

1. GENERAL

The Company is incorporated in Hong Kong and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are property trading and property investment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of the standard has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

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

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

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

Revenue recognition

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

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

Investment properties

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

Air-conditioning system	10%
Other assets	20%

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

Properties under development

Properties under development are carried at cost, less any identified impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy.

Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the estimated sales proceeds less selling expenses.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs 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.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

4. SEGMENT INFORMATION

The Group is mainly engaged in property development and trading and property investment. This is the basis on which the Group reports its primary segment information.

(a) Business Segments

INCOME STATEMENT

	Turnover	Contribution to profit (loss) before taxation	Turnover	Contribution to loss before taxation
	2004	2004	2003	2003
	HK\$	HK\$	HK\$	HK\$
Property development and trading	–	(417,700)	–	(622,404)
Property investment	370,000	1,217,049	467,750	(1,918,982)
	<u>370,000</u>		<u>467,750</u>	
Profit (loss) from operations		799,349		(2,541,386)
Finance costs		(371,375)		(430,681)
Share of results of associates		(2,024,720)		(1,672,531)
Gains on disposal of subsidiaries		16,065,957		–
Profit (loss) before taxation		<u>14,469,211</u>		<u>(4,644,598)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

4. SEGMENT INFORMATION (continued)

(a) Business Segments (continued)

BALANCE SHEET

	Segment assets		Segment liabilities	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Property development and trading	41,700,000	50,473,333	40,000	7,109,906
Property investment	8,500,000	6,550,000	789,408	594,145
Interest in associates	15,912,992	4,555,727	–	–
Amount due to an associate	–	–	428,201	–
Unallocated	269,645	3,418,137	11,276,545	11,302,468
	<u>66,382,637</u>	<u>64,997,197</u>	<u>12,534,154</u>	<u>19,006,519</u>

OTHER INFORMATION

	Surplus (deficit) on revaluation of investment properties		Depreciation	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Property development and trading	–	–	630	1,575
Property investment	1,950,000	(1,430,000)	354	420
	<u>1,950,000</u>	<u>(1,430,000)</u>	<u>984</u>	<u>1,995</u>

(b) Geographical Segments

The Group's turnover are principally generated in Hong Kong. Accordingly, no analysis of the turnover by geographical segment is presented.

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets	
	At 31.1.2004 HK\$	At 31.1.2003 HK\$
Hong Kong	8,766,193	6,849,645
People's Republic of China (the "PRC")	44,403,700	4,555,727
Macau	13,212,744	53,591,825
	<u>66,382,637</u>	<u>64,997,197</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

5. PROFIT (LOSS) FROM OPERATIONS

Profit (loss) from operations has been arrived at after charging (crediting):

	2004 HK\$	2003 HK\$
Auditors' remuneration	233,640	180,000
Directors' emoluments (<i>note 7</i>)	120,000	120,000
Other staff costs	58,210	90,900
Depreciation of property, plant and equipment	984	1,995
Bank interest income	(4,837)	(26,932)
Gross rents from investment properties under operating leases	(370,000)	(467,750)
Less: Outgoings	23,890	16,905
Net rental income	<u>(346,110)</u>	<u>(450,845)</u>

6. FINANCE COSTS

The finance costs comprise:

	2004 HK\$	2003 HK\$
Interest on bank borrowings not wholly repayable within five years	350,694	278,386
Interest on bank overdrafts	<u>20,681</u>	<u>152,295</u>
	<u>371,375</u>	<u>430,681</u>

7. DIRECTORS' EMOLUMENTS

Directors' fees:

	2004 HK\$	2003 HK\$
Executive directors	—	—
Non-executive directors	—	—
Independent non-executive directors	<u>120,000</u>	<u>120,000</u>
	<u>120,000</u>	<u>120,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

8. EMPLOYEES' EMOLUMENTS

The emoluments of the only staff of the Group were as follows:

	2004 HK\$	2003 HK\$
Salaries and other benefits	<u>58,210</u>	<u>90,900</u>

9. TAXATION

No provision for Hong Kong Profits Tax and overseas tax has been made in the financial statements as there were no assessable profits for the year.

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

	2004 HK\$	2003 HK\$
Profit (loss) before taxation	<u>14,469,211</u>	<u>(4,644,598)</u>
Tax at the domestic income tax rate of 17.5% (2002: 16%)	2,532,112	(743,136)
Tax effect of share of results of associates	354,326	267,605
Tax effect of expenses not deductible for tax purpose	104,623	368,406
Tax effect of income not taxable for tax purpose	(3,152,792)	(22,447)
Tax effect of tax losses not recognised	179,719	128,286
Effect of different tax rates of a subsidiary operating in other jurisdiction	6,610	1,286
Others	<u>(24,598)</u>	<u>—</u>
Taxation for the year	<u>—</u>	<u>—</u>

10. EARNINGS (LOSS) PER SHARE

The calculation of the earnings (loss) per share is based on the net profit for the year of HK\$14,538,519 (2003: net loss of HK\$4,550,204) and on the 86,141,399 (2003: 86,141,399) ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

11. INVESTMENT PROPERTIES

	THE GROUP AND THE COMPANY	
	2004	2003
	HK\$	HK\$
At beginning of the year	6,550,000	7,980,000
Revaluation surplus (deficit)	1,950,000	(1,430,000)
At end of the year	8,500,000	6,550,000

Investment properties were revalued at 31st January, 2004 by Norton Appraisals Limited, an independent professional valuer, on an open market existing state basis. This valuation gave rise to a revaluation surplus of HK\$1,950,000 which has been credited to the consolidated income statement.

All of the investment properties, which are situated in Hong Kong and are held on medium-term leases, have been pledged to secure general banking facilities granted to the Group. The Group's investment properties are leased out under operating leases.

12. PROPERTY, PLANT AND EQUIPMENT

	Air- conditioning system	Furniture and fixtures	Office equipment	Computer system	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP					
COST					
At 1st February, 2003	38,000	43,410	51,452	264,650	397,512
Disposal of a subsidiary	–	–	(11,912)	(67,350)	(79,262)
At 31st January, 2004	38,000	43,410	39,540	197,300	318,250
DEPRECIATION					
At 1st February, 2003	36,316	43,264	50,714	258,302	388,596
Provided for the year	168	29	88	699	984
Eliminated on disposal of a subsidiary	–	–	(11,380)	(62,211)	(73,591)
At 31st January, 2004	36,484	43,293	39,422	196,790	315,989
NET BOOK VALUES					
At 31st January, 2004	1,516	117	118	510	2,261
At 31st January, 2003	1,684	146	738	6,348	8,916

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Air- conditioning system HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Computer system HK\$	Total HK\$
THE COMPANY					
COST					
At 1st February, 2003 and 31st January, 2004	<u>38,000</u>	<u>43,410</u>	<u>39,540</u>	<u>197,300</u>	<u>318,250</u>
DEPRECIATION					
At 1st February, 2003	36,316	43,264	39,393	196,662	315,635
Provided for the year	<u>168</u>	<u>29</u>	<u>29</u>	<u>128</u>	<u>354</u>
At 31st January, 2004	<u>36,484</u>	<u>43,293</u>	<u>39,422</u>	<u>196,790</u>	<u>315,989</u>
NET BOOK VALUES					
At 31st January, 2004	<u>1,516</u>	<u>117</u>	<u>118</u>	<u>510</u>	<u>2,261</u>
At 31st January, 2003	<u>1,684</u>	<u>146</u>	<u>147</u>	<u>638</u>	<u>2,615</u>

13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$	2003 HK\$
Unlisted shares, at cost	2,762,297	256,114,116
Amounts due from subsidiaries	<u>39,426,137</u>	<u>8,509,639</u>
	42,188,434	264,623,755
Less: Impairment losses recognised	<u>(577,358)</u>	<u>(231,998,323)</u>
	<u>41,611,076</u>	<u>32,625,432</u>

The amounts due from subsidiaries are unsecured and non-interest bearing. In the opinion of the Company's directors, the amounts due from subsidiaries will not be repayable in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

13. INTERESTS IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31st January, 2004 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held directly by the Company	Paid up issued share capital	Principal activities
Buildmore Finance Limited	Hong Kong	Ordinary	100%	HK\$1,000,000	Inactive
Keen Luck (China) Limited ("Keen Luck")	Hong Kong/PRC	Ordinary	100%	HK\$10,000	Property trading
Lloyd Bridge Investment (H.K.) Limited	Hong Kong	Ordinary	100%	HK\$100,000	Inactive

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

14. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Unlisted shares, at cost	–	–	20,522,786	11,826,078
Less: Impairment losses recognised	–	–	(7,200,000)	(7,200,000)
Share of net assets	13,349,618	4,552,681	–	–
	13,349,618	4,552,681	13,322,786	4,626,078
Amount due from an associate	2,563,374	3,046	2,563,374	3,046
	15,912,992	4,555,727	15,886,160	4,629,124

In the opinion of the Company's directors, the amount due from an associate will not be repayable in the next twelve months from the balance sheet date and, accordingly, the amount has been classified as a non-current asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

14. INTERESTS IN ASSOCIATES (continued)

The following details have been extracted from the unaudited consolidated financial statements of the Group's significant associate, Gladiolus Trading Limited.

	2004 HK\$
Results for the year	
Turnover	–
Loss from ordinary activities before taxation	(470,745)
Loss from ordinary activities before taxation attributable to the Group	(34,185)
Financial position	
Non-current assets	44,673,562
Current assets	7,840,556
Current liabilities	(17,027,726)
Non-current liabilities	(6,510,023)
Net assets	28,976,369
Net assets attributable to the Group	10,645,918

Details of the Group's associates at 31st January, 2004 are as follows:

Name of associate	Form of business structure	Place of incorporation/operation	Proportion of nominal value of issued capital/registered capital held by the Group		Principal activities
			Directly	Indirectly	
Gladiolus Trading Limited ("Gladiolus")	Incorporated	British Virgin Islands	36.74%	–	Investment holding
Ka Fai Land Investment Company Limited ("Ka Fai") (Note)	Incorporated	Macau	–	30%	Property development and trading
Property Developments Limited	Incorporated	British Virgin Islands	45%	–	Investment holding
Staten (Fujian) Real Estate Co., Ltd. (Note)	Incorporated	PRC	–	45%	Property investment and development

Note: Staten (Fujian) Real Estate Co., Ltd. is a wholly-owned subsidiary of Property Developments Limited while Ka Fai is 81.65% owned by Gladiolus.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

15. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2004	2003
	HK\$	HK\$
Land in Macau held under a medium-term lease	-	27,926,270
Net attributable land premium paid	-	4,223,891
Development expenditure, at cost	-	12,377,207
	<u>-</u>	<u>44,527,368</u>
	<u>-</u>	<u>44,527,368</u>

At 31st January, 2003, the properties under development represented the Lisboa Garden Project held by Ka Fai. Following the decrease in the Group's interest in Ka Fai, Ka Fai is accounted for as an associate of the Group and the properties under development were not consolidated in the financial statements of the Company as at 31st January, 2004.

16. PLEDGED BANK DEPOSITS

At 31st January, 2003, the Group's bank deposits of HK\$97,132 were pledged to secure the payment of rent for land in Macau.

17. PROPERTIES HELD FOR RESALE

The properties represent 51 residential units and 15 car parking spaces within a residential area located in Fuzhou, the PRC, acquired from the acquisition of a subsidiary, Keen Luck, during the year. The properties are stated at fair value at the date of acquisition based on a valuation of HK\$41,700,000 which was valued by Debenham Tie Leung, independent professional valuer, at 30th November, 2003 on open market value basis. In the opinion of the directors, there is no significant change in market value of the properties held for resale from 30th November, 2003 to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

18. SUNDRY RECEIVABLES

The balance comprises:

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Deposits and prepayments	266,193	846,255	266,193	289,033
Other receivables	–	11,445,965	–	–
	<u>266,193</u>	<u>12,292,220</u>	<u>266,193</u>	<u>289,033</u>
Provision for other receivables	–	(5,500,000)	–	–
	<u>266,193</u>	<u>6,792,220</u>	<u>266,193</u>	<u>289,033</u>

19. SUNDRY PAYABLES

The balance comprises:

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Accrued charges and deposits received	829,408	729,268	774,408	559,142
Other payables	–	6,974,783	–	20,000
	<u>829,408</u>	<u>7,704,051</u>	<u>774,408</u>	<u>579,142</u>

20. BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Bank overdrafts				
Unsecured	–	1,797,769	–	1,797,769
Bank loans				
Secured	7,555,351	6,570,679	7,555,351	6,570,679
Shareholder's loan				
Unsecured	3,004,517	832,568	3,004,517	832,568
Other borrowings				
Unsecured	–	58,200	–	–
	<u>10,559,868</u>	<u>9,259,216</u>	<u>10,559,868</u>	<u>9,201,016</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2004

20. BORROWINGS (continued)

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
The maturity of the above borrowings is as follows:				
On demand or within one year	3,739,866	2,887,839	3,739,866	2,829,639
More than one year, but not exceeding two years	776,890	207,939	776,890	207,939
More than two years, but not exceeding five years	805,539	679,467	805,539	679,467
More than five years	5,237,573	5,483,971	5,237,573	5,483,971
	<u>10,559,868</u>	<u>9,259,216</u>	<u>10,559,868</u>	<u>9,201,016</u>
Less: Amounts due within one year shown under current liabilities	<u>(3,739,866)</u>	<u>(2,887,839)</u>	<u>(3,739,866)</u>	<u>(2,829,639)</u>
Amount due after one year	<u><u>6,820,002</u></u>	<u><u>6,371,377</u></u>	<u><u>6,820,002</u></u>	<u><u>6,371,377</u></u>

The shareholder's loan and other borrowings are non-interest bearing and have no fixed terms of repayment. The loans will not be repaid within the next twelve months, accordingly, the amounts are disclosed as non-current.

21. DEFERRED TAXATION

THE GROUP

The following is major deferred tax liability recognised and movement thereon during the current period.

	Cost of properties to the Group HK\$
At 1st February, 2002 and at 31st January, 2003	–
Acquisition of a subsidiary	<u>716,677</u>
At 31st January, 2004	<u><u>716,677</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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21. DEFERRED TAXATION (continued)

THE GROUP AND THE COMPANY

At the balance sheet date, the estimated unused tax losses of approximately HK\$8,371,000 (2003: HK\$7,344,000) are available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the uncertainty of future profit streams. The losses may be carried forward indefinitely.

22. SHARE CAPITAL

	Number of shares		Share capital	
	2004	2003	2004 HK\$	2003 HK\$
Authorised:				
Ordinary shares of HK\$1.00 each				
At beginning of the year				
and at end of the year	196,967,761	196,967,761	196,967,761	196,967,761
5% convertible preference shares of HK\$1.00 each				
At beginning of the year				
and at end of the year	3,032,239	3,032,239	3,032,239	3,032,239
	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid:				
Ordinary shares of HK\$1.00 each				
At beginning of the year				
and at end of the year	86,141,399	86,141,399	86,141,399	86,141,399
5% convertible preference shares of HK\$1.00 each				
At beginning of the year				
and at end of the year	3,032,239	3,032,239	3,032,239	3,032,239
	89,173,638	89,173,638	89,173,638	89,173,638

NOTES TO THE FINANCIAL STATEMENTS

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22. SHARE CAPITAL (continued)

The holders of the preference shares are not entitled to vote at the general meetings of the Company.

The preference shares are entitled to a cumulative dividend and rank in priority to the ordinary shares in the Company as to dividends and return of capital. Since the convertible period expired, the outstanding preference shares cannot be converted into ordinary shares of the Company.

23. SHARE PREMIUM AND RESERVES

	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
THE COMPANY			
At 1st February, 2002	197,803,247	(249,289,918)	(51,486,671)
Net loss for the year	—	(4,031,493)	(4,031,493)
At 31st January, 2003	197,803,247	(253,321,411)	(55,518,164)
Net profit for the year	—	20,582,979	20,582,979
At 31st January, 2004	<u>197,803,247</u>	<u>(232,738,432)</u>	<u>(34,935,185)</u>

At each of 31st January, 2004 and 2003, the Company has no reserves available for distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

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24. DISPOSAL OF SUBSIDIARIES

Pursuant to an agreement dated 27th November, 2003 entered into between the Company and Mr. Jong Kong Ki, a director of the Company, the Company disposed of its 63.26% equity interest in Gladiolus and assigned the loan of approximately HK\$5.3 million due from Ka Fai, a subsidiary of Gladiolus, to Mr. Jong Kong Ki in exchange for the entire issued share capital of Keen Luck and the assignment of the shareholder's loan of Keen Luck of approximately HK\$39.3 million from Mr. Jong Kong Ki to the Company.

	2004 HK\$	2003 HK\$
Net assets disposed of		
Property, plant and equipment	5,671	—
Properties under development	44,527,368	—
Pledged bank deposits	97,132	—
Sundry receivables	6,486,828	—
Amounts due from group companies	428,201	—
Bank balances and cash	1,493,043	—
Sundry payables	(7,060,220)	—
Amount due to a shareholder	(7,868,933)	—
Taxation	(2,043,252)	—
Other borrowings	(58,200)	—
Minority interests	(6,611,406)	—
	<u>29,396,232</u>	—
Reclassification to interests in associates	<u>(10,821,657)</u>	—
	18,574,575	—
Assignment of amount due from Ka Fai	5,318,603	—
Direct costs incurred for the disposal	1,024,188	—
Gain on disposal of subsidiaries	<u>16,065,957</u>	—
	<u>40,983,323</u>	—

Analysis of net outflow of cash and cash equivalent in respect of the disposal of subsidiaries:

	2004 HK\$	2003 HK\$
Bank balances and cash	<u>(1,493,043)</u>	—

The subsidiaries disposed of during the year contributed an operating loss of HK\$377,700 to the Group's operating results and did not contribute any turnover and cash flows to the Group.

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25. ACQUISITION OF A SUBSIDIARY

	2004 HK\$	2003 HK\$
Net assets acquired		
Properties held for resale	41,700,000	—
Shareholder's loan	(39,321,026)	—
Deferred taxation	(716,677)	—
	<u>1,662,297</u>	<u>—</u>
Assignment of the shareholder's loan	39,321,026	—
	<u>40,983,323</u>	<u>—</u>
Satisfied by disposal of subsidiaries (<i>note 24</i>)	<u>40,983,323</u>	<u>—</u>

The subsidiary acquired did not contribute any turnover, operating results and cash flows to the Group.

26. MAJOR NON-CASH TRANSACTION

Pursuant to an agreement dated 27th November, 2003 entered into between the Company and Mr. Jong Kong Ki, a director of the Company, the Company disposed of its 63.26% equity interest in Gladiolus and assigned the loan of approximately HK\$5.3 million due from Ka Fai, a subsidiary of Gladiolus, to Mr. Jong Kong Ki in exchange for the entire issued share capital of Keen Luck and the assignment of the shareholder's loan of Keen Luck of approximately HK\$39.3 million from Mr. Jong Kong Ki to the Company.

27. OPERATING LEASE COMMITMENTS

Property rental income earned during the year was HK\$370,000 (2003: HK\$467,750). The properties are expected to generate rental yields of approximately 4% (2003: 7%) on an ongoing basis.

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

	2004 HK\$	2003 HK\$
Within one year	264,000	312,000
Two to five years	<u>119,000</u>	<u>—</u>
	<u>383,000</u>	<u>312,000</u>

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FOR THE YEAR ENDED 31ST JANUARY, 2004

28. RELATED PARTY TRANSACTIONS

In addition to the related party transactions as disclosed in note 26, during the year, the Group entered into the following transaction with a related party:

	2004	2003
	HK\$	HK\$
Rental income from a related company	<u>216,000</u>	<u>240,000</u>

The above transaction was carried out at market price.

In addition, the Group also has a balance with a shareholder, details of which are set out in note 20.