Company at a special general meeting on 16 April 2004 and completed on 30 April 2004.

(ix) On 18 February 2004, the Company entered into a subscription agreement with Super Win Development Limited ("Super Win"), the immediate holding company of the Company. The Company issued 325,000,000 new shares to Super Win at a price of HK\$0.10 per share for an aggregate consideration of HK\$32,500,000 (the "Subscription"). Pursuant to the subscription agreement, Super Win will be entitled to subscribe for one option share for every two shares subscribed for at the option exercise price of HK\$0.105 per option share.

The above transactions were approved by independent shareholders and shareholders of the Company at a special general meeting on 16 April 2004 and completed on 30 April 2004.

All the above shares rank *pari passu* in all respects with other shares in issue.

### Options

As detailed in note (vii), (viii) and (ix) above, a total of 400,000,000 options were issued pursuant to the agreements of Xin Hua Acquisition, Penmark Acquisition, Placing and Subscription. Each option entitles holder thereof to subscribe for one ordinary share of HK\$0.07 each at a subscription price of HK\$0.105 per share, payable in cash and subject to adjustment, from 28 October 2004 to 27 October 2006, both dates inclusive.

None of these option were exercised during the year. At the balance sheet date, the Company had 400,000,000 options outstanding. The exercise in full of such options would, under the present capital structure of the Company, result in the issue of 400,000,000 new shares of HK\$0.07 each with gross issue proceeds of approximately HK\$42,000,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 25. SHARE OPTIONS

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include full-time employees (including executive directors) of the Group. The Option Scheme became effective on 4 April 1997 and, unless otherwise amended or altered, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Option Scheme is limited to 25% of the aggregate number of shares for the time being issued and are issuable under the Option Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than three years from the date of the offer of the share options or the expiry date of the Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors at their discretion and will be the higher of a price being not less than 80% of the average of the closing price of the shares on the Stock Exchange for the five trading days immediately preceding the offer date, and the nominal value of the shares of the Company.

On 1 September 2001, the Stock Exchange amended Chapter 17 (Share Option Schemes) of the Listing Rules. In accordance with the revised rules, it is possible for the Company to grant further options from its existing scheme only if the options granted are in accordance with the requirements of the new rules of Chapter 17. Accordingly to the new rules of Chapter 17, the total number of shares in respect of which options may be granted under the Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issue in respect of which options granted and may be granted to any individual in any one year is not permitted exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

No share option was outstanding under the Option Scheme and none of the Company's directors or the Group's employees were granted share options during the year ended 31 March 2005 and 2004.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 26. CONVERTIBLE NOTES

|                                    | <b>THE GROUP<br/>AND THE COMPANY</b> |
|------------------------------------|--------------------------------------|
|                                    | <i>HK\$'000</i>                      |
| At 1 April 2003                    | 9,675                                |
| Exercise of convertible notes      | (29)                                 |
| Redemption of convertible notes    | (9,646)                              |
|                                    | <hr/>                                |
| At 31 March 2004 and 31 March 2005 | <hr/> <hr/> –                        |

Under the Schemes, as detailed in note 22, for every HK\$10,000 of scheme debt, the Company issued convertible notes in the principal amount of HK\$187.50 to the scheme creditors on 30 August 2000. The notes bore interest at a rate of 2% per annum and would be convertible into new shares in the Company at a conversion price of HK\$0.10 per share (the "Conversion Price") at any time up to 1 September 2003, being the third anniversary of the date of the issue. The Conversion Price was subject to certain adjustments as defined in the note instrument.

Upon maturity of the convertible notes on 1 September 2003, the Company repaid the principal amount outstanding to the convertible note holders.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 27. RESERVES

### THE COMPANY

|   | <b>Share<br/>premium<br/>account</b> | <b>Contributed<br/>surplus</b> | <b>General<br/>reserve</b> | <b>Accumulated<br/>losses</b> | <b>Total</b>    |
|---|--------------------------------------|--------------------------------|----------------------------|-------------------------------|-----------------|
|   | <i>HK\$'000</i>                      | <i>HK\$'000</i>                | <i>HK\$'000</i>            | <i>HK\$'000</i>               | <i>HK\$'000</i> |
| At 1 April 2003   | –                                    | 101,689                        | 490,659                    | (700,740)                     | (108,392)       |
| Capital reduction   | –                                    | –                              | –                          | 25,868                        | 25,868          |
| Transfer  | –                                    | –                              | (490,659)                  | 490,659                       | –               |
| Issue of shares<br>upon exercise of<br>convertible notes                | 9                                    | –                              | –                          | –                             | 9               |
| Net loss for the year   | –                                    | –                              | –                          | (2,517)                       | (2,517)         |
|   | <hr/>                                | <hr/>                          | <hr/>                      | <hr/>                         | <hr/>           |
| At 31 March 2004  | 9                                    | 101,689                        | –                          | (186,730)                     | (85,032)        |
| Issue of shares for<br>acquisition of a<br>subsidiary and<br>associates | 11,100                               | –                              | –                          | –                             | 11,100          |
| Placement of shares   | 12,000                               | –                              | –                          | –                             | 12,000          |
| Subscription of shares  | 9,750                                | –                              | –                          | –                             | 9,750           |
| Expenses incurred in<br>connection with issue<br>of shares              | (2,003)                              | –                              | –                          | –                             | (2,003)         |
| Net profit for the year   | –                                    | –                              | –                          | 11,053                        | 11,053          |
|   | <hr/>                                | <hr/>                          | <hr/>                      | <hr/>                         | <hr/>           |
| At 31 March 2005  | <u>30,856</u>                        | <u>101,689</u>                 | <u>–</u>                   | <u>(175,677)</u>              | <u>(43,132)</u> |

The contributed surplus of the Company represents the difference between the nominal value of the Company's share capital issued in exchange for the aggregate net asset value of the subsidiaries acquired at the date of the reorganisation at the time of the Company's listing in 1997. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders of the Company under certain circumstances which the Company cannot currently meet.

The general reserve of the Company represents the total discharged liabilities of the Company as at 3 August 2000 pursuant to the Schemes. During the year ended 31 March 2004, the directors decided to transfer the general reserve to the accumulated losses of the Company as this would provide a fairer presentation of the reserves of the Company as at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 28. DEFERRED TAX LIABILITIES

The follows are the major deferred tax liabilities and assets recognised and movements thereon during the current reporting period:

### THE GROUP

|                                  | <b>Accelerated<br/>tax<br/>depreciation</b><br><i>HK\$'000</i> |
|----------------------------------|--|
| At 1 April 2003 and 1 April 2004 | –  |
| Acquisition of subsidiaries      | 61   |
|                                  | <hr/>  |
| At 31 March 2005                 | 61   |
|                                  | <hr/> <hr/>  |

At the balance sheet date, the Group has unrecognised tax losses of HK\$2,200,000 (2004: HK\$nil) available to offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised tax losses due to the unpredictability of future profit streams. Such unrecognised tax losses will be carried forward for five years from date of origination.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### Acquisition of subsidiaries

As detailed in note 24(vii), the Group acquired a 49% equity interest in Xin Hua and the entire issued share capital of Penmark on 30 April 2004 satisfied by issuing of new shares. On 25 October 2004, the Group acquired the remaining 51% equity interest in Xin Hua and a shareholder's loan at a consideration of HK\$66,447,000, including acquisition cost of HK\$1,447,000.

|   | 2005<br><i>HK\$'000</i> | 2004<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Net assets acquired:                        |                         |                         |
| Property, plant and equipment               | 114,460                 | –                       |
| Investment in securities                    | 190                     | –                       |
| Inventories                                 | 1,078                   | –                       |
| Properties held for sale                    | 7,569                   | 46,569                  |
| Trade and other receivables                 | 31,077                  | 112                     |
| Amounts due from former fellow subsidiaries | –                       | 372                     |
| Bank balance and cash                       | 15,473                  | 105                     |
| Trade and other payables                    | (121,376)               | (587)                   |
| Shareholder's loan                          | (27,818)                | –                       |
| Deferred tax liabilities                    | (61)                    | –                       |
| Taxation payable                            | (545)                   | –                       |
| Borrowings                                  | (5,714)                 | –                       |
| Minority interests                          | (3,169)                 | (12)                    |
|   | <u>11,164</u>           | <u>46,559</u>           |
| Acquisition of shareholder's loan           | 27,818                  | –                       |
| Goodwill on acquisition                     | 37,474                  | –                       |
|   | <u>76,456</u>           | <u>46,559</u>           |
| Satisfied by:                               |                         |                         |
| Issue of shares ( <i>note 30</i> )          | 7,500                   | 46,000                  |
| Reclassification of interests in associates | 30,327                  | –                       |
| Cash  | 38,629                  | 559                     |
|   | <u>76,456</u>           | <u>46,559</u>           |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### Acquisition of subsidiaries (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

|   | <b>2005</b>            | 2004         |
|---|------------------------|--------------|
|   | <b>HK\$'000</b>        | HK\$'000     |
| Cash consideration  | <b>(38,629)</b>        | (559)        |
| Cash and bank balances acquired   | <b>15,473</b>          | 105          |
|   | <hr/>                  | <hr/>        |
| Net outflow of cash and cash equivalents in respect<br>of the acquisition of subsidiaries | <b><u>(23,156)</u></b> | <u>(454)</u> |

The subsidiaries acquired during the year contributed HK\$77,051,000 to the Group's turnover and a profit of HK\$26,416,000 to the Group's net profit attributable to shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

### Disposal of subsidiaries

As referred to in note 5, the Group discontinued its provision of electrical and mechanical engineering service operations at the time of disposal of Kenworth Group. The net assets of Kenworth Group at the date of disposal were as follows:

|   | 2005<br><i>HK\$'000</i> | 2004<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Net assets disposed of  |                         |                         |
| Property, plant and equipment   | 270                     | –                       |
| Interest in a jointly controlled entity   | 474                     | –                       |
| Trade and other receivables   | 9,681                   | –                       |
| Amounts due from fellow subsidiaries  | 887                     | –                       |
| Gross amounts due from contract customers   | 5,339                   | –                       |
| Pledged bank deposits   | 5,183                   | –                       |
| Bank balances and cash  | 1,050                   | –                       |
| Trade and other payables  | (7,868)                 | –                       |
| Retention money payable   | (1,353)                 | –                       |
| Gross amounts due to contract customers   | (4,324)                 | –                       |
| Amounts due to fellow subsidiaries  | (3,712)                 | –                       |
| Amount due to a jointly controlled entity   | (388)                   | –                       |
| Borrowings  | (5,448)                 | –                       |
| Minority interests  | (273)                   | –                       |
| Net liabilities disposed  | (482)                   | –                       |
| Capital contribution through disposal of subsidiaries<br>to Deson ( <i>Note 5</i> ) | 7,482                   | –                       |
| Total consideration   | <u>7,000</u>            | <u>–</u>                |
| Satisfied by:   |                         |                         |
| Cash  | <u>7,000</u>            | <u>–</u>                |
| Net cash inflow arising on disposal:  |                         |                         |
| Cash consideration  | 7,000                   | –                       |
| Bank balances and cash disposed of  | (1,050)                 | –                       |
|   | <u>5,950</u>            | <u>–</u>                |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 30. MAJOR NON-CASH TRANSACTIONS

- (a) On 14 May 2003, the Group acquired a 100% interest in certain subsidiaries from Deson. The purchase consideration of HK\$46,000,000 for the acquisition was satisfied by way of issuing 657,142,857 shares in the Company.
- (b) As detailed in note 24(vii), the Group acquired 49% equity interest in Xin Hua and the entire issued share capital of Penmark. The consideration were satisfied by way of issuing 370,000,000 shares in the Company.

### 31. CONTINGENT LIABILITIES

|   | <b>THE COMPANY</b> |          |
|---|--------------------|----------|
|   | <b>2005</b>        | 2004     |
|   | <b>HK\$'000</b>    | HK\$'000 |
| Guarantees given to banks in connection with facilities granted to subsidiaries | <b>12,000</b>      | 16,500   |

As at 31 March 2005, the above bank facilities utilised by the subsidiaries amounted to HK\$12,000,000 (2004: HK\$12,939,000).

### 32. OPERATING LEASES ARRANGEMENTS

#### (a) The Group as lessor

The Group leases its properties held for sale, as set out in note 17, under operating lease arrangements with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments.

|   | <b>THE GROUP</b> |          |
|---|------------------|----------|
|   | <b>2005</b>      | 2004     |
|   | <b>HK\$'000</b>  | HK\$'000 |
| Within one year                         | <b>2,304</b>     | 1,205    |
| In the second to fifth years, inclusive | <b>904</b>       | 970      |
| After five years                        | <b>84</b>        | –        |
|   | <b>3,292</b>     | 2,175    |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 32. OPERATING LEASES ARRANGEMENTS (Continued)

#### (b) The Group as lessee

Certain office properties leased by the Group are under operating lease arrangements. Leases for properties are negotiated for terms of two years.

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

|   | <b>THE GROUP</b>    |            |
|---|---------------------|------------|
|   | <b>2005</b>         | 2004       |
|   | <b>HK\$'000</b>     | HK\$'000   |
| Within one year                         | <b>611</b>          | 140        |
| In the second to fifth years, inclusive | <b>520</b>          | 129        |
|   | <b><u>1,131</u></b> | <u>269</u> |

### 33. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with certain related parties during the year.

|  | <i>Notes</i> | <b>2005</b>          | 2004     |
|--|--------------|----------------------|----------|
|  |              | <b>HK\$'000</b>      | HK\$'000 |
| Construction contracting income received         |              |                      |          |
| from the fellow subsidiaries                     | (i)          | –                    | 6,422    |
| Rental expense paid to a fellow subsidiary       | (ii)         | <b>48</b>            | –        |
| Acquisition of subsidiaries from the             |              |                      |          |
| ultimate holding company                         | (iii)        | <b>7,500</b>         | 46,000   |
| Disposal of subsidiaries to the ultimate holding | (iii)        | <b>7,000</b>         | –        |
| Issue of new shares                              | (iv)         | <b><u>32,500</u></b> | <u>–</u> |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 33. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) The directors consider that the construction contracts were entered into according to conditions similar to those offered to the major customers of the Group.
- (ii) The rental expense was based on rates approximating those of the market at the time the initial lease was entered into. The rental expense was waived by the fellow subsidiary.
- (iii) During the year, the Group acquired certain subsidiaries and disposed of certain subsidiaries from and to Deson and its subsidiaries. The consideration was determined between Deson and the Company by reference to the market value of the property held by that Company or the unaudited consolidated net asset value of those companies as at 31 December 2003. Further details of the transaction are included in note 29.
- (iv) On 18 February 2004, the Company entered into a subscription agreement with Super Win. The Company issued 325,000,000 new shares to Super Win at a price of HK\$0.10 per share for an aggregate consideration of HK\$32,500,000. Pursuant to the subscription agreement, Super Win will be entitled to subscribe for one option share for every two shares subscribed for at the option exercise price of HK\$0.105 per option share. The subscription was completed on 30 April 2004.

### 34. POST BALANCE SHEET EVENT

On 27 June 2005, the Group disposed of certain properties held for sale at a consideration of approximately HK\$14,000,000. The loss on disposal amounted to approximately HK\$351,000.

### 35. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2005 are as follows:

| Name of company                     | Place of incorporation/<br>operation | Capital contributed<br>by the Group | Proportion of<br>nominal value of<br>registered capital<br>held by the Group |            | Principal activities |
|-------------------------------------|--------------------------------------|-------------------------------------|--|------------|----------------------|
|                                     |                                      |                                     | Directly   | Indirectly |                      |
|                                     |                                      |                                     | %  | %          |                      |
| Billion Treasure Holdings Limited   | British Virgin Islands<br>("BVI")    | US\$1,000                           | 100  | –          | Investment holding   |
| Bless Honour Limited                | Hong Kong                            | HK\$2                               | –  | 100        | Property holding     |
| Brilliant China Investments Limited | BVI                                  | US\$1                               | 100  | –          | Investment holding   |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 35. PRINCIPAL SUBSIDIARIES (continued)

| Name of company   | Place of incorporation/<br>operation   | Capital contributed<br>by the Group | Proportion of nominal value of registered capital held by the Group |                 | Principal activities   |
|---|--|-------------------------------------|---|-----------------|--|
|   |  |                                     | Directly<br>%   | Indirectly<br>% |  |
| Penmark Limited   | Hong Kong                              | HK\$30                              | 100   | –               | Property holding   |
| Xin Hua Resources Investment Limited                                      | BVI/People's Republic of China ("PRC") | US\$50,000                          | –   | 100             | Investment holding   |
| Beijing Zhong Min Gas Co., Ltd.<br>"北京中民燃氣有限公司"                           | PRC*                                   | US\$7,042,720                       | –   | 100             | Investment holding   |
| Mian Zhu City Hong Sen Natural Gas Co., Ltd.<br>"綿竹市紅森天然氣有限責任公司"          | PRC**                                  | RMB16,308,800                       | –   | 99.99           | Distribution and supply of piped natural gas   |
| Mian Zhu City Long Teng Gas Installation Co. Ltd.<br>"綿竹市龍騰燃氣安裝有限責任公司"    | PRC**                                  | RMB7,633,400                        | –   | 99.99           | Installation of natural gas distribution facilities  |
| LongXin (Yan Ting) Natural Gas Company Limited<br>"鹽亭龍興燃氣有限責任公司"          | PRC**                                  | RMB3,018,900                        | –   | 99              | Distribution and supply of piped natural gas and installation of natural gas distribution facilities |
| Mian Zhu City Hongsen Glass Products Company Limited<br>"綿竹市紅森玻璃製品有限責任公司" | PRC**                                  | RMB1,000,000                        | –   | 69.99           | Manufacturing and sale of glass products   |

# Wholly foreign-owned enterprises registered in the PRC.

## Sino-foreign joint equity enterprises registered in the PRC.

None of the subsidiaries had issued any debt securities during the year and at the end of the year.