Notes to the Financial Statements *31 March 2005*

1. BASIS OF PREPARATION

(a) Principal Activities

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in trading, manufacturing and retailing of leatherware products; healthcare and medical-related business; and hotel and real estate investment.

(b) Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company and its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

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

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised Hong Kong Financial Reporting Standards Hong Kong Accounting Standards ("HKASs") and Interpretations, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005.

The Group has early adopted the following new HKFRSs in the financial statements for the year ended 31 March 2005.

Notes to the Financial Statements *31 March 2005*

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)*

- HKFRS 3 "Business Combinations"
- HKAS 36 "Impairment of Assets"

The major effect of the adoption of these HKFRSs are summarised as follows:

(a) The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill and negative goodwill. Prior to this:

- goodwill arising from acquisitions after 1 April 2003 was amortised on the straight-line basis over a period of not exceeding 10 years;
- goodwill was assessed for impairment at each balance sheet date; and
- on disposal of subsidiaries or associates, any attributable goodwill or negative goodwill previously eliminated against or credited to the consolidated reserves at the time of acquisition was written back and included in the calculation of the gain or loss on disposal.

In accordance with the provisions of HKFRS 3:

- the Group ceased amortisation of goodwill from 1 April 2004;
- accumulated amortisation of goodwill arising on the acquisition of subsidiaries and associates as at 1 April 2004 has been eliminated with a corresponding decrease in the respective cost of goodwill at that date;
- from the year ended 31 March 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment;
- any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of the business combination is recognised immediately in the consolidated income statement; and
- on disposal of subsidiaries or associates, any attributable goodwill previously eliminated against the consolidated reserves at the time of acquisition is transferred to consolidated retained profits as a movement in reserves and not included in the calculation of the gain or loss on disposal.

Notes to the Financial Statements *31 March 2005*

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)*

HKFRS 3 and HKAS 36 are early adopted and the effect of its adoption on these financial statements in respect of the year ended 31 March 2005 is summarised as follows:

- after assessment test is performed, the impairment loss on goodwill arising on the acquisition of subsidiaries is made of HK$71,140,600 for the year ended 31 March 2005.

The Group has not early adopted other new HKFRSs except for those mentioned above in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of other new HKFRSs but is not yet in a position to state whether other new HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties, plant and equipment, investment properties and investments in securities. 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.

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Revenue Recognition

(i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Rental income is recognised on an accrual basis.

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iv) Income from securities and other investments is recognized when the right to receive payment is established.

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Investment Properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential with rental income being negotiated at arm's length.

Investment properties are stated in the balance sheet at their open market value on the basis of period end valuation carried out annually by persons holding a recognised professional qualification in valuing properties and having recent post-qualification experience in valuing properties in the location and in the category of the properties concerned; and at least every year by an external valuer with similar qualifications. Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining periods of the leases.

Changes in the value of investment properties is treated as movements in an investment property revaluation reserve, unless the total of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the amount by which the deficit exceeds the total amount in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

(c) Property, Plant and Equipment

Property, plant and equipment other than investment properties and other properties are stated at cost less accumulated depreciation (see note 3(e)) and impairment losses (see note 3(f)).

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, Plant and Equipment *(Continued)*

Other properties are interests in land and buildings other than investment properties and are stated at valuation. Independent valuations are performed every year. In the intervening years, the directors review the carrying amount of the other properties and adjustment is made where there has been a material change. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Company.

The gain or loss on disposal of property, plant and equipment other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(d) Assets Under Leases

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals receivables/payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

(ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(f). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3(a)(ii).

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Assets Under Leases *(Continued)*

(iii) Operating leases charges

Where the Group has the use of assets under operating leases, payments made under the lease are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(e) Amortisation and Depreciation

Depreciation is not provided for freehold land. Property, plant and equipment are depreciated at rates sufficient to write off their cost/valuation less accumulated impairment loss over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Over the lease term
Buildings	2-5% or over the lease term, if shorter
Furniture and fixtures	10-20%
Office equipment	10-20%
Plant and machinery	5-20%
Motor vehicles	10-20%
Leasehold improvements	10-20%

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Impairment of Assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interests in subsidiaries and associates (except for those accounted for at fair value);
- positive goodwill (whether taken initially to reserves or recognised as an asset); and
- financial assets.

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Goodwill

(i) Positive goodwill

Goodwill arising on the acquisition of subsidiaries and associates is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset and in the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill arising on acquisitions on or after 1 April 2004 is not amortised and goodwill already carried in the consolidated balance sheet is not amortised after 1 April 2004. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergy. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

In previous years, goodwill on acquisition is amortised using the straight-line method over its estimated useful life of not more than ten years. The Group applied the transitional provisions of HKFRS 3 that where the fair values ascribed to the identifiable net assets exceeded the cost of acquisition, such differences were recognised as income in the year of acquisition or over the weighted average useful life of those non-monetary assets acquired.

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Goodwill *(Continued)*

(i) Positive goodwill (Continued)

Excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an entity being acquired over cost.

On acquisition of subsidiaries and associates, if the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an entity being acquired recognised as at the date of acquisition exceeds the cost of the business combination, the Group shall reassess the identification and measurement of the identifiable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of the business combination; and recognise immediately in consolidated income statement any excess remaining after that reassessment.

(ii) Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

(h) Subsidiaries

A subsidiary is a company in which the group or company, 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 company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Interests in subsidiaries in the balance sheet are stated at cost less identified impairment loss. The results of subsidiaries are accounted to the extent of dividends received and receivable.

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Deferred gain represents the unrealised profit resulting from downstream transactions with an associate eliminated to the extent of the Group's interest in that associate. Deferred gain is recognised in the consolidated balance sheet as part of the Group's interests in associates.

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Investments in Securities

Investments in debt and equity securities held for an identified long-term or strategic purpose are stated at cost less provision for impairment in value. Results of investments are accounted for to the extent of dividend and interest income.

Investments in debt securities which are intended to be held to maturity are measured at amortized cost, less any impairment losses recognised, if necessary, in the balance sheet. The amortisation of any discount or premium arising on acquisition is aggregated with other investment income receivable over the period from the date of acquisition to the date of maturity so as to give a constant yield on the investment.

Investments in debts and equity securities held not on a continuing basis identified long-term purpose are classified as short-term investment, which are stated at fair values with unrealized gains or losses included in the income statement using the benchmark treatment.

Gain or loss on disposal of investments in securities, representing the difference between the net sale proceeds and the carrying amount of the securities, is recognised in the income statement in the period in which the disposal occurs.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. the amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Trade Receivable

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

(m) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Income Tax

(i) Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in reserves, in which case they are recognised in reserves.

(ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Income Tax *(Continued)*

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. The carrying amount of deferred tax assets/liabilities is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group and the Company has the legally enforceable right to set off current tax assets against current tax liabilities. The principle of offsetting usually applies to income tax levied by the same tax authority on same taxable entity.

(o) Cash Equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rate for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(q) Borrowing Costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for their intended use in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. All other borrowing cost are charged to the income statement in the year is which they are incurred.

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Employee Benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Provision is made in respect of paid leave entitlement accumulated during the year, which can be carried forward into future periods for compensated absence or payment in lieu if the employee leaves employment.

The Group operates a defined contribution retirement schemes and the regular cost of providing retirement benefits is charged to the income statement over the expected service lives of the members of the scheme on the basis of level percentages of pensionable pay. Variations from regular cost arising from triennial actuarial valuations are allocated to the income statement over the expected remaining service lives of the members.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Scheme Ordinance are charged to the income statement when incurred.

(s) Related Parties

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

(t) Segment Reporting

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

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Notes to the Financial Statements *31 March 2005*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Segment Reporting *(Continued)*

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

Notes to the Financial Statements *31 March 2005*

4. TURNOVER AND REVENUE

Turnover represented sale value of goods supplied to customers (after deduction of any goods returns and trade discounts) and provision for healthcare and medical-related services. The amount of each significant category of revenue recognised in turnover during the year is analysed as follows:

	2005	2004
	HK$	*HK$*
Turnover		
Continuing operations		
Leatherware manufacturing and trading	**199,017,550**	200,259,300
Healthcare and medical-related services	**8,088,990**	–
	207,106,540	200,259,300
Discontinuing operation		
Leatherware distribution	**–**	7,642,684
	207,106,540	207,901,984
Other revenue		
Bad debts recovered	**7,500**	8,075,000
Interest income	**15,450**	77,055
Gross rental income from:		
– Investment property	**732,757**	820,126
– Property, plant and equipment	**41,000**	–
Dividend income	**96,287**	–
Gain on disposal of:		
– Property, plant and equipment	**5,605,161**	–
– Investment property	**1,649,561**	–
Net unrealized holding gain on short-term investments	**–**	223,608
Net realized gain on short-term investments	**–**	158,641
Subcontracting income	**–**	273,976
	8,147,716	9,628,406
Total revenue	**215,254,256**	217,530,390

Notes to the Financial Statements *31 March 2005*

5. SEGMENT INFORMATION

Business segments

In accordance with the Group's internal financial reporting and management purposes, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format, with each segment organised and managed separately.

Principal activities are as follows:

Leatherware manufacturing and trading	:	Manufacture of leather handbags and trading of finished leather
Healthcare and medical-related services	:	Provision for healthcare and medical-related services

The Group's inter-segment transactions were mainly related to sales of leather handbags and finished leather. Terms of sales were similar to those contracted with third parties. Activities included in Corporate have been re-defined in this year for the purpose of better evaluating the performance of segment results.

Notes to the Financial Statements *31 March 2005*

5. SEGMENT INFORMATION *(Continued)*

Segment information about these business is presented below.

2005:

	Leatherware trading and manufacturing HK$	Healthcare and medical-related services HK$	Corporate HK$	Elimination HK$	Total HK$
Segment revenue					
External customers	199,017,550	8,088,990	–	–	207,106,540
Inter-segments	–	–	–	–	–
	199,017,550	8,088,990	–	–	207,106,540
Segment results	(320,141)	(4,927,495)	(9,723,871)	–	(14,971,507)
Finance costs					(943,271)
Loss on disposal of interests in subsidiaries					(26,955,677)
Impairment loss on goodwill					(71,140,600)
Share of results of an associate					5,299,070
Loss before taxation					(108,711,985)
Taxation					91,353
Loss after taxation					(108,620,632)
Minority interests					312,834
Net loss attributable to shareholders					(108,307,798)
Segment assets	46,627,336	12,920,887	1,259,922,090	(700,524,871)	618,945,442
Segment liabilities	(92,763,117)	(8,163,671)	(590,731,130)	619,488,693	(72,169,225)
Other segment information					
Capital expenditure	693,813	–	556,000,000	–	556,693,813
Depreciation and amortisation	2,417,719	728,443	5,162	–	3,151,324
Impairment loss on property, plant and equipment	7,300,000	–	–	–	7,300,000
Gain on disposal of					
– Property, plant and equipment	(5,605,161)	–	–	–	(5,605,161)
– Investment property	(1,649,561)	–	–	–	(1,649,561)

Notes to the Financial Statements *31 March 2005*

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2004:

	Continuing operations			Discontinuing operation		
	Leatherware trading and manufacturing	Healthcare and medical-related services	Corporate	Leatherware distribution	Elimination	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Segment revenue						
External customers	200,259,300	–	–	7,642,684	–	207,901,984
Inter-segments	5,914,008	–	–	–	(5,914,008)	–
	206,173,308	–	–	7,642,684	(5,914,008)	207,901,984
Segment results	1,034,052	–	(41,003,433)	(1,604,577)	45,172,796	3,598,838
Finance costs						(998,839)
Loss on disposal of discontinued operations						(3,090,905)
Minority interests						–
Net loss attributable to shareholders						(490,906)
Segment assets	118,742,709	–	169,452,552	–	(114,545,373)	173,649,888
Segment liabilities	178,095,077	–	26,716,317	–	(130,449,527)	74,361,867
Other segment information						
Capital expenditure	861,360	–	6,519	–	–	867,879
Depreciation and amortisation	3,369,426	–	5,464	154,474	–	3,529,364
Impairment loss reversed on property, plant and equipment	(593,462)	–	–	–	–	(593,462)

Notes to the Financial Statements *31 March 2005*

5. SEGMENT INFORMATION *(Continued)*

Geographical segments

The Group operations are located in Hong Kong, the People's Republic of China and Australia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Other regions in the People's Republic of China		Australia		Others	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Revenue from external customers	**103,976,653**	200,259,300	**95,489,873**	–	**177,016**	7,642,684	**7,462,998**	–
Segment assets	**80,116,004**	145,793,561	**538,213,310**	27,856,327	**–**	–	**616,128**	–
Capital expenditure	**42,693,813**	850,074	**514,000,000**	17,805	**–**	–	**–**	–

	Total	
	2005	2004
	HK$	*HK$*
Revenue from external customers	**207,106,540**	207,901,984
Segment assets	**618,945,442**	173,649,888
Capital expenditure	**556,693,813**	867,879

6. FINANCE COSTS

	The Group	
	2005	2004
	HK$	*HK$*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**873,240**	990,333
Interest on other loan	**45,380**	–
Finance charges on obligations under finance leases	**24,651**	8,506
	943,271	998,839

Notes to the Financial Statements *31 March 2005*

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	The Group	
	2005	2004
	HK$	*HK$*
Charging:		
Staff costs		
Directors' remunerations *(note 8)*	**4,311,609**	3,488,000
Staff salaries and allowances	**11,560,844**	11,297,529
Reversal of provision for long service payments	**(148,319)**	–
Retirement benefits scheme contributions *(note 10)* (including directors of HK$37,000; 2004: HK$24,000)	**331,017**	368,287
	16,055,151	15,153,816
Auditors' remuneration:		
Current year	**1,385,236**	1,120,069
(Over-)/Under-provision in previous year	**(81,132)**	241,208
	1,304,104	1,361,277
Cost of inventories	**176,724,013**	179,614,117
Depreciation of property, plant and equipment:		
Assets held for use under finance lease	**126,395**	–
Assets held for use under operating leases	**93,605**	–
Owned assets	**2,931,324**	3,529,364
Impairment loss recognised on property, plant and equipment	**7,300,000**	1,263,866
Loss on disposal of property, plant and equipment	**–**	117,470
Net foreign exchange losses	**351,872**	794,987
Net unrealized holding loss on short-term investments	**95,613**	–
Net realized loss on short-term investments	**1,271,314**	–
Operating lease charges:		
Premises	**2,865,017**	1,048,206
Property, plant and equipment	**58,800**	–
Provision for slow-moving inventories	**–**	678,740
Crediting:		
Bad debts recovered	**(7,500)**	(8,075,000)
Dividend income	**(96,287)**	–
Gain on disposal of:		
Property, plant and equipment	**(5,605,161)**	–
Investment property	**(1,649,561)**	–
Rental income from investment property under operating leases net of outgoings	**(41,000)**	(132,000)
Rental income from other properties under operating leases net of outgoings	**(683,687)**	(595,033)
Impairment loss reversed on property, plant and equipment	**–**	(1,857,328)
Net realized gain on short-term investments	**–**	(158,641)
Net unrealized holding gains on short-term investments	**–**	(223,608)

Notes to the Financial Statements *31 March 2005*

8. DIRECTORS' REMUNERATIONS

	2005	2004
	HK$	*HK$*
Other emoluments (executive directors):		
Salaries and other benefits *(Note 7)*	**4,311,609**	3,488,000
Contributions to retirement benefits scheme *(Note 7)*	**37,000**	24,000
	4,348,609	3,512,000

The remuneration of the directors is within the following bands

	2005	2004
	Number of directors	*Number of directors*
HK$Nil to HK$1,000,000	**14**	7
HK$1,000,001 to HK$1,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1
	15	8

During the year, no emoluments were paid by the Group to the directors as a discretionary bonus or any inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remuneration for the current or prior years.

Included in the directors' remuneration were fees of HK$600,000 (2004: HK$320,000) and HK$200,000 (2004: HK$160,000) paid to the independent non-executive directors and the non-executive directors respectively during the year.

Notes to the Financial Statements *31 March 2005*

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals included one (2004: one) director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2004: four) highest paid individuals were as follows:

	2005	2004
	HK$	*HK$*
Salaries and other benefits	**7,739,609**	2,437,900
Contributions to retirement benefits scheme	**68,150**	72,000
	7,807,759	2,509,900

The emoluments of the four (2004: four) individuals with the highest emoluments are within the following bands:

	2005	2004
	Number of individuals	*Number of individuals*
HK$Nil to HK$1,000,000	4	4

During the year, no emoluments were paid by the Group to the individual as a discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office.

10. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

	The Group	
	2005	2004
	HK$	*HK$*
Contributions:		
Hong Kong subsidiaries *(Note a)*	**315,745**	207,934
Overseas subsidiaries *(Note b)*	**15,272**	160,353
	331,017	368,287

Note:

(a) The Group operates a pension scheme under the rules and regulations of Mandatory Provident Fund Schemes Ordinance ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income or HK$12,000 per annum, whichever is lower. The contributions are charged to the income statement as incurred.

(b) The employees of overseas subsidiaries are members of the central pension schemes operated by the governments of the countries in which they operate. These subsidiaries are required to contribute a certain percentage of their payroll to the central pension schemes to fund the benefits. The only obligation of the Group with respect to the central pension schemes is the payment of the required contributions under the central pension schemes.

Notes to the Financial Statements *31 March 2005*

11. TAXATION

	2005	2004
	HK$	*HK$*
Hong Kong profit tax		
Current year	**–**	–
Deferred tax *(Note 30)*		
Credit for the year	**(91,353)**	–
	(91,353)	–

No Hong Kong profits tax has been provided for in the financial statements as the Group has accumulated tax losses brought forward which exceed the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

Reconciliation of the taxation credit and accounting loss at applicable tax rate:

	2005	2004
	HK$	*HK$*
Loss before taxation	**(108,711,985)**	(490,906)
Notional tax on loss before tax of 17.5%	**(19,024,597)**	(85,909)
Tax effect of:		
– non-deductible expenses	**21,330,699**	15,148,726
– non-taxable income	**(4,641,890)**	(15,879,005)
– previous tax utilized in current year	**–**	(1,206,752)
– unused tax losses arise in current year	**1,985,551**	3,004,377
– unrecognised tax loss	**1,673,456**	–
– difference in tax rates in other countries	**(146,350)**	(1,132,782)
– temporary differences recognized	**–**	151,345
– unrecognised temporary differences	**(1,268,222)**	–
Total tax credit for the year	**(91,353)**	–

There was no material unprovided deferred taxation for the year.

Notes to the Financial Statements *31 March 2005*

12. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of HK$68,379,574 (2004: HK$42,910,358) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of HK$108,307,798 (2004: HK$490,906) and on the weighted average number of 1,224,296,914 (2004: 867,770,937) ordinary shares in issue during the year.

Diluted loss per share is not presented as the Company has no dilutive potential shares as at 31 March 2005 (2004: Nil).

14. INVESTMENT PROPERTY

	The Group	
	2005	2004
	HK$	*HK$*
Valuation		
At 1 April	**3,700,000**	3,400,000
Revaluation surplus	**–**	300,000
Disposal	**(3,700,000)**	–
At 31 March	**–**	3,700,000

Notes to the Financial Statements *31 March 2005*

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Leasehold improvement	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At Cost							
At 1 April 2004	66,655,923	993,581	2,623,586	14,302,446	2,495,734	8,265,548	95,336,818
Addition	–	–	1,032,313	–	873,500	2,517,532	4,423,345
Disposal	(54,058,931)	–	(145,089)	(965,950)	(167,918)	(5,488,736)	(60,826,624)
Acquisition of subsidiaries	–	–	598,561	–	–	163,573	762,134
Exchange alignment	–	–	–	208	–	–	208
At 31 March 2005	**12,596,992**	**993,581**	**4,109,371**	**13,336,704**	**3,201,316**	**5,457,917**	**39,695,881**
Accumulated depreciation and impairment charge							
At 1 April 2004	28,497,540	880,801	2,208,748	8,985,162	1,121,197	7,336,141	49,029,589
Charge for the year	1,110,113	33,599	383,555	511,292	474,939	637,826	3,151,324
Impairment charge	7,300,000	–	–	–	–	–	7,300,000
Eliminated on disposal	(27,824,427)	–	(128,289)	(947,909)	(167,918)	(4,945,489)	(34,014,032)
Exchange alignment	–	–	–	8	–	–	8
At 31 March 2005	**9,083,226**	**914,400**	**2,464,014**	**8,548,553**	**1,428,218**	**3,028,478**	**25,466,889**
Net book value							
At 31 March 2005	**3,513,766**	**79,181**	**1,645,357**	**4,788,151**	**1,773,098**	**2,429,439**	**14,228,992**
At 31 March 2004	38,158,383	112,780	414,838	5,317,284	1,374,537	929,407	46,307,229

Notes to the Financial Statements *31 March 2005*

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net book value of land and buildings held by the Group at the balance sheet date shown above comprised:

	The Group	
	2005	2004
	HK$	*HK$*
Land in Hong Kong:		
Medium-term leases	**–**	22,233,827
Land outside Hong Kong:		
Long-term leases	**–**	11,506,480
Medium-term leases	**3,513,766**	4,418,076
	3,513,766	38,158,383

Property, plant and equipment include gross amount of HK$17,432,702 (2004: HK$6,833,456), accumulated depreciation of HK$6,625,305 (2004: HK$1,253,493) and accumulated impairment losses of HK$7,300,000 (2004: Nil) in respect of assets held for use under operating leases.

The net book value of the Group's property, plant and equipment includes an amount of HK$696,000 (2004: HK$Nil) in respect of assets held under finance leases.

The Company

	Office equipment
	HK$
Cost	
At 1 April 2004 and at 31 March 2005	65,500
Accumulated depreciation	
At 1 April 2004 and at 31 March 2005	65,500
Net book value	
At 31 March 2005	**–**
At 31 March 2004	–

Notes to the Financial Statements *31 March 2005*

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$	*HK$*
Unlisted shares, at cost	**44,100,409**	16
Provision for impairment loss	**–**	–
	44,100,409	16
Due from subsidiaries	**619,139,403**	145,106,061
Provision for bad and doubtful debts	**(117,728,753)**	(85,106,061)
	501,410,650	60,000,000
	545,511,059	60,000,016
Due to subsidiaries	**–**	16

(a) The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the directors, the amounts will not be repaid in the next twelve months.

(b) The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Details of the principal subsidiaries at the balance sheet date are as follows:

Name	**Country of incorporation/ registration and operation**	**Class of share held**	**Percentage of equity interest held in issued capital/ registered capital**		**Principal activities**
			Directly	**Indirectly**	
China HealthCare Limited	Hong Kong	6,600,000 ordinary shares of HK$1 each	–	100%	Investment holding
China Hifu Tumor Treatment and Medical Co., Limited	Hong Kong	6,000,000 ordinary shares of HK$1 each	–	100%	Leasing of Tumor cure systems
Healthforce Inc.	The British Virgin Islands ("BVI")	1 ordinary share of US$1 each	–	100%	Investment holding

Notes to the Financial Statements *31 March 2005*

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Country of incorporation/ registration and operation	Class of share held	Percentage of equity interest held in issued capital/ registered capital Directly	Indirectly	Principal activities
Chongqing Hai Jian Medical Technology Co., Limited	The People's Republic of China	RMB1,000,000	–	100%[@]	Rendering services on medical-related and healthcare facilities
Kenitic Innovation Limited[#]	Hong Kong	3,100,000 ordinary shares of HK$1 each	7%	44%	Trading of medical health equipments and health products
Star Palace Enterprises Limited	Hong Kong	3,000,000 ordinary shares of HK$1 each	–	70%	Retailing business and commenced its business on 6 April 2005
Pearl Oriental Macau Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Investment holding
Canasta Overseas Group Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding
Prospect Sync Holdings Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding
Dah Hwa Leather & Trading Co., Limited[#]	Hong Kong	5,000 ordinary shares of HK$100 each	–	50%	Trading of finished leather
Guangdong Faith Investment Limited[#]	Hong Kong	2,280,000 ordinary shares of HK$1 each	–	50%	Investment holding

Notes to the Financial Statements *31 March 2005*

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Country of incorporation/ registration and operation	Class of share held	Percentage of equity interest held in issued capital/ registered capital Directly	Indirectly	Principal activities
Inter Leather Limited#	Hong Kong	100,000 ordinary shares of HK$1 each	–	50%	Exporter of leatherware
Pathway International Limited#	BVI	1 ordinary share of US$1 each	50%	–	Investment holding

@ wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to 10 December 2022.

Companies not audited by CCIF CPA Limited.

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

17. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Unlisted shares, at cost	**–**	–	**–**	35,720,000
Share of net assets	**193,541**	909,695	**–**	–
Goodwill on acquisition *(Note 19)*	**520,015,224**	–	**–**	–
	520,208,765	909,695	**–**	35,720,000
Provision for impairment loss	**–**	–	**–**	(35,720,000)
	520,208,765	909,695	**–**	–

Notes to the Financial Statements *31 March 2005*

17. INTERESTS IN ASSOCIATES *(Continued)*

Details of the principal associates at the balance sheet date are as follows:

Name	Country of incorporation/ registration and operation	Class of share held	Percentage of equity interest held in registered capital indirectly	Principal activities
Hotel Golden Dragon (Macau) Company Limited	Macau	Registered capital MOP1,000,000	40%	Operation of hotel and commenced its business on 5 January 2005
Sunny Tourist & Entertainment Company Limited	Macau	Registered capital MOP100,000	24%	Provision for tourism and related service and commenced its business on 5 January 2005

Pursuant to an agreement signed between the company and U Wa Hotel Management Limited, Trustmove Hotel Investment Company Limited and Hang Fok Holding Limited (collectively the "Vendors"), the Company had acquired 40% of the equity interest of Hotel Golden Dragon (Macao) Company Limited ("Holden Golden Dragon") from the Vendors. The Vendors had acquired all the equity share holdings of Hotel Golden Dragon from its previous owner since 5 March 2004. However, there were incomplete books and records for Hotel Golden Dragon prior to 5 March 2004. The Vendor had signed an undertaking to cover any liabilities and contingent liabilities prior to 5 March 2004 if identified. The Company cannot ensure completeness of the books and record prior to 5 March 2004. Any adjustment on the opening balances will have a consequential effect on the calculation of the net assets of the Company and determination of goodwill for the year ended 31 March 2005. The detail terms and information of the acquisition of the 40% associate by the Company can be referenced to the Company's announcement dated 6 January 2005, Circular dated 14 March 2005 and Extraordinary General Meeting dated 30 March 2005 approved by the shareholders.

Notes to the Financial Statements *31 March 2005*

17. INTERESTS IN ASSOCIATES *(Continued)*

For the year ended 31 March 2005, the key consolidated financial information of the associates, which acquired on 4 January 2005, is as follows:

	The Group	
	2005	2004
	HK$	*HK$*
Non-current assets	**556,639,253**	–
Current assets	**80,473,454**	–
Non-current liabilities	**(217,092,968)**	
Current liabilities	**(409,222,417)**	–
Turnover	**67,256,761**	–
Profit for the period	**13,470,268**	–

18. OTHER INVESTMENTS

	The Group	
	2005	2004
	HK$	*HK$*
Unlisted shares, at cost	**–**	7,000,000

19. GOODWILL

The amounts of the goodwill capitalised as assets in the consolidated balance sheet, arising from the acquisition of subsidiaries and an associate, are as follows:

	The Group	
	Goodwill arising on acquisition of subsidiaries	**Goodwill arising on acquisition of an associate *(Note 17)***
	HK$	*HK$*
At 1 April 2004	53,993,572	–
Acquisition during the year	47,307,028	520,015,224
Impairment loss for the year	(71,140,600)	–
At 31 March 2005	**30,160,000**	**520,015,224**

Notes to the Financial Statements *31 March 2005*

20. INVENTORIES

	The Group	
	2005	2004
	HK$	*HK$*
Raw materials	**732,032**	832,632
Work in progress	**741,638**	492,078
Finished goods and merchandise	**17,378,345**	21,089,369
	18,852,015	22,414,079

The amount of inventories, included in above, carried at net realisable value is HK$16,468,000 (2004: HK$21,922,001).

21. TRADE AND OTHER RECEIVABLES

All trade receivables are expected to be recovered within 30 to 60 days with credit term under the Group's policy. Included in trade receivables are trade debtors (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2005	2004
	HK$	*HK$*
Trade receivables		
Due		
Within 30 days	**5,795,659**	8,989,958
31-60 days	**5,159,067**	191,531
61-90 days	**1,283,335**	41,670
Over 90 days	**656,200**	96,502
	12,894,261	9,319,661
Other receivables	**9,731,190**	23,406,779
	22,625,451	32,726,440

Notes to the Financial Statements *31 March 2005*

22. SHORT-TERM INVESTMENTS

	The Group	
	2005	2004
	HK$	*HK$*
Listed shares in Hong Kong, at fair value	**51,810**	3,720,400

23. TRADE AND OTHER PAYABLES

Included in trade payable are trade creditors with the following ageing:

	The Group	
	2005	2004
	HK$	*HK$*
Trade payables		
Due		
Within 30 days	**1,100,719**	3,482,075
31-60 days	**1,049,433**	441,979
61-90 days	**2,545,663**	270,899
Over 90 days	**241,979**	708,733
	4,937,794	4,903,686
Other payables	**19,738,803**	17,695,819
	24,676,597	22,599,505

Notes to the Financial Statements *31 March 2005*

24. INTEREST-BEARING BORROWINGS

	The Group	
	2005	2004
	HK$	*HK$*
Bank loans, secured	**–**	11,980,238
Trust receipt loans, secured	**7,743,516**	18,591,643
Obligations under finance leases	**566,479**	–
	8,309,995	30,571,881
Current portion	**8,068,051**	19,530,575
Non-current portion	**241,944**	11,041,306
	8,309,995	30,571,881

The maturity of the above interest-bearing borrowings are as follows:

	2005	2004
	HK$	*HK$*
(a) Secured bank borrowings:		
Within one year	**7,743,516**	19,530,575
In the second year	**–**	661,321
In the third to fifth years	**–**	2,414,521
After five years	**–**	7,965,464
	7,743,516	30,571,881

Notes to the Financial Statements *31 March 2005*

24. INTEREST-BEARING BORROWINGS *(Continued)*

(b) Obligations under finance leases:

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Amount payable:				
Within one year	**348,464**	–	**324,535**	–
In the second to fifth years	**260,113**	–	**241,944**	–
	608,577	–	**566,479**	–
Future finance charges	**(42,098)**	–	**–**	–
Present value of lease obligations	**566,479**	–	**566,479**	–

25. DUE TO DIRECTORS AND MINORITY SHAREHOLDERS

The amounts due to directors and minority shareholders were unsecured, interest-free and repayable on demand. The amount due to directors represented the directors' remuneration and loan to subsidiaries for working capital purpose.

26. LOAN NOTES

	The Group and the Company	
	2005	2004
	HK$	*HK$*
2.5% unsecured promissory notes,		
by remaining maturity		
within one year	**1,400,000**	–
more than one year to two years	**–**	18,240,000
	1,400,000	18,240,000

Pursuant to a loan assignment dated 30 April 2004, the amount of advance due from Hoome Technology Limited of HK$16.8 million has been set off with CEPA Invest Group Limited as a partial settlement of the Loan Note of HK$18.2 million, at the original cost, resulting in the outstanding balance of HK$1.4 million.

Notes to the Financial Statements *31 March 2005*

27. PROVISION FOR LONG SERVICE PAYMENTS

	The Group	
	2005	2004
	HK$	*HK$*
At 1 April	**2,234,663**	2,310,000
Utilized for the year	**(157,892)**	(75,337)
Reversal of overprovision for the year	**(148,319)**	–
At 31 March	**1,928,452**	2,234,663

28. ISSUED CAPITAL

	2005		2004	
	Number of shares	***HK$***	*Number of shares*	*HK$*
Authorised:				
Ordinary shares of HK$0.05 each	**5,000,000,000**	**250,000,000**	1,800,000,000	90,000,000

	Note	**Number of ordinary shares of HK$0.05 each**	**Nominal value** *HK$*
Issued and fully paid:			
At 1 April 2003		756,685,700	37,834,285
Private placing	*(a)*	151,337,140	7,566,857
Issue of shares	*(b)*	170,000,000	8,500,000
At 31 March 2004		1,078,022,840	53,901,142
Issue of shares	*(c)*	455,000,000	22,750,000
Placing	*(d)*	437,600,000	21,880,000
At 31 March 2005		**1,970,622,840**	**98,531,142**

Notes to the Financial Statements *31 March 2005*

28. ISSUED CAPITAL *(Continued)*

(a) Pursuant to a subscription agreement dated 7 October 2003, 151,337,140 new ordinary shares of HK$0.05 each were issued at HK$0.05 to independent third parties. The net cash proceeds of approximately HK$7,415,637 from the issue were used as general working capital. The shares issued rank pari passu in all respects with the then existing shares.

(b) On 19 January, 2004, the Company entered into sale and purchase agreement concerning the sales and purchase of the entired issued share capital of China Healthcare Limited for an aggregate consideration of HK$60 million. The partial consideration is satisfied by the Company to issue of 170,000,000 new shares at an issue price of HK$0.128 per share to the vendors. The shares issued rank pari passu in all respects with the then existing shares.

(c) (1) Pursuant to the Circular dated 17 May 2004, the Company had entered into the sale and purchase agreement in relating to the acquisition of 44% equity interest in Kenitic Innovation Limited, a subsidiary, for a consideration of HK$42 million, which will be satisfied as to a) HK$20 million in cash and b) HK$22 million by an issue and allotment of 110,000,000 new Shares by the Company.

(2) Pursuant to the announcement dated 14 March 2005, the Company acquired the 40% equity shareholdings of Hotel Golden Dragon (Macao) Limited, an associate, at a consideration of: (a) HK$238 million in cash; and (b) HK$276 million in allotment and issue of the Company's shares, in totalling of HK$514 million. Then, it issued 345 million new ordinary shares at issue price of HK$0.80 each.

(d) (1) On 21 December 2004, the Company and the placing agent entered into the placing agreement pursuant to which the placing agent agreed to place 237,600,000 placing shares on a fully written basis to not less than six independent professional, institutional and/or individual investors at a price of HK$0.27 per placing share.

(2) Pursuant to the subscription agreement dated 7 January 2005, Mr. Law Kar Po, the executive director of the Company, had conditionally agreed to subscribe for 200,000,000 new shares at the subscription price of HK$1.00 per share. At the Extraordinary General Meeting held on 24 March 2005, it passed the ordinary resolutions approving the connected transaction in relation to the proposed subscription of 200,000,000 new shares following the placing HK$200,000,000 existing shares.

Notes to the Financial Statements *31 March 2005*

29. RESERVES

The Group

	Share premium HK$	Capital redemption reserve HK$	Goodwill reserve HK$	Investment property revaluation reserve HK$	Translation reserve HK$	Accumulated losses HK$	Total HK$
At 1 April 2003	136,936,240	68,600	2,145,921	1,349,561	(3,989,797)	(109,321,916)	27,188,609
Issue of shares at premium	13,260,000	–	–	–	–	–	13,260,000
Revaluation surplus on investment properties	–	–	–	300,000	–	–	300,000
Released upon disposal of interests in subsidiaries	–	–	1,012,705	–	3,645,013	–	4,657,718
Exchange differences arising on transaction	–	–	–	–	122,168	–	122,168
Net loss for the year	–	–	–	–	–	(490,906)	(490,906)
At 31 March 2004	150,196,240	68,600	3,158,626	1,649,561	(222,616)	(109,812,822)	45,037,589
Issue of shares at premium	510,598,686	–	–	–	–	–	510,598,686
Release on disposal of investment properties	–	–	–	(1,649,561)	–	–	(1,649,561)
Exchange differences arising on transaction	–	–	–	–	2,732	–	2,732
Net loss for the year	–	–	–	–	–	(108,307,798)	(108,307,798)
At 31 March 2005	**660,794,926**	**68,600**	**3,158,626**	**–**	**(219,884)**	**(218,120,620)**	**445,681,648**

Reserves retained by:

	Share premium HK$	Capital redemption reserve HK$	Goodwill reserve HK$	Investment property revaluation reserve HK$	Translation reserve HK$	Accumulated losses HK$	Total HK$
Company and subsidiaries							
At 31 March 2005	**660,794,926**	**68,600**	**3,158,626**	**–**	**(219,884)**	**(218,120,620)**	**445,681,648**
At 31 March 2004	150,196,240	68,600	3,158,626	1,649,561	(222,616)	(109,812,822)	45,037,589

Notes to the Financial Statements *31 March 2005*

29. RESERVES *(Continued)*

The Company

	Share premium *HK$*	Capital redemption reserve *HK$*	Goodwill reserve *HK$*	Investment property revaluation reserve *HK$*	Translation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 April 2003	136,936,240	68,600	–	–	–	(103,891,946)	33,112,894
Issue of shares at premium	13,260,000	–	–	–	–	–	13,260,000
Net loss for the year	–	–	–	–	–	(42,910,358)	(42,910,358)
At 31 March 2004	150,196,240	68,600	–	–	–	(146,802,304)	3,462,536
Issue of shares at premium	510,598,686	–	–	–	–	–	510,598,686
Net loss for the year	–	–	–	–	–	(68,379,574)	(68,379,574)
At 31 March 2005	**660,794,926**	**68,600**	**–**	**–**	**–**	**(215,181,878)**	**445,681,648**

The Company's reserves available for distribution represent the share premium and retained profits. Under the Companies Law of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 March 2005, the aggregate value of the share premium and retained profits of the Company available for distribution is HK$445,613,048 (2004: HK$3,393,936).

Reserves:

(a) Share premium represents the excess of consideration over par value of shares issued.

(b) Capital redemption reserve represents nominal value of shares repurchased out of distributable profits.

(c) Goodwill reserve, investment property revaluation reserve and translation reserve have been set up and will be dealt with in accordance with the accounting policies adopted as set out in note 3(g) to the financial statements.

Notes to the Financial Statements *31 March 2005*

30. DEFERRED TAXATION

During the year, the Group acquired 51% equity interest in subsidiary with the deferred tax liabilities of HK$91,353. At the balance sheet, the deferred tax is credited to consolidated income statement of HK$91,353 (Note 11) under the liability method.

The deferred taxation liability is mainly attributable to the excess of tax allowances for tax purpose over depreciation charged in financial statements. At the balance sheet date, the major components of the unprovided deferred tax assets/(liabilities) are as follows:

	The Group	
	2005	2004
	HK$	*HK$*
Excess of tax allowances over depreciation	**(473,608)**	(448,137)
Other timing differences:		
– provision for bad and doubtful debts	**1,202,500**	200,391
Tax losses carried forward	**128,778,123**	23,434,654
	129,507,015	23,186,908

	The Company	
	2005	2004
	HK$	*HK$*
Tax losses carried forward	**4,405,182**	2,871,728

At the balance sheet date and for the year, no deferred tax assets has been recognised in relation to the deductible temporary differences and tax losses as it is not probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The Group's tax losses of approximately HK$121,649,123 (2004: HK$5,808,768) and HK$7,129,000 (2004: HK$17,625,886) will expire within one to four years and do not expire respectively. The tax losses of the Company do not expire under current tax legislation.

The Group and the Company had no significant potential deferred tax liabilities for the year and at the balance sheet date.

Notes to the Financial Statements *31 March 2005*

31. CONTINGENT LIABILITIES

At the balance sheet date, the Company had no contingent liabilities not provided for in the financial statements in respect of guarantee (2004: HK$104,644,000) for banking facilities. This corporate guarantee had been released on 31 March 2005.

32. PLEDGE OF ASSETS

At the balance sheet date, no investment property and land and buildings of the Group (2004: with net book values of HK$3.7 million and HK$22 million respectively) were pledged to secure general banking facilities.

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the year the Group had the following transactions with related parties:

(i) Mr. Lee Sam Yuen, John, a director, provided a personal guarantee of HK$100 million (2004: HK$100 million) to a bank to secure general banking facilities granted to a subsidiary, for which no charge is made;

(ii) The Company has provided corporate guarantee of HK$104,644,000 (2004: HK$104,644,000) to certain subsidiaries for banking facilities granted. This corporate guarantee had been released on 31 March 2005.

(iii) D.H. International Limited ("DHIL") is a subsidiary, which is owned by a foundation under which, Mrs. Lee Shia Yu Cho and Mr. Lee Sam Yuen, John are beneficiaries. In April 2004, DHIL had provided a loan of HK$18 million which was interest-bearing at 6% per annum to another fellow subsidiary. The loan had been repaid on 1 August 2004 and total interest of HK$314,000 was paid for the period.

(iv) On 14 June 2004, two subsidiaries had entered into sale and purchase agreements with DHIL to dispose of certain properties with carrying value of approximately HK$23,950,000 at an aggregate consideration of HK$30,370,000. Upon completion, the Group has leased back certain properties disposed of from DHIL at an aggregate monthly rental of HK$108,000. Total rental paid during the year and deposits paid amounting to HK$872,000 and HK$218,000 respectively.

In additions to above, DHIL has provided all monies mortgage over six properties held and an assignment of insurance policy over those properties to bank to secure general banking facilities granted to a subsidiary.

Notes to the Financial Statements *31 March 2005*

33. RELATED PARTY TRANSACTIONS *(Continued)*

(v) During the year, Mr. Wong Yuk Kwan, a director, had provided a loan of HK$1.52 million to the Company which was interest bearing at a range from 5% to 5.13% per annum. This loan had been repaid on 14 January 2005 and total interest of HK$12,230 was paid for the period.

(vi) On 1 October 2004, Well Team Development Limited, which is wholly owned by Mr. Wong Yuk Kwan and has common directors of Mr. Wong Yuk Kwan and Ms. Lee Siu Yuk, Eliza, had entered into a tenancy agreement with a subsidiary. The total rental expenses as paid for the period of HK$480,000.

(vii) On 3 January 2005, Mr. Law Kar Po, a director had provided a short-term loan of HK$50 million to the Company which was interest-free and unsecured. The loan has been fully repaid on 14 January 2005.

34. OPERATING LEASE COMMITMENT

(a) The Group leased out certain land and buildings and part of office under operating lease with average lease terms of 2 to 4 years. At 31 March 2005, the Group had total future minimum lease receivable under non-cancellable operating leases falling due as follows:

	2005	2004
	HK$	*HK$*
Within one year	**878,680**	874,508
In the second to fifth years	**1,019,894**	949,532
	1,898,574	1,824,040

(b) At 31 March 2005, the Group had total outstanding commitments for future minimum lease payable under non-cancellable operating lease in respect of properties, plant and equipment which fall due as follows:

	2005	2004
	HK$	*HK$*
Within one year	**5,467,980**	–
In the second to fifth years	**5,343,965**	–
	10,811,945	–

Notes to the Financial Statements *31 March 2005*

35. CAPITAL COMMITMENTS

(a) At 31 March 2005, the Group had commitments under non-cancellable operating lease in respect of land and building and motor vehicles to make payments for the following periods:

	2005	2004
	HK$	HK$
Within one year	1,179,120	–
In the second to fifth years	1,585,020	–
	2,764,140	–

	2005	2004
	HK$	HK$
(b) Commitments for the acquisition of property, plant and equipment		
– contracted but not provided for	2,602,824	2,602,824
– authorised but not contracted for	49,070,189	49,070,189
	51,673,013	51,673,013

36. POST BALANCE SHEET EVENTS

(1) On 4 July 2005, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent would on a best effort basis procure subscribers to subscribe for not more than 60,000,000 new shares at a price of HK$0.35 per share and not more than 225,000,000 warrants at a price of HK$0.022 per warrant.

The new shares and the warrants will be placed to not less than 6 independent professional, institutional and/or individual investors respectively.

The aggregate net proceeds from the Placing of the new shares and the warrants are estimated to be approximately HK$25 million, which will be applied as to approximately HK$20 million to expand the ladies shoes retail business of the Group under the brand name Mocca (i.e. one of the existing business operations of the Group) and as to approximately HK$5 million as additional general working capital.

Notes to the Financial Statements *31 March 2005*

36. POST BALANCE SHEET EVENTS *(Continued)*

(2) As per the announcement dated 25 July 2005, references were made to the announcement and circular issued by the Company dated 6 January 2005 and 14 March 2005 respectively in relation to, inter alia, the Acquisition which constituted a very substantial acquisition under the Listing Rules. An extraordinary general meeting of the Company was held on 30 March 2005, whereby the Shareholders considered and approved the Acquisition and the issue of the consideration shares relating therein. The Acquisition was completed on 31 March 2005.

The consideration for the Acquisition was HK$514 million and was settled by (i) a cash deposit of HK$50 million upon signing of the agreement; and (ii) HK$188 million in cash paid upon completion and the balance of HK$276 million by the allotment and issue of 345,000,000 consideration shares by the Company to the Vendors in proportion to their respective effective interests in the sale shares at an issue price of HK$0.8 per consideration share upon completion.

Under the agreement, the Company has given an undertaking in favour of the Vendors that if the average closing price of the shares for the ten trading days preceding and including the date being three months from the completion date is less than HK$0.8, the Company will pay from its internal resources any shortfall in cash to the Vendors in respect of the number of consideration shares remained to be held by the Vendors at the relevant date.

According to the Stock Exchange's daily quotation sheets for the ten trading days preceding and including the relevant date, the average closing price of the shares was HK$0.394 per share. Accordingly, there is a difference of HK$0.406 per share and the shortfall of HK$0.406 per share over 345,000,000 shares amounts to HK$140,070,000.

Pursuant to the supplemental agreement, the Company conditionally agreed to satisfy the shortfall payment of HK$140,070,000 by the issue and allotment of 400,200,000 new shares at a price of HK$0.35 per share to the Vendors in proportion to their respective effective interests in the sale shares. Such connected transaction is conditional upon (i) the approval of the independent shareholders (by poll) at the EGM; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the 400,200,000 new shares to be issued pursuant to the supplemental agreement. The transaction is not yet completed.

37. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform to the current year's presentation.