

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

1. GENERAL

The Company is an exempted limited company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The Group is principally engaged in securities trading, provision of information technology services and property investment. The activities of its principal subsidiaries are set out in note 17.

2. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

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

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, as modified for the revaluation of investment properties and securities other than held-to-maturity debt securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group have been 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 and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

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

Revenue recognition

Service income is recognised when services have been provided to customers.

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

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rate applicable.

Dividend income is recognised when the right to receive payment is established.

Property, plant and equipment

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

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

Furniture, equipment and computer software	20% – 25%
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The gain and 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.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

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

Retirement benefit costs

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Profit and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of overseas subsidiaries denominated in foreign currencies are translated into Hong Kong dollars for inclusion in the Group's consolidated financial statements at the applicable rates of exchange ruling at the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange fluctuation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years. And it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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 profits will be available to allow all or part of the asset to be recovered.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as revaluation increase under that accounting standard.

Investment properties

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

No depreciation is provided for investment properties which are held on leases with an unexpired term of more than 20 years. Investment properties are stated at their open market value based on professional valuations at the balance sheet date.

Any surplus or deficit arising on the valuation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the subsequent sale of an investment property, the attributable revaluation surplus is transferred to income statement.

NOTES TO THE FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, which are for non-trade purposes, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Cash equivalents

Cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

4. TURNOVER

Turnover represents the net results from securities trading, gross rental income received and receivable from investment properties and gross service income received and receivable during the year. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Net results from securities trading	-	(1,723)
Gross rental from investment properties	-	3,881
Service income	2,763	-
	2,763	2,158

NOTES TO THE FINANCIAL STATEMENTS

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5. OTHER INCOME

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Interest income	176	422
Waiver of other payables	2,140	–
Other income	140	468
	2,456	890

6. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

- (a) the securities trading segment invests in securities listed on global stock markets;
- (b) the property investment segment invests in residential units and office space for their rental income potential; and
- (c) the information technology segment provides information technology system and service wireless Internet access.

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6. SEGMENT INFORMATION *(continued)*

THE GROUP

	Securities trading		Property investment		Information technology		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue	-	(1,723)	-	3,881	2,763	-	2,763	2,158
Gain on disposal of investment properties	-	-	28,742	64,241	-	-	28,742	64,241
Unrealised holding losses on trading securities	(285)	(1,812)	-	-	-	-	(285)	(1,812)
Allocated expenses	(8)	(14)	(392)	(692)	(9,450)	-	(9,850)	(706)
Segment results	(293)	(3,549)	28,350	67,430	(6,687)	-	21,370	63,881
Interest income							176	422
Other income							2,280	468
Unallocated expenses							(5,793)	(11,039)
Profit from operations							18,033	53,732
Finance costs							-	(1,070)
Profit before minority interests							18,033	52,662
Income tax expense							-	-
Minority interests							(586)	-
Net profit attributable to shareholders							17,447	52,662

NOTES TO THE FINANCIAL STATEMENTS

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6. SEGMENT INFORMATION *(continued)*

	Securities trading		Property investment		Information technology		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment assets	49,132	35,828	-	30,800	10,075	16,351	59,207	82,979
Unallocated assets							39,651	32,177
Total assets							<u>98,858</u>	<u>115,156</u>
Segment liabilities	-	-	-	-	313	3,765	313	3,765
Unallocated liabilities							4,062	9,188
Total liabilities							<u>4,375</u>	<u>12,953</u>
Minority interests							<u>781</u>	<u>195</u>
Other segment information:								
Depreciation	-	-	-	-	268	-	268	-
Surplus on revaluation	-	-	-	12,427	-	-	-	12,427
Capital expenditure	-	-	-	-	912	-	912	-
Amortisation of goodwill	-	-	-	-	2,827	-	2,827	-
Impairment of goodwill	-	-	-	-	2,500	-	2,500	-
Unrealised holding losses on trading securities	285	1,812	-	-	-	-	285	1,812

NOTES TO THE FINANCIAL STATEMENTS

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6. SEGMENT INFORMATION *(continued)*

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the stock markets and customers, and assets are attributed to the segments based on the location of the assets.

The following table presents certain revenue, assets and expenditure information for the geographical segments of the Group.

	Hong Kong		The People's Republic of China (excluding Hong Kong)		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue	<u>-</u>	<u>2,158</u>	<u>2,763</u>	<u>-</u>	<u>2,763</u>	<u>2,158</u>
Segment assets	<u>85,606</u>	<u>98,882</u>	<u>13,252</u>	<u>16,274</u>	<u>98,858</u>	<u>115,156</u>
Other segment information: Capital expenditure	<u>-</u>	<u>-</u>	<u>912</u>	<u>-</u>	<u>912</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

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7. PROFIT FROM OPERATIONS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs (excluding directors' remuneration, note 9)		
Wages and salaries	804	-
Provident fund contributions	85	-
	<u>889</u>	-
Amortisation on goodwill (included in other operating expenses)	2,827	-
Impairment loss on goodwill (included in other operating expenses)	2,500	-
Depreciation of property, plant and equipment	268	-
Minimum lease payments under operating leases on land and buildings	191	-
Auditors' remuneration	288	200
Unrealised holding losses on trading securities	285	1,812
Exchange losses, net	41	-
	<u> </u>	<u> </u>
And after crediting:		
Rental income	-	3,881
	<u> </u>	<u> </u>

8. FINANCE COSTS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Interest expense on bank loans	-	1,070
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

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9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Fees:		
Executive directors	461	113
Independent non-executive directors	160	110
	621	223
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	16	-
Provident fund contributions	-	-
	16	-
	637	223

The remuneration of the 6 (2004: 6) directors of the Company during the year fell within the band of Nil-HK\$1,000,000 (2004: Nil-HK\$1,000,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 2 (2004: 5) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining highest paid, non-director employees in the year ended 31 March 2005 are as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	171	–
Provident fund contributions	34	–
	205	–

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

	Number of employees	
	2005	2004
Nil – HK\$1,000,000	3	–

During the year, no emoluments were paid by the Group to any of the highest paid, non-director employees as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

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11. INCOME TAX EXPENSE

No tax is payable on profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

The charge for the year can be reconciled to the profit per the income statement as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Profit before taxation	18,033	52,662
Income tax at 17.5% (2004: 17.5%)	3,156	9,216
Tax effect of expenses not deductible and income not taxable in determining taxable profit	(2,617)	(11,652)
Tax effect of tax losses not recognised	217	2,436
Tax effect of utilisation of tax losses not previously recognised	(756)	-
Tax expense for the year	-	-

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of assessable profit.

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

Details of the potential deferred tax asset not recognised in the year are set out in note 22.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$17,447,000 (2004: HK\$52,662,000) and on the weighted average number of 532,100,000 (2004: 442,723,725) shares in issue during the year.

For the purpose of calculating diluted earnings per share, the convertible notes (Note 21) were considered as potential ordinary shares. No diluted earnings per share is presented for the year ended 31 March 2005 and 2004 as the potential ordinary shares are anti-dilutive.

13. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 March 2005 (2004: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

14. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

**Furniture,
equipment,
and computer
software**
HK\$'000

COST	
At 1 April 2004	680
Additions	912
At 31 March 2005	1,592
DEPRECIATION	
At 1 April 2004	56
Provided for the year	268
At 31 March 2005	324
NET BOOK VALUES	
At 31 March 2005	1,268
At 31 March 2004	624

15. INVESTMENT PROPERTIES

THE GROUP

	2005 HK\$'000	2004 HK\$'000
VALUATION:		
At beginning of year	30,800	123,904
Disposals	(30,800)	(105,531)
Surplus on revaluation	-	12,427
At end of year	-	30,800

All of the investment properties of the Group were disposed of during the year. As at 31 March 2004 the investment properties were revalued on 31 March 2004 by BMI Appraisals Limited, an independent firm of professional valuers, at HK\$30,800,000 on an open market, existing use basis.

This valuation gave rise to a revaluation surplus of HK\$12,427,000 which was credited to the investment property revaluation reserve.

The investment properties were located in Hong Kong and held under medium-term lease.

NOTES TO THE FINANCIAL STATEMENTS

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16. GOODWILL

	THE GROUP
	HK\$'000
<hr/>	
COST	
At 1 April 2004 and at 31 March 2005	14,134
AMORTISATION AND IMPAIRMENT	
At 1 April 2004	–
Charge for the year	2,827
Impairment loss	2,500
	<hr/>
At 31 March 2005	5,327
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NET BOOK VALUE	
At 31 March 2005	8,807
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At 31 March 2004	14,134
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The amortisation period adopted for goodwill is 5 years.

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
<hr/>		
Unlisted shares, at cost	298,005	298,005
Impairment loss	(277,992)	(276,526)
	<hr/>	<hr/>
	20,013	21,479
	<hr/> <hr/>	<hr/> <hr/>

The following is a list of the principal subsidiaries at 31 March 2005 and 2004:

Name of subsidiary	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
Cosmopolitan Properties and Securities Limited	Hong Kong	HK\$1,000	100%	–	Securities trading and property investment
Core Success Limited	Samoa	US\$1	100%	–	Securities trading

NOTES TO THE FINANCIAL STATEMENTS

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17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
Groupsource Investments Limited <i>(Note a)</i>	The British Virgin Islands	US\$1	100%	–	Investment holdings
Village Properties Limited	Hong Kong	HK\$20	–	100%	Investment holdings
Cyberlogistic International Holdings Limited (previously known as "Power Wish Global Technology Limited") <i>(Note b)</i>	The British Virgin Islands	US\$400	–	49%	Investment holdings
Power2Roam Company Limited <i>(Note c)</i>	Hong Kong	HK\$1,000	–	50.36%	Provision of wireless Internet access technology
Wish Technologies Limited <i>(Note d)</i>	Hong Kong	HK\$100	–	35.89%	Investment holdings
WISH Technologies China Limited (衍科軟件科技(上海)有限公司) <i>(Note d)</i>	The People's Republic of China	US\$140,000	–	35.89%	Provision of property management system solutions

Note a: The subsidiary was set up during the year ended 31 March 2005.

Note b: The Group holds 49% of the equity interest in Cyberlogistic International Holdings Limited ("Cyberlogistic"), through Village Properties Limited. Cyberlogistic is accounted for as a subsidiary of the Company by virtue of control as the Company gained majority representation in the board of directors of Cyberlogistic by an agreement among all shareholders of Cyberlogistic.

Note c: Cyberlogistic owns 64% of the equity shares in Power2Roam Company Limited ("P2R"). The Group therefore has control over P2R. The Group also holds 19% of the equity shares in P2R through Village Properties Limited.

Note d: These companies are wholly owned subsidiaries of a 74% held subsidiary of Cyberlogistic and is accordingly accounted for as subsidiaries of the Company by virtue of control.

The above are subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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18. INVESTMENTS IN SECURITIES

THE GROUP

	Held to maturity debt securities		Trading securities		Other securities		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Equity securities:								
Listed (<i>Note a</i>)	-	-	34,772	21,468	-	-	34,772	21,468
Unlisted (<i>Note b</i>)	-	-	-	-	14,000	14,000	14,000	14,000
	-	-	34,772	21,468	14,000	14,000	48,772	35,468
Debt securities:								
Unlisted	360	360	-	-	-	-	360	360
	360	360	34,772	21,468	14,000	14,000	49,132	35,828
Total:								
Listed in Hong Kong (<i>Note a</i>)	-	-	34,772	21,468	-	-	34,772	21,468
Unlisted (<i>Note b</i>)	360	360	-	-	14,000	14,000	14,360	14,360
	360	360	34,772	21,468	14,000	14,000	49,132	35,828
Market value of listed securities (<i>Note a</i>)	N/A	N/A	34,772	21,468	N/A	N/A	34,772	21,468
Carrying amount analysed for reporting purposes as:								
Current (<i>Note a</i>)	-	-	34,772	21,468	-	-	34,772	21,468
Non-current (<i>Note b</i>)	360	360	-	-	14,000	14,000	14,360	14,360
	360	360	34,772	21,468	14,000	14,000	49,132	35,828

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18. INVESTMENTS IN SECURITIES *(continued)*

THE COMPANY

	2005 HK\$'000	2004 HK\$'000
Equity securities listed in Hong Kong, at market value	<u>3,637</u>	<u>3,927</u>

Note a: Included above is the Group's investment in China Investment Fund Company Limited ("CIF"), a company incorporated in the Cayman Islands, with carrying amount of approximately HK\$18,835,000 (2004: HK\$2,420,000). The Group's investment represents a 26% (2004: 22%) holding of the ordinary shares of CIF. The Group has not accounted for CIF as an associate as the investment in the shares of CIF is intended to be held for the purpose of future disposal. The Group has not nominated any representative in the board of directors of CIF nor has it exercised any significant influence in the business strategy and financial policy of CIF.

Note b: Included above is the Group's investment in Mithian Investments Limited ("Mithian"), a company incorporated in the British Virgin Islands, with carrying amount of HK\$14,000,000 (2004: HK\$14,000,000). The Group's investment represents a 7% holding of the ordinary shares of Mithian.

19. ACCOUNTS RECEIVABLE

The Group normally allows an average credit period of 30 to 60 days to its trade customers. The Group extends the normal credit term to 120 days to certain major and reputable customers.

The following is an aged analysis of accounts receivable at the balance sheet date:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
<30 days	628	171
31-60 days	141	199
61-120 days	35	73
> 120 days	125	-
	<u>929</u>	<u>443</u>

20. AMOUNTS DUE FROM/(TO) SUBSIDIARY(IES)

The amounts are unsecured, non-interest bearing and have no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS

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21. CONVERTIBLE NOTES

In June 2003, the Company announced an open offer of 2 offer shares for every 5 shares to qualifying shareholders. The conversion price of the convertible notes has been adjusted from HK\$0.25 to HK\$0.21 upon the completion of the open offer in order to account for the dilutive effect arising therefrom. As at the 31 March 2004, the balance of the convertible notes was HK\$7,247,780. The convertible notes have been redeemed during the year.

22. DEFERRED TAXATION

At the balance sheet date, the Group has estimated unrecognised tax losses of HK\$51,518,000 (2004: HK\$54,600,000) to set off against future taxable income. No deferred tax asset is recognised in respect of such tax losses carried forward as the realisation of the related tax benefit through future taxable profits is not certain. This tax loss has no expiry date.

The Company and the Group had no material unprovided deferred tax liabilities at the balance sheet date (2004: Nil).

23. SHARE CAPITAL

	2005		2004			
	Ordinary shares of HK\$0.001 each		Ordinary shares of HK\$0.001 each		Ordinary shares of HK\$0.1 each	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised						
At beginning of year	250,000,000,000	250,000	-	-	500,000,000	50,000
Increase of authorised share capital	-	-	-	-	2,000,000,000	200,000
Subdivision	-	-	250,000,000,000	250,000	(2,500,000,000)	(250,000)
At end of year	<u>250,000,000,000</u>	<u>250,000</u>	<u>250,000,000,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
Issued and fully paid						
At beginning of year	532,100,000	532	-	-	294,159,267	29,416
Issue of new shares during the year:						
As consideration for acquisition of asset	-	-	-	-	23,840,733	2,384
Upon conversion of convertible notes	-	-	-	-	6,000,000	600
Upon a 2 for 5 open offer	-	-	-	-	129,600,000	12,960
Placement of shares	-	-	-	-	78,500,000	7,850
Reduction of capital	-	-	532,100,000	532	(532,100,000)	(53,210)
At end of year	<u>532,100,000</u>	<u>532</u>	<u>532,100,000</u>	<u>532</u>	<u>-</u>	<u>-</u>

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23. SHARE CAPITAL *(continued)*

Share options

On 20 August 2003, at the annual general meeting, the Company adopted share option scheme ("the Scheme") under which the board of directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption of the Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Scheme (the "10% Limit"). The Company may obtain approval from the shareholders of the Company to refresh the 10% Limit, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group under the limit as refreshed must not exceed 10% of the number of shares in issue at the date of approval of the refresher mandate.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the proposed date of grant for such options must not exceed 1% of the then number of issued shares of the Company, without prior approval from the Company's shareholders.

Option granted under the Scheme must be accepted within 6 months from the date of grant and in any event no later than the last date of the period of ten years from the date of adoption of the Scheme. Upon acceptance, the grantee shall pay HK\$10.00 to the Company as consideration for the grant.

The subscription price for the shares under the Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall be at least the higher of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

No share option has been granted.

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24. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 March 2004, the Group acquired certain subsidiaries for an aggregate consideration of HK\$14,000,000. This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was HK\$14,134,000.

	2005 HK\$'000	2004 HK\$'000
NET LIABILITIES ACQUIRED		
Property, plant and equipment	-	624
Accounts receivable	-	443
Prepayments, deposits and other receivables	-	1,150
Bank balances and cash	-	1,609
Amounts due to minority shareholders	-	(1,401)
Accrued liabilities and other payables	-	(2,364)
Minority interests	-	(195)
	-	(134)
Goodwill	-	14,134
Total consideration	-	14,000
SATISFIED BY		
Cash	-	14,000

Net cash outflow arising on acquisition:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	-	14,000
Bank balances and cash acquired	-	(1,609)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	-	12,391

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

25. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in a central pension scheme (the "Central Scheme") operated by the local municipal government in the PRC. The respective local municipal government in the PRC, undertakes to assume the retirement benefits obligations of all existing and future retired staff of these subsidiaries. The only obligation of these subsidiaries with respect to the Central Scheme is to meet the required contributions under the Central Scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the Central Scheme.

26. CONTINGENT LIABILITIES

A letter dated January 9, 2003 has been sent to Eric Edward Hotung, C.B.E., a previous director and a substantial shareholder of the Company, from a former legal adviser (the "Previous Lawyer") alleging that there was an unpaid bill amounting to approximately HK\$1.1 million in relation to professional services rendered more than 5 years ago and which were extended to Cosmopolitan Properties and Securities Limited, a wholly-owned subsidiary of the Company. According to the records of Eric Edward Hotung, C.B.E., all professional fees claimed by the Previous Lawyer has been settled and the alleged claim is unsubstantiated. Save as disclosed above, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the directors to be pending or threatened by or against the Company or any of its subsidiaries.

27. OPERATING LEASE

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	<u>120</u>	<u>105</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease was negotiated for a term of one year and with fixed rentals.