

(1) General

The Company is a public limited company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries are investment holding companies.

(2) Adoption of Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Society of Accountants (“HKSA”). The term HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAPs”) and Interpretations approved by HKSA.

SSAP 12 (Revised) Income taxes

SSAP 12 (Revised) requires deferred tax asset and liabilities to be provided in full using the liability method, on temporary difference arising between the tax base of an asset or a liability and its carrying amount in the financial statements at any point in time. Deferred tax assets or liabilities arising from temporary differences need to be measured at the tax rates enacted or substantially enacted at the balance sheet date.

Details of the accounting policy are set out in note (3) to the financial statements.

The adoption of revised SSAP as outlined above does not have material impact on results reported in the current or prior year, though the terminology used and certain disclosures have been revised in line with the new requirements.

(3) Summary of significant accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). They have been prepared under the historical cost convention, as modified with respect to the measurement of investments in securities as explained in the respective accounting policies below. The principal accounting policies adopted are set out below:

(3) Summary of significant accounting policies *(Continued)***BASIS OF CONSOLIDATION**

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

The results of subsidiaries 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.

INVESTMENTS IN SUBSIDIARIES

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

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

INVESTMENTS IN SECURITIES

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

At subsequent reporting dates, debts securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary on individual basis. The amount of the reduction is recognised as an expense in the income statement.

(3) Summary of significant accounting policies *(Continued)***INVESTMENTS IN SECURITIES** *(Continued)*

Other investments are measured at fair value with unrealised gains and losses included in net profit or loss for the year.

IMPAIRMENT OF ASSETS

At each balance sheet date, the Company assesses whether there is indication that investments in subsidiaries have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the net selling price and value in use of an asset. The net selling price is the amount that could be obtained from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which is restricted to 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.

FOREIGN CURRENCIES

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

INCOME TAXES

- (i) Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(3) Summary of significant accounting policies *(Continued)***INCOME TAXES** *(Continued)*

- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

- (iv) Current and deferred tax assets and liabilities are offset if, and only if, the Company has the legally enforceable right to set off current tax asset against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(3) Summary of significant accounting policies *(Continued)***PROVISIONS AND CONTINGENCIES**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

REVENUE RECOGNITION

Sale proceeds of investments in securities are recognised on a trade date basis.

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

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

RELATED PARTIES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(3) Summary of significant accounting policies *(Continued)***EMPLOYEE BENEFITS**

Employee entitlements to annual leave, sick leave and maternity leave are not recognised until the time of leave.

The Group operates a defined contribution mandatory provident fund scheme (the "MPF Scheme") which is available to all employees. Contributions to the MPF Scheme by the Group and its employees are calculated at 5% of the employees' basic salaries with a maximum cap of HK\$1,000 per month. The Group's contributions to the fund are expensed as incurred and the assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund.

(4) Turnover

The Group principally invests in listed and unlisted securities, including equity securities and convertible bonds.

The analysis of turnover for the year is as follows:

	2004 HK\$	2003 HK\$
Proceeds from sale of listed equity securities	54,086,786	2,697,639
Dividend income from:		
– Listed equity securities	2,502,268	1,062,251
– Unlisted equity securities	14,811	4,420,000
	56,603,865	8,179,890

No analysis of the Group's turnover and contribution to operating profit for the year set out by principal activities and geographical markets is provided as the Group has only one single business segment, investment holding, and all the consolidated turnover and the consolidated results of the Group are attributable to markets in Hong Kong.

For the year ended March 31, 2004

(5) Other revenue

The analysis of other revenue for the year is as follows:

	2004 HK\$	2003 HK\$
Interest income	688,308	632,074
Other income	82,000	12,500
	<u>770,308</u>	<u>644,574</u>

(6) Profit (Loss) from operations

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

	2004 HK\$	2003 HK\$
Auditors' remuneration	80,000	80,000
Provision for bad debts	—	50,000
Investment management fee	1,471,517	958,242
Staff costs, including HK\$14,400 (2003: HK\$14,384) to defined contribution MPF scheme	<u>458,400</u>	<u>458,384</u>

(7) Finance costs

	2004 HK\$	2003 HK\$
Interest on:		
Bank overdrafts	203	1
Other borrowings wholly repayable within five years	<u>29,771</u>	<u>61,112</u>
	<u>29,974</u>	<u>61,113</u>

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(8) Directors' and employees' emoluments

	2004 HK\$	2003 HK\$
Fees:		
Executive directors	48,000	48,000
Non-executive director	12,000	—
Independent non-executive directors	24,000	36,000
Other emoluments:		
Defined contributions to MPF Scheme	2,400	2,400
	<u>86,400</u>	<u>86,400</u>

The aggregate emoluments of each of the directors during the year were within the emoluments band ranging from nil to HK\$1,000,000.

Of the five individuals with the highest emoluments in the Group, four (2003: four) were also directors of the Company whose emoluments are included above. The emoluments of the remaining individual are as follows:

	2004 HK\$	2003 HK\$
Salaries and other benefits	360,000	360,000
Defined contributions to MPF Scheme	12,000	11,984
	<u>372,000</u>	<u>371,984</u>

The emoluments of the above employee are within the band of nil to HK\$1,000,000.

(9) Taxation

	2004 HK\$	2003 HK\$
Taxation in the consolidated income statement represents:		
Hong Kong profits tax		
– Overprovision in respect of prior years	—	200,000

Provision for Hong Kong profits tax has not been made as there are no assessable profits for the year.

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(9) Taxation *(Continued)*

Reconciliation between the amount of taxation charge (credit) and accounting profit (loss) at applicable tax rate.

	2004 HK\$	2003 HK\$
Profit (Loss) before taxation	<u>11,590,238</u>	<u>(18,018,215)</u>
Taxation charge (credit) calculated at the applicable tax rate of 17.5% (2003:16%)	2,028,291	(2,882,914)
Tax effect of non-taxable income	(3,794,092)	(831,667)
Tax effect of non deductible expenses	1,360,062	3,396,119
Unrecognised tax losses for the year	405,739	318,462
Overprovision in respect of prior years	<u>—</u>	<u>(200,000)</u>
	<u>—</u>	<u>(200,000)</u>

No deferred tax asset has been recognised in respect of tax losses of HK\$7,343,271 (2003: HK\$5,024,761) due to the unpredictability of future profit streams.

No provision for deferred taxation has been made as there were no deferred tax liabilities at March 31, 2004.

(10) Net profit (loss) for the year attributable to shareholders

Of the Group's net profit (loss) for the year attributable to shareholders, a profit of HK\$3,255,323 (2003: loss of HK\$1,189,519) has been dealt with in the financial statements of the Company.

(11) Earnings (Loss) per share

The basic earnings (loss) per share is based on the Group's profit attributable to shareholders of HK\$11,590,238 (2003: loss of HK\$18,018,215) and the weighted average number of 1,059,778,200 (2003: 1,048,671,500) ordinary shares in issue during the year.

There is no diluted earnings per share for the years ended March 31, 2004 and 2003 presented since the Company has no dilutive potential ordinary shares.

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(12) Investments in subsidiaries

	The Company	
	2004 HK\$	2003 HK\$
Unlisted shares, at cost	<u>4,187,772</u>	<u>4,187,772</u>

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

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital	Percentage of equity interest held		Principal activity
			Directly %	Indirectly %	
Best Idea Development Limited	British Virgin Islands	US\$1	100	—	Investment holding
Cyber Features Limited	British Virgin Islands	US\$1	—	100	Investment holding
Profit Mind Group Limited	British Virgin Islands	US\$1	100	—	Investment holding
Super Idea International Limited	British Virgin Islands	US\$1	100	—	Investment Holding
UBA Development Limited	British Virgin Islands	US\$1	100	—	Investment holding
UBA Financial Trading Limited	Hong Kong	HK\$2	100	—	Investment holding and trading of securities

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(12) Investments in subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital	Percentage of equity interest held		Principal activity
			Directly %	Indirectly %	
UBA Technologies Holdings Limited	British Virgin Islands	US\$1	100	—	Investment holding
Upbest Venture Limited	British Virgin Islands	US\$1	100	—	Investment holding

All subsidiaries are unlisted and operate in Hong Kong.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

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For the year ended March 31, 2004

(13) Investments in securities

	The Group		The Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Held-to-maturity debt securities				
Unlisted convertible bonds	<u>9,900,000</u>	<u>9,900,000</u>	<u>—</u>	<u>—</u>
Other investments				
Unlisted equity securities	<u>9,768,000</u>	<u>9,379,000</u>	<u>—</u>	<u>—</u>
Less: Loss in value of investments in unlisted equity securities	<u>(3,849,000)</u>	<u>(3,649,000)</u>	<u>—</u>	<u>—</u>
	<u>5,919,000</u>	<u>5,730,000</u>	<u>—</u>	<u>—</u>
 Listed equity securities in Hong Kong, at cost	<u>74,461,690</u>	<u>69,823,848</u>	<u>7,438,829</u>	<u>7,344,864</u>
Unrealised holding loss	<u>(10,284,390)</u>	<u>(26,124,048)</u>	<u>(406,829)</u>	<u>(1,719,864)</u>
	<u>64,177,300</u>	<u>43,699,800</u>	<u>7,032,000</u>	<u>5,625,000</u>
 Fair value at the end of the year	<u>79,996,300</u>	<u>59,329,800</u>	<u>7,032,000</u>	<u>5,625,000</u>
 Market value of listed equity securities at March 31	<u>64,177,300</u>	<u>43,699,800</u>	<u>7,032,000</u>	<u>5,625,000</u>
 Carrying amount analysed for reporting purposes as:				
Current				
– Held-to-maturity debt securities	<u>9,900,000</u>	<u>9,900,000</u>	<u>—</u>	<u>—</u>
– Other investments	<u>2,577,600</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>12,477,600</u>	<u>9,900,000</u>	<u>—</u>	<u>—</u>
 Non-current				
– Other investments	<u>67,518,700</u>	<u>49,429,800</u>	<u>7,032,000</u>	<u>5,625,000</u>
	<u>79,996,300</u>	<u>59,329,800</u>	<u>7,032,000</u>	<u>5,625,000</u>

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(13) Investments in securities (Continued)

Details of the Group's investments as at March 31, 2004 are as follows:

(1) EQUITY SECURITIES LISTED ON THE STOCK EXCHANGE

Name of investee company	2004			2003		Net assets (liabilities) attributable to the Group HK\$
	Cost HK\$	Market value HK\$	Unrealised holding gain (loss) HK\$	Cost HK\$	% of total assets of the Group	
Allied Properties (HK) Limited	2,075,850	1,480,699	(595,151)	2,075,850	1.45%	4,302,596
Allied Properties (HK) Limited – Warrant	–	48,497	48,497	–	0.05%	–
China Mobile (Hong Kong) Limited	472,300	462,000	(10,300)	–	0.45%	189,249
China Oilfield Services Limited	–	–	–	280,066	–	–
China Oriental Group Company Limited	16,667	15,600	(1,067)	–	0.02%	1,829
Chun Wo Holdings Limited	2,518,791	8,268,260	5,749,469	342,427	8.08%	8,092,814
EganaGoldpfeil (Holdings) Limited	19,832,015	19,798,629	(33,386)	19,532,015	19.36%	11,554,085
Egana Jewellery & Pearls Limited	10,803,824	12,530,000	1,726,176	13,316,485	12.25%	10,817,305
Henderson Cyber Limited	1,262,625	247,000	(1,015,625)	1,262,625	0.24%	156,139
HKC International Limited	3,907,138	3,168,424	(738,714)	–	3.10%	6,865,048
Hong Kong Exchanges and Clearing Limited	6,076,826	6,680,000	603,174	6,082,239	6.53%	2,129,240
Pacific Century Cyberworks Limited	20,092,750	6,889,391	(13,203,359)	17,410,040	6.74%	(1,808,640)
Peace Mark (Holdings) Limited	–	–	–	1,732,016	–	–
Tonic Industries Holdings Limited	7,402,904	4,588,800	(2,814,104)	7,790,085	4.49%	6,514,122
	<u>74,461,690</u>	<u>64,177,300</u>	<u>(10,284,390)</u>	<u>69,823,848</u>		

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(13) Investments in securities (Continued)**(2) UNLISTED EQUITY SECURITIES**

Name of investee company	Place of incorporation	Interest in shares held	2004			2003	% of total assets of the Group	Principal activities
			Cost HK\$	Loss in value HK\$	Carrying amount HK\$	Cost HK\$		
Asia Pacific Life Science Group Limited	British Virgin Islands	4%	389,000	–	389,000	–	0.38%	Investments holding
Capital Venture Limited	Hong Kong	26%	520,000	(120,000)	400,000	520,000	0.39%	Property investment and money lending services
Chief Finance Limited	Hong Kong	26%	2,600,000	–	2,600,000	2,600,000	2.54%	Money lending business
Cyber Infotech Holdings Limited	British Virgin Islands	0.5%	1,165,000	(1,165,000)	–	1,165,000	–	Investments holding
Efinance28 Limited	Hong Kong	25%	1,000,000	(400,000)	600,000	1,000,000	0.59%	Provision of electronic financing services
Enviro Technology International Limited	Hong Kong	33.33%	780,000	(600,000)	180,000	780,000	0.18%	Development of battery rechargers
Fujita Glass Limited	Hong Kong	15%	250,000	–	250,000	250,000	0.24%	Trading of glasses
Fullpower Holdings Limited	British Virgin Islands	20%	1,000,000	–	1,000,000	1,000,000	0.98%	Investments holding
iD Innovation Limited	Hong Kong	5.2%	1,564,000	(1,564,000)	–	1,564,000	–	Production of multi-media CD Rom products
Info Trade Investment Limited	British Virgin Islands	5%	500,000	–	500,000	500,000	0.49%	Investments holding
			<u>9,768,000</u>	<u>(3,849,000)</u>	<u>5,919,000</u>	<u>9,379,000</u>		

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(13) Investments in securities (Continued)**(3) UNLISTED CONVERTIBLE BONDS, UNSECURED**

Convertible bonds are dated debt securities which permit the holder the right to convert the debt securities into shares of the issuers at the specified dates. Upon conversion of the convertible bonds, they will be stated at the cost of acquiring the underlying shares.

Particulars of the convertible bonds held by a subsidiary of the Company are as follows:

Name of issuer	Principal amount HK\$	Annual interest rate	Maturity date	% of total assets of the Group
IT Star Holdings Limited ("ITSHL")	9,900,000	6%	March 8, 2005	9.68%

ITSHL is a wholly owned subsidiary of Harmony Asset Limited, which is incorporated in the Cayman Islands with limited liability and with its shares listed on the Stock Exchange. The principal activity of ITSHL is investment holding. Its investee companies are principally engaged in information technology development.

Pursuant to deeds of variation dated December 6, 2002, April 9, 2003 and April 8, 2004 certain terms and conditions of the subscription agreement of the convertible bonds dated January 3, 2000 ("Agreement") were varied or amended.

Terms and conditions being varied are summarised as follows:

- (1) The maturity date of conversion period is extended to March 8, 2005.
- (2) Upon the occurrence of full conversion of the convertible bonds or at the end of the conversion period, ITSHL may, in lieu of allotting and issuing certain fully paid shares of ITSHL to the holder of the convertible bonds as set out in the subscription agreement dated January 3, 2000, transfer to the holder of the convertible bonds for nil consideration such number of quoted investment the value of which is equal to the principal value of the convertible bonds.
- (3) Pursuant to a deed of guarantee dated April 23, 2004, Harmony Asset Limited unconditionally and irrevocably guarantees by way of continuing guarantee the due performance by ITSHL of all its obligations under or pursuant to the Agreement.

(13) Investments in securities *(Continued)***(4) PARTICULARS OF MAJOR INVESTMENTS IN OTHER INVESTMENTS**

Listed investments

Allied Properties (HK) Limited (“Allied Properties”)

Allied Properties is principally engaged in investment, broking and finance, property rental and management services, sales of property and property based investments and hotel operations.

The Group holds 429,188 shares in Allied Properties, representing 0.088% interest in the issued share capital of Allied Properties. No dividend was received during the year. Based on the annual report of Allied Properties at December 31, 2003, the net asset value of Allied Properties were approximately HK\$4,889,314,000.

Chun Wo Holdings Limited (“Chun Wo”)

Chun Wo is principally engaged in the civil engineering, electrical and mechanical engineering foundation and building construction work and property development.

The Group holds 9,086,000 shares in Chun Wo, representing 1.254% interest in the issued share capital of Chun Wo and derived a dividend income of HK\$106,056 for the year ended March 31, 2004. Based on the interim report at September 30, 2003, the net asset value of Chun Wo were approximately HK\$645,360,000.

EganaGoldpfeil (Holdings) Limited (“EganaGoldpfeil”)

EganaGoldpfeil is principally engaged in design, assembly, manufacturing and distribution of timepieces and jewellery; manufacturing and distribution of leather products; trading of timepiece components, jewellery and consumer electronic products.

The Group holds 10,205,479 shares in EganaGoldpfeil, representing 0.871% interest in the issued share capital of EganaGoldpfeil and derived a dividend income of HK\$504,110 for the year ended March 31, 2004. Based on the interim report at November 30, 2003, the net asset value of EganaGoldpfeil were approximately HK\$1,326,531,000.

Egana Jewellery & Pearls Limited (“Egana Jewellery”)

Egana Jewellery is principally engaged in the design, manufacturing, distribution and trading of jewellery products; licensing or assignment of brandnames to third parties for the design, manufacturing and distribution of jewellery and consumer products other than timepieces and holding strategic investments.

The Group holds 7,000,000 shares in Egana Jewellery, representing 2.225% interest in the issued share capital of Egana Jewellery and derived a dividend income of HK\$683,000 for the year ended March 31, 2004. Based on the interim report at November 30, 2003, the net asset value of Egana Jewellery were approximately HK\$486,171,000.

(13) Investments in securities *(Continued)***(4) PARTICULARS OF MAJOR INVESTMENTS IN OTHER INVESTMENTS***(Continued)*

Listed investments (continued)

HKC International Holdings Limited (“HKC”)

HKC is principally engaged in the sale and distribution of mobile phones and related accessories, office telephone system in Hong Kong and Singapore, provide mobile phone network connection and repair and maintenance services and systems integration services.

The Group holds 15,608,000 shares in HKC, representing 3.471% interest in the issued share capital of HKC. No dividend was received during the year. Based on the interim report at September 30, 2003, the net asset value of HKC were approximately HK\$197,783,000.

Hong Kong Exchanges and Clearing Limited (“HKEX”)

HKEX is a recognised exchange controller under the Securities and Futures Ordinance. It owns and operates the only stock exchange and futures exchange in Hong Kong and their related clearing houses.

The Group holds 400,000 shares in HKEX, representing 0.038% interest in the issued share capital of HKEX and derived a dividend income of HK\$876,000 for the year ended March 31, 2004. Based on the annual report at December 31, 2003, the net asset value of HKEX were approximately HK\$5,603,263,000.

Pacific Century Cyberworks Limited (“PCCW”)

PCCW is principally engaged in the provision of telecommunications services, internet and multimedia services, sale and rental of equipment and technical services; and investment in and development of infrastructure, properties and technology related business.

The Group holds 1,312,265 shares in PCCW, representing 0.024% interest in the issued share capital of PCCW. No dividend was received during the year. Based on the annual report at December 31, 2003, the net liabilities of PCCW were approximately HK\$7,536,000,000.

Tonic Industries Holdings Limited (“Tonic”)

Tonic is principally engaged in the design, manufacture and marketing of consumer audio and video products and home appliances products.

The Group holds 9,560,000 shares in Tonic, representing 1.505% interest in the issued share capital of Tonic and derived a dividend income of HK\$249,500 for the year ended March 31, 2004. Based on the interim report at September 30, 2003, the net asset value of Tonic were approximately HK\$432,832,000.

For the year ended March 31, 2004

(13) Investments in securities (Continued)**(4) PARTICULARS OF MAJOR INVESTMENTS IN OTHER INVESTMENTS***(Continued)*

Unlisted investment

Chief Finance Limited ("CFL")

CFL is principally engaged in money lending business in Hong Kong. The Group holds 2,600,000 shares in CFL, representing 26% interest in the issued share capital of CFL. CFL is not treated as an associate company because the Group has no significant influence over its financial and operating decisions. No dividend was received for the year. Based on the audited financial statements at December 31, 2003, the Group's share of the net liabilities of CFL was approximately HK\$552,781.

Fullpower Holdings Limited ("Fullpower")

Fullpower is principally engaged in investments holding. The Group holds 1,000,000 shares in Fullpower, representing 20% interest in the issued share capital of Fullpower. Fullpower is not treated as an associate company because the Group has no significant influence over its financial and operating decisions. No dividend was received during the year. Based on the unaudited financial statements at May 31, 2004, the Group's share of the net asset value of Fullpower was approximately HK\$1,032,908.

(14) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and with no fixed terms of repayment. In the opinion of the directors, the amounts are not expected to be realised within one year from the balance sheet date and are therefore included in non-current assets.

(15) Amounts due from investee companies

	The Group	
	2004	2003
	HK\$	HK\$
Amounts due from investee companies less provision of HK\$7,171,281 (2003: HK\$2,083,400)	20,174,000	26,549,000
Portion shown as current assets	(20,174,000)	(25,174,000)
Non-current portion and included in non-current assets	—	1,375,000

The amounts due from investee companies are unsecured, interest-free and with no fixed terms of repayment. The non-current portion of the amounts due from investee companies are not expected to be realised within one year from the balance sheet date and are therefore included in non-current assets.

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(16) Accounts and other receivables

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Deposits and prepayments (Note)	8,880	598,615	8,880	598,615
Other receivables	835,023	907,240	835,023	289,560
	843,903	1,505,855	843,903	888,175

No ageing analysis is disclosed for other receivables in view of the fact that they comprise mainly dividend receivable from listed equity securities.

As at March 31, 2003, the deposits and prepayments included investment management fee of HK\$589,735 prepaid to the Company's investment manager, Upbest Assets Management Limited.

(17) Interest-bearing borrowings

The interest-bearing borrowings represent loans from margin accounts due to a related company, Upbest Investment Company Limited, for financing the purchases of listed securities. The loans are repayable on demand, bearing interest at 9.25% per annum and secured by part of the listed equity securities with market value as follows:

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Market value of listed equity securities pledged for securing margin loans and facilities	19,737,651	10,665,416	6,785,000	5,395,000

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(18) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free and with no fixed terms of repayment. In the opinion of the directors, the amounts are not expected to be repayable within one year from the balance sheet date and are therefore included in non-current liabilities.

(19) Share capital

	Number of shares		Share capital	
	2004	2003	2004 HK\$	2003 HK\$
<i>Authorised</i>				
Ordinary shares of HK\$0.01 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
<i>Issued and fully paid</i>				
At April 1	<u>1,059,778,200</u>	<u>1,010,714,000</u>	<u>10,597,782</u>	<u>10,107,140</u>
Issue of shares upon exercise of warrants	<u>–</u>	<u>49,064,200</u>	<u>–</u>	<u>490,642</u>
At March 31	<u>1,059,778,200</u>	<u>1,059,778,200</u>	<u>10,597,782</u>	<u>10,597,782</u>

(20) Reserves**The Group**

	Share premium HK\$	Contributed surplus HK\$	Retained profits (Accumulated losses) HK\$	Total HK\$
Balance as at 31/3/2002	87,167,293	–	3,624,266	90,791,559
Shares issued at premium	5,397,062	–	–	5,397,062
Net loss for the year	<u>–</u>	<u>–</u>	<u>(18,018,215)</u>	<u>(18,018,215)</u>
Balance as at 31/3/2003	92,564,355	–	(14,393,949)	78,170,406
Net profit for the year	<u>–</u>	<u>–</u>	<u>11,590,238</u>	<u>11,590,238</u>
Balance as at 31/3/2004	<u>92,564,355</u>	<u>–</u>	<u>(2,803,711)</u>	<u>89,760,644</u>

For the year ended March 31, 2004

(20) Reserves (Continued)**The Company**

	Share premium HK\$	Contributed surplus HK\$	Retained profits (Accumulated losses) HK\$	Total HK\$
Balance as at 31/3/2002	87,167,293	4,187,723	(2,020,650)	89,334,366
Shares issued at premium	5,397,062	—	—	5,397,062
Net loss for the year	—	—	(1,189,519)	(1,189,519)
Balance as at 31/3/2003	92,564,355	4,187,723	(3,210,169)	93,541,909
Net profit for the year	—	—	3,255,323	3,255,323
Balance as at 31/3/2004	92,564,355	4,187,723	45,154	96,797,232

The contributed surplus of the Company represents the difference between the net assets of its subsidiary and the nominal amount of the share capital issued by the Company at the time of the group reorganisation.

(21) Assets pledged

As at March 31, 2004, part of the listed equity securities of the Group and the Company had been pledged to secure margin facilities and loans granted by a related company, Upbest Investment Company Limited, as disclosed in note (17) above.

(22) Net asset value per share

The calculation of net asset value per share is based on the net assets of HK\$100,358,426 (2003: HK\$88,768,188) and the 1,059,778,200 (2003: 1,059,778,200) ordinary shares in issue as at March 31, 2004.

For the year ended March 31, 2004

(23) Connected and related party transactions

	Notes	2004 HK\$	2003 HK\$
Investment management fee paid to Upbest Assets Management Limited	(a)	1,471,517	958,242
Brokerage commission paid to Upbest Securities Company Limited	(b)	278,297	34,988
Interest paid to Upbest Investment Company Limited	(c)	29,771	61,112
Custodian fee paid to Wing Hang Bank Limited	(d)	60,000	60,000

Notes:

- (a) The Company has entered into investment management agreements with Upbest Assets Management Limited, the investment manager, for a period of three years commencing from April 1, 2003. This agreement can be terminated by either the Company or the investment manager serving not less than six months' notice in writing prior to the expiration of the three years period. Pursuant to this agreement, monthly investment management fee is payable at 1.5% per annum of the consolidated net asset value as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a 365 days year.
- (b) Brokerage commission rate is charged at 0.25%, the prevailing market rate, of the value of the transactions.
- (c) Interest for margin account was charged at 9.25% per annum. The Company maintained a margin account with Upbest Investment Company Limited to which the Company provided collateral for buying listed securities.
- (d) Pursuant to a custodian agreement dated December 22, 1999 between the Company and a custodian, the custodian agrees to provide securities custodian services to the Company including the safe custody of the Group's securities and the settlement of the securities of the Group, the collection of dividends and other entitlements on behalf of the Group. The appointment of the custodian commenced on the date of commencement of trading of the Company's shares on the Stock Exchange and will continue in force until it is terminated by either party giving a written notice to the other party at any time.

The custodian is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules, but the custodian fee falls below the de-minimis threshold under Rule 14A.31(2) of the Revised Listing Rules.

- (e) Upbest Assets Management Limited, Upbest Securities Company Limited and Upbest Investment Company Limited are wholly-owned subsidiaries of Upbest Group Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange. The ultimate beneficial shareholder of the Company and Fung Fai Growth Limited, a substantial shareholder of the Company, holds indirectly 75 per cent interest in Upbest Group Limited.