

Notes to Financial Statements

31 March 2005

1. CORPORATE INFORMATION

During the year, the Group was primarily involved in property investment, the investment in securities, money lending and investment holding.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS AND THE EARLY ADOPTION OF A NEW HONG KONG ACCOUNTING STANDARD

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKASs”), herein collectively referred to as the “New HKFRSs”, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these New HKFRSs in the financial statements for the year ended 31 March 2005, except for HKAS 40 “Investment property” as further explained below.

The adoption of HKAS 40 has resulted in a change to the previously adopted accounting policy for investment properties.

In prior years, investment properties were stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged. On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations was released to the profit and loss account. As at 31 March 2004 and 2003, the Group did not have any investment property revaluation reserve.

Following the adoption of HKAS 40, an investment property is measured at fair value after initial recognition and a change in the fair value of an investment property is recognised as a gain or loss in the profit and loss account for the period in which it arises.

As a result of the change in the accounting policy, the Group’s net loss for the year has been reduced by HK\$18,911,000. The adoption of HKAS 40 has had no effect on the amounts for the prior year and on the opening balances as at 1 April 2004 and 2003.

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

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain investments in securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates are included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. However, if the Group's share of losses of an associate equals or exceeds the carrying amount of an investment in associate, the Group ordinarily discontinues including its share of further losses. The investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses not recognised.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company;
or
- (d) a long term investment in an investment security, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are properties which are held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the profit and loss account in the year of derecognition.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in securities

Investments in securities include held-to-maturity securities, investment securities and other investments.

Held-to-maturity securities

Held-to-maturity securities were investments in dated debt securities which the Group has the expressed intention and ability to hold to maturity, and are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any impairment losses which reflect their credit risk.

Investment securities

Investment securities are listed and unlisted equity securities, which are intended to be held for a continuing strategic or long term purpose. Investment securities are included in the balance sheet at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Other investments

Other investments in securities are listed and unlisted equity and debt securities, which are not classified as held-to-maturity securities or investment securities, and are stated at their fair values at the balance sheet date, on an individual investment basis.

The fair values of such listed securities are normally their quoted market prices at the balance sheet date, provided the securities are actively traded in a liquid market, whereas the fair values of such unlisted securities and listed securities that are not actively traded in a liquid market are estimated by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or other appropriate valuations.

The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Retirement benefits scheme

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

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme 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 recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of 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 are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) rental income, on a time proportion basis over the lease terms;
- (ii) from the sale of equity and debt securities, on a trade-date basis;
- (iii) dividend income, when the shareholders' right to receive payment has been established; and
- (iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Notes to Financial Statements

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) the property investment segment engages primarily in the investment in commercial/industrial premises for their rental income potential and their appreciation in values;
- (ii) the investments in securities segment engages in the purchase and sale of securities and the holding of debt and equity investments primarily for interest income, dividend income and capital appreciation;
- (iii) the money lending segment engages in money lending operations in Hong Kong; and
- (iv) the investment holding segment engages in holding investments for a continuing strategic or long term purpose, primarily for their dividend income and capital appreciation.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. Intersegment transactions are conducted on mutually agreed terms.

Notes to Financial Statements

31 March 2005

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group

	Property investment		Investments in securities		Money lending		Investment holding		Elimination		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:												
Revenue from external customers	1,141	808	78,823	59,533	5,445	8,523	6,556	11,443	-	-	91,965	80,307
Other revenue	257	59	-	-	-	-	2,590	721	-	-	2,847	780
Total	1,398	867	78,823	59,533	5,445	8,523	9,146	12,164	-	-	94,812	81,087
Segment results	18,761	19,559	19,247	(13,841)	(4,202)	(6,408)	(44,056)	(7,260)	-	1,970	(10,250)	(5,980)
Unallocated interest income and other revenue/gains											78	2,534
Unallocated expenses											(3,463)	(9,367)
Loss from operating activities											(13,635)	(12,813)
Finance costs											(2,454)	(7,411)
Loss before tax											(16,089)	(20,224)
Tax											(3,458)	(31)
Net loss from ordinary activities attributable to shareholders											(19,547)	(20,255)
Segment assets	73,277	13,734	135,170	58,902	95,340	128,061	108,369	82,768	-	-	412,156	283,465
Unallocated assets											1,543	1,620
Total assets											413,699	285,085
Segment liabilities	33,402	8,455	-	623	-	-	36,571	29,700	-	-	69,973	38,778
Unallocated liabilities											6,126	77,213
Total liabilities											76,099	115,991

Notes to Financial Statements

31 March 2005

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Property investment		Investments in securities		Money lending		Investment holding		Elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:												
Depreciation – unallocated amounts	-	-	-	-	-	-	-	-	-	-	782	712
Provision for impairment of investment securities recognised in the profit and loss account	-	-	-	-	-	-	46,212	19,400	-	-	46,212	19,400
Gains arising from changes in the fair values of investment properties	18,911	871	-	-	-	-	-	-	-	-	18,911	871
Impairment of goodwill arising during the year	-	-	-	-	-	-	(2,688)	-	-	-	(2,688)	-
Provision for the settlement of legal proceedings	-	(4,800)	-	-	-	-	-	-	-	-	-	(4,800)
Unrealised holding gains/(losses) of other investments, net	-	-	(9,705)	12,645	-	-	-	-	-	-	(9,705)	12,645
Provision for bad and doubtful debts	-	-	-	-	(5,322)	(10,463)	-	-	-	-	(5,322)	(10,463)
Capital expenditure	52,912	7,779	-	-	-	-	769	-	-	-	53,681	7,779
Unallocated amounts											1,627	25
											<u>55,308</u>	<u>7,804</u>

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		Mainland China		Macau		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Revenue from external customers	85,409	68,517	-	347	6,556	11,443	91,965	80,307
Other external revenue	2,847	780	-	-	-	-	2,847	780
	<u>88,256</u>	<u>69,297</u>	<u>-</u>	<u>347</u>	<u>6,556</u>	<u>11,443</u>	<u>94,812</u>	<u>81,087</u>
Other segment information:								
Segment assets	323,674	236,237	-	4,880	90,025	43,968	413,699	285,085
Capital expenditure	55,308	7,804	-	-	-	-	55,308	7,804

Notes to Financial Statements

31 March 2005

5. TURNOVER

Turnover represents gross rental income received and receivable from investment properties; interest income earned from money lending operations; interest income and dividend income from investments in securities; and proceeds from sale of other investments during the year.

	Group	
	2005	2004
	HK\$'000	HK\$'000
Gross rental income	1,141	808
Interest income from money lending operations	5,445	8,523
Interest income from unlisted debt securities	736	839
Dividend income from listed securities	263	237
Dividend income from unlisted securities	6,556	11,443
Proceeds from sale of other investments	77,824	58,457
	<u>91,965</u>	<u>80,307</u>

Notes to Financial Statements

31 March 2005

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Notes	2005 HK\$'000	2004 HK\$'000
Depreciation	13	728	712
Staff costs (excluding directors' remuneration (note 7)):			
Wages, salaries and allowances		3,142	1,636
Retirement benefits scheme contributions (defined contribution scheme)*		181	64
		<u>3,323</u>	<u>1,700</u>
Auditors' remuneration		1,230	820
Minimum lease payments under operating leases in respect of land and buildings		931	532
Provision for bad and doubtful debts**		5,322	10,463
Provision for impairment of investment securities^		46,212	19,400
Impairment of goodwill arising during the year**	27(a)	2,688	–
Provision for the settlement of legal proceedings**	24(f)	–	4,800
Loss on disposal of fixed assets		361	–
Loss/(gain) on sale of other investments, net		(33,898)	27,045
Gains arising from changes in the fair values of investment properties	14	(18,911)	(871)
Gain on disposal of investment properties		(257)	–
Gross rental income from investment properties		(1,141)	(808)
Less: Outgoings		342	273
Net rental income		<u>(799)</u>	<u>(535)</u>
Other interest income not included in turnover		(430)	(779)
Interest income from an associate		–	(2,529)
		<u> </u>	<u> </u>

* At 31 March 2005, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2004: Nil).

** These items are included in "Other operating expenses, net" on the face of the consolidated profit and loss account.

Notes to Financial Statements

31 March 2005

6. LOSS FROM OPERATING ACTIVITIES (continued)

[^] In view of the dismal performance and the concern over the recoverability of certain loans receivable of an unlisted equity investee, a provision for impairment of the equity investee of approximately HK\$46,212,000 (2004: HK\$19,400,000) was made in the year. The equity investee is accounted for as an investment security and belongs to the Group's investment holding segment.

The estimated recoverable amount used to arrive at the impairment loss was based on the estimated net selling price of the equity investee as determined by the directors of the Company. The net selling price was determined, to a certain extent, with reference to certain recent transaction prices of the equity investee and adjusted for certain qualitative/quantitative factors and the current economic circumstances of the equity investee, as considered appropriate by the directors of the Company.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Fees*	<u>372</u>	<u>252</u>
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	2,754	2,591
Retirement benefits scheme contributions	<u>37</u>	<u>33</u>
	<u>2,791</u>	<u>2,624</u>
	<u>3,163</u>	<u>2,876</u>

* The fees included HK\$372,000 (2004: HK\$252,000) payable to the independent non-executive directors of the Company. There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

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

	Number of directors	
	2005	2004
Nil – HK\$1,000,000	7	5
HK\$1,500,001 – HK\$2,000,000	<u>1</u>	<u>1</u>
	<u>8</u>	<u>6</u>

Notes to Financial Statements

31 March 2005

7. DIRECTORS' REMUNERATION (continued)

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

During the year, certain directors were granted share options in respect of their services to the Group under a new share option scheme of the Company, further details of which are set out in note 25 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2004: three) directors, details of whose remuneration are disclosed in note 7 above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	625	704
Retirement benefits scheme contributions	21	19
	646	723

The remuneration of the two (2004: two) non-director, highest paid employees fell within the nil to HK\$1,000,000 band for the year.

During the year, 60,000,000 share options were granted to one of the above two non-director, highest paid employees in respect of his/her services to the Group, further details of which are set out in note 25 to the financial statements. No value in respect of the above share options granted has been charged to the consolidated profit and loss account, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

Notes to Financial Statements

31 March 2005

9. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on:		
Other borrowings wholly repayable within five years	292	10,379
Convertible Notes	2,247	–
Bank loans not wholly repayable within five years	141	56
	<hr/>	<hr/>
Total interest	2,680	10,435
Less: Interest expense classified as cost of sales	(226)	(3,024)
	<hr/>	<hr/>
Total finance costs for the year	<u>2,454</u>	<u>7,411</u>

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax had been made for the prior year as the Group did not have any estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005 HK\$'000	2004 HK\$'000
Group:		
Current – Hong Kong	74	–
Current – overseas	30	31
Deferred (<i>note 23</i>)	3,354	–
	<hr/>	<hr/>
Total tax charge for the year	<u>3,458</u>	<u>31</u>

Notes to Financial Statements

31 March 2005

10. TAX (continued)

A reconciliation of the tax credit applicable to loss before tax using the Hong Kong statutory tax rate in which the Company and the majority of subsidiaries are domiciled to the tax charge at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

Group	2005		2004	
	HK\$'000	%	HK\$'000	%
Loss before tax	<u>(16,089)</u>		<u>(20,224)</u>	
Tax credit at the statutory tax rate	(2,816)	(17.5)	(3,539)	(17.5)
Income not subject to tax	(1,241)	(7.7)	(6,817)	(33.7)
Expenses not deductible for tax	9,378	58.2	6,824	33.7
Tax losses utilised from previous periods	(3,561)	(22.1)	(200)	(1.0)
Tax losses for the year not recognised	1,705	10.6	3,772	18.7
Others	(7)	–	(9)	–
Tax charge at the Group's effective rate	<u>3,458</u>	<u>21.5</u>	<u>31</u>	<u>0.2</u>

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK\$53,699,000 (2004: HK\$46,143,000) (note 26(b)).

12. LOSS PER SHARE**(a) Basic loss per share**

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$19,547,000 (2004: HK\$20,255,000) and the weighted average number of 485,423,255 (2004 (restated): 212,149,370) ordinary shares in issue during the year. Both the basic loss per share for the current year and the prior year have been adjusted to reflect the rights issue during the year (note 24) and the consolidation of shares subsequent to the balance sheet date (note 33(d)).

Notes to Financial Statements

31 March 2005

12. LOSS PER SHARE (continued)

(b) Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2005 and 2004 have not been disclosed, as the share options, warrants and Convertible Notes outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

13. FIXED ASSETS

Group

	Land and building	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At beginning of year	–	489	459	1,754	2,702
Acquisition of subsidiaries	–	–	511	412	923
Additions	16,023	1,019	272	182	17,496
Disposals	–	(489)	(30)	(1,574)	(2,093)
At 31 March 2005	16,023	1,019	1,212	774	19,028
Accumulated depreciation:					
At beginning of year	–	220	242	1,355	1,817
Provided during the year	133	114	199	282	728
Disposals	–	(293)	(17)	(1,422)	(1,732)
At 31 March 2005	133	41	424	215	813
Net book value:					
At 31 March 2005	15,890	978	788	559	18,215
At 31 March 2004	–	269	217	399	885

The Group's land and building are situated in Hong Kong and are held under long term leases. As at 31 March 2005, the Group's land and building were pledged to secure certain bank loans granted to the Group (note 21).

Notes to Financial Statements

31 March 2005

14. INVESTMENT PROPERTIES

	Group	
	2005 HK\$'000	2004 HK\$'000
At beginning of year	13,420	20,270
Additions	36,889	–
Acquisition of subsidiaries (note 27(a))	–	7,779
Disposal of subsidiaries (note 27(b))	(4,880)	(15,500)
Disposals	(8,540)	–
Fair value adjustment credited to the profit and loss account (note 6)	18,911	871
	<hr/>	<hr/>
At 31 March	55,800	13,420

The Group's investment properties are situated in Hong Kong/Mainland China and are held under the following lease terms:

	Group	
	2005 HK\$'000	2004 HK\$'000
Situated in Hong Kong under long term leases	55,800	8,540
Situated in Mainland China under medium term leases	–	4,880
	<hr/>	<hr/>
	55,800	13,420

The Group's investment properties are stated at fair value. The Group's investment properties were revalued on 31 March 2005 based on valuation performed by RHL Appraisal Limited, independent professionally qualified valuers, on an open market, existing use basis, as at 31 March 2005. The gains arising from changes in the fair values of investment properties of HK\$18,911,000 (2004: HK\$871,000) have been credited to the profit and loss account (note 6) in accordance with the Group's revised accounting policy as a result of the early adoption of HKAS 40. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 29(a) to the financial statements.

At 31 March 2005, the Group's investment properties situated in Hong Kong with an aggregate carrying value of approximately HK\$55,800,000 (2004: HK\$8,540,000) were pledged to secure certain bank loans granted to the Group (note 21).

Further particulars of the Group's investment properties are included on page 74.

Notes to Financial Statements

31 March 2005

15. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	604,010	697,439
Amounts due to subsidiaries	(14,000)	(5,477)
	590,011	691,963
Provisions against amounts due from subsidiaries	(270,514)	(446,947)
	319,497	245,016

The balances with subsidiaries are unsecured and have no fixed terms of repayment. Certain of the balances bear interest at Hong Kong dollar prime rate (the "Prime Rate") per annum.

Particulars of the principal subsidiaries at the balance sheet date were as follows:

Name	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Brilliant Crown Trading Limited	Hong Kong	HK\$1,000,000	–	100	Holding of motor vehicles
Dollar Group Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investments in securities
Double Smart Finance Limited	Hong Kong	HK\$2	–	100	Money lending
Heritage Strategic Enterprises Limited	Hong Kong	HK\$10,000	–	100	Provision of corporate services

Notes to Financial Statements

31 March 2005

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at the balance sheet date were as follows:
(continued)

Name	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Mass Nation Investments Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Overseas Global Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Planner Ford Limited	Hong Kong	HK\$2	–	100	Provision of corporate services
Prostar Hong Kong Limited	Hong Kong	HK\$2	100	–	Provision of corporate services
Rightmind Developments Limited	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding

Notes to Financial Statements

31 March 2005

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at the balance sheet date were as follows:
(continued)

Name	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Silver Target Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Property investment
Wealth Champion Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Property investment
CU Investment Management Limited*	Hong Kong	HK\$1,000,000	–	100	Provision of investment management services
Masters of Masters Limited*	Hong Kong	HK\$1,000,000	–	100	Provision of model agency and entertainment related services

* Being subsidiaries newly acquired during the year. Further details of the acquisitions are included in note 27(a) to the financial statements.

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

Notes to Financial Statements

31 March 2005

16. INVESTMENTS IN SECURITIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Investment securities, at cost:		
Unlisted equity investments	73,225	28,525
Convertible bond issued by an unlisted investee company*	–	29,700
Club membership	630	–
	73,855	58,225
Less: Provision for impairment	(65,612)	(19,400)
	8,243	38,825
Other investments, at fair value:		
Hong Kong listed equity securities	134,751	51,402
Held-to-maturity securities, at amortised cost:		
Unlisted debt securities	–	7,500
Total investments in securities	142,994	97,727
Less: Other investments and held-to-maturity securities classified as current assets:		
Hong Kong listed equity securities	(134,751)	(51,402)
Unlisted debt securities	–	(7,500)
Non-current portion	8,243	38,825
Market value of Hong Kong listed equity securities, at 31 March	134,751	64,511

* On 29 March 2004, the Group acquired a subordinate convertible bond (the “Convertible Bond”) issued by an investee company (the “Investee”). The Convertible Bond has a face value of HK\$29,700,000 and carries the right of conversion into shares of the Investee at a conversion price of HK\$1.50 per share (subject to adjustment). The Convertible Bond is non-transferable, unsecured, bears interest at 6% per annum and will mature on the third anniversary from its date of issue. On 25 June 2004, the Convertible Bond was fully converted into 19,800,000,000 shares of the Investee.

Notes to Financial Statements

31 March 2005

16. INVESTMENTS IN SECURITIES (continued)

At the balance sheet date, the Group's investments in securities with an aggregate carrying value of approximately HK\$134,751,000 (2004: HK\$55,649,000), were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group.

At the date of approval of these financial statements, the market value of listed equity securities held by the Group as at the balance sheet date was approximately HK\$72,326,000 (2004: HK\$39,129,000).

Included in the investment securities of the Group as at 31 March 2005 was a beneficial interest in 20% of the nominal value of the issued ordinary share capital of an equity investee (the "Equity Investee"). The Equity Investee was not treated as an associate, because in the opinion of the directors, the Equity Investee was acquired and held with a view to the ultimate realisation of capital gain from its subsequent disposal and the Group is not in a position to exercise significant influence over the Equity Investee.

Particulars of the Equity Investee are as follows:

Company name	Place of incorporation	Class of shares held	Percentage of the nominal value of issued ordinary share capital held by the Group	
			2005	2004
King Kong International Investment Limited (in Portuguese, King Kong International Investimentos, Limitada) ("King Kong")	Macau	Ordinary	20	20

Mr. Peter Ong, a director of the Company, is a director of King Kong and had a 30% beneficial interest in the issued share capital of King Kong as at 31 March 2005.

During the year, King Kong distributed profits amounted to approximately HK\$6,556,000 (2004: HK\$11,443,000) to the Group.

17. LOAN TO AN INVESTEE COMPANY

The loan to an investee company represented a shareholder loan to King Kong which was unsecured, interest-free and had no fixed terms of repayment. Subsequent to the balance sheet date, the loan was repaid.

Notes to Financial Statements

31 March 2005

18. LOAN ADVANCE

In January 2005, Rightmind Developments Limited (“Rightmind”), a direct wholly-owned subsidiary of the Company, entered into a conditional verbal agreement (the “Verbal Agreement”), whereby Rightmind agreed, amongst other things, (i) to acquire 20% equity interest in Found Macau Investments International Limited (“Found Macau”); (ii) to become a party to a shareholders agreement relating to Found Macau (the “Shareholders Agreement”); and (iii) to make a shareholders loan of HK\$100 million to Found Macau (the “Found Macau Loan”) (collectively the “Transactions”). Found Macau is an investment holding company incorporated in the British Virgin Islands and it currently intends to directly or indirectly invest in gaming, entertainment and related businesses in Macau through its subsidiaries to be incorporated. As Mr. Lao Hin Chun, the stepfather of Mr. Peter Ong (the managing director of the Company), is one of the founders and shareholders of Found Macau at the date of the Verbal Agreement, the Transactions constitute major and connected transactions under Rule 14.06 and Rule 14A.13 of the Listing Rules and are subject to the approval of independent shareholders at a special general meeting of the Company (the “SGM”).

In March 2005, the necessary independent shareholders’ approval was obtained in the SGM and as at 31 March 2005, Rightmind had advanced HK\$50 million to Found Macau, which constituted part of the Found Macau Loan. The balance of the Found Macau Loan of HK\$50 million was satisfied subsequent to the balance sheet date, on 7 April 2005, by the issue of certain new convertible notes of the Company with a principal amount of HK\$50 million as further detailed in note 33(c) to the financial statements. On the same date, pursuant to the Verbal Agreement, the 20% equity interest in Found Macau was transferred to Rightmind and Rightmind has effectively become a party to the Shareholder Agreement dated 22 January 2005, via a deed of adherence entered into by Rightmind.

The Found Macau Loan is unsecured, interest-free and is repayable after 8 years from 21 March 2005 (the date of drawdown) on demand.

Further details of the above, including the Transactions and the underlying agreements, are also set out in a circular of the Company dated 25 February 2005.

Notes to Financial Statements

31 March 2005

19. LOANS RECEIVABLE

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Loans receivable	107,950	134,751	12,500	–
Less: Provision for bad and doubtful debts	(15,785)	(10,463)	(625)	–
	<u>92,165</u>	<u>124,288</u>	<u>11,875</u>	<u>–</u>
Less: Balances due within one year included in current assets	(92,165)	(122,563)	(11,875)	–
	<u>–</u>	<u>1,725</u>	<u>–</u>	<u>–</u>

Loans receivable represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 2% over the Prime Rate to 10% per annum. The granting of these loans are approved and monitored by the Company's executive directors in charge of the Group's money lending operations.

Included in the loans receivable was a loan granted to an officer of the Company of HK\$5,000,000 (2004: HK\$5,000,000). Particulars of this loan, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	Maximum amount		
	31 March 2005 HK\$'000	outstanding during the year HK\$'000	1 April 2004 HK\$'000
Mr. Wong Siu Lun, Alan	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

The loan granted to the officer was unsecured, bore interest at the Prime Rate plus 2% per annum and is repayable within one year. The loan was repaid after the balance sheet date.

Notes to Financial Statements

31 March 2005

20. DEPOSITS FOR CONVERTIBLE NOTES

During the year ended 31 March 2004, the Company entered into a placing agreement and a supplemental agreement with a placing agent and a financial adviser on 11 August 2003 and 10 November 2003, respectively, pursuant to which the Company agreed, through the placing agent, to place Convertible Notes up to HK\$75,000,000 (the "Convertible Notes") to third parties on or before 1 March 2004 (subsequently agreed to extend to 30 April 2004). In March 2004, the Company received from the placing agent deposits for the Convertible Notes totalling HK\$75,000,000.

On 15 April 2004, the Convertible Notes were issued by the Company. Further details of the Convertible Notes and a summary of the movements in the Convertible Notes during the year are set out in *note 22* to the financial statements.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2005 HK\$'000	2004 HK\$'000
Bank loans, secured	29,580	2,966
Other borrowings, secured	—	623
	<u>29,580</u>	<u>3,589</u>
Bank loans repayable:		
Within one year	2,520	283
In the second year	2,520	290
In the third to fifth years, inclusive	7,560	921
Beyond five years	16,980	1,472
	<u>29,580</u>	<u>2,966</u>
Other borrowings repayable:		
Within one year or on demand	—	623
Total borrowings	29,580	3,589
Portion classified as current liabilities	<u>(2,520)</u>	<u>(906)</u>
Non-current portion	<u>27,060</u>	<u>2,683</u>

Notes to Financial Statements

31 March 2005

21. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

- (a) The Group's bank loans are secured by:
- (i) mortgages over the Group's land and building situated in Hong Kong, which had a net book value at the balance sheet date of approximately HK\$15,890,000 (2004: Nil);
 - (ii) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK\$55,800,000 (2004: HK\$8,540,000); and
 - (iii) a corporate guarantee given by the Company up to HK\$30,000,000 (2004: Nil).
- (b) The Group's investments in securities with an aggregate carrying value of approximately HK\$134,751,000 (2004: HK\$55,649,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group which were utilised up to approximately HK\$623,000 as at 31 March 2004.
- (c) The Group's secured bank loans at 31 March 2005 carrying floating interest rates at 1.25% per annum above the Hong Kong Interbank Offer Rate ("HIBOR") (2004: 2.25% per annum below the Prime Rate). The Group's secured other borrowings as at 31 March 2004 carried floating interest rates at 3% per annum above the Prime Rate.

22. CONVERTIBLE NOTES

	Group and Company	
	2005	2004
	HK\$'000	HK\$'000
At beginning of year	–	–
Issuance during the year (a)	75,000	–
Redemption (b)	(23,000)	–
Conversion (c)	(16,000)	–
	<hr/>	<hr/>
At 31 March (d)	36,000	–
	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Statements

31 March 2005

22. CONVERTIBLE NOTES (continued)

- (a) As set out in note 20 above, the Company issued the Convertible Notes to certain third parties on 15 April 2004. The Convertible Notes were unsecured, bore interest at 6.8% per annum and had an original maturity date on the third anniversary of the date of issue. The Company may redeem the Convertible Notes at 100% of the outstanding principal amount of the Convertible Notes from the date of issue of the Convertible Notes up to 14 days prior to (and excluding) the maturity date. The Convertible Notes were convertible into ordinary shares of the Company in amounts or integral multiples of HK\$1,000,000 at any time from the date of issue of the Convertible Notes up to 14 days prior to (and excluding) the maturity date at a price of HK\$0.16 per share (which was adjusted to HK\$0.15 per share as a result of a rights issue of the Company – note 24(i)).

Further details of the Convertible Notes are also set out in the circulars of the Company dated 18 August 2003 and 1 December 2003, and an announcement made on 20 February 2004.

- (b) During the year, Convertible Notes with face values aggregating HK\$23,000,000 were redeemed by the Company at their face values.
- (c) On 7 May 2004, Convertible Notes with face values of HK\$16,000,000 were converted into 100,000,000 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.16 per share – note 24(j).
- (d) During the year, the Company gave notice to holders of the then outstanding Convertible Notes that it would early redeem all the outstanding Convertible Notes in full in the aggregate principal amount of HK\$36 million at 100% of the outstanding principal amount, subject to the approval of the Company's shareholders of the issue of certain new convertible notes (the "New Convertible Notes") by the Company at a special general meeting held on 14 March 2005, as further detailed in note 33(c) below, and the completion of the redemption would take place on the 30th day after the special general meeting (or such other date as the Company and the holders of the Convertible Notes might agree). Subsequent to the balance sheet date, on 7 April 2005, all the outstanding Convertible Notes were redeemed.

It is the intention of the Company to effectively refinance the long term interest bearing liabilities under the Convertible Notes with the funds available under the New Convertible Notes on a long term basis. As all the holders of the Convertible Notes had subscribed for the New Convertible Notes and had set-off with the Company the subscription monies payable by them to the Company for the New Convertible Notes against the amount payable by the Company to them on redemption of the Convertible Notes before the financial statements were authorised for issue, the directors consider that it is appropriate to continue to classify the Convertible Notes as long term liabilities as at 31 March 2005.

Further details of the early redemption of the Convertible Notes are also set out in a circular of the Company dated 25 February 2005.

Notes to Financial Statements

31 March 2005

23. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year was as follows:

Group

	Fair value adjustment arising from revaluation of investment properties	
	2005 HK\$'000	2004 HK\$'000
At beginning of year	–	–
Deferred tax charged to the profit and loss account during the year (<i>note 10</i>)	<u>3,354</u>	–
At 31 March	<u><u>3,354</u></u>	<u>–</u>

There was no material unprovided deferred tax in respect of the year or as at the balance sheet date (2004: Nil).

At 31 March 2005, the Group had tax losses arising in Hong Kong of HK\$49,626,000 (2004: HK\$96,436,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

24. SHARE CAPITAL

Shares

	Company	
	2005 HK\$'000	2004 HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
9,608,987,344 (2004: 2,243,991,157) ordinary shares of HK\$0.01 each	<u>96,090</u>	<u>22,440</u>

Notes to Financial Statements

31 March 2005

24. SHARE CAPITAL (continued)**Shares (continued)**

A summary of the movements of the Company's issued share capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2003		1,556,665,445	15,567	117,410	132,977
Placement of new shares	(a)	684,970,000	6,850	61,647	68,497
Warrants exercised	(b)	2,355,712	23	190	213
Share issue expenses		–	–	(1,412)	(1,412)
Cancellation of share premium	(c)(i)	–	–	(177,833)	(177,833)
At 31 March 2004 and 1 April 2004		2,243,991,157	22,440	2	22,442
Placement/allotment of new shares	(d)	3,254,000,000	32,540	66,098	98,638
Warrants exercised	(e)	609	–	–	–
Issuance of compensation shares	(f)	250,000,000	2,500	2,150	4,650
Issuance of consideration shares	(g)	558,000,000	5,580	1,674	7,254
Share options exercised	(h)	1,103,000,000	11,030	26,821	37,851
Rights issue	(i)	2,099,995,578	21,000	4,200	25,200
Conversion of Convertible Notes	(j)	100,000,000	1,000	15,000	16,000
Share issue expenses		–	–	(1,540)	(1,540)
At 31 March 2005		9,608,987,344	96,090	114,405	210,495

Notes:

- (a) Pursuant to two placement agreements both dated 24 June 2003, 311,330,000 and 373,640,000 ordinary shares of HK\$0.01 each were allotted and issued for cash to independent third parties at a price of HK\$0.10 per share on 24 July 2003 and 11 September 2003, respectively.
- (b) During the year ended 31 March 2004, 2,355,712 warrants were exercised and 2,340,465 and 15,247 ordinary shares of HK\$0.01 each were allotted and issued at a subscription price of HK\$0.09 and HK\$0.17 per share, respectively, for a total cash consideration before expenses, of approximately HK\$213,000.

Notes to Financial Statements

31 March 2005

24. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

- (c) On 26 September 2003, a special general meeting was convened and the shareholders approved the cancellation of share premium of the Company as follows:
- (i) The amount standing to the credit of the share premium account of the Company on 26 September 2003 amounting to HK\$177,833,000 was cancelled and the credit arising therefrom was applied to the contributed surplus account of the Company; and
 - (ii) The contributed surplus account of the Company was then utilised by the directors of the Company in accordance with the bye-laws of the Company and all the applicable laws, including but not limited to, the elimination of accumulated losses of the Company as at 31 March 2003 amounted to HK\$241,446,000.
- (d) Pursuant to three subscription agreements, two dated 3 June 2004 and the other dated 18 December 2004, and a placement agreement dated 3 March 2005, 448,000,000, 600,000,000, 728,000,000, 1,478,000,000 ordinary shares of HK\$0.01 each were allotted and issued for cash to independent third parties at a price of HK\$0.037 per share on 17 June 2004 and 2 August 2004, HK\$0.04 per share on 11 January 2005 and HK\$0.0208 per share on 23 March 2005, respectively.
- (e) During the year ended 31 March 2005, 609 warrants were exercised and 609 new ordinary shares of HK\$0.01 each were allotted and issued at a subscription price of HK\$0.16 per share for a total cash consideration, before expenses, of HK\$97.
- (f) On 3 June 2004, the Company entered into a settlement agreement with Clinton Engineering Limited ("Clinton") to settle the legal proceedings between the two parties. In consideration of Clinton's agreeing to withdraw the legal proceedings against the Company, the Company agreed to pay to Clinton a total of HK\$4,800,000 by a combination of HK\$150,000 in cash and the remaining HK\$4,650,000 either in cash or 250,000,000 ordinary shares of the Company of HK\$0.01 each. HK\$150,000 in cash was paid on 8 June 2004 and the Company settled the remaining HK\$4,650,000 by the issue of 250,000,000 ordinary shares of the Company of HK\$0.01 each in August 2004. Further details of the settlement agreement are also set out in a circular of the Company dated 14 July 2004.
- (g) On 27 August 2004, the Company entered into a sale and purchase agreement with an independent third party to acquire 608,000,000 shares of China Sci-Tech Holdings Limited at a consideration of HK\$7,254,000, which was satisfied by the issue of 558,000,000 ordinary shares of the Company of HK\$0.01 each. Further details of the sale and purchase agreement are also set out in a circular of the Company dated 23 September 2004.

Notes to Financial Statements

31 March 2005

24. SHARE CAPITAL (continued)**Shares** (continued)*Notes: (continued)*

- (h) The subscription rights attaching to 1,103,000,000 share options were exercised at subscription prices ranging from HK\$0.0282 to HK\$0.0486 per share (note 25), resulting in the issue of 1,103,000,000 ordinary shares of HK\$0.01 each for a total cash consideration, before expenses, of approximately HK\$37,851,000.
- (i) A rights issue of one rights share for every two existing shares held by members on the register of members on 18 November 2004 was made, at an issue price of HK\$0.012 per rights share (the "Rights Issue"), resulting in the issue of 2,099,995,578 ordinary shares of HK\$0.01 each for a total cash consideration, before expenses, of approximately HK\$25,200,000. Further details of the Rights Issue are also set out in a prospectus of the Company dated 24 November 2004 and an announcement of the Company dated 15 December 2004.
- (j) During the year, 100,000,000 new ordinary shares of HK\$0.10 each of the Company were issued to a Convertible Notes holder upon the conversion of a Convertible Notes issued by the Company as further detailed in note 22(c).

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 25 to the financial statements.

Warrants

As at 31 March 2004, the Company had 448,779,935 warrants outstanding (the "Warrants"), which entitle the holders thereof to subscribe for 448,779,935 ordinary shares of the Company of HK\$0.01 each at an initial subscription price of HK\$0.17 per share, payable in cash and subject to adjustment, from 13 October 2003 to 12 April 2005. Pursuant to the terms of the instrument constituting the Warrants, the subscription price payable on the exercise of subscription rights attached to the Warrants was adjusted from HK\$0.17 to HK\$0.16 per share with effect from 19 November 2004 (being the day following the record date of the Rights Issue) as a result of the Rights Issue.

During the year, 609 warrants were exercised for 609 ordinary shares of the Company of HK\$0.01 each at a subscription price of HK\$0.16 per share. At the balance sheet date, the Company had 448,779,326 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 448,779,326 additional ordinary shares of the Company of HK\$0.01 each and additional share capital of approximately HK\$4,488,000 and share premium of approximately HK\$67,317,000 (before issue expenses).

Subsequent to the balance sheet date, on 12 April 2005, all the Company's warrants as at the balance sheet date were expired.

Notes to Financial Statements

31 March 2005

25. SHARE OPTION SCHEMES

The Company operates a share option scheme on 10 October 1996, which was subsequently amended on 30 September 1997, for the purposing of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations (the "Old Share Option Scheme"). The provisions of the Old Share Option Scheme did not comply with the current requirements of Chapter 17 of the Listing Rules. Accordingly, pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004, a new share option scheme (the "New Share Option Scheme") which complies with Chapter 17 of the Listing Rules was adopted to replace the Old Share Option Scheme and the Old Share Option Scheme was terminated with immediate effect. 22,430,000 options granted under the Old Share Option Scheme remain outstanding.

Eligible participants of the New Share Option Scheme include the Company's directors, including the independent non-executive directors, and other employees of the Group and of the investee entities. The New Share Option Scheme became effective on 28 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Under the New Share Option Scheme, the offer of a grant of share options may be accepted within 15 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. There is no provision as to the minimum period for which the share options must be held or the performance targets which must be achieved before the share options can be exercised. The exercise period of the share options granted is determinable by the directors and commences on the date of grant and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the New Share Option Scheme, if earlier.

Notes to Financial Statements

31 March 2005

25. SHARE OPTION SCHEMES (continued)

The exercise price of the share options at the date of grant is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Old Share Option Scheme and the New Share Option Scheme during the year:

Name or category of participant	Number of share options**				Date of grant of share options*	Exercise period of share options	Exercise price of share options*** HK\$	Price of Company's shares***	
	At 1 April 2004 '000	Granted during the year '000	Exercised during the year '000	31 March 2005 '000				At grant date of options*** HK\$	At exercise date of options HK\$
(i) Old Share Option Scheme									
An employee	33,645	-	-	33,645	30-01-2004	30-01-2004 to 30-01-2014	0.076	0.108	-
(ii) New Share Option Scheme									
Directors									
Mr. Kwong Kai Sing, Benny	-	70,000	(70,000)	-	25-02-2005	25-02-2005 to 25-02-2015	0.0288	0.027	0.027
Mr. Peter Ong	-	60,000	(60,000)	-	25-02-2005	25-02-2005 to 25-02-2015	0.0288	0.027	0.027
Ms. Poon Chi Wan	-	50,000	(50,000)	-	25-02-2005	25-02-2005 to 25-02-2015	0.0288	0.027	0.027
	-	180,000	(180,000)	-					
Employees									
In aggregate	-	46,000	(46,000)	-	19-11-2004	19-11-2004 to 19-11-2014	0.0440	0.044	0.039- 0.040
	-	25,500	(25,500)	-	29-12-2004	29-12-2004 to 29-12-2014	0.0486	0.048	0.047
	-	100,000	(100,000)	-	23-02-2005	23-02-2005 to 23-02-2015	0.0298	0.029	0.029
	-	42,000	(42,000)	-	28-02-2005	28-02-2005 to 28-02-2015	0.0282	0.026	0.022
	-	213,500	(213,500)	-					
A director of an investee entity	-	73,800	(73,800)	-	23-02-2005	23-02-2005 to 23-02-2015	0.0298	0.029	0.029

Notes to Financial Statements

31 March 2005

25. SHARE OPTION SCHEMES (continued)

Name or category of participant	Number of share options**				Date of grant of share options*	Exercise period of share options	Exercise price of share options*** HK\$	Price of Company's shares***	
	At 1 April 2004 '000	Granted during the year '000	Exercised during the year '000	31 March 2005 '000				At grant date of options*** HK\$	At exercise date of options HK\$
(ii) New Share Option Scheme (continued)									
Employees of an investee entity									
In aggregate	-	216,000	(216,000)	-	19-11-2004	19-11-2004 to 19-11-2014	0.0440	0.044	0.038- 0.040
	-	76,500	(76,500)	-	29-12-2004	29-12-2004 to 29-12-2014	0.0486	0.048	0.047
	-	100,000	(100,000)	-	24-02-2005	24-02-2005 to 24-02-2015	0.0296	0.028	0.028
	-	243,200	(243,200)	-	28-02-2005	28-02-2005 to 28-02-2015	0.0282	0.026	0.022- 0.025
	-	635,700	(635,700)	-					
	<u>33,645</u>	<u>1,103,000</u>	<u>(1,103,000)</u>	<u>33,645</u>					

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price and the number of the share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. Pursuant to the provisions of the Old Share Option Scheme, the Rights Issue of the Company constitutes an event giving rise to an adjustment to the exercise price of the share options granted under that scheme. Accordingly, adjustments have been made to the exercise price and the number of outstanding share options under the Old Share Option Scheme in such manner as deemed appropriate by the directors of the Company in accordance with the Old Share Option Scheme.

*** The price of the Company's shares disclosed as at the date of grant and the date of exercise of the share options is the Stock Exchange closing price on the trading day on which the options were granted or exercised.

The 1,103,000,000 share options exercised during the year resulted in the issue of 1,103,000,000 ordinary shares of the Company and new share capital of HK\$11,030,000 and share premium of HK\$26,821,000 (before issue expenses), as detailed in note 24 to the financial statements.

At the balance sheet date, the Company had 33,645,000 share options outstanding under the Old Share Option Scheme, which represented approximately 0.35% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 33,645,000 additional shares of the Company and additional share capital of approximately HK\$336,450 and share premium of approximately HK\$2,220,600 (before issue expenses).

Notes to Financial Statements

31 March 2005

26. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Notes	Share	Capital	Contributed surplus	Accumulated losses	Total
		premium account	redemption reserve			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003		117,410	1,038	250,161	(241,446)	127,163
Placement of new shares	24(a)	61,647	-	-	-	61,647
Warrants exercised	24(b)	190	-	-	-	190
Share issue expenses		(1,412)	-	-	-	(1,412)
Cancellation of share premium	24(c)(i)	(177,833)	-	177,833	-	-
Offsetting against accumulated losses	24(c)(ii)	-	-	(241,446)	241,446	-
Net loss for the year		-	-	-	(46,143)	(46,143)
<hr/>						
At 31 March 2004 and 1 April 2004		2	1,038	186,548	(46,143)	141,445
Placement/allotment of new shares	24(d)	66,098	-	-	-	66,098
Issuance of compensation shares	24(f)	2,150	-	-	-	2,150
Issuance of consideration shares	24(g)	1,674	-	-	-	1,674
Share options exercised	24(h)	26,821	-	-	-	26,821
Exercise of share rights	24(i)	4,200	-	-	-	4,200
Conversion of Convertible Notes	24(j)	15,000	-	-	-	15,000
Share issue expenses		(1,540)	-	-	-	(1,540)
Net loss for the year		-	-	-	(53,699)	(53,699)
<hr/>						
At 31 March 2005		114,405	1,038	186,548	(99,842)	202,149

Under the Bermuda Companies Act 1981, the Company's share premium account and capital redemption reserve may be distributed in the form of fully paid bonus shares.

Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

Notes to Financial Statements

31 March 2005

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Fixed assets (<i>note 13</i>)	923	–
Investment properties (<i>note 14</i>)	–	7,779
Prepayments, deposits and other receivables	26	372
Cash and bank balances	406	15
Other payables and accrued liabilities	(43)	(166)
	<u>1,312</u>	<u>8,000</u>
Goodwill on acquisition	2,688	–
	<u>4,000</u>	<u>8,000</u>
Satisfied by:		
Cash	<u>4,000</u>	<u>8,000</u>

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

	2005 HK\$'000	2004 HK\$'000
Cash consideration	(4,000)	(8,000)
Cash and bank balances acquired	<u>406</u>	<u>15</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>(3,594)</u>	<u>(7,985)</u>

Notes to Financial Statements

31 March 2005

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(a) Acquisition of subsidiaries (continued)**

The subsidiaries acquired during the year did not contribute any turnover to the Group and incurred a loss of HK\$1,851,000 for the year.

The subsidiaries acquired in the prior year contributed HK\$460,000 to the Group's turnover and a profit of HK\$203,000 to the consolidated loss after tax for that year.

(b) Disposal of subsidiaries

	2005	2004
	HK\$'000	HK\$'000
Net assets/(liabilities) disposed of:		
Interests in associates	–	354,862
Investment properties (<i>note 14</i>)	4,880	15,500
Prepayments, deposits and other receivables	–	135
Other payables and accrued liabilities	(559)	(1,047)
Tax payables	(225)	–
Cash and bank balances	–	15
Interest-bearing other borrowings	–	(381,401)
Amounts due to group companies	(3,109)	(35,587)
	987	(47,523)
Amounts due from subsidiaries disposed of	3,109	35,587
Exchange fluctuation reserve released upon disposal of associates	–	6,069
Gain/(loss) on disposal of subsidiaries	(496)	23,867
	3,600	18,000
Satisfied by:		
Cash	3,600	18,000

Notes to Financial Statements

31 March 2005

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	3,600	18,000
Cash and bank balances disposed of	—	(15)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>3,600</u>	<u>17,985</u>

The subsidiaries disposed of during the year contributed HK\$120,000 (2004: HK\$60,000) to the Group's turnover and a profit of HK\$115,000 (2004: a loss of HK\$5,421,000) to the Group's consolidated loss after tax for the year. The disposal of the subsidiaries resulted in a loss of HK\$496,000.

(c) Major non-cash transactions

- (i) During the year the Group settled part of consideration in relation to the legal proceedings of HK\$4,650,000 by the issue of 250,000,000 ordinary shares of the Company of HK\$0.01 each as further detailed in note 24(f) to the financial statements.
- (ii) During the year, the Group acquired 608,000,000 shares of China Sci-Tech Holdings Limited at a consideration of HK\$7,254,000, which was settled by the issue of 558,000,000 new ordinary shares of the Company of HK\$0.01 each, as further detailed in note 24(g) to the financial statements.
- (iii) During the year, 100,000,000 new ordinary shares of the Company of HK\$0.10 each were issued to a Convertible Notes holder upon the conversion of a Convertible Notes as further detailed in note 22 to the financial statements.
- (iv) During the year, a director of an investee entity of the Company transferred 15,000,000 shares of the investee entity to the Group, which was recorded as an investment in securities, as a settlement of the loan receivable of HK\$15,000,000 due from that director.

Notes to Financial Statements

31 March 2005

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Major non-cash transactions (continued)

- (v) As further detailed in note 16 to the financial statements, on 29 March 2004, the Group acquired the Convertible Bond amounting to HK\$29,700,000, which was included in “Investments in securities” on the face of the consolidated balance sheet as at 31 March 2004. On 25 June 2004, the Convertible Bond was fully converted into 19,800,000 shares of the Investee.

- (vi) During the year ended 31 March 2004, the Company received from the placing agent deposits for the Convertible Notes totaling HK\$75,000,000. On 15 April 2004, the Convertible Notes with face value of the same amount were issued by the Company, as further detailed in note 20 to the financial statements.

- (vii) During the year ended 31 March 2004, the Group accrued a total of HK\$7,355,000 interest expense for the year for other loans and HK\$2,529,000 interest income for the year for the loans to an associate. These amounts were included in the respective loan accounts and were disposed of as a part of the subsidiaries disposed of in that year.

28. PLEDGES OF ASSETS

Details of the Group’s interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in notes 13, 14, 16 and 21 to the financial statements.

Notes to Financial Statements

31 March 2005

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	2,432	580
In the second to fifth years, inclusive	4,249	147
	<u>6,681</u>	<u>727</u>

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of one to three years.

At 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	102	420

At the balance sheet date, the Company did not have any significant operating lease arrangements.

Notes to Financial Statements

31 March 2005

30. COMMITMENTS

As at 31 March 2005, in addition to the operating lease commitments detailed in note 29(b) above, the Group was required to advance the remaining balance of the Found Macau Loan amounting to HK\$50 million in accordance with the Verbal Agreement, as further detailed in note 18 to the financial statements.

At the balance sheet date, the Company did not have any significant commitments.

31. CONTINGENT LIABILITIES

As at 31 March 2005, the banking facilities granted to certain subsidiaries subject to guarantees given to a bank by the Company were utilised to the extent of approximately HK\$29,600,000 (2004: Nil).

As at 31 March 2005, the Group had no material contingent liabilities.

32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties.

During the year ended 31 March 2004, interest income of HK\$2,529,000 was earned from certain loans made to a then associate. The loans to the associate were unsecured, bore interest at 1.4201% per annum above HIBOR and were disposed of as part of the disposal of subsidiaries in the prior year.

33. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events of the Group, not disclosed elsewhere in the financial statements, took place:

- (a) On 19 April, 2005, the Group entered into a sale and purchase agreement with a third party for the acquisition of the entire issued share capital in Top Trinity Assets Limited ("Top Trinity") for a cash consideration of HK\$22 million. The principal activity of Top Trinity is investment holding. Bestford Properties Limited, a wholly-owned subsidiary of Top Trinity, is the registered owner of a property located at Flat B on 22/F together with a portion of the roof immediately thereabove and one car park of Royalton, 118 Pok Fu Lam Road, Hong Kong. The acquisition was completed on 29 April 2005. Further details of the acquisition are also set out in a circular of the Company dated 9 May 2005.

Notes to Financial Statements

31 March 2005

33. POST BALANCE SHEET EVENTS (continued)

- (b) On 20 April 2005, the Company entered into a conditional placing agreement with a placing agent (the "Placing Agent"), pursuant to which, the Company conditionally agreed to place, through the Placing Agent, a total of 500 million new ordinary shares of the Company of HK\$0.10 each to independent investors at a placing price of HK\$0.16 per share. The placing was completed on 18 June 2005. The proceeds from the placement of HK\$80 million (before issue expenses) will be mainly used for the repayment of the Group's bank and other borrowings and the balance for general working capital of the Group. Further details of the placing of new shares are also set out in a circular of the Company dated 9 May 2005.
- (c) Pursuant to a placing agreement entered into between the Company and a placing agent on 24 January 2005, the Company agreed to place through the placing agent the New Convertible Notes up to HK\$150,000,000 to third parties. The New Convertible Notes are unsecured, non-interest bearing and the outstanding principal amount may be converted into the ordinary shares of the Company at a conversion price of HK\$0.05 per share in amounts or intergral multiples of HK\$500,000 at any time from date of issue up to 7 days prior to (and excluding) the maturity date of the New Convertible Notes. The Company may redeem the New Convertible Notes at 100% of the outstanding principal amount of the New Convertible Notes at any time from the date of issue up to 7 days prior to (and excluding) the maturity of the New Convertible Notes. The New Convertible Notes will mature on 6 April 2010. Further details of the New Convertible Notes are also set out in a circular of the Company dated 25 February 2005.

In April 2005, the Company issued the New convertible Notes with principal amounts of HK\$50 million to Found Macau to satisfy the Group's obligation to make the balance of the Found Macau Loan as further detailed in note 18 to the financial statements, HK\$36 million to effectively refinance the Convertible Notes outstanding as at 31 March 2005 as further detailed in note 22 to the financial statements and the remaining principal amount of HK\$64 million to other third parties. The proceeds from the issue, net of transaction costs, are used to repay the accrued interest of the Convertible Notes, to replenish internal fundings tied up by the HK\$50 million cash portion of the Found Macau Loan already paid and the balance for the general working capital of the Group.

On 11 April 2005, Found Macau exercised the conversion rights attached to the New Convertible Note issued thereto to convert it into 1,000 million new ordinary shares of the Company at a conversion price of HK\$0.05 per share.

Notes to Financial Statements

31 March 2005

33. POST BALANCE SHEET EVENTS (continued)

- (d) Effective from 9 June 2005, every 10 shares in the issued and unissued ordinary share capital of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.10 each. Further details of the share consolidation are also set out in a circular of the Company dated 9 May 2005.
- (e) On 10 June 2005, the Group entered into a sale and purchase agreement with a third party for the acquisition of the entire issued share capital of Fei Wang Incorporated (“Fei Wang”) for a cash consideration of HK\$14 million. Fei Wang is the beneficial owner of the entire issued share capital of Great Gains International Limited, which is the registered owner of Units 5 and 6 of Ground Floor, China United Centre, 28 Marble Road, North Point, Hong Kong. The transaction was completed on 30 June 2005. Further details of the acquisition are also set out in a circular of the Company dated 24 June 2005.
- (f) On 7 July 2005, the Company proposed a capital reorganisation which will involve: (i) a reduction of the share capital of the Company by cancelling the paid-up capital to the extent of HK\$0.08 on each of the issued ordinary shares of the Company so that the amount paid up on each issued share will be reduced from HK\$0.10 to HK\$0.02 (the “Capital Reduction”); (ii) a cancellation of the entire authorised but unissued share capital in the Company (including authorised but unissued share capital arising from the Capital Reduction) and a subsequent increase of the authorised share capital in the Company to HK\$500,000,000 by the creation of such number of New Shares as shall be necessary to increase the authorised share capital of the Company to HK\$500,000,000; and (iii) a transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company. Further details of the proposed capital reorganisation are also set out in a circular of the Company dated 18 July 2005.

34. COMPARATIVE AMOUNTS

Due to the Rights Issue and the share consolidation as further detailed in notes 24(i) and 33(d) to the financial statements, respectively, certain comparative amounts have been restated accordingly. In addition, certain comparative amounts have been reclassified to conform with the current year’s presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2005.