NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

1. CORPORATE STRUCTURE

The Company was incorporated with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company on 26 October 2001. The directors consider the ultimate holding company as at 31 March 2005 to be Climax Park Limited ("Climax Park"), a company incorporated in the British Virgin Islands (the "BVI").

The shares of the Company were listed on the Stock Exchange on 15 May 2002.

2. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the principal activities of the Company and its subsidiaries during the year.

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "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 already 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.

4. PRINCIPAL ACCOUNTING POLICIES

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

a. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a. Basis of preparation *(Continued)*

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties as explained in note 4d below.

b. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group, directly or indirectly, controls more than half of the voting power or holds more than half of the issued share capital or controls the composition of the board of directors or equivalent governing body. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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 inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case it is stated at fair value with changes in fair value recognised in the income statement as they arise. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

c. Associate

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c. Associate *(Continued)*

In the Company's balance sheet, investments in associates are stated at cost less any provision for impairment losses. Such provision is determined and made for each associate individually. The results of associates are accounted for by the Company to the extent of dividends received and receivable.

d. 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. 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 income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

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

e. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of fixed assets over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Leasehold improvements:	20%
Motor vehicles:	30%
Furniture, fixtures and equipment:	20%

The gain or loss arising on the 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f. Properties under development

Properties under development are stated at cost less allowances for any possible losses and provision for impairment losses. Cost includes all development expenditure, interest charges and other direct costs attributable to such properties.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, and is limited to the recoverable amount after due allowance for contingencies.

Properties under development which have either been pre-sold or are intended for sale are classified as current assets.

g. Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, interest charges and other direct costs attributable to such properties until they reach a marketable condition. Net realisable value is estimated by the directors based on prevailing market conditions.

h. 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. 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, but so 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

i. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

j. Current assets and liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

k. Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only 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 an outflow of economic resources will be required or the amount of the 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 of economic resources occurs so that outflow is probable, a provision is recognised.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

l. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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 of a provision is the present value of the expenditures expected to be required to settle the obligation.

m. Income tax

The charge for taxation in the income statement for the year comprises current and deferred tax.

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.

For the year ended 31 March 2005
(Expressed in Hong Kong dollars)

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

m. Income tax *(Continued)*

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

o. Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are settled at their present values.

(ii) The Group participates in the mandatory provident fund for its employees in Hong Kong. Contributions to the fund by the Group and the employees are calculated as a percentage of the employees' basic salaries. The retirement benefit cost charged to the income statement represents contributions payable by the Group to the fund. The Group's contributions to the fund are expensed as incurred and the Group's voluntary contributions are reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions. The assets of the fund are held separately from those of the Group in an independently administered fund.

(iii) The Group's contributions to a local municipal government retirement scheme in the PRC are charged to the income statement as incurred while the local municipal government in the PRC undertakes to assume the retirement obligations of all existing and future retirees of the qualified staff in the PRC.

(iv) When the Group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(v) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p. Revenue recognition

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

(i) Sales of completed properties held for sale are recognised upon the execution of legally binding sales agreements.

(ii) Sales of properties under development are recognised upon the execution of legally binding sales agreements provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out in "Properties under development".

(iii) Rental income and building management fee income under operating leases are recognised in the period on a straight-line basis over the terms of the leases.

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

(v) Sundry income is recognised when received.

q. Foreign currencies

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

On consolidation, the balance sheets of the overseas operations which are denominated in currencies other than the Hong Kong dollars are translated at the rates ruling at the balance sheet date whilst the income statements are translated at the average rates for the year. All exchange differences arising on consolidation are dealt with in translation reserve.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

r. Assets under leases

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the income statement over the lease periods. Depreciation is provided in accordance with the Group's depreciation policy (note 4(e)).

s. Related party transactions

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. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

5. TURNOVER AND REVENUE

Turnover represents proceeds received and receivable from the sales of properties in the PRC to outside customers and rental and building management fee income received and receivable from leasing of investment properties less business tax and discounts, if any, during the year, and is analysed as follow:

	2005	2004
	HK$'000	*HK$'000*
Turnover:		
Proceeds from sales of properties	**141,095**	28,689
Rental and building management fee income from leasing of investment properties	**–**	607
	141,095	29,296
Less: Business tax	**(7,055)**	(1,465)
	134,040	27,831
Other revenue:		
Interest income	**328**	–
Sundry income	**–**	48
	328	48
Total revenue	**134,368**	27,879

Business tax is calculated at 5% on the proceeds received and receivable from the sales of properties and on the rental and building management fee income received and receivable from leasing of investment properties during the year.

6. SEGMENT INFORMATION

No business segment information (primary segment information) has been disclosed for the years presented as the Group is operating in a single business segment which is property development and investment. Substantially all of the Group's operations are located in the PRC and therefore no geographical segment information has been disclosed for the years presented.

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging the following:

	2005 *HK$'000*	2004 *HK$'000*
Directors' remuneration *(note 13)*	**2,958**	756
Other staff costs (excluding directors):		
Retirement benefit scheme contributions	**12**	107
Salaries and allowances	**614**	1,762
Total staff costs	**3,584**	2,625
Auditors' remuneration	**330**	315
Depreciation		
– owned fixed assets	**23**	90
– leased fixed assets	**294**	–
Operating lease rentals in respect of land and buildings	**327**	1,256
Net exchange losses	**53**	65
Impairment loss on investment in an associate	**352**	–

8. FINANCE COSTS

	2005 *HK$'000*	2004 *HK$'000*
Interest on bank borrowings wholly repayable within one year	**–**	4,742
Interest element of a hire-purchase contract	**13**	–
	13	4,742

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the net profit attributable to shareholders of approximately HK$5,564,000 (2004: HK$150,000) and on the weighted average number of 822,370,000 ordinary shares (2004: 800,000,000 ordinary shares) in issue or deemed to be in issue throughout the years presented.

No diluted earnings per share has been presented as the share options outstanding had an anti-dilutive effect on the basic earnings per share for the year ended 31 March 2005. Diluted earnings per share has not been presented as there were no dilutive potential ordinary shares outstanding for the year ended 31 March 2004.

10. DIVIDENDS

No interim dividend was paid during the year (2004: Nil). The directors do not recommend the payment of any final dividend for the year (2004: Nil).

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated net profit attributable to shareholders of approximately HK$5,564,000 (2004: HK$150,000) includes a net loss of approximately HK$27,498,000 (2004: HK$16,629,000) which has been dealt with in the financial statements of the Company.

12. INCOME TAX

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong.

The PRC income tax is calculated at a rate of 33% on the assessable profits arising in the PRC. No provision for PRC income tax has been made as there was no assessable profits during the year.

Deferred tax has not been provided for in the financial statements as the amounts involved are not significant (2004: Nil).

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors	**2005** ***HK$'000***	2004 *HK$'000*
Directors' fees:		
Executive directors	**–**	–
Independent non-executive directors	**90**	–
	90	–
Other emoluments to executive directors:		
Salaries and allowances	**2,820**	744
Retirement benefit scheme contributions	**48**	12
	2,868	756
Total directors' remuneration	**2,958**	756

The emoluments of the directors fall within the following bands:

	Number of directors	
	2005	2004
HK$Nil – HK$1,000,000	**6**	5
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**1**	–
	7	5

There was an independent non-executive director resigned during the year ended 31 March 2005.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees

The five highest paid individuals included three directors (2004: two directors) whose emoluments are set out above. The emoluments of the remaining two (2004: three) highest paid, non-director individuals for the year were as follow:

	2005	2004
	HK$'000	*HK$'000*
Salaries and allowances	**360**	354
Retirement benefit scheme contributions	**–**	11
	360	365

The aggregate emoluments of each of the above highest paid, non-director individuals during the year were less than HK$1,000,000.

There were no arrangements under which the directors have waived or agreed to waive any emoluments. No emoluments were paid by the Group to the respective five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

14. RETIREMENT BENEFIT SCHEMES

Effective from 14 March 2002, the Group has implemented a mandatory provident fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Schemes Ordinance in Hong Kong. Both the Group (the employer) and its employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions of employer and employees are subject to a cap of monthly earnings of HK$20,000 and thereafter contributions are voluntary. The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers.

During the year, there are no benefits forfeited in accordance with the respective schemes' rules which have been used to reduce the employer's contributions.

15. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 May 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties including consultants as incentives for their contributions to the development of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(Expressed in Hong Kong dollars)

15. SHARE OPTION SCHEME *(Continued)*

Movement in the share options during the year is as follow:

				Number of share options		
Name of directors/ employees/ consultants	**Date of grant**	**Exercisable period**	**Exercise price per share**	**Granted during the year**	**Exercised/ lapsed during the year**	**Outstanding as at 31 March 2005**
Directors:						
Mr. Leung Ngai Man	3 January 2005	3 January 2005 to 2 January 2015	HK$0.41	8,000,000	–	8,000,000
Mr. Yeung Kit	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	1,400,000	–	1,400,000
	12 January 2005	12 January 2005 to 11 January 2015	HK$0.41	6,600,000	–	6,600,000
Master Hill Development Limited *(note)*	29 November 2004	29 November 2004 to 28 November 2014	HK$0.46	7,000,000	–	7,000,000
Mr. Chan Sing Fai	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	800,000	–	800,000
Sub-total				23,800,000	–	23,800,000
Employees	7 October 2004	7 October 2004 to 6 October 2014	HK$0.45	6,000,000	–	6,000,000
	29 November 2004	29 November 2004 to 28 November 2014	HK$0.46	8,000,000	–	8,000,000

15. SHARE OPTION SCHEME *(Continued)*

Name of directors/ employees/ consultants	Date of grant	Exercisable period	Exercise price per share	Number of share options: Granted during the year	Exercised/ lapsed during the year	Outstanding as at 31 March 2005
Consultants	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	5,800,000	–	5,800,000
	29 November 2004	29 November 2004 to 28 November 2014	HK$0.46	16,000,000	–	16,000,000
	23 March 2005	23 March 2005 to 22 March 2015	HK$0.34	8,000,000	–	8,000,000
Grand total				67,600,000	–	67,600,000

Note:

Mr. Wong Wa Tak, an executive director of the Company, has beneficial interest in Master Hill Development Limited.

None of the director, employees and consultants of the Company had exercised their options during the year ended 31 March 2005.

Total consideration received during the year from the directors, employees and consultants for taking up the options granted amounted to HK$13 (2004:Nil).

The exercise in full of the outstanding vested options would have, with the capital structure of the Company as at 31 March 2005, resulted in the issue of additional 67,600,000 ordinary shares.

Subsequent to the year ended 31 March 2005, the Company further granted additional 12,000,000 share options to two individuals.

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(Expressed in Hong Kong dollars)

16. INVESTMENT PROPERTIES

	2005	2004
	HK$'000	*HK$'000*
As at 1 April 2004/ 2003	**214,200**	76,500
Disposed during the year	**(214,200)**	–
Transferred from completed properties held for sale	**–**	48,700
	–	125,200
Revaluation increase *(note 26)*	**–**	89,000
As at 31 March 2005/ 2004	**–**	214,200

The investment properties were revalued at their open market value at 31 March 2004 by an independent firm of surveyors, Castores Magi (Hong Kong) Limited, who have among their staff Registered Professional Surveyors, on an open market value basis. The valuation results in a revaluation increase of approximately HK$89,000,000 which has been taken to the investment properties revaluation reserve. The carrying value of investment properties includes land in the PRC under medium-term lease.

As at the balance sheet date, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follow:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**–**	519
In the second to fifth years inclusive	**–**	–
	–	519

17. FIXED ASSETS

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At cost:				
As at 1 April 2004	–	–	19	19
Additions	52	980	58	1,090
As at 31 March 2005	52	980	77	1,109
Accumulated depreciation:				
As at 1 April 2004	–	–	5	5
Charge for the year	10	294	13	317
As at 31 March 2005	10	294	18	322
Net book value:				
As at 31 March 2005	**42**	**686**	**59**	**787**
As at 31 March 2004	–	–	14	14

The net book value of fixed assets of the Group includes an amount of approximately HK$686,000 (2004:Nil) in respect of assets held under a hire-purchase contract.

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18. INVESTMENTS IN SUBSIDIARIES

	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**78**	78
Amounts due from subsidiaries	**37,025**	4,218
Amounts due to subsidiaries	**(3,996)**	(4,180)
	33,107	116
Less: Provision for amounts due from subsidiaries	**(20,013)**	–
	13,094	116

The amounts due are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts due are unlikely to be repaid within one year and are therefore classified as non-current.

Details of the Company's subsidiaries as at 31 March 2005 are as follow:

Name of subsidiary	**Place of incorporation/ operations**	**Issued and fully paid share capital/ registered capital**	**Percentage of equity interest held by the Company**		**Principal activities**
			Direct	**Indirect**	
Sino Prosper Group Limited	BVI	US$10,000	100%	–	Investment holding
Access Power Group Limited	BVI	US$1	–	100%	Provision for marketing and subcontracting services
Joint Profit Group Limited	Hong Kong	HK$2	–	100%	Provision for administrative services

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest held by the Company Direct	Indirect	Principal activities
Konrich (Asia) Limited	Hong Kong	HK$2	–	100%	Investment holding
Lighting Charm Limited	BVI	US$2	–	100%	Investment holding
Sino Prosper Gas Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper Gas (Luoyang) Limited	BVI	US$1	–	100%	Investment holding
Sino Prosper Medical Technology Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper LNG Limited *	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Resources Limited *	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Northasia Travel Development Limited *	BVI	US$1	–	100%	Investment holding
Sino Prosper Macau Travel Development Limited *	BVI	US$1	–	100%	Investment holding
Dalian Haixin Investment Consultant Co., Ltd *	PRC	US$130,000	–	100%	Provision for consultancy services

* Sino Prosper LNG Limited, Sino Prosper Resources Limited, Sino Prosper Northasia Travel Development Limited, Sino Prosper Macau Travel Development Limited and Dalian Haixin Investment Consultant Co., Ltd were incorporated by the Company during the year ended 31 March 2005.

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(Expressed in Hong Kong dollars)

19. INVESTMENT IN AN ASSOCIATE

Details of the Group's associate as at 31 March 2005 are as follow:

Name of associate	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest indirectly held by the Group	Principal activity
Bekwin International Ltd	BVI	US$100	29%	Investment holding

	2005	2004
	HK$'000	*HK$'000*
(a) Investment in an associate		
Unlisted shares, at cost	**–**	–
Amount due from an associate	**352**	331
Less: provision	**(352)**	–
Amount as shown in the consolidated balance sheet	**–**	331
Share of post-acquisition results as shown in *note (b)*	**–**	–
	–	331

As at 31 March 2004 and 2005, the Company held 29% of the issued share capital of Bekwin International Ltd ("Bekwin"), a company incorporated in the BVI with limited liability, through its wholly-owned subsidiary, Lighting Charm Limited. Lighting Charm Limited is a subscriber and a director of Bekwin. During the year ended 31 March 2005, Bekwin has not commenced any business and its operating results as shown in note (b) below are not equity accounted for by the Group as, in the opinion of the directors, the amount is not significant to the Group.

The amount due from the associate is unsecured, interest-free and has no fixed terms of repayment. As the directors of the Company consider that the recoverability of the outstanding balance of approximately HK$352,000 as at 31 March 2005 to be uncertain, the outstanding balance has been fully provided during the year ended 31 March 2005.

19. INVESTMENT IN AN ASSOCIATE *(Continued)*

(b) Results of the associate

	2005	2004
	HK$'000	*HK$'000*
Share of loss on ordinary activities before taxation	**2**	70
Share of taxation	**–**	–
Net loss attributable to the Group	**2**	70
Excess portion of loss sharing over cost of investment	**(2)**	(70)
Share of post-acquisition losses as at 31 March 2005/ 2004	**–**	–

The results of the associate are based on its unaudited management accounts for the year ended 31 March 2005. The Group's share of loss of the associate would have been limited to its cost of investment of US$29, equivalent to approximately HK$226, if the equity method had been applied.

20. TRADE RECEIVABLES

The Group grants credit terms to purchasers of properties on the merit of individual purchaser's credit. The aged analysis of trade receivables as at the balance sheet date is as follow:

	2005	2004
	HK$'000	*HK$'000*
0 – 90 days	**95,000**	–
91 – 180 days	**7,991**	–
180 – 270 days	**26,660**	–
	129,651	–

21. SECURED PROMISSORY NOTE

Pursuant to a conditional sale and purchase agreement dated 23 March 2004, a secured promissory note of HK$4,000,000 was issued in favour of the Group and was to be paid on 31 December 2004. Pursuant to a supplementary agreement dated 10 January 2005, the repayment of the secured promissory note was extended and interest was charged at 10% per annum on the outstanding amount. The principal outstanding amount of HK$3,500,000 was subsequently settled after 31 March 2005.

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22. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due is unsecured, interest-free and has no fixed terms of repayment.

23. AMOUNT DUE TO A RELATED COMPANY

The amount due to the related company, Pacific Glory Group Holding Limited, is unsecured, interest-free and has no fixed terms of repayment. Mr. Leung Ngai Man, an executive director of the Company, had beneficial interest in the related company during the year ended 31 March 2004.

24. OBLIGATION UNDER A HIRE-PURCHASE CONTRACT

As at 31 March 2005, the Group had obligation under a hire-purchase contract repayable as follow:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**226**	–
More than one year but within five years	**828**	–
Total minimum finance lease payable	**1,054**	–
Future finance charges on finance lease	**(185)**	–
Total present value of minimum lease payment	**869**	–
Present value of minimum finance lease liabilities		
– Within one year	**186**	–
– More than one year but within five years	**683**	–
	869	–

25. SHARE CAPITAL

	Number of shares	Amount HK$
Authorised:		
Ordinary shares of HK$0.01 each:		
As at 31 March 2004 and 2005	**20,000,000,000**	**200,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each:		
As at 31 March 2003, as at 31 March 2004 and 1 April 2004	800,000,000	8,000,000
New issue of shares by way of placing *(note)*	115,000,000	1,150,000
As at 31 March 2005	**915,000,000**	**9,150,000**

Note:

On 10 January 2005, the Company announced that it had entered into a Placing and Subscription Agreement dated 7 January 2005 (the "Agreement") with the joint placing agents and the ultimate holding company, Climax Park Limited ("Climax Park"). Pursuant to the Agreement, Climax Park agreed to place through the joint placing agents, an aggregate of 115,000,000 ordinary shares of HK$0.01 each (the "Placing Shares") to independent third parties at a price of HK$0.4 per share. Pursuant to the Agreement, Climax Park conditionally agreed to subscribe for an aggregate of 115,000,000 shares at a price of HK$0.4 share.

The Placing Shares were issued under the general mandate granted to the directors of the Company by resolution of the Company's shareholders passed at the extraordinary general meeting of the Company held on 21 February 2005. The Top-Up Placing Price (or the Top-Up Subscription Price) of HK$0.4 represents (i) a discount of about 8% to the closing price of HK$0.435 per share as quoted on The Stock Exchange of Hong Kong Limited on the last trading days before the date of the Agreement; (ii) a discount of about 4.53% to the average closing price per share of HK$0.419 as quoted on The Stock Exchange of Hong Kong Limited for the last five full trading days up to the last trading day immediately before the date of the Agreement; and (iii) a premium of about 1.52% over the average closing price per share of HK$0.394 as quoted on The Stock Exchange of Hong Kong Limited for the last ten full trading days up to the last trading day immediately before the date of the Agreement. The net proceeds received by the Company amounted to approximately HK$44.6 million were used as the general working capital of the Group and investment funding to the Group on possible investment projects.

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26. RESERVES

Group	Share premium	Translation reserve	Revaluation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2003	16,365	(13,405)	35,117	70,386	108,463
Exchange differences arising from translation of financial statements of the overseas operations	–	165	–	–	165
Released on disposals of the overseas operations	–	13,240	–	–	13,240
Revaluation increase *(note 16)*	–	–	89,000	–	89,000
Net profit for the year	–	–	–	150	150
As at 31 March 2004 and as at 1 April 2004	16,365	–	124,117	70,536	211,018
New issue of shares by way of placing *(note 25)*	44,850	–	–	–	44,850
Share issue expenses *(note 25)*	(1,735)	–	–	–	(1,735)
Revaluation reserve attributable to investment properties released on disposal	–	–	(124,117)	–	(124,117)
Net profit for the year	–	–	–	5,564	5,564
As at 31 March 2005	**59,480**	**–**	**–**	**76,100**	**135,580**

26. RESERVES *(Continued)*

Company	**Share premium**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2003	16,365	(3,672)	12,693
Net loss for the year	–	(16,629)	(16,629)
As at 31 March 2004 and as at 1 April 2004	16,365	(20,301)	(3,936)
New issue of shares by way of placing *(note 25)*	44,850	–	44,850
Share issue expenses *(note 25)*	(1,735)	–	(1,735)
Net loss for the year	–	(27,498)	(27,498)
As at 31 March 2005	**59,480**	**(47,799)**	**11,681**

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27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit from operations before taxation and minority interests to net cash (used in)/ generated from operating activities

	2005	2004
	HK$'000	*HK$'000*
Profit from operations before taxation and minority interests	**5,564**	3,701
Adjustments for:		
Interest income	**(328)**	–
Depreciation	**317**	90
Gain on disposal of subsidiaries	**–**	(10,609)
Impairment loss on investment in an associate	**352**	–
Finance costs	**13**	4,742
Operating profit/ (loss) before changes in working capital	**5,918**	(2,076)
Changes in working capital:		
Completed properties held for sale	**–**	13,795
Trade receivables	**(32,513)**	(14,132)
Other receivables and prepayments	**(14,128)**	(55,561)
Amount due from ultimate holding company	**(5)**	(6)
Trade payables	**–**	(4,910)
Other payables and accruals	**30,785**	73,039
Amount due to a related company	**(93)**	(4)
Net cash (used in)/ generated from operations	**(10,036)**	10,145
Interest received	**236**	–
Net cash (used in)/ generated from operating activities	**(9,800)**	10,145

28. OPERATING LEASE COMMITMENTS

As at 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follow:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**218**	–
In the second to fifth years inclusive	**40**	–
	258	–

29. CAPITAL COMMITMENTS

As at 31 March 2005, the Group had the following commitments which were not provided for in the financial statements:

	2005	2004
	HK$'000	*HK$'000*
Authorised and contracted for in respect of investment in a joint venture company	**44,811**	–

Pursuant to a joint venture agreement dated 4 February 2005 entered into between a wholly owned subsidiary of the Company, Sino Prosper Gas Limited ("SPGL") and Lang Fang Development District Northern China Petroleum Sales Company (the "Joint Venture Partner"), SPGL and the Joint Venture Partner agreed to set up a joint venture company as an equity joint venture company in the People's Republic of China for a term of 30 years commencing from the date of issue of the business license of the joint venture company, which will be engaged in the wholesale, sales, transportation and storage of petroleum gas. Pursuant to the joint venture agreement, the registered capital of the joint venture company is RMB50 million (equivalent to approximately HK$47.2 million) which will be contributed as to RMB47.5 million in cash (equivalent to approximately HK$44.8 million) by SPGL from the internal financial resources of the Group, and as to RMB2.5 million in cash (equivalent to approximately HK$2.4 million) by the Joint Venture Partner.

29. CAPITAL COMMITMENTS *(Continued)*

On 15 March 2005, SPGL, the Joint Venture Partner and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited (the "New Joint Venture Partner") entered into a supplemental agreement. Pursuant to the supplemental agreement, the Joint Venture Partner agreed to withdraw and the New Joint Venture Partner agreed to replace the Joint Venture Partner in the formation of the joint venture company. The registered capital of the joint venture company to be contributed by SPGL as to approximately HK$44.8 million remain unchanged and no contribution has been made by SPGL up to the date of approval of these financial statements.

30. SUBSEQUENT EVENT

On 26 April 2005, the Company announced that its wholly owned subsidiary Sino Prosper Resources Limited ("SP Resources"), Mr. Sayono and Mr. Hariono Moeliawan entered into a joint venture agreement dated 25 April 2005 for the establishment of a joint venture company, named PT Sino Prosper Indocarbon (the "Joint Venture Company"), a limited liability joint venture company incorporated in Indonesia for the purpose of extraction of bitumen in the bitumen mine in Buton Island, Indonesia. Upon the establishment, the Joint Venture Company will be owned as to 65% by the Group, as to 25% by Mr. Sayono and as to 10% by Mr. Hariono Moeliawan. Pursuant to the joint venture agreement, the initial investment and authorised share capital of the Joint Venture Company will amount to US$5,000,000 (equivalent to approximately HK$39,000,000) and the initial paid up capital of the Joint Venture Company will amount to US$1,250,000 (equivalent to approximately HK$9,750,000). The initial paid up capital of the Joint Venture Company will be contributed as to US$812,000 (equivalent to approximately HK$6,337,500) by SP Resources. SP Resources, Mr. Sayono and Mr. Hariono Moeliawan agree that Mr. Sayono shall transfer the patent technology on extracting bitumen from asbuton to the Joint Venture Company as payment in kind in exchange for 35% of the issued share capital of the Joint Venture Company, 25% to Mr. Sayono and 10% to Mr. Hariono Moeliawan. Save as the initial investment amount of US$5,000,000

30. SUBSEQUENT EVENT *(Continued)*

for the Joint Venture Company, the Group, Mr. Sayono and Mr. Hariono Moeliawan do not have any capital commitment to the Joint Venture Company. Up to the date of approval of these financial statements, the Joint Venture Company is still in the progress of obtaining the mining rights of the bitumen mine in Buton Island of Indonesia from the central government authority of Indonesia and no contribution has been made by SP Resources.

On 22 March 2005, the Company announced that SP Resources entered into an agreement (the "Agreement") with China National Machinery & Equipment Import & Export Corporation ("CMEC"). Pursuant to the Agreement, CMEC will act as the project consultant to perform the feasibility study and due diligence of the bitumen extraction project and will also be appointed as the engineering procurement construction contractor for the project. The cooperation between SP Resources and CMEC is subject to the entering into further formal agreement. Further on 16 May 2005, SP Resources entered into a cooperation agreement with CMEC in respect of the Indonesia Bitumen Extraction Projection Agreement. SP Resources, Mr. Sayono and Mr. Hariono Moeliawan entered into a joint venture agreement dated 25 April 2005, for the establishment of the Joint Venture Company. Based on the information provided by Mr. Sayona and the report provided by Alberta Research Council, the total investment would not be exceeded US$50,000,000. Pursuant to the cooperation agreement, CMEC would procure financing arrangement of not more than US$45,000,000 (equivalent to approximately HK$350,100,000) for the Joint Venture Company. Such financing arrangement is to be financed by entering into a loan agreement between the Joint Venture Company and bank situated in the People's Republic of China.

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31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

32. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 18 July 2005.