

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

1. GENERAL

The Company is incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property investment and investment holding.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the liquidity position and going concern status of the Group.

As explained in note 37, the Company acquired the fertilizer business and offered the private placements of 390,000,000 new ordinary shares of the Company in an aggregate amount of HK\$507 million subsequent to the balance sheet date.

On this basis, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as the “new HKFRSs”) which are effective for accounting periods beginning on or after January 1, 2005 except for HKFRS 3 “Business Combinations”. The Group has not early adopted these new HKFRSs in the financial statements for the year ended March 31, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after January 1, 2005. The Group has entered into a conditional sale and purchase agreement for the acquisition of the fertilizer business on January 28, 2005, as explained in note 37. The acquisition was successfully completed upon the fulfillment of the conditions contemplated under the sale and purchase agreement subsequent to the balance sheet date. Therefore, HKFRS 3 did not have any impact on the Group for the year ended March 31, 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

3. **POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)**

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

4. **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investment securities.

The financial statements have been prepared 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 March 31 each year.

The results of subsidiaries and associates 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 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 or an associate at the date of acquisition.

Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its estimated 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 associate, 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 March 31, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

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 consolidated balance sheet as a deduction from assets.

Revenue recognition

Revenue from sales of properties is recognised on the execution of a legally binding purchase and sale agreement.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the respective leases.

Building management fees are recognised when services are rendered.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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

Investments in subsidiaries

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

Investments 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, investments in associates are stated at the Group's share of the net assets of the associates plus the goodwill on acquisition less any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

4. 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. 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.

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.

Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of tangible fixed assets, other than investment properties, 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:

Furniture, fixtures and equipment	20%
Leasehold improvements	20%
Motor vehicles	20% – 25%

The gain or loss arising from 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

Investment properties are stated at their open market value based on professional valuations at the balance sheet date.

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

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

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

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes interest, finance charges, professional fees and other direct costs attributable to such properties until they reach a marketable state. Net realisable value represents the estimated selling price less all costs to completion and costs to be incurred in marketing and selling.

Impairment

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

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 income statement items that are never taxable or deductible.

Deferred taxation 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 taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation 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 taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred taxation 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 taxation 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 taxation 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 taxation is also dealt with in equity.

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the period of the relevant leases.

Retirement benefit scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme and Mandatory Provident Fund Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

5. TURNOVER AND SEGMENTAL INFORMATION

Business segments

The Group's turnover and net profit (loss) for the year were derived from activities carried out in Hong Kong. The Group's assets were all located in Hong Kong. For management purposes, the Group is currently organised into two operating divisions, namely, sales of properties and rental service. These divisions are the basis on which the Group reports its primary segment information.

In prior years, the Group was also involved in the building management services. That operation was discontinued in April 2004.

Segment information about these businesses is presented below:

Income statement

	2005		Discontinuing operation	Consolidated HK\$'000
	Continuing operations	Rental service		
	Sales of properties HK\$'000	HK\$'000	Building management services HK\$'000	
Turnover	—	9,951	—	9,951
Segment result	2,000	8,430	67	10,497
Unallocated other operating income				1,590
Interest income				1
Unallocated corporate expenses				(3,657)
Bank borrowings and related accrued interest waived				36,089
Profit from operations				44,520
Finance costs				(4,000)
Profit before taxation				40,520
Taxation				—
Net profit for the year				40,520

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

5. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

Income statement

	Continuing operations		2004 Discontinuing operation		Consolidated HK\$'000
	Sales of properties HK\$'000	Rental service HK\$'000	Building management services HK\$'000	Eliminations HK\$'000	
Turnover					
External	87,770	9,392	2,321	–	99,483
Inter-segment	–	225	203	(428)	–
	<u>87,770</u>	<u>9,617</u>	<u>2,524</u>	<u>(428)</u>	<u>99,483</u>
Segment result	34,984	10,986	(779)	–	45,191
Unallocated other operating income					3,193
Interest income					34
Unallocated corporate expenses					(9,100)
Bank borrowings and related accrued interest waived					9,608
Impairment loss recognised for investments in securities					(140,400)
Loss from operations					(91,474)
Loss on disposal of a subsidiary	–	(400)	–	–	(400)
Finance costs					(10,180)
Loss before taxation					(102,054)
Taxation credit					181
Net loss for the year					<u>(101,873)</u>

Inter-segment revenue were charged at prevailing market rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

5. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

Balance sheets

	2005		2004	
	Segment assets <i>HK\$'000</i>	Segment liabilities <i>HK\$'000</i>	Segment assets <i>HK\$'000</i>	Segment liabilities <i>HK\$'000</i>
<i>Continuing operations</i>				
Sales of properties	84,055	50,474	82,042	29,094
Rental service	69,462	29,816	64,228	32,112
Other corporate assets/liabilities	4,627	131,418	4,561	80,693
<i>Discontinuing operation</i>				
Building management services	–	537	168	653
	<u>158,144</u>	<u>212,245</u>	<u>150,999</u>	<u>142,552</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

5. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

Other information

	2005 HK\$'000	2004 HK\$'000
Capital additions		
Sales of properties	44	5
Rental service	28	7
Other corporate assets	30	–
	<u>102</u>	<u>12</u>
Depreciation		
Sales of properties	30	24
Rental service	15	9
Other corporate assets	45	87
	<u>90</u>	<u>120</u>
Other information		
Allowance for doubtful debts		
Rental service	228	14
Other	–	500
	<u>228</u>	<u>514</u>
Loss on disposal of tangible fixed assets other than properties		
Sales of properties	–	96
Other	57	150
	<u>57</u>	<u>246</u>
Surplus arising from revaluation of investment properties		
Rental service	5,000	9,700
Reversal of estimated loss on properties held for sale		
Sales of properties	2,000	37,771
	<u>2,000</u>	<u>37,771</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

6. PROFIT (LOSS) FROM OPERATIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration	509	463
Allowance for doubtful debts	228	514
Cost of properties held for sale recognised as an expense	–	771
Depreciation	90	120
Loss on disposal of tangible fixed assets other than properties	57	246
Rental expense	258	554
Staff costs		
– Directors' emoluments (<i>note 8a</i>)	502	5,151
– Staff wages and salaries	2,198	6,306
– Retirement benefit scheme contributions	87	62
– Staff messing and welfare	–	6
	<u>2,787</u>	<u>11,525</u>
and after crediting:		
Dividend income	–	10
Gain on disposal of investments in securities	–	293
Rental income, net of outgoings of approximately HK\$431,000 (2004: HK\$483,000)	<u>9,520</u>	<u>8,909</u>

7. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	(3,882)	(10,180)
Interest on other borrowings (<i>note 33</i>)	(118)	–
	<u>(4,000)</u>	<u>(10,180)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

8. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments are analysed as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	502	483
	<u>502</u>	<u>483</u>
Other emoluments:		
Salaries and other benefits to executive directors	–	4,667
Retirement benefit scheme contributions	–	1
	<u>–</u>	<u>4,668</u>
Total directors' emoluments	<u>502</u>	<u>5,151</u>

The emoluments of the directors were within the following bands:

	2005 Number of directors	2004 Number of directors
Nil to HK\$1,000,000	9	11
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	–	1
	<u>9</u>	<u>13</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

8. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (Continued)

(b) Employees' emoluments

The five highest paid individuals included nil (2004: 3) directors, details of whose emoluments are included in the amounts disclosed in (a) above. The emoluments of the remaining 5 (2004: 2) highest paid individuals are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and other benefits	2,122	1,348
Retirement benefit scheme contributions	128	72
	<u>2,250</u>	<u>1,420</u>

The emoluments of each of the highest paid employees were within the band of nil to HK\$1,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

9. TAXATION CREDIT

	2005 HK\$'000	2004 <i>HK\$'000</i>
The credit comprises:		
Deferred taxation (<i>note 28</i>)		
– current year	–	231
– attributable to a change in tax rate	–	(50)
	<u>–</u>	<u>181</u>
	<u>–</u>	<u>181</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the assessable profit for the year is wholly absorbed by tax losses brought forward.

No provision for Hong Kong Profits Tax had been made in the financial statements as the Group had no assessable profit in 2004.

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

	2005 HK\$'000	2004 <i>HK\$'000</i>
Profit (loss) before taxation	<u>40,520</u>	<u>(102,054)</u>
Tax (charge) credit at the domestic income tax rate of 17.5% (2004: 17.5%)	(7,091)	17,859
Tax effect of income not taxable for tax purpose	5,199	16,407
Tax effect of expenses not deductible for tax purpose	(817)	(25,881)
Tax effect of tax losses not recognised	(17)	(8,715)
Utilisation of tax losses previously not recognised	2,652	271
Increase in opening deferred taxation liability resulting from an increase in applicable tax rate	–	(50)
Others	74	290
	<u>–</u>	<u>181</u>
Taxation credit for the year	<u>–</u>	<u>181</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

10. DIVIDEND

Dividend for preference shares of approximately HK\$935,000 (2004: HK\$1,036,000) was appropriated during the year to the preference shareholders in accordance with the rights of preference shareholders of the Company.

11. EARNINGS (LOSS) PER SHARE

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Net profit (loss) for the year	40,520	(101,873)
Dividend on convertible preference shares	(935)	(1,036)
Earnings (loss) for the purposes of calculating basic earnings (loss) per share	39,585	(102,909)
Effect of dilutive potential ordinary shares:		
Dividend on convertible preference shares	935	—
Earnings (loss) for the purposes of calculating diluted earnings (loss) per share	40,520	(102,909)

	Number of shares	
	2005 '000	2004 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	367,754	366,312
Effect of dilutive potential ordinary shares		
Options	356	—
Convertible preference shares	25,543	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	393,653	366,312

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

11. EARNINGS (LOSS) PER SHARE (Continued)

The denominators for the purpose of calculating basic and diluted earnings (loss) per share of 2005 and 2004 have been adjusted to reflect the consolidation of shares in July 2005 on the basis that ten shares have been consolidated into one share, as explained in note 37.

The computation of diluted loss per share for the year ended March 31, 2004 did not assume the exercise of the conversion rights attached to the Company's outstanding share options and convertible redeemable non-voting preference shares as these conversions would result in a decrease in loss per share.

12. INVESTMENT PROPERTIES

THE GROUP

HK\$'000

At April 1, 2004	63,000
Surplus arising from revaluation	<u>5,000</u>
At March 31, 2005	<u><u>68,000</u></u>

The carrying amount of the Group's investment properties comprises:

	2005 HK\$'000	2004 HK\$'000
Properties situated in Hong Kong and held under:		
– Medium-term leases	<u><u>68,000</u></u>	<u><u>63,000</u></u>

The investment properties were revalued at March 31, 2005 by CB Richard Ellis Limited, a firm of independent professional valuers, on an open market value basis, resulting in a surplus of HK\$5,000,000 (2004: HK\$9,700,000) which has been credited to the consolidated income statement.

At the balance sheet date, investment properties amounting to approximately HK\$62,336,000 (2004: HK\$49,877,000) were rented out under operating leases. Particulars of the investment properties are set out on page 59 of the annual report.

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13. TANGIBLE FIXED ASSETS

	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST				
At April 1, 2004	991	2,139	701	3,831
Additions	102	–	–	102
Disposals	(93)	–	(157)	(250)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At March 31, 2005	1,000	2,139	544	3,683
DEPRECIATION				
At April 1, 2004	827	2,139	627	3,593
Charge for the year	90	–	–	90
Eliminated on disposals	(93)	–	(83)	(176)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At March 31, 2005	824	2,139	544	3,507
NET BOOK VALUES				
At March 31, 2005	<u>176</u>	<u>–</u>	<u>–</u>	<u>176</u>
At March 31, 2004	<u>164</u>	<u>–</u>	<u>74</u>	<u>238</u>

14. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
Balance at April 1, 2004 and at March 31, 2005	25,675
AMORTISATION AND IMPAIRMENT	
Balance at April 1, 2004 and at March 31, 2005	<u>25,675</u>
NET BOOK VALUE	
At March 31, 2005 and 2004	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	1,071,061	1,071,061
Amounts due from subsidiaries	1,308,045	1,691,444
Less: Impairment losses recognised	(1,932,082)	(2,291,911)
	<u>447,024</u>	<u>470,594</u>

The cost of the unlisted shares is based on the carrying values or the underlying net tangible assets of the subsidiaries attributable to the Group at the date on which the Company became the ultimate holding company of the Group under the group reorganisation taken place in September 1996.

The amounts due from subsidiaries are unsecured, non-interest bearing and do not have fixed repayment terms. In 2004, the amounts due from subsidiaries of approximately HK\$35,058,000 were interest bearing at prevailing market rates and the remaining balances were non-interest bearing. In the opinion of the directors of the Company, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current assets.

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

16. INTERESTS IN AN ASSOCIATE

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	-	-
Premium arising from acquisition of an associate	23,441	23,441
Accumulated amortisation of goodwill	(5,860)	(5,860)
Impairment loss recognised in respect of goodwill	(17,581)	(17,581)
	<u>-</u>	<u>-</u>

Particulars of the Company's associate at March 31, 2005 are set out in note 36.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Equity securities:		
Unlisted	140,400	140,400
Less: Impairment loss recognised	(140,400)	(140,400)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	—	—

Details of the investment securities are as follows:

Name of the investment securities	Place of incorporation	Percentage of nominal value of issued share capital held indirectly by the Company	Issued and fully paid up share capital	Principal activities
Hong Kong Satellite Technology Holdings Limited ("Hong Kong Satellite")	British Virgin Islands	1.99%	Ordinary US\$10,050	Inactive

18. PROPERTIES HELD FOR SALE

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Properties situated in Hong Kong and held under:		
– Long leases	84,000	82,000
	<u> </u>	<u> </u>

The above properties are stated at net realisable value with reference to valuations carried out by a firm of independent professional valuers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

19. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$742,000 (2004: HK\$1,075,000) which comprises mainly rental receivables. Monthly rents are billed in advance and in respect of which settlement is expected upon receipt of billings. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within 60 days	473	679
Between 61 – 90 days	62	156
Over 90 days	207	240
	<u>742</u>	<u>1,075</u>

20. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Trade payables with age of 91 days or above	80	80
Accrued bank loan interest	–	12,823
Other payables	4,512	3,655
	<u>4,592</u>	<u>16,558</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

21. AMOUNT DUE TO A DIRECTOR

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Unsecured and non-interest bearing	3,671	6,125	3,671	6,125
Less: Amount due within one year shown under current liabilities	(2,400)	(2,400)	(2,400)	(2,400)
Amount due after one year	<u>1,271</u>	<u>3,725</u>	<u>1,271</u>	<u>3,725</u>

22. AMOUNT DUE TO A SHAREHOLDER

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Unsecured and interest bearing at prevailing market rates	9,000	–	9,000	–
Unsecured and non-interest bearing	<u>104,693</u>	<u>–</u>	<u>104,622</u>	<u>–</u>
	<u>113,693</u>	<u>–</u>	<u>113,622</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

23. BANK BORROWINGS

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The bank borrowings bear interest at prevailing market rates and were repayable as follows:		
Within one year	9,300	38,873
Between one to two years	9,510	21,970
Between two to five years	24,396	23,020
More than five years	43,547	32,172
	86,753	116,035
<i>Less:</i> Amounts due within one year and included in current liabilities	(9,300)	(38,873)
Amounts due after one year	<u>77,453</u>	<u>77,162</u>
Analysed as:		
Secured	77,403	81,793
Unsecured	9,350	34,242
	<u>86,753</u>	<u>116,035</u>

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Pursuant to a settlement agreement, an amount of HK\$21,892,000 (2004: HK\$7,412,000) was waived by a bank upon fulfilment of certain conditions as agreed between the bank and a subsidiary within the Group for the year ended March 31, 2005. The related accrued bank interest of HK\$14,197,000 (2004: HK\$2,196,000) was also waived. Accordingly, an aggregate amount of HK\$36,089,000 (2004: HK\$9,608,000) was credited to the consolidated income statement for the year ended March 31, 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

24. SHARE CAPITAL

(a) Ordinary shares

	Number of shares		Share capital	
	2005 '000	2004 '000	2005 HK\$'000	2004 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At the beginning and at the end of the year	<u>6,840,000</u>	<u>6,840,000</u>	<u>684,000</u>	<u>684,000</u>
Issued and fully paid:				
At the beginning of the year	3,676,098	3,654,498	367,610	365,450
Exercise of the conversion rights of convertible redeemable non-voting preference shares ("Preference Shares")	–	10,000	–	1,000
Exercise of share options (note i)	<u>3,400</u>	<u>11,600</u>	<u>340</u>	<u>1,160</u>
At the end of the year	<u>3,679,498</u>	<u>3,676,098</u>	<u>367,950</u>	<u>367,610</u>

(b) Preference Shares

	Number of shares			
	2005	2004		
Preference Shares of HK\$1,000,000 each				
Authorised:				
At the beginning and at the end of the year	<u>316</u>	<u>316</u>	<u>316,000</u>	<u>316,000</u>
Issued and fully paid:				
At the beginning of the year	103	104	103,000	104,000
Conversion of shares	–	(1)	–	(1,000)
Redemption of Preference Shares (note ii)	<u>(103)</u>	<u>–</u>	<u>(103,000)</u>	<u>–</u>
At the end of the year	<u>–</u>	<u>103</u>	<u>–</u>	<u>103,000</u>
Total share capital			<u>367,950</u>	<u>470,610</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

24. SHARE CAPITAL (Continued)

The Preference Shares were issued with the following principal rights and restrictions:

- (a) the Preference Shares will confer upon its holder the right to receive, in priority to the holders of any other class of shares in the capital of the Company, a fixed cumulative cash dividend payable on the principal amount outstanding under the Preference Shares at the rate of 1% per annum;
- (b) unless previously converted, the Company may by written notice to a holder of the Preference Shares redeem all but not part of the Preference Shares at their total outstanding principal amount on the third anniversary from the date of issue of the Preference Shares;
- (c) unless previously converted or redeemed, a holder of the Preference Shares may convert all or any part of the principal amount of the Preference Shares into ordinary shares at a conversion price which is the lower of (i) HK\$0.40 and (ii) the average of the 10 lowest daily closing prices per ordinary share on the Stock Exchange during the 30 days immediately prior to the date of issue of conversion notice (subject to adjustments) at any time from the business day after the date of issue of the Preference Shares but prior to the seventh business day before the third anniversary of the date of issue of the Preference Shares;
- (d) on a return of capital on a winding-up or otherwise, the Preference Shares will rank in priority to any other class of shares in the capital of the Company provided that the assets of the Company available for distribution to its members will be applied first towards arrears of accruals of the fixed dividend payable on the Preference Shares before repaying the capital paid up on any Preference Shares or any other class of shares in the capital of the Company;
- (e) all ordinary shares to be issued on conversion of the Preference Shares will be issued free from all claims, charges, lien, encumbrances and equities and be identical and will rank pari passu in all respects with the ordinary shares then in issue;
- (f) a holder of the Preference Shares will not be entitled to attend or vote at any general meetings of the Company by reason only of it being a holder of the Preference Shares, except on a resolution of the ordinary shareholders to vary or abrogate the rights of the holders of Preference Shares;
- (g) no application will be made for the listing of or permission to deal in any of the Preference Shares on the Stock Exchange or any other stock exchange; and
- (h) the Preference Shares may be assigned or transferred with the prior approval from the Stock Exchange, if so required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

24. SHARE CAPITAL (Continued)

Changes in the share capital of the Company during the year are as follows:

- (i) During the year, 3,400,000 option shares were exercised resulting in issue of 3,400,000 ordinary shares of HK\$0.1 each of the Company. The issued ordinary shares rank pari passu in all respects with the then existing ordinary shares of the Company.
- (ii) On February 23, 2005, the holder of the Preference Shares issued a redemption notice to the Company for requesting the redemption of all the Preference Shares at the nominal value of HK\$1 million each. As such, the redemption amount of HK\$103 million was classified under current liabilities as amount due to a shareholder as at March 31, 2005.

25. SHARE OPTION SCHEME

The share option scheme adopted by the Company on September 11, 1996 (“Old Share Option Scheme”) was terminated on August 26, 2002.

A new share option scheme (“New Share Option Scheme”) was approved and adopted on August 26, 2002 by the Company in place of the Old Share Option Scheme. The purpose of the New Share Option Scheme is to provide incentives or rewards to the eligible persons as defined in the scheme for their contribution or would be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employee and attract human resources that are valuable to the Group. No options have been granted under the New Share Option Scheme since its adoption.

Details of the outstanding option shares under the Old Share Option Scheme as at March 31, 2005 comprises:

Date of option shares granted	Exercisable period	Number of total option shares granted	Exercise price HK\$
December 8, 2001	June 8, 2002 to June 7, 2005	<u>2,000,000</u>	0.378

The vesting period for the option shares granted is six months from the date of acceptance of the grant of the option shares to the third anniversary of the date of acceptance of the grant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

25. SHARE OPTION SCHEME (Continued)

Details of the movements in the number of option shares during the year under the Old Share Option Scheme are as follows:

Type of participants	Outstanding at April 1, 2003	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at March 31, 2004	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at March 31, 2005
Directors	71,100,000	(11,600,000)	(25,700,000)	(22,200,000)	11,600,000	-	(11,600,000)	-	-
Employees	7,400,000	-	-	-	7,400,000	(3,400,000)	-	(2,000,000)	2,000,000
	<u>78,500,000</u>	<u>(11,600,000)</u>	<u>(25,700,000)</u>	<u>(22,200,000)</u>	<u>19,000,000</u>	<u>(3,400,000)</u>	<u>(11,600,000)</u>	<u>(2,000,000)</u>	<u>2,000,000</u>

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options.

The consideration received during the year was Nil (2004: Nil).

The share prices on the dates of issue of shares upon exercise of options during the year ended March 31, 2005 was at a range of HK\$0.37 to HK\$0.46.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

26. RESERVES

Included in the Group's accumulated losses is an amount of losses of HK\$11,581,000 (2004: HK\$11,581,000) which is attributable to the Group's share of results of its associates.

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At April 1, 2003	748,283	1,114,686	(2,311,520)	(448,551)
Issue of shares	899	–	–	899
Net loss for the year	–	–	(14,092)	(14,092)
Preference share dividend	–	–	(1,036)	(1,036)
	<u>749,182</u>	<u>1,114,686</u>	<u>(2,326,648)</u>	<u>(462,780)</u>
At March 31, 2004	749,182	1,114,686	(2,326,648)	(462,780)
Issue of shares	527	–	–	527
Net loss for the year	–	–	(2,515)	(2,515)
Preference share dividend	–	–	(935)	(935)
	<u>749,709</u>	<u>1,114,686</u>	<u>(2,330,098)</u>	<u>(465,703)</u>
At March 31, 2005	<u>749,709</u>	<u>1,114,686</u>	<u>(2,330,098)</u>	<u>(465,703)</u>

The contributed surplus of the Company represents the aggregate of the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's ordinary shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's ordinary shares on the Stock Exchange and the difference between the estimated fair value of the Company's ordinary shares issued as purchase consideration of a subsidiary at the date of acquisition in 2002 over the nominal value of the Company's ordinary share.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company had no reserves available for distribution to shareholders at March 31, 2005 and 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

27. AMOUNTS DUE TO SUBSIDIARIES THE COMPANY

The amounts are unsecured, non-interest bearing and do not have fixed repayment terms. The amounts will not be repayable within the next twelve months and, accordingly, the amounts are shown as non-current liabilities.

28. DEFERRED TAXATION

The following is the major deferred taxation liability recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation <i>HK\$'000</i>
At April 1, 2003	(535)
Credit to consolidated income statement	231
Effect of change in tax rate	(50)
	<hr/>
At March 31, 2004 and 2005	(354) <hr/> <hr/>

At the balance sheet date, the Group and the Company had unused tax losses of approximately HK\$598,876,000 (2004: HK\$617,886,000) and HK\$3,196,000 (2004: HK\$3,196,000), respectively available for offset against future profits. No deferred taxation asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

29. DISPOSAL OF A SUBSIDIARY

In November 2003, the Group disposed of its subsidiary, Deep Plan Investments Limited to an independent third party.

	2005 HK\$'000	2004 HK\$'000
Net liabilities disposed of		
Investment property	–	640
Trade and other receivables	–	4
Trade and other payables	–	(1)
Deposits received	–	(12)
Amounts due to immediate holding companies	–	(1,666)
	<u>–</u>	<u>(1,035)</u>
Assignment of intercompany accounts	–	1,666
Loss on disposal of a subsidiary	–	(400)
	<u>–</u>	<u>(400)</u>
Total consideration	<u>–</u>	<u>231</u>
Satisfied by:		
Cash	<u>–</u>	<u>231</u>
Net cash inflow arising on disposal:		
Cash consideration	<u>–</u>	<u>231</u>

The subsidiary disposed of in 2004 did not contribute significantly to the Group's cashflows or operating results.

30. PLEDGE OF ASSETS

At March 31, 2005, the general credit facilities of the Group were secured by the Group's investment properties and properties held for sale with a carrying value of HK\$68,000,000 (2004: HK\$63,000,000) and HK\$84,000,000 (2004: HK\$82,000,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	<u>220</u>	<u>452</u>

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term of one year.

The Group as lessor

Property rental income earned during the year was approximately HK\$10 million (2004: HK\$9 million). Leases are generally negotiated for an average terms of one to two years.

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	8,103	8,137
In the second to fifth year inclusive	<u>2,385</u>	<u>4,117</u>
	<u>10,488</u>	<u>12,254</u>

32. CONTINGENT LIABILITIES

At March 31, 2005, the Company provided guarantees to banks to the extent of approximately HK\$122,000,000 (2004: HK\$203,750,000) in respect of banking facilities granted to certain subsidiaries and an aggregate amount of approximately HK\$59,824,000 (2004: HK\$64,575,000) was utilised by those subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

33. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

Name of company/director	Nature of transaction	2005 HK\$'000	2004 HK\$'000
Cymbeline Limited	Rental expenses paid by the Group (notes a and c)	–	72
Good Harvest Securities Company Limited	Rental income received by the Group (notes b and c)	–	62
Mr. Chu Yu Lin, David	Rental income received by the Group (note c)	–	42
	Preference Share dividend paid by the Group (note d)	–	1,030
Sinochem Hong Kong (Group) Company Limited (“Sinochem HK”)	Rental expense paid by the Group (notes c and e)	240	–
	Interest expense paid by the Group (notes c and e)	118	–
	Preference Share dividend paid by the Group (notes d and e)	935	–
		1,193	1,104

Notes:

- (a) Mr. Chan King Hung, a former director of the Company, has a beneficial interest in Cymbeline Limited.
- (b) Mrs. Chu Ho Miu Hing, a director of the Company, has a beneficial interest in Good Harvest Securities Company Limited.
- (c) The above transactions were carried out with reference to the market price.
- (d) The preference share dividend was calculated at 1% per annum on the aggregate par value of the Preference Shares outstanding.
- (e) Sinochem HK is a substantial shareholder of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

34. RETIREMENT BENEFIT SCHEME

With the implementation of Mandatory Provident Fund Scheme in Hong Kong on December 1, 2000, the Group has maintained the defined contribution scheme registered under the Occupational Retirement Schemes Ordinance (“ORSO Scheme”) and has obtained an exemption satisfying the requirements of the Mandatory Provident Fund Scheme Ordinance (“MPFO”).

To comply with MPFO, a Mandatory Provident Fund Scheme with voluntary contributions has been established. Existing ORSO Scheme Members has been given a one-off choice on the MPF Exempted ORSO Scheme and the MPF Scheme. New Employees must join MPF Scheme when it commenced on December 1, 2000.

The amount charged to the income statement represents contributions payable of approximately HK\$112,000 (2004: HK\$270,000) to the schemes by the Group at rates specified in the rules of the schemes less forfeitures of approximately HK\$25,000 (2004: HK\$207,000) arising from employees leaving the Group prior to completion of qualifying service period.

35. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation and operation	Percentage of nominal value of issued share capital held by the Company	Issued and fully paid up share capital	Principal activities
Calorie Limited	Hong Kong	100%	Ordinary HK\$20,000 Deferred * HK\$14,000	Investment holding
Fine Point Properties Limited	Hong Kong	100%	Ordinary HK\$1,955 Deferred * HK\$45	Investment holding
Fine Straight Investments Limited	Hong Kong	100%	Ordinary HK\$2 Deferred * HK\$10,000	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

35. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and operation	Percentage of nominal value of issued share capital held by the Company	Issued and fully paid up share capital	Principal activities
Sanmark Investments Limited	Hong Kong	100%	Ordinary HK\$200 Deferred * HK\$82	Property trading
Star Cherry Investments Limited	British Virgin Islands	100%	Ordinary US\$100	Investment holding
WTF Digital Technology Limited	British Virgin Islands	100%	Ordinary US\$100	Investment holding
Wah Tak Fung (B.V.I.) Limited **	British Virgin Islands	100%	Ordinary US\$1,000,000	Investment holding
WTF Technology Limited	Hong Kong	100%	Ordinary HK\$2	Investment holding

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distributions on winding up.

** Directly held by the Company.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list discloses only the particulars of those subsidiaries as at March 31, 2005 which principally affect the results or assets of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

36. ASSOCIATE

Particulars of the principal associate held indirectly by the Company at March 31, 2005 is as follows:

Name of associate	Place of incorporation	Percentage of nominal value of issued share capital held indirectly by the Company	Issued and fully paid up share capital	Principal activities
M.POS (HK) Limited	Hong Kong	25%	Ordinary HK\$10,000	Provision of mobile point of sale service

37. POST BALANCE SHEET EVENTS

- (a) On January 28, 2005, the Company entered into a conditional sale and purchase agreement (“Acquisition Agreement”) with Sinochem HK for the acquisition of the entire issued share capital of China Fertilizer (Holdings) Company Limited and its existing subsidiaries. The consideration for the acquisition of HK\$5,050 million would be satisfied in full by the allotment and issue of 5,050,000,000 new shares to Sinochem HK at the issue price of HK\$1.00 per share upon the reduction of the nominal value of each of the issued ordinary shares from HK\$0.10 to HK\$0.01 per share (“Reduced Shares”) and share consolidation of ten Reduced Shares of HK\$0.01 each into one new ordinary share of HK\$0.10 (“Capital Reorganisation”). If the Capital Reorganisation had not been given effect to on or before completion, the parties had agreed that the number of shares would be adjusted to 50,500,000,000 new ordinary shares and the issue price would be HK\$0.10 per share. In either case, the consideration shares represent approximately 93.21% of the issued ordinary share capital of the Company following the issue of the consideration shares (on the basis that no offering has taken place). On July 27, 2005, the acquisition was successfully completed upon the fulfillment of the conditions contemplated under the Acquisition Agreement. Details of the above are set out, inter alia, in the circular dated June 13, 2005 issued by the Company.

This acquisition will be accounted for as a reverse acquisition in accordance with HKFRS 3. Since the fair value of the consideration transferred and the fair value of the identifiable assets, liabilities and contingent liabilities of the Group have not yet been finalised, in the opinion of the directors of the Company, it is not practicable to disclose the relevant information required under HKFRS 3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

37. POST BALANCE SHEET EVENTS (Continued)

- (b) As announced by the Company on January 28, 2005, the Company proposed to effect the Capital Reorganisation of the Company as follow:
- (i) the nominal value of each issued ordinary share of HK\$0.10 each of the Company will be reduced by cancelling paid-up capital to the extent of HK\$0.09 per share (“Capital Reduction”), such that the nominal value of each ordinary share will be reduced to HK\$0.01;
 - (ii) upon the Capital Reduction becoming effective, every ten Reduced Shares will be consolidated (“Share Consolidation”) into one ordinary share of HK\$0.10 (“New Share”);
 - (iii) upon the Capital Reduction becoming effective, the entire amount standing to the credit of the share premium account of the Company as at March 31, 2004 will be cancelled (“Existing Share Premium Cancellation”);
 - (iv) upon the Share Consolidation becoming effective and the Acquisition Agreement being completed, an amount of HK\$131,625,200, representing part of the share premium arising from the issue of New Shares pursuant to the Acquisition Agreement will be cancelled (“Further Share Premium Cancellation”);
 - (v) all credits arising from the Capital Reduction, the Existing Share Premium Cancellation and the Further Share Premium Cancellation will be transferred to the contributed surplus account of the Company; and
 - (vi) the authorised share capital of the Company will be increased from HK\$1,000,000,000 to HK\$8,316,000,000 by the creation of an additional 73,160,000,000 ordinary shares of HK\$0.10 each, such that the authorised share capital will be divided into 80,000,000,000 ordinary shares of HK\$0.10 each and 316 Preference Shares of HK\$1,000,000 each.

Details of the Capital Reorganisation are set out in the circular dated June 13, 2005 issued by the Company. Special and ordinary resolutions approving the Capital Reorganisation were passed at the special general meeting of the Company held on July 5, 2005.

- (c) As announced by the Company on July 11, 2005 and on July 21, 2005 respectively, the Company proposed to place 390,000,000 new ordinary shares of the Company at HK\$1.3 per share through independent placing agents to independent outside parties. The placement was completed on July 27, 2005.