

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Kompass International Limited, a company incorporated in the British Virgin Islands.

The principal activities of the Group are decoration contractor and trading, provision of corporate management services, and investment and financing.

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

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

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

The Group has commenced considering the potential impact of 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 of the Group are prepared and presented.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in 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 its subsidiaries made up to 31st March, each year.

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

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **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 or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

#### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions on or after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

#### **Revenue recognition**

Income from property sales is recognised on the execution of a binding sales agreement.

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

Trading sales are recognised when the goods are delivered and title has passed.

Income from sale of investments in securities is recognised on a trade date basis.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (Continued)

Revenue from long-term decoration contract is recognised over the course of the development and is computed in each year as a proportion of the total estimated revenue of construction. The proportion used in calculation is based on the proportion of contraction costs incurred to date to estimated total construction costs to completion of the construction after taking into account of foreseeable losses.

Management fee income is recognised when the relevant services are rendered.

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

#### Property, plant and equipment

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

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, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the relevant lease
Buildings	Over the shorter of the lease term, and 20 years
Machinery, equipment and motor vehicles	5% – 33 $\frac{1}{3}$ %
Furniture and fixtures	2% – 20%
Leasehold improvements	20% or over the life of the lease, if shorter

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

#### Investments in subsidiaries

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

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Interest 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/liabilities of the associates, less any identified impairment loss.

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

#### **Interest in jointly controlled entities**

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

The Group's interest 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 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.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

#### **Investments in securities**

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

All securities are measured at fair value at subsequent reporting dates.

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

#### **Inventories**

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

#### **Contract in progress**

Contract in progress is stated at cost plus attributable profits, less foreseeable losses and progress payments received.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are 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, such 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.

#### **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 period. 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 periods and it further excludes income statement items that are never taxable or deductible.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, 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.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currencies

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

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Profits and losses arising on consolidation are dealt with in the exchange reserve.

#### Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

#### Retirement benefits costs

Payments to the retirement contribution schemes are charged as expenses as they fall due.

### 4. TURNOVER

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Income from decoration contracts	1,785,258	16,168,561
Income from property sales	–	23,178,315
Management fee income	2,247,816	3,172,309
Trading sales	5,458,133	14,718,467
	<u>9,491,207</u>	<u>57,237,652</u>

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

For management purposes, the Group is currently organised into three operating divisions – decoration contractor and trading of building supplies, management and consultancy services and investment and financing. These divisions are the basis on which the Group reports its primary segment information.

In prior year, the Group was also involved in the operation of property dealing. The operation was carried out by Shanghai Qiao-Yi Real Estate Co., Ltd. (“Qiao-Yi”). The operation was discontinued during the year as with effect from 1st April, 2004, Qiao-Yi has been accounted for as a jointly controlled entity by the Group.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

Segment information about these businesses is presented below:

2005

	Continuing operation			Discontinued operation	Consolidated HK\$
	Decoration contractor and trading HK\$	Management and consultancy services HK\$	Investment and financing HK\$	Property dealing HK\$	
TURNOVER	<u>7,243,391</u>	<u>2,247,816</u>	<u>-</u>	<u>-</u>	<u>9,491,207</u>
RESULT					
Segment result	<u>(9,760,292)</u>	<u>1,351,230</u>	<u>(3,587,257)</u>	<u>-</u>	<u>(11,996,319)</u>
Unallocated corporate expenses					<u>(10,140,859)</u>
Other operating income					<u>180,474</u>
Loss from operations					<u>(21,956,704)</u>
Finance costs					<u>(152,258)</u>
Share of results of associates	-	-	<u>(12,507,241)</u>	-	<u>(12,507,241)</u>
Share of result of a jointly controlled entity	-	-	<u>12,326,855</u>	-	<u>12,326,855</u>
Loss before taxation					<u>(22,289,348)</u>
Taxation credit					<u>541,838</u>
Loss before minority interests					<u>(21,747,510)</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

2005 (Continued)

#### BALANCE SHEET

	Continuing operation			Discontinued operation	Consolidated HK\$
	Decoration contractor and trading HK\$	Management and consultancy services HK\$	Investment and financing HK\$	Property dealing HK\$	
<b>ASSETS</b>					
Segment assets	<u>9,262,865</u>	<u>24,824</u>	<u>85,532,806</u>	<u>–</u>	94,820,495
Interest in associates	–	–	63,693,844	–	63,693,844
Interest in a jointly controlled entity	–	–	13,792,334	–	13,792,334
Unallocated corporate assets					<u>9,572,188</u>
Consolidated total assets					<u>181,878,861</u>
<b>LIABILITIES</b>					
Segment liabilities	<u>3,938,936</u>	<u>195,095</u>	<u>12,790,007</u>	<u>–</u>	16,924,038
Unallocated corporate liabilities					<u>29,608,243</u>
Consolidated total liabilities					<u>46,532,281</u>
<b>OTHER INFORMATION</b>					
Additions to property, plant and equipment	95,004	–	5,647	–	100,651
Depreciation	51,099	6,281	596,589	–	653,969
Allowances for doubtful debts	<u>2,910,448</u>	<u>–</u>	<u>2,093,475</u>	<u>–</u>	<u>5,003,923</u>



## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

2004

	Continuing operation			Discontinued operation	Consolidated HK\$
	Decoration contractor and trading HK\$	Management and consultancy services HK\$	Investment and financing HK\$	Property dealing HK\$	
TURNOVER	<u>30,887,028</u>	<u>3,172,309</u>	<u>–</u>	<u>23,178,315</u>	<u>57,237,652</u>
RESULT					
Segment result	<u>(7,166,194)</u>	<u>1,327,562</u>	<u>4,911,484</u>	<u>4,249,315</u>	3,322,167
Unallocated corporate expenses					(11,626,267)
Other operating income					<u>831,169</u>
Loss from operations					(7,472,931)
Finance costs					(313,357)
Loss on deemed disposal of interest in a subsidiary	–	–	–	(4,955,847)	(4,955,847)
Share of results of associates	–	–	(6,369,400)	–	<u>(6,369,400)</u>
Loss before taxation					(19,111,535)
Taxation charge					<u>(167,703)</u>
Loss before minority interests					<u>(19,279,238)</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

2004 (Continued)

#### BALANCE SHEET

	Continuing operation			Discontinued operation	Consolidated HK\$
	Decoration contractor and trading HK\$	Management and consultancy services HK\$	Investment and financing HK\$	Property dealing HK\$	
ASSETS					
Segment assets	<u>23,075,184</u>	<u>1,126,465</u>	<u>99,992,770</u>	<u>33,132,946</u>	157,327,365
Interest in associates	-	-	74,758,167	-	74,758,167
Unallocated corporate assets					<u>443,388</u>
Consolidated total assets					<u>232,528,920</u>
LIABILITIES					
Segment liabilities	<u>6,709,786</u>	<u>382,863</u>	<u>15,380,483</u>	<u>15,082,574</u>	37,555,706
Unallocated corporate liabilities					<u>22,562,505</u>
Consolidated total liabilities					<u>60,118,211</u>
OTHER INFORMATION					
Additions to property, plant and equipment	126,954	3,672	5,910	7,434	143,970
Depreciation	91,660	11,471	843,928	2,206,062	3,153,121
Allowances for doubtful debts	287,752	-	6,480,048	-	6,767,800
Allowances for inventories	844,015	-	-	-	844,015
Loss on disposal of property, plant and equipment	<u>57,830</u>	<u>3,730</u>	<u>-</u>	<u>105,508</u>	<u>167,068</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

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

	<b>Turnover</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	<b>HK\$</b>
Hong Kong	<b>6,455,243</b>	18,899,040
The PRC	<b>3,035,964</b>	38,338,612
	<b><u>9,491,207</u></b>	<b><u>57,237,652</u></b>

Revenue from the Group's discontinued operations was derived principally from the PRC.

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

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Hong Kong	<b>173,271,834</b>	172,733,836	<b>100,651</b>	132,864
The PRC	<b>8,607,027</b>	59,795,084	–	11,106
	<b><u>181,878,861</u></b>	<b><u>232,528,920</u></b>	<b><u>100,651</u></b>	<b><u>143,970</u></b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 6. LOSS FROM OPERATIONS

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	<b>551,500</b>	487,590
Depreciation on property, plant and equipment	<b>653,969</b>	3,153,121
Exchange gain	<b>(396,422)</b>	(296,960)
Gain on disposal of an associate	–	(230,934)
Interest income	<b>(583)</b>	(15,116)
(Gain) loss on disposal of property, plant and equipment	<b>(19,512)</b>	167,068
Property rental income arising from operating leases less nil (2004: nil) outgoings	–	(77,097)
Rental under operating leases on land and buildings	<b>223,200</b>	343,600
Retirement benefits costs	<b>208,523</b>	224,402
Staff costs	<b>8,947,632</b>	9,482,952

### 7. FINANCE COSTS

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Interest on bank overdrafts wholly repayable within five years	<b>152,258</b>	313,357

### 8. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

No emoluments were paid to directors for both years.

#### Five Highest Paid Employees

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Salaries and other emoluments	<b>2,681,165</b>	2,998,695
Retirement benefits costs	<b>24,000</b>	36,000
	<b>2,705,165</b>	3,034,695
	<b>2005</b>	2004
	<b>Number of employees</b>	
HK\$1,000,000 or below	<b>5</b>	5

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 9. TAXATION (CREDIT) CHARGE

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
The tax (credit) charge comprises:		
Hong Kong Profits Tax	<b>(557,085)</b>	–
PRC taxation	<b>15,247</b>	167,703
	<b><u>(541,838)</u></b>	<b><u>167,703</u></b>

No provision for Hong Kong Profits Tax was made as the Group has no assessable profits for the year. The taxation credit for the year represents the overprovision of Hong Kong Profits Tax in prior years. Taxation arising in other jurisdictions is calculated at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

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

	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Loss before taxation	<b><u>(22,289,348)</u></b>	<b><u>(19,111,535)</u></b>
Taxation at the income tax rate of 17.5%	<b>(3,900,636)</b>	(3,344,519)
Tax effect of expenses not deductible for tax purpose	<b>1,710,732</b>	1,122,983
Tax effect of income not taxable for tax purpose	<b>(85,121)</b>	(2,222,548)
Tax effect of share of results of associates	<b>2,188,767</b>	1,114,645
Tax effect of share of result of a jointly controlled entity	<b>(2,157,200)</b>	–
Tax effect of deferred tax assets not recognised	<b>2,235,965</b>	3,418,372
Overprovision of taxation in prior years	<b>(557,085)</b>	–
Effect of different tax rate of subsidiaries	–	78,770
Others	<b>22,740</b>	–
Tax (credit) charge for the year	<b><u>(541,838)</u></b>	<b><u>167,703</u></b>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 9. TAXATION (CREDIT) CHARGE (Continued)

At 31st March, 2005, the Group had estimated unused tax losses of approximately HK\$178,508,000 (2004: HK\$165,838,000) available for offset against future profits. No deferred tax asset in respect of the estimated tax losses has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

At the balance sheet date, the Group had deductible temporary differences of approximately HK\$3,215,000 (2004: HK\$3,220,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

There was no significant unprovided deferred taxation for the year and at balance sheet date.

### 10. LOSS PER SHARE

The calculation of loss per share is based on the consolidated loss for the year of HK\$21,642,239 (2004: HK\$21,015,059) and on 535,359,258 (2004: 535,359,258) ordinary shares in issue during the year.

No diluted loss has been presented as there were no potential ordinary shares in issue in both years.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Land and buildings</b> <i>HK\$</i>	<b>Machinery, equipment and motor vehicles</b> <i>HK\$</i>	<b>Furniture and fixtures</b> <i>HK\$</i>	<b>Leasehold improvements</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
<b>THE GROUP</b>					
<b>COST</b>					
At 1st April, 2004	35,156,184	6,965,537	14,251,404	10,419,633	66,792,758
Exchange adjustment	–	16	139	–	155
Additions	–	100,651	–	–	100,651
Disposals	–	(445,708)	(126,693)	–	(572,401)
De-consolidation of a subsidiary	(35,156,184)	(1,504,015)	(1,396,473)	(2,045,572)	(40,102,244)
<b>At 31st March, 2005</b>	<b>–</b>	<b>5,116,481</b>	<b>12,728,377</b>	<b>8,374,061</b>	<b>26,218,919</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS</b>					
At 1st April, 2004	32,533,257	6,524,890	4,381,988	9,448,251	52,888,386
Exchange adjustment	–	–	109	–	109
Charge for the year	–	132,664	333,350	187,955	653,969
Eliminated on disposals	–	(444,220)	(126,693)	–	(570,913)
Eliminated on de-consolidation of a subsidiary	(32,533,257)	(1,353,614)	(1,256,825)	(1,431,900)	(36,575,596)
<b>At 31st March, 2005</b>	<b>–</b>	<b>4,859,720</b>	<b>3,331,929</b>	<b>8,204,306</b>	<b>16,395,955</b>
<b>NET BOOK VALUES</b>					
<b>At 31st March, 2005</b>	<b>–</b>	<b>256,761</b>	<b>9,396,448</b>	<b>169,755</b>	<b>9,822,964</b>
At 31st March, 2004	2,622,927	440,647	9,869,416	971,382	13,904,372

Land and buildings are situated in the PRC and held under medium-term leases.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	<b>Leasehold improvements</b>	<b>Furniture and fixtures</b>	<b>Office equipment and machinery</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>THE COMPANY</b>				
<b>COST</b>				
At 1st April, 2004	8,374,061	1,403,435	4,458,903	14,236,399
Additions	–	–	5,647	5,647
<b>At 31st March, 2005</b>	<b>8,374,061</b>	<b>1,403,435</b>	<b>4,464,550</b>	<b>14,242,046</b>
<b>ACCUMULATED DEPRECIATION</b>				
At 1st April, 2004	8,016,351	1,220,798	4,303,218	13,540,367
Charge for the year	187,955	99,886	88,748	376,589
<b>At 31st March, 2005</b>	<b>8,204,306</b>	<b>1,320,684</b>	<b>4,391,966</b>	<b>13,916,956</b>
<b>NET BOOK VALUES</b>				
<b>At 31st March, 2005</b>	<b>169,755</b>	<b>82,751</b>	<b>72,584</b>	<b>325,090</b>
At 31st March, 2004	357,710	182,637	155,685	696,032

### 12. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2005</b>	2004
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	<b>224,552,753</b>	224,552,753
Shareholders' loans	<b>126,661,038</b>	126,661,038
Amounts due from subsidiaries	<b>189,529,207</b>	190,529,207
Less: Impairment loss	<b>(125,179,917)</b>	(125,179,917)
	<b>415,563,081</b>	416,563,081

The shareholders' loans and the amounts due from subsidiaries are unsecured, interest-free and in the opinion of the directors, will not be repayable within one year.

The impairment loss mainly represents the write off of investment costs of certain subsidiaries and write down of loans and amounts due from subsidiaries to the recoverable amounts.

Particulars of the principal subsidiaries are set out in note 30.



## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 13. INTEREST IN ASSOCIATES

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	<b>HK\$</b>
Share of net assets	<b>46,783,921</b>	59,247,957
Shareholders' loans, less allowances	<b>16,909,923</b>	15,510,210
	<b><u>63,693,844</u></b>	<u>74,758,167</u>
	<b>THE COMPANY</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	<b>HK\$</b>
Unlisted share, at cost	<b>1</b>	1
Amounts due from associates, less allowances	<b>10,909,923</b>	9,510,210
	<b><u>10,909,924</u></b>	<u>9,510,211</u>

The shareholders' loans and the amounts due from the associates are unsecured, interest-free and in the opinion of the directors will not be repayable within one year.

The following table lists only the particulars of the Group's associate at 31st March, 2005 which principally affects the results or assets of the Group as the directors are of the opinion that a complete list of all the associates will be of excessive length.

Name of associate	Form of business structure	Country of registration and operation	Nominal value of capital contribution	Proportional of nominal value of registered capital held indirectly by the Company	Principal activities
Nanjing Dingshan Garden Hotel Company Ltd.	Sino-foreign equity joint venture	PRC	US\$25,600,000	45%	Hotel business

The following details have been extracted from the unaudited management accounts of Nanjing Dingshan Garden Hotel Company Ltd. as at 31st March, 2005.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 13. INTEREST IN ASSOCIATES (Continued)

#### Results for the year

	<b>2005</b> <i>HK\$</i>	2004 <i>HK\$</i>
Turnover	<u><b>112,364,999</b></u>	<u>102,564,313</u>
Loss from ordinary activities before taxation	<u><b>(27,793,868)</b></u>	<u>(14,062,865)</u>
Loss from ordinary activities before taxation attributable to the Group	<u><b>(12,507,241)</b></u>	<u>(6,328,289)</u>

#### Financial position

	<b>2005</b> <i>HK\$</i>	2004 <i>HK\$</i>
Non-current assets	<b>440,943,193</b>	451,749,934
Current assets	<b>41,631,401</b>	39,353,633
Current liabilities	<b>(152,530,967)</b>	(108,083,786)
Non-current liabilities	<b>(223,277,700)</b>	(248,556,000)
Net assets	<u><b>106,765,927</b></u>	<u>134,463,781</u>
Net assets attributable to the Group	<u><b>48,044,665</b></u>	<u>60,508,701</u>

### 14. INTEREST IN A JOINTLY CONTROLLED ENTITY

	<b>THE GROUP</b>	
	<b>2005</b> <i>HK\$</i>	2004 <i>HK\$</i>
Share of net assets	<u><b>13,792,334</b></u>	<u>—</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 14. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

As at 31st March, 2005, the Group had interest in the following jointly controlled entity:

<b>Name of entity</b>	<b>Form of business structure</b>	<b>Country of registration and operation</b>	<b>Proportion of nominal value of registered capital held by the Group</b>	<b>Principal activities</b>
Qiao-Yi <i>(note (a))</i>	Sino-foreign equity joint venture	PRC	80%	Property development

*Notes:*

- (a) Qiao-Yi is held by the Group and a PRC minority shareholder ("Party A") at 80% and 20% respectively. In previous years, Qiao-Yi was undergoing voluntary dissolution. On further negotiation, an agreement was reached on 24th June, 2003 between the two parties to continue the joint venture. Both parties agreed:
- (i) To rescind the voluntary dissolution;
  - (ii) To relinquish their respective claims in the dispute;
  - (iii) To jointly hold the remaining parcel of land equally and share the profit/loss arising from the development of the aforesaid land on a 50:50 basis;
  - (iv) To jointly hold the club house equally;
  - (v) Other than items (iii) and (iv) mentioned above, the remaining net assets and the profit/loss will be distributed among the shareholders according to the revised ratios of 63.4% for the Group and 36.6% for Party A;

Pursuant to shareholders' agreements and the revised joint venture contract, revised articles of the joint venture as well as the supplementary documents, which are effective from 1st April, 2004, Qiao-Yi became jointly controlled by the Group and the other shareholder. Therefore, Qiao-Yi was reclassified as a jointly controlled entity of the Group during the year. During the year ended 31st March, 2004, Qiao-Yi was accounted for as a subsidiary by the Group and its financial statements were incorporated in the consolidated financial statements of the Company.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 14. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

The following details have been extracted from the unaudited management account of the Group's jointly controlled entity as at 31st March, 2005.

	<b>2005</b> <i>HK\$</i>	2004 <i>HK\$</i>
<b>Results of the year</b>		
Turnover	<u>1,191,178</u>	–
Profit from ordinary activities before taxation	<u>24,462,281</u>	–
Profit from ordinary activities before taxation attributable to the Group	<u>12,326,855</u>	–
<b>Financial position</b>		
Non-current assets	1,121,179	–
Current assets	68,138,396	–
Current liabilities	<u>(43,091,346)</u>	–
Net assets	<u>26,168,229</u>	–
Net assets attributable to the Group	<u>13,792,334</u>	–

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 15. INVESTMENTS IN SECURITIES

#### THE GROUP

	Trading securities		Other securities		Total	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity securities:						
Listed in Hong Kong	264,000	84,000	15,015,000	25,386,600	15,279,000	25,470,600
Unlisted	–	–	4,349,000	4,349,000	4,349,000	4,349,000
	<u>264,000</u>	<u>84,000</u>	<u>19,364,000</u>	<u>29,735,600</u>	<u>19,628,000</u>	<u>29,819,600</u>
Market value of listed securities:						
Hong Kong	<u>264,000</u>	<u>84,000</u>	<u>15,015,000</u>	<u>25,386,600</u>	<u>15,279,000</u>	<u>25,470,600</u>
Carrying amount analysed for reporting purposes as:						
Current	264,000	84,000	–	–	264,000	84,000
Non-current	–	–	19,364,000	29,735,600	19,364,000	29,735,600
	<u>264,000</u>	<u>84,000</u>	<u>19,364,000</u>	<u>29,735,600</u>	<u>19,628,000</u>	<u>29,819,600</u>

### 16. OTHER RECEIVABLES

#### THE GROUP AND THE COMPANY

The amounts are unsecured, interest-free and the amounts not repayable within one year are classified as non-current assets.

### 17. INVENTORIES

	THE GROUP	
	2005	2004
	HK\$	HK\$
Raw materials and consumables	–	250,557
General merchandise	1,540,850	2,376,952
Properties held for sale	–	25,082,413
	<u>1,540,850</u>	<u>27,709,922</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 17. INVENTORIES (Continued)

The cost of inventories recognised as an expense during the year was HK\$9,005,293 (2004: HK\$30,884,779).

At the balance sheet date, all of the general merchandise and properties held for sale were carried at net realisable value.

### 18. CONTRACT IN PROGRESS

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	<b>HK\$</b>
Cost incurred to date plus estimated attributable profits less foreseeable losses	<b>1,395,593</b>	29,268,740
Less: Progress payments received and receivable	<b>(3,488,982)</b>	(29,268,740)
	<b><u>(2,093,389)</u></b>	<u>–</u>
Represented by:		
Due to a customer in contract work included in current liabilities	<b><u>(2,093,389)</u></b>	<u>–</u>

### 19. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade debtors of HK\$3,494,513 (2004: HK\$8,887,404). The Group allows an average credit period of 90 days to trade debtors. The aged analysis of trade debtors is as follows:

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	<b>HK\$</b>
Aged:		
0 to 60 days	<b>1,283,390</b>	2,565,101
61 to 90 days	<b>134,518</b>	516,764
More than 90 days	<b>2,076,605</b>	5,805,539
	<b><u>3,494,513</u></b>	<u>8,887,404</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 20. ACCOUNTS PAYABLE AND ACCRUED CHARGES

Included in accounts payable and accrued charges are trade creditors of HK\$2,636,558 (2004: HK\$9,446,337). The aged analysis of trade creditors is as follows:

	THE GROUP	
	2005 HK\$	2004 HK\$
Aged:		
0 to 60 days	533,079	278,197
61 to 90 days	–	10,225
More than 90 days	2,103,479	9,157,915
	<u>2,636,558</u>	<u>9,446,337</u>

### 21. LOANS FROM MINORITY SHAREHOLDERS

#### THE GROUP

The loans are unsecured, interest-free and the amounts not repayable within one year are classified as non-current liabilities.

### 22. SHARE CAPITAL

	Number of shares	HK\$
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st April, 2003, 31st March, 2004 and 31st March, 2005	<u>8,500,000,000</u>	<u>850,000,000</u>
Issued and fully paid:		
At 1st April, 2003, 31st March, 2004 and 31st March, 2005	<u>535,359,258</u>	<u>53,535,926</u>

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 23. RESERVES

	<b>Capital redemption reserve</b> <i>HK\$</i>	<b>Contributed surplus</b> <i>HK\$</i>	<b>Deficit</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
<b>THE COMPANY</b>				
At 1st April, 2003	2,382,000	396,817,696	(343,331,936)	55,867,760
Net loss for the year	–	–	(13,939,776)	(13,939,776)
At 31st March, 2004 and 1st April, 2004	2,382,000	396,817,696	(357,271,712)	41,927,984
Net loss for the year	–	–	(9,681,589)	(9,681,589)
<b>At 31st March, 2005</b>	<b><u>2,382,000</u></b>	<b><u>396,817,696</u></b>	<b><u>(366,953,301)</u></b>	<b><u>32,246,395</u></b>

As at 31st March, 2005, the Company's reserves available for distribution in accordance with the Bermuda Companies Act consist of contributed surplus and deficit of aggregate of HK\$29,864,395 (2004: HK\$39,545,984).

The contributed surplus comprises the difference of HK\$66,889,494 between the consolidated shareholders' funds of Parkview Property Development Limited as at 24th November, 1992 and the nominal amount of the Company's shares allotted under a Scheme of Arrangement completed on that date and HK\$1,200,422,356 from the elimination of the entire share premium account and reduction of par value of the issued capital from HK\$1 to HK\$0.10 of the Company at the time of the capital restructuring of the Group as at 7th November, 2001. Under the Bye-laws of the Company, distributions may be made out of contributed surplus. During the year ended 31st March, 2002, HK\$870,494,154 were distributed out of the contributed surplus.

### 24. AMOUNTS DUE TO SUBSIDIARIES

#### THE COMPANY

The amounts are unsecured, interest-free and the amounts not repayable within one year are classified as non-current liabilities.



## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 25. COMMITMENTS

#### Lease commitments

Operating lease payments represent rental payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for terms of two years.

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

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	<b>HK\$</b>
Within one year	<b>45,000</b>	180,000
In the second to fifth year inclusive	—	45,000
	<hr/>	<hr/>
	<b>45,000</b>	225,000
	<hr/> <hr/>	<hr/> <hr/>

At the balance sheet date, the Company did not have any commitments under non-cancellable operating leases.

### 26. RETIREMENT BENEFITS SCHEMES

- (a) Effective 1st December, 2000, the Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The total amount contributed by the Group to the MPF Scheme and charged to the income statement was HK\$208,523 (2004: HK\$224,402).
- (b) In accordance with regulations issued by the Shanghai Municipal Government, the People’s Republic of China, a subsidiary is required to make contributions to a defined contribution retirement fund which is administered by the labour bureau of the local government. The subsidiary is required to contribute 25.5% of the basic salary of its staff. The subsidiary has no material obligation for the pension payment or any post-retirement benefits beyond the annual contributions described above. The total amount contributed by the Group to the scheme and charged to the income statement was HK\$11,881 (2004: HK\$36,941).

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 27. CONTINGENT LIABILITIES

	<b>THE COMPANY</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Corporate guarantee given to banks in respect of banking facilities utilised by a subsidiary	<b>2,225,191</b>	3,518,346

At the balance sheet date, the Group did not have any contingent liabilities.

### 28. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties, including key management personnel and companies controlled or significantly influenced by management of the Group:

	Notes	<b>Associates</b>		<b>Jointly controlled entity</b>		<b>Related companies (iii)</b>	
		<b>2005</b>	2004	<b>2005</b>	2004	<b>2005</b>	2004
		<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$
Sales	i	-	-	-	-	1,472,481	-
Management income received from	i	<b>1,620,000</b>	1,399,713	-	-	-	-
Building management fee paid to	i	-	-	-	-	<b>101,016</b>	101,016
General expenses paid to	i	-	-	-	-	<b>2,505,993</b>	3,139,481
Amount due from	ii	<b>49,834,544</b>	50,632,969	-	-	-	-
Amount due to	ii	-	-	<b>6,390,323</b>	-	<b>23,837,345</b>	16,539,050
Loans to	ii	<b>16,909,923</b>	15,510,210	-	-	-	-

Notes:

- (i) Sales were carried out in the ordinary course of business and on normal commercial terms and all other transactions were carried out at terms mutually agreed between both parties.
- (ii) The amounts are unsecured, interest-free and the amounts repayable within one year are classified as current assets/liabilities. Loans to associates are net of allowances of HK\$2,957,123 (2004: HK\$2,957,123).
- (iii) Certain directors of the related companies are also the Company's directors and two directors of a related company are children of a Company's director. The amount is unsecured, interest-free and repayable on demand.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 29. DE-CONSOLIDATION OF A SUBSIDIARY

As referred to note 14, Qiao-Yi was reclassified as a jointly controlled entity during the year. The net assets of Qiao-Yi at 1st April, 2004, the date on which the Group lost its unilateral control of Qiao-Yi and at 31st March, 2004 were as follows:

	<i>HK\$</i>
NET ASSETS NOT CONSOLIDATED	
Property, plant and equipment	3,526,648
Inventories	25,332,969
Amount due from a minority shareholder	3,724
Amounts due from other group companies	1,731,842
Accounts payable and accrued charges	(8,029,588)
Amount due to a minority shareholder	(10,999,083)
Tax payable	(3,513,894)
Cash and bank balances	4,289,596
	<hr/>
	12,342,214
Minority interests	(10,876,735)
	<hr/>
Interest in a jointly controlled entity	1,465,479
	<hr/> <hr/>
Net cash outflow arising on de-consolidation	
Cash and bank balances not consolidated	(4,289,596)
	<hr/> <hr/>

The subsidiary not consolidated during the year made no significant contribution to the Group in respect of the cash flows, turnover and the Group's loss from operations.

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31st March, 2005 which principally affect the results or assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. All the following subsidiaries are operating principally in Hong Kong except otherwise indicated.

Name of subsidiary	Country/ place of incorporation	Class of shares held	Paid up issued share capital/ capital contribution	Proportional of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
China Garden Limited	British Virgin Islands	Ordinary	US\$30	–	70	Investment in a limited partnership
Dragon Spirit Limited ("Dragon Spirit")	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Gallaria Furnishings International Limited ( <i>note a</i> )	Hong Kong	Ordinary	HK\$2,000,020	–	100	General trading
Hebo Urge Company Limited	Hong Kong	Ordinary	HK\$2	100	–	Painting owner
Hong Kong Parkview (China) Limited	Hong Kong	Ordinary	HK\$10,000,000	–	100	Investment holding
Hong Kong Parkview International Limited	Hong Kong	Ordinary	HK\$2	–	100	Investment holding
Hong Kong Parkview International Management Limited	Hong Kong	Ordinary	HK\$2	–	100	Personnel management
Interlink Associates Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Jiangsu Parkview Hotels and Resorts Limited	British Virgin Islands	Ordinary	US\$100	–	55	Hotel management and consultancy services
Newmeadow Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding

## Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2005

### 30. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation	Class of shares held	Paid up issued share capital/ capital contribution	Proportional of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Parkview International Trading Limited	British Virgin Islands	Ordinary	US\$1	100	–	Investment holding
Parkview Management Services Limited	British Virgin Islands	Ordinary	US\$4	100	–	Investment holding
Parkview Property Development Limited	Hong Kong	Ordinary	HK\$1,000	100	–	Investment holding and capital market investment
Shanghai Parkview Real Estate Management Co., Ltd. (note b)	PRC	N/A	US\$500,000	–	55	Property management
張家港保稅區港麗國際 貿易有限公司 (note c)	PRC	N/A	US\$200,000	–	100	Manufacturing of household and kitchen appliances and interior wooden-made decoration

Notes:

- (a) Operating internationally.
- (b) Sino-foreign equity joint ventures and operating in the People's Republic of China.
- (c) Wholly foreign owned enterprise and operating in the People's Republic of China.

None of the subsidiaries had issued any debt securities.