

Notes on the Financial Statements *for the year ended 31st March, 2005*

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). The Company's shares had been suspended for trading on the Stock Exchange since 19th May, 2003.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the business of property development and investment and money lending business in Hong Kong and the United Kingdom. During the year, the Group ceased its property leasing business in the United Kingdom. Subsequent to the balance sheet date, the Group disposed of its money lending business in Hong Kong.

2. GOING CONCERN BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis.

For the year ended 31st March, 2005, the Group reported a profit attributable to shareholders of approximately HK\$24,543,000. As at 31st March, 2005, the Group had a net working capital deficiency of approximately HK\$561,489,000, and as at 31st March, 2005, the Group's shareholders' deficit stood at approximately HK\$492,250,000. In addition, the Group has defaulted on repayment of principal and interest on its bank and other borrowings, totalling approximately HK\$402,614,000 as at 31st March, 2005, which have been classified as current liabilities in the consolidated balance sheet as at that date. The Group's creditor banks have taken various actions including, but not limited to, the issuance of demand notices or writs of summons for immediate repayment of substantially all of the Group's bank borrowings, and the appointment of receivers and managers in some cases who have obtained possession of a substantial portion of the properties which have been mortgaged to the banks as collateral for the bank borrowings. In certain cases, the creditor banks have applied the rental receipts from the investment properties to offset part of the Group's bank borrowings which are in default.

A substantial portion of the Group's trade and other payables were due for repayment as at 31st March, 2005. Due to the lack of liquidity, the Group has delayed repayment and is currently negotiating with the creditors to agree to the debt restructuring proposals.

Substantially all of the Group's properties (including investment properties, leasehold land and buildings, properties held for sales, properties under development and properties held for future development) have been mortgaged to the banks as collateral for the Group's bank borrowings totalling approximately HK\$402,614,000. As at 31st March, 2005, these properties were stated in the consolidated balance sheet with an aggregate amount of approximately HK\$82,749,970, the majority of which were stated at open market value as determined by independent qualified valuers. The valuations were prepared on the assumption that, among others, both the buyers and the sellers would be acting without compulsion. The valuations have also been made on the assumption that the owners sell the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the properties. However, if the Group is forced to dispose of any of its properties within a short period of time, the Company's directors are of the view that the ultimate amounts recoverable from these properties would be substantially less than the carrying amount as at 31st March, 2005.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

2. GOING CONCERN BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

The Company's directors believe that continued financial support will be forthcoming from the Group's major shareholders and they are currently concentrating their efforts on the following:

- i) the successful completion of a shares resumption proposal (which is to be approved by the Listing Committee of the Stock Exchange of Hong Kong Limited) and a S.166 Scheme of Arrangement (which is to be approved by the creditors and the court) whereby the indebtedness could be substantially reduced and capital injection into the Group is made by new investors;
- ii) the successful conclusion of various initiatives to secure new sources of funding to meet its financial obligations as they fall due; and
- iii) ways to maintain future profitable operations of the Group.

Accordingly, the financial statements have been prepared on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of preparation*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. They have been prepared under historical cost convention as modified for the revaluation of certain investment properties.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005.

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

b) *Basis of consolidation*

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

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *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 on or after 1st April, 2001 is capitalised and amortised on a straight line basis over its useful 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 consolidated balance sheet.

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

d) *Investments in subsidiaries*

A subsidiary is a company over which the Group can exercise control, which is normally evidenced when the Group has the power to govern its financial and operating policies so as to benefit from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

e) *Investments in associates*

An associate is a company over which the Group has significant influence, but not control or joint control, over its financial and operating policy decisions.

The results, assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investment.

f) *Revenue recognition*

i) *Property sales*

Profit from sale of completed properties is recognised upon execution of the sale agreements.

When a development property is sold in advance of completion, profit is only recognised upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

ii) *Rental income is recognised on a straight line basis over the lease terms.*

iii) *Sale of electricity is based on electricity provided to customers.*

iv) *Interest income is accrued, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.*

v) *Property management fee income is recognised when services are provided.*

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Property, plant and equipment*

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

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of land and buildings is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

| | |
|--|---|
| Leasehold land | 50 years or unexpired lease terms, if shorter |
| Buildings | 50 years or unexpired lease terms, if shorter |
| Furniture, fixtures, plant and equipment | 10 – 33 $\frac{1}{3}$ % |
| Motor vehicles | 20% |

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.

h) *Investment properties*

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

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the 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 deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

No depreciation or amortisation is provided in respect of investment properties which are held on leases with unexpired terms of more than twenty years.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Properties under development

Properties under development are stated at lower of cost and net realisable value. Cost comprises the cost of the land together with direct costs attributable to the development of the properties, professional fees and interest charges capitalized during the period of development. As the Group is currently in financial difficulties and all properties except investment properties are for sale, all properties under development are reclassified as current assets in the consolidated balance sheet at 31st March, 2005.

j) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

k) Properties held for future development

Properties held for future development are stated at cost less impairment losses. These are reclassified as current assets in the consolidated balance sheet at 31st March, 2005 in view of the current financial position of the Group.

l) Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

m) Impairment

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

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

n) Convertible debentures

Convertible debentures are regarded as liabilities unless conversion actually occurs. The finance cost, including the premium payable upon the final redemption of the convertible debentures, recognised in the consolidated income statement in respect of the convertible debentures is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible debentures for each accounting period.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets, other than legal title, remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged/credited to the income statement on a straight line basis over the lease term.

p) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

q) Retirement benefit scheme

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

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) *Foreign currencies*

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

On consolidation, the assets and liabilities of overseas subsidiaries are translated at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. All exchange differences arising on consolidation are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the overseas subsidiary is disposed of.

s) *Provisions and contingencies*

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes on the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

t) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include investment properties, property, plant and equipment, properties held for sales, properties under development, properties held for future development, loans receivable and trade, other receivables and prepayments. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes the Group is currently organised into three (2004: three) business segments—property dealing, property leasing and financial services. Subsequent to the balance sheet date, the Group disposed of its business of financial services.

Segment information about these businesses is presented below.

2005

| | Continuing operations | | | Consolidated HK\$'000 |
|---|---------------------------------|---------------------------------|-----------------------------------|--------------------------|
| | Property dealing HK\$'000 | Property leasing HK\$'000 | Financial services HK\$'000 | |
| TURNOVER | 129,609 | 7,658 | 6,077 | 143,344 |
| RESULT | | | | |
| Segment result | (3,944) | 64,599 | (1,346) | 59,309 |
| Gain on disposal of investment in subsidiaries | | | | 2,557 |
| Finance costs | | | | (37,323) |
| Profit before taxation | | | | 24,543 |
| Taxation charge | | | | — |
| Net profit for the year | | | | 24,543 |
| BALANCE SHEET | | | | |
| ASSETS | | | | |
| Segment assets | 200,897 | 11,571 | 98,594 | 311,062 |
| Unallocated corporate assets | | | | 5,560 |
| Consolidated total assets | | | | 316,622 |
| LIABILITIES | | | | |
| Segment liabilities | 590,384 | 59,043 | 18,345 | 667,772 |
| Unallocated corporate liabilities | | | | 141,100 |
| Consolidated total liabilities | | | | 808,872 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2005

| | Continuing operations | | | Consolidated HK\$'000 |
|--|---------------------------------|---------------------------------|-----------------------------------|--------------------------|
| | Property dealing HK\$'000 | Property leasing HK\$'000 | Financial services HK\$'000 | |
| OTHER INFORMATION | | | | |
| Additions to property, plant and equipment | 13 | - | - | 13 |
| Allowances for bad and doubtful debts | (363) | (387) | (2,527) | (3,277) |
| Depreciation and amortisation | (26) | (1) | - | (27) |
| Write back of impairment loss recognised in respect of properties under development | 5,100 | - | - | 5,100 |
| Impairment loss recognised in respect of properties held for future development | (209) | - | - | (209) |
| Write back of impairment loss recognised in respect of properties held for sale | 2,500 | - | - | 2,500 |
| Loss on disposal of property, plant and equipment | (62) | - | - | (62) |
| Gain on disposal of investment properties | - | 59,270 | - | 59,270 |
| Surplus on revaluation of investment properties | - | 1,700 | - | 1,700 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2004

| | Continuing operations | | | Discontinuing operations | | | Total discontinuing operations | Consolidated |
|--|---------------------------------|---------------------------------|-----------------------------------|---|------------------------------------|----------------------------|--------------------------------------|--------------|
| | Property dealing HK\$'000 | Property leasing HK\$'000 | Financial services HK\$'000 | Total continuing operations HK\$'000 | Property management HK\$'000 | Power plant HK\$'000 | | |
| OTHER INFORMATION | | | | | | | | |
| Additions to property, plant and equipment | 5 | - | - | 5 | 154 | - | 154 | 159 |
| Allowances for arbitration | (2,192) | - | - | (2,192) | - | - | - | (2,192) |
| Allowances for bad and doubtful debts | (12,756) | (22,900) | (1,040) | (36,696) | (1) | (3) | (4) | (36,700) |
| Deficit on revaluation of leasehold land and buildings | (611) | - | - | (611) | - | - | - | (611) |
| Depreciation and amortisation | (1,057) | (641) | (5) | (1,703) | - | - | - | (1,703) |
| Write back of impairment loss recognised in respect of properties under development | 61,216 | - | - | 61,216 | - | - | - | 61,216 |
| Impairment loss recognised in respect of properties held for future development | (11,488) | - | - | (11,488) | - | - | - | (11,488) |
| Impairment loss recognised in respect of properties held for sale | (3,010) | - | - | (3,010) | - | - | - | (3,010) |
| Gain/(loss) on disposal of property, plant and equipment | 2,008 | (481) | - | 1,527 | - | - | - | 1,527 |
| Property, plant and equipment written off | (1,071) | (1,750) | (3) | (2,824) | - | - | - | (2,824) |
| Deficit on revaluation of investment properties | - | (6,470) | - | (6,470) | - | - | - | (6,470) |
| Loss on disposal of investment properties | - | (78,089) | - | (78,089) | - | - | - | (78,089) |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's property dealing and financial services business are carried out in Hong Kong. Property leasing business are carried out in Hong Kong and the United Kingdom ("UK").

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

| | Sales revenue by geographical market | |
|-----------|--------------------------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Hong Kong | 137,705 | 119,479 |
| The UK | 5,639 | 9,941 |
| The PRC | – | 1,727 |
| | 143,344 | 131,147 |

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

| | Carrying amount of segment assets | | Additions to property, plant and equipment | |
|-----------|-----------------------------------|------------------|--|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 | 2005 HK\$'000 | 2004 HK\$'000 |
| Hong Kong | 314,179 | 347,857 | – | 159 |
| The UK | 2,443 | 176,308 | – | – |
| The PRC | – | 471 | – | – |
| | 316,622 | 524,636 | – | 159 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005**5. PROFIT/(LOSS) FROM OPERATIONS**

| | 2005 HK\$'000 | 2004 HK\$'000 |
|---|------------------|------------------|
| Profit/(loss) from operations has been arrived at after charging: | | |
| Auditors' remuneration | | |
| – current year | 750 | 3,381 |
| – prior years underprovision | 858 | – |
| Depreciation and amortisation | 27 | 1,703 |
| Operating lease rentals for land and buildings | 134 | 685 |
| Exchange loss | 1,973 | 15,141 |
| Staff cost, including directors' remuneration: | | |
| Retirement benefit scheme contributions | 162 | 304 |
| Salaries and other allowances | 7,373 | 13,512 |
| | 7,535 | 13,816 |
| and after crediting: | | |
| Interest income from bank deposits | 78 | 981 |
| Rental income | 7,658 | 25,129 |
| Less: Outgoings | (1,708) | (3,385) |
| Net rental income | 5,950 | 21,744 |

6. REMUNERATION OF DIRECTORS AND EMPLOYEES

| | 2005 HK\$'000 | 2004 HK\$'000 |
|--|------------------|------------------|
| Directors | | |
| Fees – non-executive directors | 543 | 436 |
| Other emoluments: | | |
| Executive | | |
| Salaries and other benefits | 1,111 | 1,416 |
| Accommodation allowances | – | – |
| Retirement benefit scheme contributions | 25 | 37 |
| Discretionary bonus and/or performance related bonuses | – | – |
| Compensation for loss of office | – | – |
| Inducement for joining the Group | – | – |
| | 1,136 | 1,453 |
| | 1,679 | 1,889 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

6. REMUNERATION OF DIRECTORS AND EMPLOYEES (continued)

Emoluments of the directors were within the following bands:

| | Number of directors | |
|-------------------------------|---------------------|------|
| | 2005 | 2004 |
| Nil – HK\$1,000,000 | 4 | 8 |
| HK\$2,000,001 – HK\$2,500,000 | – | – |

Employees

The five highest paid individuals of the Group for the year included two (2004: one) directors of the Company. The emoluments of the remaining three (2004: four) highest paid individuals of the Group, not being director of the Company, were as follows:

| | 2005 HK\$'000 | 2004 HK\$'000 |
|--|------------------|------------------|
| Salaries and other benefits | 1,884 | 2,270 |
| Accommodation allowances | – | – |
| Retirement benefit scheme contributions | 88 | 93 |
| Retirement scheme contributions | – | – |
| Discretionary bonus and/or performance related bonuses | – | – |
| Compensation for loss of office | – | – |
| Inducement for joining the Group | – | – |
| | 1,972 | 2,363 |

7. FINANCE COSTS

| | 2005 HK\$'000 | 2004 HK\$'000 |
|---|------------------|------------------|
| Interest on: | | |
| Bank overdraft and borrowings wholly repayable within five years | 14,048 | 44,610 |
| Convertible debentures | 1,694 | 2,252 |
| Other borrowings | 21,581 | 18,900 |
| | 37,323 | 65,762 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

8. TAXATION CHARGE

| | 2005 HK\$'000 | 2004 HK\$'000 |
|--------------------------------|------------------|------------------|
| The charge comprise: | | |
| Hong Kong profits tax | | |
| – overprovision in prior years | – | 81 |
| Overseas taxation | | |
| – current year | – | (27,784) |
| | – | (27,703) |

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

| | 2005 HK\$'000 | 2004 HK\$'000 |
|--|------------------|------------------|
| Profit/(loss) before taxation | 24,543 | (189,465) |
| Tax at the statutory income tax rate of 17.5% | 4,295 | (33,156) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 2,542 | (2,178) |
| Tax effect of non-taxable income | (29,816) | (57,440) |
| Tax effect of non-deductible expenses | 17,897 | 74,303 |
| Tax effect of unrecognised temporary difference | – | (731) |
| Tax effect of tax losses not recognized | 8,215 | 14,723 |
| Tax effect of utilisation of tax losses not previously recognised | (3,133) | (3,406) |
| Underprovision in prior years | – | (20,774) |
| Others | – | 956 |
| Taxation charge | – | (27,703) |

For the year ended 31st March, 2005, no provision for Hong Kong profits tax was made as the Group had no assessable profits for that year (2004: Nil).

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

As at the balance sheet date, a potential deferred taxation asset of approximately HK\$241,098,658 (2004: HK\$236,018,000) in respect of estimated tax losses has not been recognised in the financial statements due to the unpredictability of future foreseeable profits.

The disposal of overseas investment properties in the United Kingdom during the year might trigger overseas taxation in the amount of approximately HK\$18,000,000. However, in the opinion of the directors, it is unlikely that the Group ultimately would need to bear the liability. Therefore no provision has been made in the financial statements at 31st March, 2005.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the following information:

| | 2005 HK\$'000 | 2004 HK\$'000 |
|---|-------------------------|------------------|
| Net profit/(loss) for the year and earnings/(loss) for the purpose of calculating basic earnings/(loss) per share | 24,543 | (218,593) |
| | Number of shares | |
| Weighted average number of shares for the purpose of calculating basic earnings/(loss) per share | 940,009,918 | 940,009,918 |

No diluted earnings/(loss) per share was presented as the conversion of the outstanding convertible debentures at an assumed conversion price of HK\$0.85 would have had an anti-dilutive effect.

10. INVESTMENT PROPERTIES

| | 2005 HK\$'000 | 2004 HK\$'000 |
|--|------------------|------------------|
| The Group | | |
| Valuation | | |
| At 1st April | 184,170 | 784,573 |
| Exchange adjustments | 121 | 52,521 |
| Disposed upon disposal of a subsidiary | – | (36,500) |
| Disposals | (177,491) | (596,850) |
| Surplus/(deficit) on valuation | 1,700 | (19,574) |
| At 31st March | 8,500 | 184,170 |

The net book value of investment properties of the Group comprises:

| | 2005 HK\$'000 | 2004 HK\$'000 |
|--|------------------|------------------|
| Leasehold properties under long leases in | | |
| The UK | – | 174,240 |
| Hong Kong | 8,500 | 6,800 |
| Leasehold properties under medium term leases in Hong Kong | – | 3,130 |
| | 8,500 | 184,170 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

10. INVESTMENT PROPERTIES (continued)

The investment properties are rented out under operating leases.

The investment properties situated in Hong Kong was valued by Jones Lang LaSalle, a firm of independent professional valuers, at 31st March, 2005 on an open market value basis.

Deficit on revaluation in previous years had been charged to the consolidated income statement. Therefore the surplus on revaluation of investment properties amounting to HK\$1,700,000 was credited to the consolidated income statement during the year ended 31st March, 2005.

11. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK\$'000 | Furniture, fixtures, plant and equipment HK\$'000 | Total HK\$'000 |
|--|--|--|-------------------|
| The Group | | | |
| Cost or valuation | | | |
| At 1st April, 2004 | 5,340 | – | 5,340 |
| Additions | – | 13 | 13 |
| Disposals | (4,180) | (13) | (4,193) |
| At 31st March, 2005 | 1,160 | – | 1,160 |
| Comprising: | | | |
| At cost | – | – | – |
| At valuation – 2005 | 1,160 | – | 1,160 |
| | 1,160 | – | 1,160 |
| Depreciation, amortisation and impairment loss: | | | |
| At 1st April, 2004 | – | – | – |
| Provided for the year | 27 | – | 27 |
| At 31st March, 2005 | 27 | – | 27 |
| Net book value: | | | |
| At 31st March, 2005 | 1,133 | – | 1,133 |
| At 31st March, 2004 | 5,340 | – | 5,340 |

The net book value of properties of the Group comprises:

| | 2005 HK\$'000 | 2004 HK\$'000 |
|---|------------------|------------------|
| Leasehold properties in Hong Kong under | | |
| – long leases | – | 1,750 |
| – medium term leases | 1,133 | 3,590 |
| | 1,133 | 5,340 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

11. PROPERTY, PLANT AND EQUIPMENT (continued)

All leasehold land and buildings situated in Hong Kong were valued by Jones Lang LaSalle, an independent professional valuer, at 31st March, 2005 on an open market value basis.

Had the leasehold land and buildings of the Group been carried at cost less accumulated depreciation and amortisation and impairment loss, the carrying value would have been stated at approximately HK\$630,000 (2004: HK\$5,260,000).

12. PROPERTIES UNDER DEVELOPMENT

The carrying value of properties under development of the Group comprises:

| | The Group | |
|--|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Leasehold properties under medium term leases in Hong Kong | 33,240 | 149,557 |

During the year ended 31st March, 2005, an impairment loss of approximately HK\$5,100,000 (2004: HK\$61,216,000) was written back, which represents the write up of the carrying amount of certain properties under development to the estimated net realisable values at the balance sheet date. Such write up brings the carrying value of the properties under development at 31st March, 2004 to be stated at lower of cost and net realizable value.

As the Group is currently in financial difficulties, all properties held for future development are reclassified as current assets.

The creditor banks had seized the two properties under development i.e. The Aegean 愛琴灣 and Villa Pinada 茵翠豪庭 held by two wholly-owned subsidiaries i.e. Profits Nation Development Limited and True Gold Investments Limited respectively. A receiver and manager had been appointed in May, 2003. The carrying value of the properties under development had been netted off from the related bank borrowings in the consolidated balance sheet at 31st March, 2005. The relevant details are summarized as follows:

- (a) Properties under development (The Aegean 愛琴灣) of book value of HK\$162,311,652 were seized by the creditors banks and under receivership of an appointed receiver and manager. The amount has been netted off from the related bank loans of HK\$198,146,249 with a net borrowing of HK\$35,834,597 included in bank and other borrowings in the consolidated balance sheet at 31st March, 2005.
- (b) Properties under development (Villa Pinada 茵翠豪庭) of book value of HK\$287,124,382 were seized by the creditor banks and under receivership of an appointed receiver and manager. The amount has been netted off from the related bank loans of HK\$294,867,105 with a net borrowing of HK\$7,742,723 included in bank and other borrowings in the consolidated balance sheet at 31st March, 2005.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

13. PROPERTIES HELD FOR FUTURE DEVELOPMENT

The carrying value of properties held for future development comprises:

| | The Group | |
|--|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Leasehold properties under medium term leases in Hong Kong | 16,306 | 19,522 |

During the year ended 31st March, 2005, an impairment loss of approximately HK\$209,000 (2004: HK\$11,488,000) was provided, which represents the write down of the carrying amount of properties held for future development to the estimated net realisable values at the balance sheet date.

As the Group is currently in financial difficulties, all properties held for future development are reclassified as current assets.

14. INTERESTS IN SUBSIDIARIES

| | The Company | |
|-------------------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Unlisted shares, at cost | 232,276 | 232,276 |
| Amounts due from subsidiaries | 808,912 | 814,357 |
| Impairment loss | (1,041,188) | (1,046,633) |
| | - | - |

The amounts due from subsidiaries are unsecured and have no fixed repayment terms. At 31st March, 2005, an amount of HK\$368,296,000 (2004: HK\$373,750,000) bears interest at commercial lending rate and the remaining balance is interest free.

Details of the principal subsidiaries at 31st March, 2005 are set out in note 35.

15. LOANS RECEIVABLE

| | The Group | |
|----------------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Amount due within one year | 32,091 | 30,319 |
| Amount due after one year | 59,106 | 78,415 |
| | 91,197 | 108,734 |
| Secured | 89,750 | 107,669 |
| Unsecured | 1,447 | 1,065 |
| | 91,197 | 108,734 |

These represent mortgage loans bear interest at market rates and are partially secured by properties situated in Hong Kong.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

16. INTERESTS IN ASSOCIATES

| | The Group | |
|--|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Share of net assets of associates, at recoverable amount | 500 | 500 |

Details of principal associate, which is indirectly held by the Group, at 31st March, 2005 are as follows:

| Name of Company | Form of business structure | Place of incorporation/ registration | Attributable equity interest to the Group | Principal activities |
|-----------------------------|----------------------------|--------------------------------------|---|----------------------|
| Smartful Investment Limited | Incorporated | Hong Kong | 50% | Investments holding |

Since financial information of the associate for the year ended 31st March, 2005 are not available, no equity accounting has been adopted by the Group. The interest in associate at 31st March, 2005 is stated at the recoverable amount i.e. the subsequent sales proceeds.

17. PROPERTIES HELD FOR SALE

The Group

During the year ended 31st March, 2005, an impairment loss of approximately HK\$2,500,000 (2004: impairment loss HK\$3,010,000) was written back, which represents the write up of the carrying amount of certain properties held for sale to the estimated net realisable values at the balance sheet date. Such write up brings the carrying value of the properties under development at 31st March, 2005 to be stated at lower of cost and net realisable value.

At 31st March, 2005, the amount of properties held for sale stated at net realisable value was HK\$23,618,000 (2004: HK\$29,432,800).

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

18. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

The Group adopts a flexible credit policy in line with prevailing marketing strategy. The credit periods granted to customers ranged from 30 days to 90 days on average. The following is an aged analysis of trade debtors:

| | The Group | |
|-----------------------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Trade debtors | | |
| 0 – 60 days | 122,048 | 3,338 |
| 61 – 90 days | 20 | 160 |
| Over 90 days | 516 | 618 |
| | 122,584 | 4,116 |
| Prepayments and other receivables | 1,074 | 3,276 |
| | 123,658 | 7,392 |

19. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade creditors:

| | The Group | |
|-----------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Trade creditors | | |
| 0 – 60 days | 331 | 11,776 |
| 61 – 90 days | 1,601 | 91 |
| Over 90 days | 243,484 | 236,452 |
| | 245,416 | 248,319 |
| Other payables | 151,256 | 120,587 |
| | 396,672 | 368,906 |

20. AMOUNT DUE TO A SHAREHOLDER

The Group and the Company

The amount is unsecured and due to a shareholder, Questrole Profits Limited. It is interest-free and has no fixed repayment terms.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

21. BANK AND OTHER BORROWINGS

| | The Group | | The Company | |
|--|------------------|------------------|------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 | 2005 HK\$'000 | 2004 HK\$'000 |
| Bank and other borrowings are secured, bear interest at market rates and are repayable as follows: | | | | |
| Within one year | 274,611 | 476,256 | 43,602 | 47,600 |
| i) Amount due within one year | | | | |
| Current portion of bank and mortgage loans | 143,230 | 330,761 | 20,281 | 24,717 |
| Bank overdrafts | 17,380 | 19,060 | - | - |
| Other borrowings | 114,001 | 126,435 | 23,321 | 22,883 |
| | 274,611 | 476,256 | 43,602 | 47,600 |
| ii) Amount due after one year | | | | |
| Bank and mortgage loans | 143,230 | 330,761 | 20,281 | 24,717 |
| Other borrowings | 114,001 | 126,435 | 23,321 | 22,883 |
| Less: | | | | |
| Bank and mortgage loans due within one year | (143,230) | (330,761) | (20,281) | (24,717) |
| Other borrowings due within one year | (114,001) | (126,435) | (23,321) | (22,883) |
| | - | - | - | - |
| | 274,611 | 476,256 | 43,602 | 47,600 |

As the Group and the Company have been in default of repayment of both interest and principal of bank and other borrowings since 2003, the banks and creditors have the right to demand for immediate repayment of all balances. Accordingly, the whole amounts of bank and other borrowings are classified as current liabilities at 31st March, 2005 and 31st March, 2004.

22. CONVERTIBLE DEBENTURES

The Group and the Company

On 15th May, 2000, the Company issued US\$11,000,000 (approximately HK\$85,657,000) 3% convertible debentures (the "Convertible Debentures") which carry the right to convert into shares of HK\$0.10 each in the share capital of the Company at the conversion price which would be the lesser of 120% of the average closing price per share on the Stock Exchange over the 10 consecutive trading days prior to the date of completion; or 90% of the average of the lowest 5 days closing price per share on the Stock Exchange over the 20 consecutive trading days (10 conversion trading days in the case of the first conversion) immediately prior to the date of the conversion notice provided that if such adjusted conversion price is less than HK\$0.85, then the conversion price shall be HK\$0.85.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

23. ADVANCE FROM AN ASSOCIATE/AMOUNTS DUE TO MINORITY SHAREHOLDERS

The Group

The amounts are unsecured, interest free and have no fixed terms of repayment.

24. SHARE CAPITAL

| | Number of shares | | Amount | |
|------------------------------|----------------------|---------------|------------------|------------------|
| | 2005 | 2004 | 2005 HK\$'000 | 2004 HK\$'000 |
| Shares of HK\$0.10 each | | | | |
| Authorised: | | | | |
| At beginning and end of year | 1,500,000,000 | 1,500,000,000 | 150,000 | 150,000 |
| Issued and fully paid: | | | | |
| At beginning and end of year | 940,009,918 | 940,009,918 | 94,001 | 94,001 |

25. SHARE OPTIONS

The following is a summary of the principal terms of the Share Option Scheme adopted at the special general meeting of the Company held on 23rd September, 1993:

- The directors may, at their discretion, invite employees of the Group including directors of the Group (other than employees and directors of the associates) to take up options to subscribe for shares of the Company (the "Shares") at a price calculated in accordance with sub-paragraph (b) below, thereby strengthen the links between individual staff and shareholder interests.
- The subscription price for the Shares under the Share Option Scheme will not be less than 80 percent of the average of the official closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of offer the option or the nominal value of the Shares, whichever is the greater.
- The maximum number of Shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Share Option Scheme may not (when aggregated with any securities subject to any other Share Option Scheme of the Company) exceed 10 percent of the issued share capital of the Company from time to time, excluding for this purposed Shares issued on exercise of options granted under the Share Option Scheme.
- No option may be granted to any one person which if exercised in full would result in the total number of Shares already, issued and issuable to him under the Share Option Scheme exceeding 25 percent of the aggregate number of Shares in respect of which options are issuable under the Share Option Scheme.
- An option may be exercised in accordance with the terms of the Share Option Scheme at any time six months after the date on which the option is deemed to be granted and prior to expiry of ten years from that date.
- No consideration is payable on the grant of an option.
- The Share Option Scheme will remain in force for a period of ten years commencing on the date of its adoption.

No option was granted under the Company's Share Option Scheme since its adoption. The above scheme lapsed on 22nd September, 2003 and no new share option scheme has been adopted as at 31st March, 2005.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

26. RESERVES

The Company

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Capital redemption reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|----------------------------|------------------------------|------------------------------------|--|-----------------------------------|-------------------|
| At 31st March, 2003 | 380,395 | 187,193 | 5,385 | (1,596,351) | (1,023,378) |
| Net profit for the year | – | – | – | 254,453 | 254,453 |
| At 31st March, 2004 | 380,395 | 187,193 | 5,385 | (1,341,898) | (768,925) |
| Net profit for the year | – | – | – | 124,056 | 124,056 |
| At 31st March, 2005 | 380,395 | 187,193 | 5,385 | (1,217,842) | (644,869) |

The contributed surplus represents the difference between the consolidated shareholders' funds of Gold-Face Investment Holdings Limited and its subsidiaries at the date at which the shares of these companies were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition.

27. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of certain subsidiaries, the net assets disposed of were as follows:

| | 2005 HK\$'000 | 2004 HK\$'000 |
|--|------------------|------------------|
| Net assets disposed of: | | |
| Investment properties | – | 36,500 |
| Property, plant and equipment | – | 16,564 |
| Properties under development | 6,889 | 13,413 |
| Trade, other receivables and prepayments | 13,875 | 33,915 |
| Trade and other payables | (7,901) | (58,213) |
| Taxation payable | – | (1,774) |
| | 12,863 | 40,405 |
| Profit/(loss) on disposal | 2,557 | (39,289) |
| Total consideration | 15,420 | 1,116 |
| Satisfied by: | | |
| Cash | 15,420 | 1,116 |
| Net cash inflow arising on disposal: | | |
| Cash consideration | 15,420 | 1,116 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

28. PLEDGE OF ASSETS

At 31st March, 2005, the Group's borrowings were secured by:

- a) investment properties with an aggregate valuation of approximately HK\$8,500,000 (2004: HK\$184,170,000);
- b) leasehold land and buildings with an aggregate valuation of approximately HK\$1,133,024 (2004: HK\$5,340,000);
- c) properties held for future development, properties held for sale and properties under development with an aggregate net book value of approximately HK\$13,564,000 (2004: HK\$16,780,000), HK\$26,553,000 (2004: HK\$32,238,000) and HK\$33,000,000 (2004: HK\$142,427,000), respectively;
- d) a debenture over the assets of a wholly-owned subsidiary, Gold-Face Finance Limited ("GFF"), with net book value of approximately HK\$98,595,000 (2004: HK\$114,599,000) including an assignment of certain loans receivable which were secured by properties mortgaged to GFF.

29. LEASE COMMITMENTS

The Group as lessee

Operating lease payments represents rental payable by the Group for certain of its office properties. Leases are negotiated for average term of 2 years for the office premises.

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

| | The Group | |
|---|--------------------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Within one year | 55 | 60 |
| In the second to fifth years, inclusive | – | 55 |
| After five years | – | – |
| | 55 | 115 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

29. LEASE COMMITMENTS (continued)

The Group as lessor

The properties held have committed tenants for terms ranged from 2 to 3 years.

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

| | The Group | |
|---|------------------|----------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Within one year | 145 | 751 |
| In the second to fifth years, inclusive | – | 286 |
| After five years | – | – |
| | 145 | 1,037 |

At the balance sheet date, the Company did not have any commitments under operating leases as lessee or lessor.

30. COMMITMENTS

| | The Group | |
|--|------------------|----------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Commitments contracted for but not provided in the financial statements in respect of properties under development | 107,201 | 180,650 |

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

31. CONTINGENT LIABILITIES

Certain banks and other creditors issued demand letters and legal proceedings against the Company, as guarantor of payments owed by various subsidiaries. Accordingly, provision for liabilities in an aggregate amount of HK\$472,024,000 (2004: 596,254,000) was provided by the Company as at 31st March, 2005. Therefore there are no inter-company guarantees granted to banks in respect of banking facilities given to subsidiaries by the Company disclosed as contingent liabilities at both 31st March, 2004 and 2005.

In addition, a Deed of Guarantee and Indemnity was jointly given by the Company, a subsidiary of the Company and Mr. Tai Chi Wah in favour of an independent construction contractor.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

32. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution retirement benefits scheme (the "Defined Contribution Schemes") for certain qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee. Contributions to the schemes are at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting in full in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1st December, 2001, the Group has also jointed a mandatory provident fund scheme ("MPF Scheme") for other employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Except for voluntary contribution, no forfeited contribution under this scheme is available to reduce the contribution payable in future years.

In addition, the Group has two pension schemes in the UK for two employees administered by an insurance company which operate on a 'money-purchase' basis. Contributions to these schemes are agreed between the members and the insurance company.

The retirement benefits scheme contributions arising from the above schemes charged to the consolidated income statement of HK\$162,540 (2004: HK\$304,000) represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

There were no significant forfeited contributions in both years which arose upon employees leaving the retirement benefit scheme before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in future.

33. RELATED PARTY TRANSACTIONS

Other than the disclosures in notes 20 and 31 the Group had the following related party transactions:

- a) Certain of the Group's bank borrowings, with a gross aggregate amount of approximately HK\$630,871,000 as at 31st March, 2005 (2004: HK\$567,026,000), were secured by personal guarantee of Mr. Tai Chi Wah at no consideration.
- b) Certain of the Group's bank borrowings, with a gross aggregate amount of approximately HK\$497,732,000 as at 31st March, 2005 (2004: HK\$430,274,000), were secured by personal guarantee of Mr. Tai Kuen at no consideration.
- c) An unsecured personal loan of HK\$377,000 (2004: HK\$377,000), included in loans receivable as at 31st March, 2005 was owed by a daughter of Mr. Tai Kuen. Full provision has been made at both 31st March, 2005 and 31st March, 2004.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

34. OUTSTANDING LITIGATIONS/SUBSEQUENT EVENTS

Subsequent to 31st March, 2005, the Group recorded the following major outstanding litigations and subsequent events.

a) *Outstanding litigations*

- i) Two winding-up petitions ("Petitions") were filed against the Company and a wholly-owned subsidiary of the Company, True Gold Investments Limited ("True Gold"), respectively by Wing Tung Yick Investment Company Limited and Crestsale Limited ("Petitioners") on 17th December, 2003 alleging that True Gold was indebted to the Petitioners for a sum of HK\$27,871,098 plus interest under a joint venture agreement dated 18th May, 1998 entered into between the Petitioners and True Gold in relation to the co-investment and profit-sharing arrangement in Villa Pinada (茵翠豪庭) and that the Company was indebted to the Petitioners for the same amount pursuant to a guarantee given by the Company to the Petitioners for the performance of True Gold under the aforesaid joint venture agreement. These winding-up petitions commenced by the Petitioners against the Company were dismissed by the court on 24th December, 2004.

Two other winding-up petitions were filed against the Company and a wholly-owned subsidiary of the Company, Gold-Face Finance Limited ("GFF"), respectively by China Overseas Building Construction Limited ("China Overseas"), a construction contractor for two Group Companies, for aggregate payment of HK\$57,929,600. The Company and GFF acted as guarantors to guarantee payments by these two Group Companies for the work done by China Overseas' nominated subcontractors and materials supplied by these nominated suppliers. A Scheme of Arrangement ("Scheme") in respect of GFF was filed with the court on 5th November, 2004 and another Scheme in respect of the Company was filed with Hong Kong Stock Exchange on 24th December, 2004 and a consent summons between the Company and China Overseas was filed with court on 30th December, 2004.

On 30th August, 2005, the court sanctioned the Scheme of GFF under Section 166 of the Hong Kong Companies Ordinance and accordingly the winding up petitions filed by China Overseas against GFF was withdrawn.

The hearings in respect of winding up petition commenced by China Overseas against the Company has been adjourned to 18th September, 2006.

- ii) Writs were issued by the Group's creditors demanding repayment of the following amounts:

| | HK\$'000 |
|---|----------|
| Provided in the consolidated balance sheet at 31st March, 2005 | 331,581 |
| Not provided for in the consolidated balance sheet at 31st March, 2005 | 751 |
| | 332,332 |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

34. OUTSTANDING LITIGATIONS/SUBSEQUENT EVENTS (continued)

b) Other subsequent events

- i) As announced by the Company on 11th February, 2004, the Company and a subsidiary of Wang On Group Limited ("Wang On") entered into a loan agreement on 5th February, 2004 pursuant to which the Company was provided with a loan facility (with right to convert into shares of the Company) of HK\$3 million. However, no further discussions with Wang On for its proposed investment were held up to the date of this report. In addition, another investor has appointed an investment advisor to:
- i) discuss a takeover and shares resumptions proposal which had been submitted to the Listing Committee of The Stock Exchange of Hong Kong Limited for approval.
 - ii) negotiate a S.166 Scheme of Arrangement with the creditors and to be approved by the court to reduce the outstanding indebtedness of the Group.
- ii) Receivers and managers were appointed by banks on the various properties of the following subsidiaries which have delayed in repaying the bank loans:

| Name of subsidiary | Net liabilities at 31st March, 2005 HK\$'000 |
|--|---|
| Chun Po Investment Company Limited | (19,501) |
| Lipson Enterprises Limited | (115,039) |
| Gold-Face Enterprises Limited | (868,076) |
| Eastern Wealth Investment Limited | (16,290) |
| Profit Nation Development Limited | (91,930) |
| True Gold Investments Limited | (160,283) |
| Continuous Success Investments Limited | (75,266) |

- iii) On 14th June, 2005, the Group entered into a sale and purchase agreement to sell Jatamaka Company Limited ("Jatamaka") at a consideration of HK\$2. This subsidiary has net liabilities of approximately HK\$7,699,000 at 31st March, 2005. Pursuant to that agreement, the purchaser also undertook to make a loan of HK\$580,000 to Jatamaka upon the signing of that agreement and a further loan of approximately HK\$11,405,000 to Jatamaka at completion date to enable Jatamaka to discharge the bank loan and legal charge.
- iv) In addition to above, certain of the Group's property, plant and equipment of book value of approximately HK\$1,074,000 was sold subsequent to the balance sheet date for a total consideration of HK\$1,100,000.
- v) On 31st December, 2005, Gold-Face Investment Holdings Limited ("GFIH"), a wholly-owned subsidiary of the Company, sold its shares in and amount due from a wholly-owned subsidiary, Smartful Investment Limited, of HK\$4,258,143 for a total consideration of HK\$500,000.
- vi) On 29th September, 2005, GFF, the subsidiary referred to in 34(a)(i), was disposed of to an independent third party for a total consideration of HK\$4.

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2005*

35. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2005 are as follows:

| Name of subsidiary | Place of incorporation or registration/ operation | Nominal value of issued share capital | Proportion of nominal value of issued ordinary share capital held | Principal activities |
|--|---|---|---|-------------------------------------|
| Admiralty Star Enterprises Limited | Hong Kong | Ordinary HK\$2 Deferred HK\$4,500,002** | 100% | Property development |
| Applause Development Limited | Hong Kong | Ordinary HK\$2 | 100% | Property investment |
| Braemar Associates Limited | British Virgin Islands/ Hong Kong | Ordinary US\$1 | 100% | Property investment |
| Bright Aura Limited | British Virgin Islands/ Hong Kong | Ordinary US\$1 | 100% | Property investment |
| Chintan Investment Limited | Hong Kong | Ordinary HK\$2 Deferred HK\$2** | 100% | Property investment |
| Chun Po Investment Company Limited | Hong Kong | Ordinary HK\$200 Deferred HK\$7,250,000** | 100% | Property development and investment |
| Citigold Development Limited | Hong Kong | Ordinary HK\$100 Deferred HK\$2** | 100% | Property development |
| Continuous Success Investments Limited | British Virgin Islands/ Hong Kong | Ordinary US\$1 | 100% | Property development |
| Crown Fortune Development Limited | Hong Kong | Ordinary HK\$2 | 100% | Property investment |
| Dragonjoy Group Limited | British Virgin Islands/ Hong Kong | Ordinary US\$1 | 100% | Property development |
| Eastern Wealth Investment Limited | Hong Kong | Ordinary HK\$10,000 | 100% | Property trading |
| Euro-Asia Property Limited | British Virgin Islands | Ordinary £2,100,747 | 100% | Investment holding |

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2005*

35. SUBSIDIARIES (continued)

| Name of subsidiary | Place of incorporation or registration/ operation | Nominal value of issued share capital | Proportion of nominal value of issued ordinary share capital held | Principal activities |
|--|---|--|---|---|
| Epsom Prince Limited | British Virgin Islands/ Hong Kong | Ordinary US\$78 | 100% | Property development |
| Gold-Face Enterprises Limited | Hong Kong | Ordinary HK\$2 Deferred HK\$1,100,000* | 100% | Investment holding and property development |
| Gold-Face Finance Limited | Hong Kong | Ordinary HK\$2 Deferred HK\$2** | 100% | Money lending |
| Gold-Face Investment Holdings Limited* | British Virgin Islands | Ordinary US\$14 | 100% | Investment holding |
| Goldline Properties Limited | United Kingdom | Ordinary £100 | 100% | Property investment |
| Golden Realty Limited | British Virgin Islands | Ordinary £1,002 | 100% | Investment holding |
| Jatamaka Company Limited | Hong Kong | Ordinary HK\$2 | 100% | Property development |
| Jumbo Business Limited | Hong Kong | Ordinary HK\$2 | 100% | Property investment |
| Lipson Enterprises Limited | Hong Kong | Ordinary HK\$2 | 100% | Property development |
| Magic House Enterprises Limited | Hong Kong | Ordinary HK\$2 Deferred HK\$10,000** | 100% | Property development |
| Magpies Company Limited | Hong Kong | Ordinary HK\$2 Deferred HK\$10,002** | 100% | Property investment |
| Mankin Development Limited | Hong Kong | Ordinary HK\$10,000 | 100% | Property development |
| Ocampo Limited | British Virgin Islands/ Hong Kong | Ordinary US\$10 Deferred US\$100** | 100% | Property development |

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2005*

35. SUBSIDIARIES (continued)

| Name of subsidiary | Place of incorporation or registration/ operation | Nominal value of issued share capital | Proportion of nominal value of issued ordinary share capital held | Principal activities |
|---|---|---|---|----------------------|
| Pristine International Limited | Hong Kong | Ordinary HK\$2 | 100% | Property investment |
| Profit Nation Development Limited | Hong Kong | Ordinary HK\$2 | 100% | Property development |
| Regent Million Investment Limited | Hong Kong | Ordinary HK\$2 | 100% | Property development |
| Richtan Properties Limited | British Virgin Islands | Ordinary US\$10 | 100% | Property development |
| Roster Limited | Hong Kong | Ordinary HK\$2 | 100% | Property investment |
| Score Million Investment Limited | Hong Kong | Ordinary HK\$2 | 100% | Property development |
| Silver Kind Investment Limited | Hong Kong | Ordinary HK\$10,000 Deferred HK\$7,500** | 100% | Property investment |
| Simple Link Investment Limited | British Virgin Islands/ Hong Kong | Ordinary US\$3 | 100% | Property development |
| Steadyline Limited | Hong Kong | Ordinary HK\$2 Deferred HK\$2** | 100% | Property investment |
| Stepworth International Inc. | British Virgin Islands/ United Kingdom | Ordinary US\$1 | 100% | Property investment |
| Tai Tung On Enterprises Company Limited | Hong Kong | Ordinary HK\$200 Deferred HK\$10,000** | 100% | Property dealing |
| Tonka Profits Limited | British Virgin Islands/ Hong Kong | Ordinary US\$10 | 100% | Property dealing |

Notes on the Financial Statements (Continued) for the year ended 31st March, 2005

35. SUBSIDIARIES (continued)

| Name of subsidiary | Place of incorporation or registration/ operation | Nominal value of issued share capital | Proportion of nominal value of issued ordinary share capital held | Principal activities |
|---------------------------------------|---|---|---|---|
| Top Aim Development Limited | Hong Kong | Ordinary HK\$2 Deferred HK\$10,000 ** | 100% | Property dealing |
| True Gold Investments Limited | Hong Kong | Ordinary HK\$2 | 100% | Property development |
| Ultimarum Limited | United Kingdom | Ordinary £1 | 100% | Investment holding |
| Victory Brilliant Enterprises Limited | Hong Kong | Ordinary HK\$100 | 100% | Property investment |
| Ying Mou Developments Limited | Hong Kong | Ordinary HK\$2 | 100% | Property investment |
| Wealth Enterprises Limited | Hong Kong | Ordinary HK\$2 Deferred HK\$2** | 100% | Investment holding |
| Whole Hero Limited | Hong Kong | Ordinary HK\$100 | 100% | Property dealing |
| Wisearn Group Limited* | British Virgin Islands | Ordinary US\$10 | 100% | Investment holding |
| Wonder Fit Company Limited | Hong Kong | Ordinary HK\$10,000 | 80% | Investment holding and property development |

* Directly held by the Company.

** The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the Company. On a winding-up, the holders of the deferred shares shall be entitled out of the surplus assets of the Company to a return of the capital paid up to the non-voting deferred shares held by them, respectively, after a total sum of HK\$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the Company. All deferred shares are held by certain of the Company's subsidiaries.

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

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