



Notes to Financial Statements

31 March 2005

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consisted of investment holding, metals and minerals trading, and the manufacture, trading and distribution of consumer products.

The business of properties trading was temporarily suspended by the Group during the year.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

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

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 ("SSAPs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention.

Potential impact arising from the recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.



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2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

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

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life as follows:

Leasehold land and building	Over the remaining lease terms
Leasehold improvements	3 to 10 years
Plant and machinery	5 to 15 years
Furniture, fixtures, equipment and motor vehicles	3 to 5 years

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

Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses, if any. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.



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2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates

An associate is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the interest in an associate reaches zero unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

In respect of acquisition of controlled subsidiaries, goodwill is amortised to the consolidated profit and loss account on a straight-line basis over ten years. Goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

In respect of acquisition of associates, goodwill is amortised to the consolidated profit and loss account on a straight-line basis over ten years. The cost of goodwill less any accumulated amortisation and any impairment losses is included in the carrying amount of the interests in associates.

Upon disposal of subsidiaries or associates, the relevant portion of attributable goodwill is realised and taken into account in determining the gain or loss on disposal of the subsidiaries or associates.



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2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised in the consolidated profit and loss account immediately.

Impairment of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- interests in subsidiaries, associates and long term investments; and
- positive goodwill.

If any such indication exists, the recoverable amount of the asset is estimated and impairment losses, if any, are recognised in the profit and loss account except where the asset is carried at valuation, and/or the impairment loss does not exceed the revaluation surplus arising on earlier period for that same asset, in which case it is treated as a revaluation decrease.

Investment securities

Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are net of such provision.



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2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Borrowing costs

Borrowing costs, which represent interest and other charges incurred in connection with the borrowing of operating funds, are recognised as expenses when they are incurred.

Contingent liabilities

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 to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.



Notes to Financial Statements

31 March 2005

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Staff retirement scheme

On 1 December 2000, the Group joined a Mandatory Provident Fund ("MPF"). Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees. The assets of the MPF are held separately from those of the Group in an independently administered fund.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.



Notes to Financial Statements

31 March 2005

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Foreign currencies

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

On consolidation, the balance sheet of the Company's subsidiaries and associates expressed in foreign currencies are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. The resulting translation differences are included in the exchange fluctuation reserve.

Revenue recognition

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

- (a) the sale of goods and properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold,
- (b) rental income and administration fee income are recognised on a straight line basis, and
- (c) interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.



Notes to Financial Statements

31 March 2005

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

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 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. 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 the external parties.

In respect of geographical segment reporting, revenue is based on the market segments in which the customers are located. Total assets and capital expenditure are where the assets are located.



Notes to Financial Statements

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3. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

Turnover represents the sales value of goods supplied to customers and income from sales of properties. The amount of each significant category of revenue recognised during the year is as follows:

	2005	2004
	HK\$'000	HK\$'000
Turnover		
Sales of consumer products	10,018	29,453
Sales of properties	–	2,320
Sales of metals and minerals	172,151	131,304
	182,169	163,077
Other revenue		
Administration fee income, net	3,088	1,167
Exchange gain, net	544	1,865
Gain on disposal of fixed assets	108	–
Gain on disposal of subsidiaries	2,456	6,444
Interest income	98	42
Rental income	24	136
Sundry income	586	354
	6,904	10,008
Total revenue	189,073	173,085



Notes to Financial Statements

31 March 2005

3. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments

	Consumer products 2005 HK\$'000	Properties trading 2005 HK\$'000	Metals and minerals 2005 HK\$'000	Inter-segment elimination 2005 HK\$'000	Unallocated 2005 HK\$'000	Consolidated 2005 HK\$'000
Revenue from external customers	10,018	–	172,151	–	–	182,169
Segment results	(1,103)	62	2,333	(30)	–	1,262
Unallocated operating income and expenses						(8,944)
Loss from operating activities						(7,682)
Finance costs						(699)
Share of profits of associates	–	–	3,573	–	–	3,573
Tax	–	–	(573)	–	–	(573)
Minority interests						4,558
Net loss attributable to shareholders						(823)
Depreciation for the year	678	–	13	–	458	1,149
Amortisation for the year	102	–	272	–	–	374
Impairment loss for the year	457	–	–	–	–	457
SEGMENT ASSETS	17,751	5,283	17,590	(3,683)	–	36,941
Interests in associates	–	–	2,950	–	–	2,950
Unallocated assets						7,462
Total assets						47,353
SEGMENT LIABILITIES	2,993	5,433	38,676	(42,885)	–	4,217
Unallocated liabilities						548
Total liabilities						4,765
Capital expenditure incurred during the year	273	–	14	–	88	375



Notes to Financial Statements

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3. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

	Consumer products 2004 HK\$'000	Properties trading 2004 HK\$'000	Metals and minerals 2004 HK\$'000	Inter-segment elimination 2004 HK\$'000	Unallocated 2004 HK\$'000	Consolidated 2004 HK\$'000
Revenue from external customers	29,453	2,320	131,304	–	–	163,077
Segment results	(36,492)	(801)	(23,498)	–	–	(60,791)
Unallocated operating income and expenses						(6,065)
Loss from operating activities						(66,856)
Finance costs						(726)
Share of profits of associates	–	–	921	–	–	921
Tax						–
Minority interests						(849)
Net loss attributable to shareholders						(67,510)
Depreciation for the year	883	–	36	–	456	1,375
Amortisation for the year	1,677	–	1,728	–	–	3,405
Impairment loss for the year	27,372	–	27,955	–	–	55,327
Major non-cash expenses (other than depreciation, amortisation and impairment loss)	1,771	–	–	–	–	1,771
SEGMENT ASSETS	18,435	39,975	30,601	(27,392)	–	61,619
Interests in associates	–	–	1,575	–	–	1,575
Unallocated assets						9,913
Total assets						73,107
SEGMENT LIABILITIES	5,254	40,187	51,371	(76,513)	–	20,299
Unallocated liabilities						1,357
Total liabilities						21,656
Capital expenditure incurred during the year	272	–	24	–	60	356

Secondary reporting format – geographical segments

As over 90% of the Group's business revenue was generated from the People's Republic of China, no geographical segments analysis is presented.



Notes to Financial Statements

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4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	2005 HK\$'000	2004 HK\$'000
Auditors' remuneration	390	376
Amortisation of goodwill*	374	3,405
Depreciation	1,149	1,375
Fixed assets written off	–	487
Impairment loss of fixed assets	457	–
Impairment loss of goodwill	–	53,370
Loss on disposal of fixed assets	–	38
Impairment loss/write-off of inventories	–	2,057
Operating lease rentals on leasehold land and buildings	1,872	2,139
Operating lease rentals on equipment	114	105
Staff costs (including directors' remuneration – note 5):		
Salaries and wages	6,530	9,236
Other benefits	884	713
Pension contributions	218	296
	7,632	10,245

* net of HK\$851,000 negative goodwill (2004: Nil) arising from increase in interests in associates as set out in notes 14 and 21 to the financial statements.



Notes to Financial Statements

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5. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	2005 HK\$'000	2004 HK\$'000
Fee	130	20
Basic salaries, housing benefits, other allowances and benefits in kind	1,074	952
Pension contributions	24	24
	1,228	996

The remuneration of the directors fell within the following band:

	2005 Number of directors	2004 Number of directors
Nil – HK\$1,000,000	7	4

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

During the year, no fees were paid to the executive directors (2004: Nil) and fees of HK\$130,000 were paid to the independent non-executive directors (2004: HK\$20,000).

During the year, no share options were granted to the directors.



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6. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2004: two) directors, details of whose remuneration are set out in note 5 above. The details of the remuneration of the remaining three (2004: three) non-director, highest paid individuals are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, allowances and benefits in kind	1,469	1,638
Pension contributions	36	36
	<u>1,505</u>	<u>1,674</u>

The remuneration of the non-director, highest paid individuals fell within the following band:

	2005 Number of employees	2004 Number of employees
Nil – HK\$1,000,000	<u>3</u>	<u>3</u>

7. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
L/C charges and interest	685	722
Interest on bank overdraft	14	–
Interest on bank loans wholly repayable within one year	–	4
	<u>699</u>	<u>726</u>



Notes to Financial Statements

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8. TAX

(a) Tax in the consolidated profit and loss account represents:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Group		
Hong Kong – overprovided for prior years	(450)	–
Share of taxation attributable to associates outside Hong Kong	1,023	–
	<hr/>	<hr/>
	573	–
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No Hong Kong profits tax has been provided for the Company and its subsidiaries as they had no estimated assessable profits for the year (2004: Nil).

Overseas taxes on profits assessable of the Company, subsidiaries or associates, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

There were no significant deferred tax liabilities at the balance sheet date (2004: Nil). The unprovided deferred tax asset at the balance sheet date amounted to approximately HK\$4,922,000 (2004: HK\$2,571,000) which related primarily to tax losses.



Notes to Financial Statements

31 March 2005

8. TAX (Continued)

- (b) Reconciliation between the actual total tax charge and loss before tax at applicable tax rates is as follows:

	2005		2004	
	HK\$'000	%	HK\$'000	%
Loss before tax	(4,808)		(66,661)	
Tax credit at applicable tax rates	(440)	9.15	(11,694)	17.54
Non-taxable revenue	(1,979)	41.16	(390)	0.58
Non-deductible expenses	2,769	(57.59)	10,331	(15.50)
Others	131	(2.72)	(43)	0.07
Unutilised tax losses	542	(11.28)	1,796	(2.69)
Over provision in prior years	(450)	9.36	–	–
Tax charge for the year	573	(11.92)	–	–

9. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$823,000 (2004: HK\$67,510,000).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$823,000 (2004: HK\$67,510,000) and 883,296,800 (2004: weighted average of 555,340,067) ordinary shares in issue during the year.

Diluted loss per share is not presented for current year as the Company had no potential ordinary shares as at the balance sheet date. Comparative diluted loss per share is not presented for last year as the effect arising from the exercise of the potential ordinary shares would have been anti-dilutive.



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11. FIXED ASSETS

Group

	Leasehold land and building	Leasehold improvements	Plant and machinery	Furniture, fixtures, equipment and motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At beginning of year	1,700	1,044	456	4,805	8,005
Additions	–	–	–	375	375
Disposal	–	–	(151)	(132)	(283)
Through disposal of subsidiaries	–	–	–	(344)	(344)
At 31 March 2005	1,700	1,044	305	4,704	7,753
Accumulated depreciation:					
At beginning of year	136	487	430	3,077	4,130
Provided during the year	68	246	2	833	1,149
Impairment	457	–	–	–	457
Disposal	–	–	(140)	(130)	(270)
Through disposal of subsidiaries	–	–	–	(304)	(304)
At 31 March 2005	661	733	292	3,476	5,162
Net book value:					
At 31 March 2005	1,039	311	13	1,228	2,591
At 31 March 2004	1,564	557	26	1,728	3,875

The Group's leasehold land and building represent medium term leasehold land and building situated in Hong Kong, which was disposed subsequent to the balance sheet date at a loss of approximately HK\$457,000 and such loss was recognised as impairment loss during the year.



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11. FIXED ASSETS (Continued)

Company

Equipment

HK\$'000

Cost:

At beginning of year and at 31 March 2005	131
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Accumulated depreciation:

At beginning of year	121
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Provided during the year	10
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At 31 March 2005	131
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Net book value:

At 31 March 2005	—
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At 31 March 2004	10
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12. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	66,743	66,743
Due from subsidiaries	560,479	575,377
Due to subsidiaries	(3,911)	(23,392)
	623,311	618,728
Less: Provision for Impairment	(586,716)	(587,500)
	36,595	31,228

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Directly held					
China Elegance Holdings Limited	British Virgin Islands	US\$1,000	100%	100%	Investment holding
Indirectly held					
Apex Winner Limited	Hong Kong	HK\$1	100%	100%	Provision of management services



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12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Indirectly held (Continued)					
Brilliant Challenge (Hong Kong) Limited	Hong Kong	HK\$1,000	60%	60%	Trading of leather and leather products
C & R International (Holdings) Limited	Hong Kong	HK\$2	60%	60%	Trading of leather and leather products
C & R International (Management) Limited	Samoa/ PRC	US\$1	60%	60%	Brand management
Chang Yuang Resources Limited [#]	Hong Kong/ PRC	HK\$2,000,000	–	60%	Investment holding and trading of metals and minerals
Charmful Challenge (Asia) Limited	Hong Kong	HK\$1,000	60%	60%	Sourcing and trading of leather products
Cheuk Yiu Investment Limited	Samoa	US\$397,436	100%	100%	Investment holding



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12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Indirectly held (Continued)					
China Elegance Mining Company Limited	British Virgin Islands/PRC	US\$1	100%	100%	Trading of metals and minerals
Crown Faith Limited [#]	British Virgin Islands	US\$1	–	100%	Dormant
Gold Billion Limited	Samoa	US\$1	60%	60%	Provision of management services
Grand Capital Enterprises Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Hero Gain Limited	Hong Kong	HK\$100	100%	100%	Provision of management services



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12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Indirectly held (Continued)					
Hong Kong Cable Services Co. Limited	Hong Kong/ PRC	HK\$100	89%	78.5%	Trading of computer hardware and software, provision of computer maintenance services and software development
Hugefaith Development Limited	Hong Kong	HK\$2	60%	60%	Provision of management services
Jade Profit Enterprises Limited [#]	British Virgin Islands	US\$1	–	100%	Dormant
Jointech International Limited	British Virgin Islands	US\$2,000	89%	78.5%	Investment holding



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12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Indirectly held (Continued)					
Kind Success Holdings Limited*	British Virgin Islands	US\$100	100%	–	Investment holding
Legend World Group Limited	British Virgin Islands	US\$100	100%	100%	Investment holding
Oceanic Development Limited	Samoa	US\$1	100%	100%	Investment holding
Peak Force Limited [#]	Hong Kong	HK\$2	–	100%	Dormant
Shenzhen Shiqin Leather Products Company Limited ⁺	PRC	RMB1,000,000	45%	45%	Manufacturing of leather products
Shui Yuen (Manganese) Group Limited*	British Virgin Islands/PRC	US\$1	100%	–	Trading of metals and minerals
Star Wishes Investment Limited [#]	British Virgin Islands	US\$1	–	100%	Dormant
Star Rider Investment Limited [#]	British Virgin Islands	US\$1	–	100%	Dormant



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12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2005	2004	
Indirectly held (Continued)					
Timesway Limited	British Virgin Islands	US\$1	100%	100%	Dormant
Unicon Spirit Development Ltd.	British Virgin Islands	US\$10	60%	60%	Investment holding

* Acquired during the year

Disposed of during the year

+ The Group held 75% of the voting power of the subsidiary

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



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13. GOODWILL

	Group HK\$'000
Cost:	
At 1 April 2004	85,146
Additions – through acquisition of additional interests in subsidiaries	827
Disposal of a subsidiary	<u>(31,647)</u>
At 31 March 2005	<u>54,326</u>
Amortisation:	
At 1 April 2004	83,738
Provided during the year	786
Disposal of a subsidiary	<u>(31,647)</u>
At 31 March 2005	<u>52,877</u>
Net book value	
At 31 March 2005	<u>1,449</u>
At 31 March 2004	<u>1,408</u>



Notes to Financial Statements

31 March 2005

14. INTERESTS IN ASSOCIATES

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	2,952	1,687
Goodwill	–	439
Due to associates	(2)	(551)
	2,950	1,575

The balances with the associates are unsecured, interest-free and have no fixed term of repayment.

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation/ registration and operation	Percentage of equity attributable to the Group		Principal activities
			2005	2004	
China Anshan Corporation Sdn. Bhd.	Corporate	Malaysia	49%	29.4%	Investment holding
Terengganu Anshan Mining Sdn. Bhd.	Corporate	Malaysia	35%	21%	Iron ores mining
Terengganu Anshan Iron & Steel Sdn. Bhd.	Corporate	Malaysia	24%	14.4%	Exploration and extraction of iron ores
TAM Mining Sdn. Bhd.	Corporate	Malaysia	25%	15%	Mining and refining of iron ores

The above Malaysian associates were used to be held directly by Chang Yuang Resources Limited ("Chang Yuang"), a non-wholly owned subsidiary of the Group which was disposed of during the year. Immediately before disposal of Chang Yuang, Chang Yuang underwent a reorganisation by transferring its interests in the above Malaysian associates to its wholly owned subsidiary Kind Success Holdings Limited. The Group then acquired Kind Success Holdings Limited from Chang Yuang simultaneously upon disposal of Chang Yuang, thus retaining and increasing the Group's effective interests in these Malaysian associates as stated above. Details of the transactions are set out in note 21 to the financial statements.



Notes to Financial Statements

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14. INTERESTS IN ASSOCIATES (Continued)

The following supplementary information is disclosed relating to a significant associate of the Group, TAM Mining Sdn. Bhd.

	2005	2004
	HK\$'000	HK\$'000
Non-current assets	2,437	1,671
Current assets	9,187	3,345
Current liabilities	(3,561)	(1,132)
Non-current liabilities	(179)	(86)
Turnover	22,769	9,274
Net profit for the year	8,120	2,606

15. LONG TERM INVESTMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
At cost,		
Listed equity securities, outside Hong Kong	4,426	–
Corporate membership	268	268
	4,694	268
Market value of listed equity securities, outside Hong Kong	3,089	–



Notes to Financial Statements

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16. INVENTORIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Raw materials	4,797	6,363
Work in progress	438	662
Finished goods	1,701	108
	<u>6,936</u>	<u>7,133</u>

At 31 March 2005, none of the inventories included in the above was carried at net realisable value (2004: Nil). No impairment loss was made during the year (2004: HK\$1,957,000).

17. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable is as follows:

	2005		2004	
	HK\$'000	Percentage	HK\$'000	Percentage
Current to three months	1,350	63	17,423	77
Four to six months	120	6	668	3
Over six months	671	31	4,438	20
	<u>2,141</u>	<u>100</u>	<u>22,529</u>	<u>100</u>

The normal credit period granted by the Group to customers ranges from 90 days to 180 days.

18. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	2005		2004	
	HK\$'000	Percentage	HK\$'000	Percentage
Current to three months	189	74	6,195	82
Four to six months	28	11	3	1
Over six months	40	15	1,282	17
	<u>257</u>	<u>100</u>	<u>7,480</u>	<u>100</u>



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19. SHARE CAPITAL

	Company	
	2005 HK\$'000	2004 HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
883,296,800 ordinary shares of HK\$0.01 each	<u>8,833</u>	<u>8,833</u>

Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation.

The Scheme, which was adopted by an ordinary resolution of the shareholders at the special general meeting of the Company on 5 January 2004 (the "Adoption Date"), constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from the Adoption Date.

Pursuant to the Scheme, the board of directors is empowered, at its discretion, to invite any full-time employees of the Company or any of its subsidiaries or associated companies, including any executive directors and non-executive directors of the Company or of any of its subsidiaries or associated companies, to take up options to subscribe for shares in the Company. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted. Acceptance of the offer shall be within 21 days after the date of offer of the grant of options, upon payment of a nominal consideration of HK\$1. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the aggregate of the shares of the Company in issue as at 3 September 2004, the date upon which the limit was refreshed by an ordinary resolution of the shareholders. Pursuant to the Scheme, the above limit can be further refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the shares in issue from time to time. The subscription price of the share options shall not be less than the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer; (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

There was no share options granted during the year and there was no outstanding share options granted at the balance sheet date.



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20. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 20 of the financial statements.

Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2003	285,618	172,576	(536,756)	(78,562)
Capital Reduction	–	175,776	–	175,776
Share Premium Cancellation	(285,618)	285,618	–	–
Credit Transfer	–	(546,861)	546,861	–
Net loss for the year	–	–	(67,510)	(67,510)
At 31 March 2004 and at beginning of year	–	87,109	(57,405)	29,704
Net loss for the year	–	–	(823)	(823)
At 31 March 2005	–	87,109	(58,228)	28,881

The contributed surplus of the Company at the beginning of the year represents the excess of the fair value of the shares of the subsidiary acquired over the nominal value of the Company's shares issued in exchange therefor, at the time of the Group reorganisation in preparation for the listing of the Company's shares.

Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus under certain circumstances prescribed by Section 54 thereof, which the Company is currently unable to satisfy.



Notes to Financial Statements

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21. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

	Group	
	2005 HK\$'000	2004 HK\$'000
Net assets/(liabilities) disposed of:		
Fixed assets	40	—
Accounts receivable	34,887	—
Tax recoverable	289	—
Prepayments, deposits and other receivables	441	7
Pledged bank deposits	1,206	—
Cash and bank balances	549	—
Accounts payable	(18,816)	—
Accrued liabilities and other payables	(14,948)	(3,631)
Provision for taxation	—	(2,820)
Minority interest	(1,958)	—
	1,690	(6,444)
Gain on disposal of subsidiaries	2,456	6,444
	4,146	—
Satisfied by:		
Cash	4,146	—

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	4,146	—
Cash and bank balances disposed of	(549)	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	3,597	—



Notes to Financial Statements

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21. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

Disposal of subsidiaries (Continued)

Chang Yuang Resources Limited ("Chang Yuang"), a non-wholly owned subsidiary of the Group of which 60% of its entire issued capital was held by Cheuk Yiu Investment Limited ("Cheuk Yiu"), a wholly owned subsidiary of the Group, before Chang Yuang was disposed by the Group as mentioned below.

On 2 December 2004, Cheuk Yiu entered into an agreement with Mr. Wu Pun Yan ("Mr. Wu"), a director and a substantial shareholder of Chang Yuang, and Chang Yuang, pursuant to which Cheuk Yiu conditionally agreed to sell and Mr. Wu conditionally agreed to purchase 60% of the entire issued capital of Chang Yuang, at a consideration of HK\$4 million (the "Disposal Agreement").

Cheuk Yiu had also entered into a conditional share purchase agreement (the "Share Purchase Agreement") with Chang Yuang and Mr. Wu on 2 December 2004, pursuant to which Cheuk Yiu had agreed to purchase the entire issued share capital of Kind Success Holdings Limited ("Kind Success"), a wholly owned subsidiary of Chang Yuang and an indirect subsidiary of the Company, from Chang Yuang at a consideration of HK\$1 million, conditional upon, amongst other things, the completion of the reorganisation of Chang Yuang Group (the "Reorganisation") and the simultaneous completion of the Disposal Agreement.

Pursuant to the Reorganisation, Chang Yuang transferred all of its direct interests in the four Malaysian associates, China Anshan Corporation Sdn. Bhd., Terengganu Anshan Iron & Steel Sdn. Bhd., Terengganu Anshan Mining Sdn. Bhd. and TAM Mining Sdn. Bhd. to Kind Success.

Upon the completion of the Disposal Agreement and the Share Purchase Agreement, the Group had retained and increased its effective interests in the four Malaysian associates to the percentage as set out in note 14 to the financial statements.

During the year, the Group also disposed its entire interests in Jade Profit Enterprises Limited ("Jade Profit") and its subsidiaries, Star Wishes Investment Limited, Star Rider Investment Limited and Crown Faith Limited, and the amount due from Jade Profit for a total consideration of HK\$146,000.



Notes to Financial Statements

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22. COMMITMENTS

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2005		2004	
	Properties HK\$'000	Equipment HK\$'000	Properties HK\$'000	Equipment HK\$'000
Within one year	954	84	407	84
Later than one year and not later than five years	140	28	–	112
	<u>1,094</u>	<u>112</u>	<u>407</u>	<u>196</u>

The Group had no other significant commitments at the balance sheet date (2004: Nil).

23. CONTINGENT LIABILITIES

At 31 March 2005, the Group had no significant contingent liabilities (2004: HK\$3,004,000 in respect of bills discounted).

24. PLEDGE OF ASSETS

At 31 March 2005, the Group's bank deposit of approximately HK\$1,042,000 (2004: HK\$3,671,000) were pledged to secure general banking facilities granted to the Group.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 15 July 2005.