

New Times Group

New Times Group Holdings Limited

新時代集團控股有限公司

(Incorporated in Bermuda with limited liability)

Annual Report **2005**

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CORPORATE INFORMATION

DIRECTORS

Executive:

Liu Jicheng (*Deputy Chairman*)

Lam Kwan Sing

Non-executive:

Huang Ning

Independent non-executive:

Kwai Laam

Qi Jin Feng

Law Fei Shing

AUDITORS

CCIF CPA Limited

LEGAL ADVISER

on Hong Kong law

Preston Gates & Ellis

on Bermuda law

Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Standard Chartered Bank (HK) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2003-06
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
G/F, BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

DIRECTORS' STATEMENT

On behalf of the Board of Directors (the "Board") of New Times Group Holdings Limited (the "Company"), I present herein the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005.

Turnover of the Group for the year ended 31 March 2005 was about HK\$5 million (2004: HK\$23.6 million), a decrease of about 79% which is mainly due to the cessation of the manufacturing and trading business of the Group in the last financial year and in July 2004 respectively. A full year rental income of approximately HK\$4.1 million was recorded for the year as compared to the three-months operations with rental income of about HK\$1.6 million in last year. Income derived from the financial services business of approximately HK\$0.9 million (2004: HK\$1.2 million) was recorded for the year. The Group recorded a consolidated loss attributable to shareholders of about HK\$18.3 million (2004: HK\$37.3 million). The loss was mainly attributed to the provision for unrealised loss on short term listed investments which amounted to about HK\$4.4 million (2004: HK\$6.1 million), together with the loss on disposal of listed investments which amounted to about HK\$5.4 million (2004: HK\$20 million). Nevertheless, the Group was able to reduce the loss by approximately 51% as compared to last year and was mainly due to the decrease in loss on listed investments by about HK\$16.3 million, together with reduction in the administrative expenses of the Group of about HK\$14.8 million as a result of a more stringent control of the Group's overheads.

Loss per share for the year was HK4 cents (2004: HK9 cents) and the Board does not recommend any final dividends for this financial year (2004: Nil).

BUSINESS OVERVIEW

With a redefined corporate strategy as mentioned in the Company's last annual report, the Group has extended its business to the field of property investment through acquisitions in Mainland China. A rental income of approximately HK\$4.1 million (2004: HK\$1.6 million) was generated from the Group's property investment in certain commercial properties in Beijing, PRC for the year.

At the end of the last financial year, the Group entered into a conditional agreement for the acquisition of the entire issued share capital of a company holding 100% interests in certain industrial land situated at Shenzhen, PRC at a total consideration of HK\$55 million. The acquisition was completed in this financial year. Although constructions were in progress throughout this financial year, the management believes that this investment will generate reasonable financial returns in the coming years.

Since 2003, the management had been closely monitoring the performance of the trading business of the Group, and the performance of the trading operations had been disappointing for the year due to fierce competitions. As mentioned in the Company's last annual reports, the Group had failed to introduce strategic partners to rejuvenate the trading business. Accordingly, the management decided to cease the trading operations through abandonment so as to save further resources and focus on the Group's property investment and development business and other potential businesses in the coming future.

DIRECTORS' STATEMENT

(Continued)

For the year ended 31 March 2005, income derived from the financial services business continued to provide stable, although insignificant income flow for the Group. The Group's investment portfolio continued to downsize. As mentioned above, the Group intended to focus on the Group's property investment and development business, and the financial services activities as well as the investment activities will be further downsized in the coming future.

Finally, the legal proceedings brought against the Company by a substantial shareholder of the Company since March 2001 has come to an end in this financial year. Mutual consensus had been reached between that substantial shareholder and the Company by way of a binding consent order signed between themselves and approved by the Supreme Court of Bermuda on 8 July 2004. Accordingly, a notice of discontinuance was filed on 12 July 2004 and as a result, all proceedings against the Company was terminated, and a write-back of provision of legal and professional costs of HK\$13 million and HK\$409,000 were recorded in the last and current financial year respectively.

REVIEW OF BUSINESS OPERATIONS

Discontinued Operations

Trading

The Group's trading business had been disappointing under extensive competitions from other market participants; turnover decreased by approximately 91% to approximately HK\$50,000 as compared to the corresponding period of HK\$0.5 million. Loss from trading operations was about HK\$0.5 million for the year (2004: loss of HK\$11.6 million). As mentioned in the Company's last annual reports, the Group had failed to introduce strategic partners to rejuvenate the trading business. Accordingly, in a Board meeting in July 2004, the management decided to cease the trading operations so as to save further resources and focus on the Group's property investment and development business and other potential businesses in the coming future.

Continuing Operations

Property Investments and Development

Gross rental income in certain commercial properties in Beijing, PRC for the year amounted to about HK\$4.1 million (2004: HK\$1.6 million), representing a growth of approximately 160% from last financial year. Profit from operations increased from HK\$1.4 million to HK\$2.1 million for this year, representing an increase of approximately 50%. The increase was mainly due to the inclusion of a full year results for the current year as compared to the three-months' results since the acquisition of the property investment business by the end of December 2003. With the improvement in the macroeconomic outlook of Mainland China, the urbanization program implemented by the Beijing municipal government and continually maturing market policies, the management sees the Beijing property market would grow steadily in the coming future. When opportunities arise and at reasonable terms, the management may dispose part of the properties so as to capitalize the appreciation of the value of the properties and release capital for further investments to strengthen the earning stream.

In order to enrich the earning base and firmly establish its footing in the Mainland China, the Group continues to expand its PRC portfolio. On 29 March 2004, the Group entered into a conditional agreement for the acquisition of the entire issued share capital of Smart Wave Limited ("Smart Wave") and the benefit of a shareholder's loan due from Smart Wave to the vendor at considerations of approximately HK\$21.3 million and HK\$33.7 million, respectively. Smart Wave

DIRECTORS' STATEMENT

(Continued)

was incorporated in the British Virgin Islands and is an investment holding company whose principal asset was an indirect equity interest in certain industrial land situated at Shenzhen, PRC. The acquisition was completed on 9 July 2004. The management believes that with the increasing demand for quality industrial complex, and the acquisition would enable the Group to tap this opportunity once the development for the land was completed in the coming financial year as scheduled. The management is confident that the investment will generate reasonable financial returns in the coming years.

Investments and Financial Services

A loss on disposal of short term listed investments of approximately HK\$5.4 million (2004: HK\$20 million) was recorded for the year. During the year, provision for unrealized loss on short term listed investments of approximately HK\$4.4 million (2004: HK\$6.1 million) was recorded. The Hong Kong economy continued to improve during the year, together with the recovered investment environment, the management believes the capital market will improve in the coming future. Interest income derived from the financial services operations of approximately HK\$0.9 million was recorded for the year (2004: HK\$1.2 million). Although the management believes that the financial services operations can continually providing steady flow of interest income to the Group, the financial services activities as well as the investment activities will be further downsized in the coming future as the Group intended to focus on the Group's property investment and development business in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Position

The financial position of the Group remains healthy for the year. As at 31 March 2005, the Group maintained a cash level of about HK\$2.6 million, with a current ratio of about 1 (total current assets to total current liabilities) (2004: 5.7). The decrease in the current ratio as compared to that as at 31 March 2004 was mainly due to the utilization of most of the Group's cash resources in the acquisitions of the Group's property investments during the year.

Except for the hire purchase of certain fixed assets of the Group, the Group had no bank borrowings and not pledged any of the Group's assets as at the year end date.

Contingent Liability

The Group did not have any material contingent liabilities as at 31 March 2005 (2004: Nil).

Capital Investments and Commitments

During the financial year, except for the capital expenditures in relation to the acquisition of certain industrial land in Shenzhen, PRC, the Group did not incur any material capital investment or expenditure. As at year end date, the Group had capital commitment in respect of the construction cost in relation to certain industrial land in Shenzhen, PRC amounted to HK\$62.5 million.

DIRECTORS' STATEMENT

(Continued)

Pursuant to a contractual arrangement with the constructor of the land, the constructor will recover the construction cost out of the net proceeds from the sale or rental generated from the properties constructed on the land in the 18-month period from completion of the construction of the properties on the land. In the event that the net proceeds from the sale or rental generated over the aforesaid period is insufficient to repay the constructor the full amount of the construction cost, the shortfall would be satisfied by the transfer of certain properties on the land with an equivalent market value (calculated on the basis of the then prevailing market price of those properties) to the constructor in full and final settlement of any liability of the Group towards the constructor in relation to the construction cost.

Foreign exchange and interest rate exposure

The Group mainly earned revenue and incurred cost in Renminbi and Hong Kong Dollar. The directors consider the impact of foreign exchange of the Group is minimal. Although the management believes the impact will be minimal, the management will closely monitor the fluctuation in this currency and take appropriate actions when condition arises.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 31 March 2005, the Group's operations engaged a total of about 20 staffs. The remuneration policy of the Group's employees are reviewed and approved by the executive directors based on individual experience and qualifications as well as the job responsibilities and market conditions at the relevant time. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. During the year, no share options were granted to any director or employee of the group. Benefits include staff accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in PRC.

PROSPECTS

Gradual shift of its corporate strategy from the manufacturing business and the corporate finance and investment advisory business to property investment business allows the Group to focus its resources on property investment in Mainland China in an attempt to broaden its earning base and catch new opportunities in the long run. By adopting a prudent approach in its new business development and financial strategy, the Group hopes to take advantage of new business opportunities with strong market momentum and potential. It is believed that the new business strategy will bring to the shareholders greater value created from the new business in the long run. The management of the Group will continue to search for any potential investment opportunities that can benefit the Group in the long term.

ACKNOWLEDGEMENTS

On behalf of the directors, I would like to express my heartfelt thanks to our shareholders for their continued support and to our staff for their hard work. We will carry on dedicating our efforts towards the Group's long term development.

Lam Kwan Sing

Executive Director

Hong Kong
28 October 2005

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Liu Jicheng, aged 45, was appointed as director and Deputy Chairman of the Company in June/July 2003. He holds an Economic Management Degree from the Beijing Commercial Management College. Mr. Liu has more than 10 years' experience in trading and management.

Mr. Lam Kwan Sing, aged 36, was appointed as director of the Company in July 2002. He is an accountant with more than 12 years' experience in the commercial and corporate finance field. He has previously held directorships and senior management positions in various publicly listed companies.

Non Executive Director

Ms. Huang Ning, aged 37, graduated from Hua Nam Polytechnic University. She was appointed as director of the Company in November 2003. She has more than 10 years' experience in trading and export.

Independent non-executive Directors

Ms. Kwai Laam, aged 45, was appointed as independent non-executive director of the Company in September 2004. Ms. Kwai holds a Bachelor degree in Language and was a lecturer. She also has more than 10 years' experience in the securities industry.

Mr. Qi Jin Feng, aged 50, was appointed as independent non-executive director of the Company in September 2004. He has more than 20 years' experience in the legal and commercial field.

Mr. Law Fei Shing, age 45, was appointed as independent non-executive director of the Company in September 2005. Mr. Law is a certified public accountant practicing in Hong Kong. He is also a member of American Institute of Certified Public Accountants (AICPA), U.S.A. Mr. Law has over 15 years of experience in audit and accounting services. He is currently the senior partner of Messrs. of F. S. Law & Co. being a Certified Public Accountants Firm in Hong Kong.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of New Times Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

In July 2004, the Group discontinued its precision components processing equipment trading business, further details of which are included in note 10 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 15 to 56.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

Set out below is a summary of the results and a statement of net assets of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate.

RESULTS

	Year ended 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	<u>5,024</u>	<u>23,643</u>	<u>36,417</u>	<u>36,102</u>	<u>48,478</u>
PROFIT/(LOSS) BEFORE TAX	<u>(17,812)</u>	<u>(36,902)</u>	<u>(76,692)</u>	<u>(39,826)</u>	<u>12,793</u>
Tax	<u>(458)</u>	<u>(435)</u>	<u>612</u>	<u>(140)</u>	<u>(1,988)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>(18,270)</u>	<u>(37,337)</u>	<u>(76,080)</u>	<u>(39,966)</u>	<u>10,805</u>
Minority interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>82</u>	<u>-</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(18,270)</u>	<u>(37,337)</u>	<u>(76,080)</u>	<u>(39,884)</u>	<u>10,805</u>

REPORT OF THE DIRECTORS

(Continued)

ASSETS AND LIABILITIES

	At 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TOTAL ASSETS	<u>157,798</u>	<u>168,417</u>	<u>186,123</u>	<u>266,960</u>	<u>289,137</u>
TOTAL LIABILITIES	<u>(21,954)</u>	<u>(14,303)</u>	<u>(40,952)</u>	<u>(46,612)</u>	<u>(23,649)</u>
NET ASSETS	<u>135,844</u>	<u>154,114</u>	<u>145,171</u>	<u>220,348</u>	<u>265,488</u>

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in notes 24 and 25 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2005, the Company's reserves of approximately HK\$15,296,000 (subject to the provisions under the Companies Act of Bermuda) were available for distribution to its shareholders. In addition, the Company's share premium account of HK\$94,471,000 as at 31 March 2005, may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

(Continued)

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2005, the five largest customers of the Group accounted for approximately 75% (2004: 19%) of the Group's turnover for the year, while five largest suppliers accounted for nil (2004: 18%). In addition, the largest customer of the Group accounted for approximately 30% (2004: 6%) of the Group's turnover for the year, while the largest supplier accounted for nil (2004: 6%) of the Group's purchase.

None of the directors of the Company, their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Liu Jicheng (*Deputy Chairman*)

Mr. Lam Kwan Sing

Ms. Zhou Wei (*Chairman*)

(appointed on 4 May 2004 and
resigned on 14 February 2005)

Mr. Cheong Tin Yau

(resigned on 4 May 2004)

Non-executive director

Ms. Huang Ning

Independent non-executive directors

Mr. Law Fei Shing

(appointed on 6 September 2005)

Ms. Kwai Laam

(appointed on 7 September 2004)

Mr. Qi Jin Feng

(appointed on 7 September 2004)

Mr. Lo Kwok Hung, John

(resigned on 6 September 2004)

Mr. Lau Man Tak

(resigned on 18 July 2005)

In accordance with the Company's bye-law no. 86(2) and no. 87(1), Mr. Law Fei Shing, Ms. Kwai Laam, Mr. Qi Jin Feng and Mr. Liu JiCheng shall retire by rotation from office and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the directors of the Company of the Group are set out on page 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2005, the interests and short positions of the directors and or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long position in ordinary shares of the Company:

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Ms Huang Ning	Corporate	141,712,500	32.71

Note: The interests in these Shares are held by Victory Rider Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Huang Ning. Accordingly, Ms. Huang Ning is deemed to be interested in all the Shares in which Victory Rider Limited is interested by virtue of the SFO.

Save as disclosed above, as at 31 March 2005, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

(Continued)

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

At 31 March 2005, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors or chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions:

Name of shareholder	Notes	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Victory Rider Limited	(i)	Corporate	141,712,500	32.71
Huang Ning	(i)	Corporate	141,712,500	32.71
Kistefos Investment A.S.	(ii)	Corporate	62,400,000	14.40

Notes:

- (i) As at 31 March 2005, Ms. Huang Ning was the beneficial owner of Victory Rider Limited. Details of the interest of Ms. Huang Ning in the shares of the Company are set out in the section "Directors' interests in shares" of this report.
- (ii) So far as is known to the Directors, Kistefos Investment A.S. is wholly-owned by A.S. Kistefos Traesliberi, in which Mr. Christen Sveaas has an 85% beneficial interest.

Save as disclosed above, the directors are not aware of any person had or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

CORPORATE GOVERNANCE

The audited financial statements of the Company for the year ended 31 March 2005 had been reviewed by the Audit Committee before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

In the opinion of the directors, the Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange which was in force prior to 1 January 2005 save that the non-executive directors of the Company are not appointed for a specific term. Nevertheless, they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws. The Code was replaced by the Code on Corporate Governance Practices (the "New Code") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the New Code.

REPORT OF THE DIRECTORS

(Continued)

CORPORATE GOVERNANCE *(Continued)*

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Model Code. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2005.

AUDIT COMMITTEE

The Company's audit committee comprises three independent non-executive directors of the Company, namely Ms. Kwai Laam, Mr. Qi Jin Feng and Mr. Law Fei Shing. The audit committee has been delegated the authority from the board to review the financial reporting and internal control procedures of the Company.

AUDITORS

The financial statements for the years ended 31 March 2003 and 2004 were audited by Ernst & Young. Ernst & Young resigned as auditors of the Company with effect from 22 March 2005. CCIF CPA Limited was appointed as auditors of the Company on 28 July 2005. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lam Kwan Sing

Executive Director

Hong Kong
28 October 2005

AUDITORS' REPORT



CCIF

CCIF CPA LIMITED

37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
NEW TIMES GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 15 to 56 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited

Certified Public Accountants
Hong Kong, 28 October 2005

Chan Wai Dune, Charles

Practising Certificate Number P00712

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
TURNOVER	5		
Continuing operations		4,976	2,819
Discontinued/discontinuing operations	10	48	20,824
		5,024	23,643
Cost of sales		-	(16,949)
Gross profit		5,024	6,694
Other revenues	5	2,247	1,910
Selling and distribution costs		-	(175)
Administrative expenses		(11,122)	(25,897)
Other operating expenses		(13,906)	(33,747)
Write-back of provision for legal and professional costs	21	409	13,000
Gain on disposal of discontinued operations	27(b)	-	2,101
LOSS FROM OPERATING ACTIVITIES	6	(17,348)	(36,114)
Finance costs	7	(464)	(788)
LOSS BEFORE TAX			
Continuing operations		(17,326)	(23,257)
Discontinued/discontinuing operations	10	(486)	(13,645)
		(17,812)	(36,902)
TAX	9		
Continuing operations		(458)	(159)
Discontinued/discontinuing operations	10	-	(276)
		(458)	(435)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	(18,270)	(37,337)
LOSS PER SHARE	12		
- Basic		(4) cents	(9) cents
- Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	114,382	81,069
Deposit for acquisition of an interest in properties		-	15,000
Goodwill	14	16,723	-
Loan receivables, unsecured	15	5,294	-
		136,399	96,069
CURRENT ASSETS			
Properties under development		4,963	-
Loan receivables, unsecured	15	7,348	40,000
Inventories	17	-	-
Trade receivables	18	1,843	2,115
Note receivables	19	-	1,500
Short term investments	20	3,247	20,512
Prepayments, deposits and other receivables		1,415	1,374
Tax recoverable		-	494
Cash and bank balances		2,583	6,353
		21,399	72,348
CURRENT LIABILITIES			
Other payables, deposits and accrued liabilities		19,389	10,977
Provisions	21	-	302
Finance lease payables	22	93	133
Tax payable		987	1,187
		20,469	12,599
NET CURRENT ASSETS		930	59,749
TOTAL ASSETS LESS CURRENT LIABILITIES		137,329	155,818
NON-CURRENT LIABILITIES			
Finance lease payables	22	199	418
Deferred tax liability	23	1,286	1,286
		1,485	1,704
		135,844	154,114
CAPITAL AND RESERVES			
Issued capital	24	43,330	43,330
Reserves	26(a)	92,514	110,784
		135,844	154,114

Approved and authorised for issue by the board of directors on 28 October 2005.

Liu Jicheng
Director

Lam Kwan Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2005

	Issued share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ losses) (accumulated HK\$'000	Total HK\$'000
At 1 April 2003	28,887	66,453	9,585	-	(820)	41,066	145,171
Issue of shares	14,443	28,887	-	-	-	-	43,330
Share issue expenses	-	(869)	-	-	-	-	(869)
Exchange fluctuation reserve released on disposal	-	-	-	-	820	-	820
Surplus on revaluation	-	-	-	4,285	-	-	4,285
Recognised as deferred tax	-	-	-	(1,286)	-	-	(1,286)
Net gains and losses not recognised in the income statements	-	-	-	2,999	-	-	2,999
Net loss for the year	-	-	-	-	-	(37,337)	(37,337)
At 31 March 2004 and 1 April 2004	43,330	94,471*	9,585*	2,999*	-	3,729*	154,114
Net loss for the year	-	-	-	-	-	(18,270)	(18,270)
At 31 March 2005	43,330	94,471*	9,585*	2,999*	-	(14,541)*	135,844

* These reserve accounts comprise the consolidated reserves of HK\$92,514,000 (2004: HK\$110,784,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2005

	2005 HK\$'000	2004 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(17,812)	(36,902)
Adjustments for:		
Finance costs	464	788
Interest income from bank	-	(24)
Gain on disposal of other investments	(75)	(1,500)
Depreciation	979	3,551
Deficit on revaluation of fixed assets	800	-
Amortization of goodwill	2,951	-
(Gain)/loss on disposal of fixed assets, net	(162)	270
Impairment of fixed assets	-	5,526
Provision for inventory obsolescence	-	446
Provision for bad and doubtful debts	-	1,840
Provision for impairment on investment	81	-
Loss on disposal of short term listed investments, net	5,415	20,035
Unrealised loss on short term listed investments	4,454	6,076
Write-back of provision for staff bonus	-	(3,109)
Write-back of provision for legal and professional cost	(409)	(13,000)
Write-back of provision for bad and doubtful debts	(778)	-
Gain on disposal of discontinued operations	-	(2,101)
Operating loss before working capital changes	(4,092)	(18,104)
Decrease/(increase) in loan receivables	27,358	(40,000)
Decrease in inventories	-	524
Decrease in prepayments, deposits and other receivables	387	13,828
Decrease/(increase) in trade receivables	272	(5,999)
Decrease in short term listed investments	2,429	14,504
Increase in provisions, other payables, deposits and accrued liabilities	5,671	9,112
Cash generated from/(used in) operations	32,025	(26,135)
Hong Kong profits tax refunded/(paid)	445	(276)
Overseas tax paid	-	(28)
	32,470	(26,439)
Net cash inflow/(outflow) from operating activities		
– page 19		
Continuing operations	32,470	(17,016)
Discontinued/discontinuing operations	-	(9,423)
Total	32,470	(26,439)

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2005
(Continued)

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000
Net cash inflow/(outflow) from operating activities		32,470	(26,439)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		-	24
Sale proceeds of note receivables		1,575	-
Increase in note receivables		-	(1,500)
Deposit refunded/(paid) for acquisition of an interest in properties		15,000	(15,000)
Payment for properties under development		(4,963)	-
Purchases of fixed assets		(10)	(333)
Acquisition of subsidiaries	27(a)	(54,907)	(69,998)
Disposal of subsidiaries	27(b)	2,708	17,999
Proceeds from disposal of fixed assets		5,080	-
Proceeds from disposal of other investments		-	6,500
Net cash outflow from investing activities		(35,517)	(62,266)
Continuing operations		-	(42)
Discontinued/discontinuing operations		-	-
Total		(35,517)	(62,308)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(464)	(788)
Proceeds from issue of share capital		-	43,330
Share issue expenses		-	(869)
Capital element of finance lease rental payments		(259)	(68)
Net cash (outflow)/inflow from financing activities		(723)	41,605
Continuing operations		-	-
Discontinued/discontinuing operations		-	-
Total		(723)	41,605
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,770)	(47,142)
Cash and cash equivalents at beginning of year		6,353	53,495
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,583	6,353
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,583	6,353

BALANCE SHEET

31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	180,355	165,309
Deposit for acquisition of a subsidiary		-	15,000
		180,355	180,309
CURRENT ASSETS			
Prepayments, deposits and other receivables		174	220
Tax recoverable		-	494
Cash and bank balances		1,143	4,406
		1,317	5,120
CURRENT LIABILITIES			
Other payables and accrued liabilities		2,624	3,746
Provisions	21	-	302
		2,624	4,048
NET CURRENT (LIABILITIES)/ASSETS		(1,307)	1,072
TOTAL ASSETS LESS CURRENT LIABILITIES		179,048	181,381
NON-CURRENT LIABILITIES			
Due to subsidiaries	16	25,951	25,708
		153,097	155,673
CAPITAL AND RESERVES			
Issued capital	24	43,330	43,330
Reserves	26(b)	109,767	112,343
		153,097	155,673

Approved and authorised for issue by the board of directors on 28 October 2005.

Liu Jicheng
Director

Lam Kwan Sing
Director

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 October 1998.

During the year, the Group was involved in the following principal activities:

- trading of precision components processing equipment*;
- property investment; and
- provision of financial services.

* *The operation was discontinued during the year. Further details of which are included in note 10 to the financial statements.*

2. BASIS OF PREPARATION AND POTENTIAL IMPACT ARISING FROM RECENTLY ISSUED ACCOUNTING STANDARDS

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

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the preparation of 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 the preparation and presentation of its results of operations and financial position. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

Minority interests represent the interest of outside shareholders in the results and net assets of the Company's subsidiaries.

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

Subsidiaries

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

Interests in subsidiaries are included in the Company's balance sheet less any identified impairment losses.

Goodwill

Goodwill arising on the consolidation represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses; and
- for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

On disposal of the controlled subsidiaries during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

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

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortised over more than 20 years from the date when the asset is available for use or goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event and exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined net of amortisation or depreciation had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimate useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Building	2.2%
Leasehold improvements	25% – 33% (over the unexpired period of the leases)
Furniture and office equipment	20%
Motor vehicles	33%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalized and depreciated over their expected useful lives.

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

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

Properties under development which are developed for sale are included in current assets at the lower of cost and estimated net realizable value.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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 economic benefits which can be reasonably estimated will be required to settle such obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect to 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.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent liabilities and contingent assets *(Continued)*

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

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 events not wholly within the control of the Group.

Contingent assets are not recognised but are 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.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

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

- (a) the sale of goods is recognised when the merchandise is shipped and title has passed;
- (b) interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable;
- (c) corporate finance and investment advisory fee are recognised when services are rendered;
- (d) gain on disposal of marketable securities is recognised on the trade date; and
- (e) rental income is recognised on the straight-line basis over the terms of the leases.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets of the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessor. Where the Group is the lessor, rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Related parties

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.

Foreign currencies

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the financial statements of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable exchange rates ruling at the time of the transaction; monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable exchange rate ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement of the individual companies.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, all the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable exchange rate ruling at the balance sheet date; all income and expense items are translated into Hong Kong dollars at the applicable average exchange rates during the year. Exchange differences arising from such translation are dealt with as movement in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for its eligible employees in Hong Kong who are eligible to participate in the MPF Scheme.

Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share option scheme

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

Trade receivables

Provisions are made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provisions.

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 (geographic 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 system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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's 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
(Continued)

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations

- (a) the property investment;
- (b) the provision of financial services;

Discontinued/discontinuing operations

- (c) the provision of corporate finance, securities investment and investment advisory services;
- (d) the manufacture and distribution of precision components processing equipment; and
- (e) the trading of precision components processing equipment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

Group

	Continuing operations				Discontinued/discontinuing operations								Consolidated	
	Property investment		Financial services		Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision processing equipment		Trading of precision components processing equipment		Eliminations			
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:														
Sales and services to external customers	4,095	1,587	881	1,232	-	2,236	-	18,089	48	499	-	-	5,024	23,643
Intersegment sales	-	-	-	-	-	2,466	-	-	-	-	-	(2,466)	-	-
Other revenue	-	-	79	50	-	100	-	130	1,070	22	-	-	1,149	302
Total	4,095	1,587	960	1,282	-	4,802	-	18,219	1,118	521	-	(2,466)	6,173	23,945
Segment results	2,086	1,382	937	1,093	-	(533)	-	(1,198)	(486)	(11,558)	-	(2,466)	2,537	(13,280)
Unallocated interest income, dividend income and unallocated gains													1,098	3,709
Unallocated expenses													(20,983)	(26,543)
Loss from operating activities													(17,348)	(36,114)
Finance costs													(464)	(788)
Loss before tax													(17,812)	(36,902)
Tax													(458)	(435)
Net loss from ordinary activities attributable to shareholders													(18,270)	(37,337)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group

	Continuing operations				Discontinued/discontinuing operations						Consolidated	
	Property investment		Financial services		Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision components processing equipment		Trading of precision components processing equipment			
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment assets	121,460	77,348	12,776	40,384	-	-	-	-	86	1,932	134,322	119,664
Unallocated assets											23,476	48,753
Total assets											157,798	168,417
Segment liabilities	13,284	3,605	145	162	-	-	-	-	23	298	13,452	4,065
Unallocated liabilities											8,502	10,238
Total liabilities											21,954	14,303
Other segment information:												
Depreciation	588	-	-	147	-	114	-	1,090	-	1,638	588	2,989
Unallocated depreciation											391	562
Total											979	3,551
Provision for bad and doubtful debts	-	-	-	-	-	955	-	-	-	863	-	1,818
Unallocated provision for bad and doubtful debts											-	22
											-	1,840
Unrealised loss on short term listed investments	-	-	391	-	-	-	-	-	-	-	391	-
Unallocated unrealized loss on short term listed investments											4,063	6,076
											4,454	6,076
Deficit on revaluation of fixed assets	800	-	-	-	-	-	-	-	-	-	800	-
Impairment losses recognised in the income statement	-	-	-	-	-	-	-	-	-	5,526	-	5,526
Surplus on revaluation recognised directly in equity	-	4,285	-	-	-	-	-	-	-	-	-	4,285
Capital expenditure	40,000	71,187	-	-	-	-	-	51	-	-	40,000	71,238
Unallocated capital expenditure											10	901
Total											40,010	72,139

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

Group

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Taiwan		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:										
Sales and services to external customers	929	3,967	4,095	10,360	-	9,316	-	-	5,024	23,643
Other revenue	1,149	173	-	78	-	51	-	-	1,149	302
Total	2,078	4,140	4,095	10,438	-	9,367	-	-	6,173	23,945
Other segment information:										
Segment assets	36,338	91,069	121,460	77,348	-	-	-	-	157,798	168,417
Capital expenditure	10	944	40,000	71,187	-	8	-	-	40,010	72,139

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

5. TURNOVER AND OTHER REVENUES

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, income from the rendering of services, rental income and interest income earned during the year.

An analysis of the Group's turnover and other revenues is as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
Corporate finance and investment advisory fees:		
Discontinued operations	-	2,236
Sale of goods:		
Discontinued/discontinuing operations	48	18,588
Rental income, net of business tax of HK\$215,512 (2004: HK\$88,825):		
Continuing operations	4,095	1,587
Interest income:		
Continuing operations	881	1,232
	5,024	23,643
Other revenues		
Interest income from bank	-	24
Write back of provision for bad and doubtful debts	778	-
Gain on disposal of fixed assets	367	-
Gain on disposal of other investments	75	1,500
Exchange gains, net	-	16
Others	1,027	370
	2,247	1,910

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2005 HK\$'000	2004 HK\$'000
Cost of inventories sold	-	16,503
Depreciation	979	3,551
Minimum lease payments under operating leases on leasehold land and buildings	1,394	3,599
Auditors' remuneration	260	550
Amortisation of goodwill	2,951	-
Staff costs (excluding directors' remuneration – note 8):		
Wages and salaries	4,184	6,735
Pension scheme contributions	122	337
	4,306	7,072
Deficit on revaluation of fixed assets*	800	-
Provision for inventory obsolescence	-	446
Loss on disposal of fixed assets*	205	270
Impairment of fixed assets*	-	5,526
Provision for bad and doubtful debts*	-	1,840
Loss on disposal of short term listed investments, net*	5,415	20,035
Unrealised loss on short term listed investments*	4,454	6,076
Provision for impairment on investment*	81	-
Write-back of provision for staff bonus	-	(3,109)
Net rental income	(3,556)	(1,382)

* Included in "Other operating expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on amounts due to securities dealers	432	766
Interest on finance leases	32	22
	464	788

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Details of directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Fees:		
Executive directors	-	-
Independent non-executive directors	-	100
	<u>-</u>	<u>100</u>
Other emoluments (executive directors):		
Basic salaries, housing benefits, other allowances and benefits in kind	455	2,160
Retirement benefits scheme contributions	6	24
	<u>461</u>	<u>2,184</u>
	<u>461</u>	<u>2,284</u>

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2005	2004
Nil – HK\$1,000,000	2	7
HK\$1,000,001 – HK\$2,000,000	-	1
	<u>2</u>	<u>8</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

(Continued)

Five highest paid employees

The five highest paid employees during the year included one (2004: two) director of the Company and his remuneration has been included in the directors' remuneration set out above. The details of the remuneration of the remaining four (2004: three) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	1,264	1,183
Retirement benefits scheme contributions	34	36
	<hr/> 1,298 <hr/>	<hr/> 1,219 <hr/>
	Number of employees	
	2005	2004
Nil – HK\$1,000,000	4	3
	<hr/> 4 <hr/>	<hr/> 3 <hr/>

9. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2004: Nil).

One of the Group's subsidiary registered in the People's Republic of China (the "PRC") is exempt from PRC corporate income tax for two years starting from the first profitable year of their operations and are entitled to a 50% relief from corporate income tax for the following three years under the PRC tax laws. No provision for income tax had been made as this subsidiary has available tax losses brought forward from prior years to offset the assessable profits generated. This subsidiary had been disposed in August 2003.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof. In accordance with the relevant tax rules and regulations, the Company's subsidiary registered in PRC benefits from income tax exemption and reduction.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

9. TAX (Continued)

	Group	
	2005 HK\$'000	2004 HK\$'000
Group:		
Hong Kong		
Charge for the year	-	-
Under provision in prior years	48	276
Elsewhere	410	159
Deferred taxation	-	-
	458	435
Tax charge	458	435

A reconciliation of the tax charge applicable to loss before tax using the statutory rates for the countries in which the Company and its subsidiaries are principally domiciled to the tax expense at the Group's effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rate of Hong Kong) to the effective tax rate, are as follows:

	2005		2004	
	HK\$'000	%	HK\$'000	%
Loss before tax	<u>(17,812)</u>		<u>(36,902)</u>	
Tax at the statutory tax rate of 17.5% (2004: 17.5%)	(3,117)	17.5	(6,458)	17.5
Higher tax rate of other countries	410	(2.3)	(159)	0.4
Income not subject to tax	(7,397)	41.5	(3,450)	9.3
Expenses not deductible for tax	9,794	(55.0)	9,692	(26.2)
Under-provision in prior year	48	(0.3)	276	(0.7)
Tax losses utilised from previous periods	-	-	(41)	0.1
Tax losses not recognised	720	(4.0)	575	(1.6)
	458	(2.6)	435	(1.2)
Tax charge at the Group's effective rate	458	(2.6)	435	(1.2)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

10. DISCONTINUED/DISCONTINUING OPERATIONS

Pursuant to a sale and purchase agreement dated 22 July 2003, the Group disposed of its entire interests in certain subsidiaries engaging in the manufacture and distribution of precision components processing equipment to an independent third party for a cash consideration of HK\$25 million. The disposal of the above business was completed on 21 August 2003 and resulted in a gain on disposal of subsidiaries of approximately HK\$192,000 for the year ended 31 March 2004.

Pursuant to a sale and purchase agreement dated 22 August 2003, the Group disposed of its entire interests in a subsidiary engaging in the provision of corporate finance and investment advisory services for a cash consideration of HK\$7 million. The disposal of the above business was completed on 30 December 2003 and resulted in a gain on disposal of a subsidiary of approximately HK\$1,909,000 for the year ended 31 March 2004.

Pursuant to a board resolution passed on 23 July 2004, the Group ceased the operations of trading of precision components processing equipment through abandonment.

The results of the discontinued/discontinuing operations included in the consolidated income statement for the two years ended 31 March 2005 and 31 March 2004 were as follows:

	Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision components processing equipment		Trading of precision components processing equipment		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
TURNOVER	-	2,236	-	18,089	48	499	48	20,824
Cost of sales	-	-	-	(16,214)	-	(735)	-	(16,949)
Gross profit/(loss)	-	2,236	-	1,875	48	(236)	48	3,875
Other revenues	-	103	-	135	1,070	22	1,070	260
Administrative expenses	-	(4,311)	-	(3,024)	(1,524)	(4,955)	(1,524)	(12,290)
Other operating expenses	-	(1,024)	-	(178)	(80)	(6,389)	(80)	(7,591)
Gain on disposal of discontinued operations	-	1,909	-	192	-	-	-	2,101
LOSS BEFORE TAX	-	(1,087)	-	(1,000)	(486)	(11,558)	(486)	(13,645)
Tax	-	(276)	-	-	-	-	-	(276)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	-	(1,363)	-	(1,000)	(486)	(11,558)	(486)	(13,921)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

10. DISCONTINUED/DISCONTINUING OPERATIONS *(Continued)*

The carrying amounts of the total assets and liabilities relating to the discontinued/discontinuing operations as at 31 March were as follows:

	Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision components processing equipment		Trading of precision components processing equipment		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Total assets	-	-	-	-	86	1,932	86	1,932
Total liabilities	-	-	-	-	(23)	(298)	(23)	(298)
Net assets	-	-	-	-	63	1,634	63	1,634

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company, was HK\$2,576,000 (2004: HK\$24,115,000).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$18,270,000 (2004: HK\$37,337,000) and the weighted average number of 433,302,000 (2004: 419,768,732) ordinary shares in issue during the year.

Diluted loss per share amounts for the current and prior years have not been disclosed as the share options outstanding during these years had no dilutive effect on the basic loss per share for these years.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

13. FIXED ASSETS

Group

	Investment properties HK\$'000	Leasehold land and building HK\$'000	Leasehold improve- ments HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:						
At beginning of year	75,472	4,625	431	8,572	1,158	90,258
Additions	-	-	-	10	-	10
Acquisition of subsidiaries	-	40,000	-	-	-	40,000
Disposals	-	(4,625)	(431)	(327)	(661)	(6,044)
Revaluation	-	(800)	-	-	-	(800)
At 31 March 2005	75,472	39,200	-	8,255	497	123,424
Analysis of cost or valuation						
At cost	-	-	-	8,255	497	8,752
At professional valuation						
- 31 March 2004	75,472	-	-	-	-	75,472
- 31 March 2005	-	39,200	-	-	-	39,200
	<u>75,472</u>	<u>39,200</u>	<u>-</u>	<u>8,255</u>	<u>497</u>	<u>123,424</u>
Accumulated depreciation and impairment:						
At beginning of year	-	158	353	8,291	387	9,189
Provided during the year	-	641	54	55	229	979
Disposals	-	(211)	(407)	(147)	(361)	(1,126)
At 31 March 2005	-	588	-	8,199	255	9,042
Net book value:						
At 31 March 2005	75,472	38,612	-	56	242	114,382
At 31 March 2004	75,472	4,467	78	281	771	81,069

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

13. FIXED ASSETS (Continued)

- (a) Investment properties and leasehold land and building at their net book values are analysed as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
In Hong Kong, held on Leases of between 10 to 50 years	-	4,467
Outside Hong Kong, held on Leases of between 10 to 50 years	114,084	75,472
	114,084	79,939

- (b) The Group's investment properties were stated at open market value basis by reference to a valuation report issued by Chung, Chan & Associates, an independent professionally qualified valuer on 31 March 2005. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 29(a) to the financial statements.
- (c) The Group's leasehold land and buildings as at 31 March 2005 were stated at revalued amount on an open market value basis at 31 March 2005, by Chung, Chan & Associates, an independent professionally qualified valuer. The deficit on revaluation of HK\$800,000 has been charged to income statement for the year. The carrying amount of these properties as at 31 March 2005 would have been HK\$39,200,000 had they been stated at cost less accumulated depreciation and accumulated impairment losses.
- (d) The net book value of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 March 2005 amounted to HK\$242,000 (2004: HK\$564,000).
- (e) The accumulated depreciation and impairment includes an amount of HK\$5,526,000 (2004: HK\$5,526,000) representing the impairment losses on furniture, office equipment and motor vehicles provided for the year ended 31 March 2004.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

14. GOODWILL

		Group	
	Note	2005 HK\$'000	2004 HK\$'000
Cost			
At 1 April		-	-
Acquisition of subsidiaries	27(a)	<u>19,674</u>	<u>-</u>
At 31 March		<u>19,674</u>	<u>-</u>
Accumulated amortisation and impairment losses			
At 1 April		-	-
Amortisation for the year		<u>2,951</u>	<u>-</u>
At 31 March		<u>2,951</u>	<u>-</u>
Net carrying value		<u><u>16,723</u></u>	<u><u>-</u></u>

15. LOAN RECEIVABLES, UNSECURED

	Group	
	2005 HK\$'000	2004 HK\$'000
Non-current portion	<u>5,294</u>	-
Current portion	<u>7,348</u>	<u>40,000</u>
	12,642	40,000
Less: Provision for doubtful debts	<u>-</u>	<u>-</u>
	<u><u>12,642</u></u>	<u><u>40,000</u></u>

The loan receivables of HK\$12,642,000 (2004: HK\$30,000,000) bear interest at the Hong Kong dollar prime rate per annum and are repayable within one year from the dates on which the loans are granted.

The remaining loan receivable of HK\$Nil (2004: HK\$10,000,000) bears interest at 5% per annum and is repayable within one year from the date on which the loan is granted.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

16. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 <i>HK\$'000</i>
Unlisted shares, at cost	151,932	131,899
Due from subsidiaries	160,423	165,410
Due to subsidiaries	(25,951)	(25,708)
	286,404	271,601
Provision for impairment	(132,000)	(132,000)
	154,404	139,601

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
New Times Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary HK\$1,000	100%	-	Investment holding
Elegant Pool Limited	British Virgin Islands/ Mainland China	Ordinary US\$100	-	100%	Property investment
First Up Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	-	100%	Investment holding
Ideal Far East Limited	Hong Kong	Ordinary HK\$10,000	-	100%	Trading of precision components processing equipment
Jefta Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US\$100	-	100%	Investment holding/ provision of financial services

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
South Richest Limited	Hong Kong	Ordinary HK\$2	-	100%	Investment Holding
New Times Finance Limited	Hong Kong	Ordinary HK\$20	-	100%	Provision of financial services
Richest Legend Limited	Hong Kong	Ordinary HK\$2	-	100%	Provision of administrative and support services
Weiqiu Industrial (Shenzhen) Company Limited*	PRC	RMB10,000,000	-	100%	Property investment

* wholly foreign owned enterprises

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

17. INVENTORIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Raw materials	-	-
Work in progress	-	-
Finished goods	-	892
	-	892
Less: Provision for inventory obsolescence	-	(892)
	-	-

No inventory (2004: HK\$Nil) was carried at net realizable value as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

18. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually allows an average credit period of 90 days to its customers and seeks to maintain strict control over its outstanding receivables. The following is an aged analysis of the trade receivables as at the balance sheet date, based on the invoice date.

	Group	
	2005 HK\$'000	2004 HK\$'000
Less than 90 days	1,119	2,112
91–180 days	449	34
Over 180 days	275	5,942
	<u>1,843</u>	<u>8,088</u>
Less: Provision for bad and doubtful debts	-	(5,973)
	<u><u>1,843</u></u>	<u><u>2,115</u></u>

19. NOTE RECEIVABLES

The note receivables bear interest at 5% per annum on the principal amount and are repayable after one year from the date of issue of the note. The note is convertible into ordinary shares of a listed company on the Stock Exchange at HK\$0.02 per share before the repayment date. The note was fully settled during the year.

20. SHORT TERM INVESTMENTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Short term investments		
Listed equity investments, at fair value:		
– Hong Kong	<u>3,247</u>	<u>20,512</u>
Market value of listed equity investments:		
– At balance sheet date	<u>3,247</u>	<u>20,512</u>
– At date of report	<u><u>1,835</u></u>	<u><u>9,754</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

21. PROVISIONS

Provision for legal and professional costs

	Group and Company	
	2005 HK\$'000	2004 HK\$'000
Balance at beginning of year	302	13,780
Additional provision	806	-
Amounts utilised during the year	(699)	(478)
Reversal of unutilised amounts	(409)	(13,000)
	<u> </u>	<u> </u>
At 31 March	<u> </u> -	<u> </u> 302

The amount of the provision for legal and professional costs is estimated based on the legal opinion obtained from the independent legal advisors of the Group. Owing to the settlement of the litigation as detailed in note 28 to the financial statements, an excess of the provision amounting to HK\$409,000 (2004: HK\$13,000,000) was written back to the income statement.

22. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At 31 March 2005, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Present value of minimum lease payments
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amounts payable:				
Within one year	103	167	93	133
In the second year	103	167	199	142
In the third to fifth years, Inclusive	111	294	-	276
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total minimum finance lease Payments	317	628	292	551
Future finance charges	(25)	(77)		
	<u> </u>	<u> </u>		
Total net finance lease payables	292	551		
Portion classified as current Liabilities	(93)	(133)		
	<u> </u>	<u> </u>		
Long term portion	199	418		
	<u> </u>	<u> </u>		

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

23. DEFERRED TAX LIABILITY

	Group	
	2005 HK\$'000	2004 HK\$'000
Revaluation of investment properties	<u>1,286</u>	<u>1,286</u>

The Group has tax losses arising in Hong Kong on HK\$14,922,000 (2004: HK\$19,837,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2005, there is no significant unrecognised deferred tax liability (2004: HK\$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

24. SHARE CAPITAL

	2005 HK\$'000	2004 HK\$'000
Authorised: 900,000,000 ordinary shares of HK\$0.10 each	<u>90,000</u>	<u>90,000</u>
Issued and fully paid: 433,302,000 (2004: 433,302,000) ordinary shares of HK\$0.10 each	<u>43,330</u>	<u>43,330</u>

There was no movement in the issued capital of the Company for the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

25. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include any director, or proposed director, including independent non-executive director, employee or proposed employee, secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee or distributor of goods or services of the Group, or any landlord or tenant of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The Scheme became effective on 30 August 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Cancelled/ lapsed		At 31 March 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options*	Price of Company's shares at grant date of options**
	At 1 April 2004	during the year					
Non-director	28,886,800	(28,886,800)	-	15 October 2002	1 February 2003 to 31 January 2008	\$0.67	\$0.67

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

During the year, 14,443,400 share options lapsed. Pursuant to an ordinary resolution passed at a special general meeting held on 28 June 2004, the outstanding 14,443,400 share options were cancelled. No consideration was payable by the Company for the cancellation of the share options.

No share option was granted or exercised during the year ended 31 March 2005. As at 31 March 2005, there was no share option outstanding under the Scheme.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 17 of the financial statements.

The capital reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through a reorganisation in relation to the listing of the Company's shares on the Stock Exchange in October 1998.

(b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2003	66,453	122,864	(80,877)	108,440
Issue of shares	28,887	-	-	28,887
Share issue expenses	(869)	-	-	(869)
Net loss for the year	-	-	(24,115)	(24,115)
At 31 March 2004 and at 1 April 2004	94,471	122,864	(104,992)	112,343
Net loss for the year	-	-	(2,576)	(2,576)
At 31 March 2005	94,471	122,864	(107,568)	109,767

The contributed surplus of the Company represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation prepared for the listing of the Company's shares on the Stock Exchange and the nominal amount of the Company's shares issued for the acquisition. Under Section 54 of the Bermuda Companies Act 1981, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	Notes	2005 HK\$'000	2004 HK\$'000
Net assets acquired:			
Fixed assets	13	40,000	71,187
Trade receivables		-	787
Other receivables		233	-
Cash and bank balances		93	2
Other payables, deposits and accrued liability		(5,000)	(1,558)
Tax payable		-	(418)
		<u>35,326</u>	<u>70,000</u>
Goodwill arising from the acquisition	14	19,674	-
		<u>55,000</u>	<u>70,000</u>
Satisfied by:			
Cash		55,000	70,000

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	(55,000)	(70,000)
Cash and bank balances acquired	93	2
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>(54,907)</u>	<u>(69,998)</u>

Pursuant to a conditional agreement dated 29 March 2004, the Group acquired the entire issued share capital of Smart Wave Limited ("Smart Wave") and the shareholder loan owing by Smart Wave to the vendor for the considerations of approximately HK\$21.3 million and HK\$33.7 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Acquisition of subsidiaries (Continued)

Smart Wave was incorporated in the British Virgin Islands and was engaged in investment holding company whose principal asset is the equity interest in a wholly owned subsidiary, Weiqiu Industrial (Shenzhen) Co., Ltd. ("Weiqiu"). Weiqiu is a property holding company whose principal asset is the land situated on Shenzhen, PRC and the development right thereon. The acquisition was completed on 9 July 2004.

Since its acquisition, the subsidiary contributed HK\$Nil to the Group's turnover and a loss of HK\$934,000 to the consolidated loss after tax for the year ended 31 March 2005.

(b) Disposal of subsidiaries

	2005 HK\$'000	2004 HK\$'000
Net assets disposed of:		
Fixed assets	-	11,254
Inventories	-	13,126
Trade receivables	-	12,696
Prepayments, deposits and other receivables	-	1,598
Investment in securities	4,967	-
Cash and bank balances	-	14,001
Trade payables	-	(13,944)
Other payables and accrued liabilities	(2,259)	(9,652)
Exchange fluctuation reserve	-	820
	2,708	29,899
Gain on disposal of subsidiaries	-	2,101
	2,708	32,000
Satisfied by:		
Cash	2,708	32,000

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	2,708	32,000
Cash and bank balances disposed of	-	(14,001)
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	2,708	17,999
	<hr/> <hr/>	<hr/> <hr/>

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed asset with a total capital value at the inception of the loan of HK\$Nil (2004: HK\$619,000).

28. LITIGATION

On 8 March 2001, Kistefos Investment A.S. ("Kistefos"), a shareholder of the Company which owned approximately 14.4% (2004: 14.4%) of the issued share capital of the Company at the balance sheet date, filed a petition (the "Petition") against the Company and a former director of the Company, in the Supreme Court of Bermuda (the "Court") under Section 111(1) of the Bermuda Companies Act 1981. The Petition was based on an alleged claim that certain affairs of the Company had been conducted in a manner that was oppressive or unfairly prejudicial to the interests of certain shareholders of the Company, including Kistefos itself. Pursuant to the Petition, Kistefos sought an order from the Court to either (i) force the Company or the former director to purchase all the shares of the Company held by Kistefos, at a fair value to be determined by the Court; or (ii) wind-up the Company by the Court.

After taking legal advice from its legal advisors in Bermuda, the Company made a strike out application in relation to the Petition, the Court hearing of which was completed in September 2001. In October 2001, the Court struck out the claim of Kistefos to wind-up the Company, and the remaining relief claimed by Kistefos in the Petition remains to be dealt with by the Court in subsequent hearings. In December 2001, the Company appealed to the Court of Appeal of Bermuda to strike out the entire Petition. In February 2002, Kistefos filed a notice of intention to the Court of Appeal of Bermuda to appeal against the decision made by the Court to strike out the claim to wind-up the Company. The hearing of the appeal was conducted in June 2002 and the Court of Appeal of Bermuda dismissed both the appeal of the Company and the cross-appeal of Kistefos. As a result, the claim by Kistefos to wind-up the Company remains struck out while the remaining relief claim was dealt with by the Court on 28 June 2004.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

28. LITIGATION (Continued)

On 8 July 2004, a compromise was reached between Kistefos and the Company in which a consent order (the "Consent Order") was issued by the Court for the parties. According to the Consent Order, the two parties will bear all of their own costs of the Petition and the Company and Kistefos have no further liability to each other for cost or otherwise in respect of the Petition. On 12 July 2004, a notice of discontinuance was filed by Kistefos to the Court to discontinue the Petition under the terms of the Consent Order.

Accordingly, the Company has written back the provision for legal and professional fees amounting to HK\$409,000 to the consolidated income statement for the year ended 31 March 2005.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13) under operating lease arrangements, with leases negotiated for terms ranging from three to five years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 March 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	4,474	6,704
In the second to fifth years, inclusive	8,524	18,097
	12,998	24,801

(b) As lessee

The Group leases its staff quarters and offices under operating lease arrangements. Leases for properties are negotiated for two years, term.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	810	531
In the second to fifth years, inclusive	636	-
	1,446	531

The Company did not have any significant operating lease arrangements as at 31 March 2005 (2004: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2005
(Continued)

30. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group and the Company had the following contracted, but not provided for commitments at the balance sheet date as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Capital commitments in respect of				
– Acquisition of a subsidiary	-	40,000	-	40,000
– Construction cost of properties under development*	62,472	-	-	-
	<u>62,472</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>

* Pursuant to the contractual arrangement with the constructor of the land, the constructor will recover the construction cost out of the net proceeds from the sale or rental generated from the properties constructed on the land in the 18-month period from completion of the construction of the properties on the land. In the event that the net proceeds from sale or rental generated over the aforesaid period is insufficient to repaid the constructor the full amount of the construction cost, the shortfall would be satisfied by the transfer of certain properties on the land with an equivalent market value (calculated on the basis of the then prevailing market price of those properties) to the constructor in full and final settlement of any liability of the Group towards the constructor in valuation to the construction cost.

31. 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 with the current year's presentation.