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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this prospectus, or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Goldbond Group Holdings Limited, you should at once hand this prospectus and the accompanying provisional allotment letter to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transferred to the Overseas Shareholders (as defined herein). Please refer to the paragraph headed "Entitlements of the Overseas Shareholders" in the "Letter from the Board" in this prospectus.

A copy of this prospectus, having attached thereto copies of the documents specified in the section headed "Documents registered with the Registrar of Companies in Hong Kong" in Appendix II to this prospectus has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of these documents.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Offer Shares will be accepted as eligible securities by the Hong Kong Securities Clearing Company Limited ("HKSCC") for deposit, clearance and settlement in the Central Clearing and Settlement System ("CCASS") with effect from the commencement date of dealings in the Offer Shares, or such other date as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

Dealings in the Shares in Goldbond Group Holdings Limited may be settled through CCASS and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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## GOLDBOND GROUP HOLDINGS LIMITED

金榜集團控股有限公司

*(incorporated in Hong Kong with limited liability)*

**OPEN OFFER TO  
QUALIFYING SHAREHOLDERS OF  
1,325,952,000 OFFER SHARES  
ON THE BASIS OF FOUR OFFER SHARES FOR EVERY  
EXISTING SHARE HELD AT A SUBSCRIPTION PRICE OF HK\$0.10 PER OFFER  
SHARE PAYABLE IN FULL ON ACCEPTANCE**

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The latest time for application and payment for the Offer Shares is 4:00 p.m. on Monday, 15 December, 2003. The procedure for application is set out on pages 16 and 18 of this prospectus.

It should be noted that the Underwriting Agreement contains certain provision granting the Underwriters the right to terminate the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on 18 December 2003 if Goldbond Group Holdings Limited commits any material breach of any of the obligations, undertakings, representations and warranties contained in the Underwriting Agreement. If the Underwriters exercise such right, the obligations of the Underwriters under the Underwriting Agreement shall cease and the Open Offer will not proceed.

It should also be noted that the Shares have been dealt in on an ex-entitlements basis as from 24 November 2003, and that dealings in such Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled or the date when the Underwriters' right to terminate their obligations under the Underwriting Agreement expires (which is expected to be 18 December 2003), will accordingly bear the risk that the Open Offer may not become unconditional in all respects and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares during such period who is in any doubt about his or her position is advised to consult his or her professional adviser.

28 November 2003

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Expected timetable</b> .....	5
<b>Letter from the Board</b>	
Introduction .....	6
Details of the Open Offer .....	7
Possible mandatory Cash Offer for the Shares .....	15
Maintaining the listing status of the Company .....	15
Business review of the Group .....	16
Financial and trading prospects of the Group .....	16
Procedure for application .....	16
Listing and dealings .....	18
General .....	18
<b>Appendix I – Financial information</b> .....	19
<b>Appendix II – General information</b> .....	55

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“A’ Preference Share(s)”	the non-interest bearing redeemable convertible preference share(s) of par value HK\$0.10 each in the existing preference share capital of the Company issued and allotted on 18 September 2001
“Ace Solomon”	Ace Solomon Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 11% by Mr. Wong, 46% by Mr. Kee and 43% by Ms. Loh, and is one of the Underwriters
“Allied Luck”	Allied Luck Trading Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 50% by Mr. Wong and as to the remaining 50% by Mrs. Wong; holding approximately 11.34% of the Company’s issued ordinary share capital as at the Latest Practicable Date, and is one of the Underwriters
“Announcement”	the announcement made by the Company on 22 October 2003 regarding, inter alia, the Open Offer
“associates”	has the meaning ascribed to it in the Listing Rules
“B’ Preference Share(s)”	the non-interest bearing redeemable convertible preference share(s) of par value HK\$0.10 each in the existing preference share capital of the Company issued and allotted on 18 September 2001
“Board”	the board of Directors
“Business Day(s)”	day(s) on which licensed banks are open for business in Hong Kong (excluding Saturdays)
“Canasia”	Canasia Profits Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Kee, and holding approximately 8.07% of the Company’s issued ordinary share capital as at the Latest Practicable Date

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## DEFINITIONS

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“Cash Offer”	the possible mandatory cash offer to be made by Goldbond Capital (Asia) Limited (formerly known as Asia Investment Capital Limited), on behalf of Allied Luck and Ace Solomon, to acquire all the issued Shares and Preference Shares not already owned and/or agreed to be acquired by Allied Luck, Ace Solomon and parties acting in concert with them at HK\$0.10 per Share and HK\$0.0001 per Preference Share respectively
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 12 November 2003 regarding, inter alia, the Open Offer
“Company”	Goldbond Group Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of shareholders of the Company to consider and, if thought fit, approve, among other matters, the Open Offer held at 10:00 a.m. on 28 November 2003
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Significant Shareholders and their respective associates
“Latest Practicable Date”	26 November 2003, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus

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## DEFINITIONS

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“Mr. Kee	Mr. Kee Wah Sze, an executive Director
“Mr. Ko”	Mr. Ko Po Ming, an executive Director
“Ms. Loh”	Ms. Loh Jiah Yee, Katherine, an executive Director
“Mr. Wong”	Mr. Wong Yu Lung, Charles, an executive Director
“Mrs. Wong”	Mrs. Wong Fang Pik Chun, the spouse of Mr. Wong
“Open Offer”	the open offer of four Offer Shares for every existing Share held by the Qualifying Shareholders
“Offer Share(s)”	new Share(s) to be issued under the Open Offer
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register is(are) outside Hong Kong where, in the opinion of the Directors, the Offer Shares may not be offered to them without compliance with registration and/or other legal or regulatory requirements in such jurisdictions
“PRC”	the People’s Republic of China
“Preference Share(s)”	‘A’ Preference Share(s) and ‘B’ Preference Share(s)
“Preference Shareholder(s)”	holder(s) of the Preference Share(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and who is (are) not entitled to subscribe for the Offer Shares by virtue of the difference in rights attached to the Shares and the Preference Shares
“Prospectus Documents”	this prospectus together with the provisional allotment letter in respect of the Offer Shares
“Qualifying Shareholder(s)”	Shareholder(s), other than the Overseas Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es), as shown on such register of members of the Company, is(are) in Hong Kong

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## DEFINITIONS

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“Record Date”	28 November 2003, being the date by reference to which entitlements under the Open Offer will be determined
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the ordinary share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) in issue
“Significant Shareholders”	Allied Luck, Canasia and Sparkle Power, holding an aggregate of approximately 23.38% of the issued ordinary share capital of the Company as at the Latest Practicable Date
“Sparkle Power”	Sparkle Power Technology Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Ms. Loh and as to the remaining 50% by Mr. Ko, and holding approximately 3.97% of the Company’s issued ordinary share capital as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriters”	Allied Luck and Ace Solomon, being the underwriters of the Open Offer
“Underwriting Agreement”	the underwriting agreement dated 17 October 2003 entered into between the Company, Allied Luck and Ace Solomon in relation to the Open Offer
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“%”	per cent.

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## EXPECTED TIMETABLE

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*2003*

Record Date ..... Friday, 28 November

Latest time for payment for and acceptance of the

Offer Shares ..... 4:00 p.m. on Monday, 15 December

Open Offer becoming unconditional ..... 4:00 p.m. on Thursday, 18 December

Announcement of results of acceptance of the Open Offer ..... Friday, 19 December

Share certificates for the Offer Shares to be despatched ..... Monday, 22 December

Commencement of trading in the fully-paid Offer Shares ..... Wednesday, 24 December

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LETTER FROM THE BOARD

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**GOLDBOND GROUP HOLDINGS LIMITED**

**金榜集團控股有限公司**

*(incorporated in Hong Kong with limited liability)*

*Executive Directors:*

Mr. Wong Yu Lung, Charles  
Mr. Ko Po Ming  
Ms. Loh Jiah Yee, Katherine  
Mr. Lan Ning  
Mr. Kee Wah Sze

*Registered and principal office:*

Unit 3902A, 39th Floor, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

28 November 2003

*Independent non-executive Directors:*

Mr. Ma Ho Fai  
Mr. Zhang Xiao Shu

*To all Qualifying Shareholders and,  
for information only, the Overseas Shareholders  
and the Preference Shareholders*

Dear Sir or Madam,

**OPEN OFFER TO  
QUALIFYING SHAREHOLDERS OF  
1,325,952,000 OFFER SHARES  
ON THE BASIS OF FOUR OFFER SHARES FOR EVERY  
EXISTING SHARE HELD AT A SUBSCRIPTION PRICE OF HK\$0.10 PER  
OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE**

**INTRODUCTION**

Reference is made to the announcement and circular of the Company dated 22 October 2003 and 12 November 2003 respectively.

As disclosed in the Announcement and the Circular, the Company proposed to raise approximately HK\$132.6 million before expenses by issuing not less than 1,325,952,000 Offer Shares and not more than 1,335,072,024 Offer Shares at a price of HK\$0.10 per Offer Share by way of the Open Offer, payable in full on application on terms set out below. The Company will



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## LETTER FROM THE BOARD

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provisionally allot the Offer Shares to the Qualifying Shareholders on the basis of four Offer Shares for every Share held by the Qualifying Shareholders as at the Record Date. The Open Offer is not available to the Overseas Shareholders and the Preference Shareholders.

At the EGM held on 28 November 2003, resolutions were duly passed by the Independent Shareholders (and for certain resolutions, the Shareholders) to approve, inter alia, the Open Offer.

This prospectus sets out details of the Open Offer, including information on dealings in and application for the Offer Shares, and certain financial and other information in respect of the Group.

### DETAILS OF THE OPEN OFFER

Details of the Open Offer are set out below:

Basis of the Open Offer	:	Four Offer Shares for every existing Share held by each Qualifying Shareholder as at the Record Date at a subscription price of HK\$0.10 per Offer Share
Number of Shares in issue	:	331,488,000 Shares as at the Latest Practicable Date
Number of Offer Shares	:	1,325,952,000 Offer Shares

Save for the Preference Shares, as at the Latest Practicable Date, there were no outstanding securities, options or warrants which were convertible into new Shares.

### Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. This prospectus will also be sent to the Overseas Shareholders and the Preference Shareholders, but only for their information.

To be qualified for the Open Offer, a Shareholder must:

- be registered as a member of the Shares on the Record Date; and
- have an address in Hong Kong which appears on the register of members of the Company on the Record Date.

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## LETTER FROM THE BOARD

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At the Latest Practicable Date, the Company has 68,400,000 Preference Shares in issue, the respective holders of which, who are independent third parties not connected with the chief executive, directors or substantial shareholders of the Company and/or their respective associates and parties acting in concert with any of them, are entitled to convert into an aggregate of 2,280,006 Shares prior to the Record Date. None of the Preference Shares were converted into the Shares on the Record Date.

The invitation to apply for the Offer Shares and the related provisional allotment are neither transferable nor receivable, and there will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange.

The Company will send the provisional allotment letters in respect of the Offer Shares to the Qualifying Shareholders only.

### **Subscription price for the Offer Shares**

The subscription price is HK\$0.10 per Offer Share payable in full upon acceptance of the provisional allotments under the Open Offer. The subscription price represents:

- a discount of approximately 67.21% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on 16 October 2003 (being the last trading day immediately preceding the Announcement);
- a discount of approximately 29.08% to the theoretical ex-entitlement price of approximately HK\$0.141 per Share based on the closing price per Share as quoted on the Stock Exchange on 16 October 2003 (being the last trading day immediately preceding the Announcement);
- a discount of approximately 74.81% to the average closing price of HK\$0.397 per Share based on the daily closing prices as quoted on the Stock Exchange over the last 10 trading days up to and including 16 October 2003 (being the last trading day immediately preceding the Announcement);
- a discount of approximately 37.11% to the theoretical ex-entitlement price of approximately HK\$0.159 per Share based on the average closing price of approximately HK\$0.397 per Share over the last 10 trading days up to and including 16 October 2003 (being the last trading day immediately preceding the Announcement); and

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## LETTER FROM THE BOARD

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- a discount of approximately 49.49% to the closing price of HK\$0.198 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The subscription price was determined after arm's length negotiations between the Company and the Underwriters, with reference to the market price of the Shares and also to other factors such as liquidity of the Shares, the par value of the Shares of HK\$0.10 each which sets the minimum price for subscription of new Shares, and the fact that there are no force majeure provisions in the Underwriting Agreement and the Company is not required to pay any underwriting commission to the Underwriters. The Directors consider that the discount of the subscription price to the market price of the Shares is in line with that of other recent rights issues and/or open offers of listed securities in Hong Kong and such subscription price is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

### **Status of the Offer Shares**

The Offer Shares, when issued, allotted and fully-paid, will rank pari passu with the then issued Shares in all respects. Holders of the fully-paid Offer Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by reference to a record date falling after the date of issue and allotment of the Offer Shares.

Offer Shares are expected to be traded in board lots of 10,000 shares. Dealings in the Offer Shares will be subject to the payment of the applicable stamp duty, Stock Exchange trading fee, the SFC transaction levy or any other applicable fees and charges in Hong Kong.

### **Entitlements of the Overseas Shareholders**

If on the Record Date, a Shareholder's address on the register of members of the Company is at a place outside Hong Kong, such Shareholder will not be eligible to take part in the Open Offer, as the Prospectus Documents will not be registered under the applicable securities laws or regulations of any jurisdiction other than Hong Kong. The issue of Offer Shares to an Overseas Shareholder may therefore contravene the applicable securities laws or rules of the place of residence of such Overseas Shareholder. Accordingly, the Overseas Shareholders will not be qualified for the Open Offer. The Company will send this prospectus to the Overseas Shareholders for their information only. The Company will not send the provisional allotment letters for the Offer Shares to the Overseas Shareholders. The Offer Shares to which the Overseas Shareholders would otherwise have been entitled under the Open Offer will be taken up by the Underwriters.

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## LETTER FROM THE BOARD

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### **Fractions of Offer Shares**

According to the basis of the Open Offer, there will not be any allotment of fractions of the Offer Shares.

### **Share certificates**

Subject to the fulfilment of the conditions of the Open Offer, certificates for all the fully-paid Offer Shares are expected to be posted to those who have been accepted and paid for the Offer Shares at their own risk on or before Monday, 22 December 2003.

### **No application for excess Offer Shares**

After arm's length negotiation with the Underwriters, the Company decided that no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlements.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

### **Underwriting Agreement**

Date:	17 October 2003
Underwriters:	Allied Luck, which is owned as to 50% by Mr. Wong and as to the remaining 50% by Mrs. Wong; and Ace Solomon, which is owned as to 11% by Mr. Wong, as to 46% by Mr. Kee and as to 43% by Ms. Loh
Total number of Offer Shares underwritten:	a maximum of 1,015,920,000 Offer Shares (assuming that no Preference Shares are converted prior to the Record Date) or a maximum of 1,025,040,024 Offer Shares (assuming that the Preference Shares are fully converted up to the applicable conversion limit prior to the Record Date)
Number of Offer Shares underwritten by Allied Luck:	a maximum of 309,275,100 Offer Shares (other than those Offer Shares to which Allied Luck, Canasia and Sparkle Power are entitled under the Open Offer as Qualifying Shareholders)

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## LETTER FROM THE BOARD

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Number of Offer Shares underwritten by Ace Solomon: all other Offer Shares (other than those Offer Shares to which Allied Luck, Canasia and Sparkle Power are entitled under the Open Offer as Qualifying Shareholders) which are not underwritten by Allied Luck, amounting to a maximum of 706,644,900 Offer Shares (assuming no Preference Shares are converted prior to the Record Date) or 715,764,924 Offer Shares (assuming the Preference Shares are fully converted up to the applicable conversion limit prior to the Record Date)

Underwriting commission: Nil

### **Undertakings by the Significant Shareholders**

As at the Latest Practicable Date, the Significant Shareholders in aggregate hold 77,508,000 Shares, representing approximately 23.38% of the Company's existing issued ordinary share capital. Each of the Significant Shareholders has irrevocably undertaken to the Company that the Shares beneficially owned by each of them will remain registered in its respective name from the date of the Announcement up to the Record Date, and each of them has also undertaken to subscribe or provide subscribers for its provisional entitlements in full, in aggregate amounting to 310,032,000 Offer Shares.

The Offer Shares (other than those Offer Shares for which the Significant Shareholders have irrevocably undertaken to subscribe) will be underwritten firstly by Allied Luck up to 309,275,100 of such Offer Shares and secondly by Ace Solomon as to the remaining of such Offer Shares, so that all such Offer Shares shall be fully underwritten by the Underwriters on an aggregate basis.

In the event that the Underwriters are called upon to fulfil their underwriting obligations under the Underwriting Agreement in full, the aggregate shareholding of the Underwriters, namely Allied Luck and Ace Solomon, together with parties acting in concert with them (including Canasia and Sparkle Power) in the issued ordinary share capital of the Company as enlarged by the Open Offer would be increased from approximately 23.38% to approximately 84.68%.

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## LETTER FROM THE BOARD

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### Shareholding structure

Upon completion of the Open Offer, the shareholding structure of the Company will be as follows:

	Existing structure		Immediately after completion of the Open Offer (assuming that the Underwriters have to fulfil their obligations in full)	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Allied Luck ( <i>Note</i> )	37,591,380	11.34	187,956,900	11.34
Allied Luck (as Underwriter)	—	—	309,275,100	18.66
Canasia	26,740,260	8.07	133,701,300	8.07
Sparkle Power	13,176,360	3.97	65,881,800	3.97
Ace Solomon	—	—	706,644,900	42.64
	<hr/>		<hr/>	
Sub-total	77,508,000	23.38	1,403,460,000	84.68
Public shareholders	253,980,000	76.62	253,980,000	15.32
	<hr/>		<hr/>	
<b>Total</b>	<b><u>331,488,000</u></b>	<b><u>100.00</u></b>	<b><u>1,657,440,000</u></b>	<b><u>100.00</u></b>

*Note:* with respect to its own entitlement under the Open Offer

### Underwriting fee

The Company shall pay to the Underwriters only such out-of-pocket and other expenses reasonably and properly incurred by the Underwriters in connection with the Underwriting Agreement. No underwriting commission will be paid by the Company to the Underwriters.

### Termination of the Underwriting Agreement

If (i) any of the conditions to the Underwriting Agreement (including but not limited to the conditions to the Open Offer as set out in the section headed “Conditions of the Open Offer” below) are not fulfilled on or before 18 December 2003 or shall become incapable of being fulfilled on or before such time or date, or such later date as the Company and the Underwriters may agree in writing, or (ii) any of the terms of the Underwriting Agreement is breached, the Underwriters shall have the right to terminate the Underwriting Agreement by written notice upon which the obligations of the Underwriters and the Company under the

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## LETTER FROM THE BOARD

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Underwriting Agreement shall terminate and cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of any antecedent breach of any obligation under the Underwriting Agreement.

Although Allied Luck and Ace Solomon have no previous experience in underwriting securities, having considered factors such as the liquidity of the Shares, the size of the Open Offer and the fact that there are no force majeure provisions under the Underwriting Agreement and the Company is not required to pay any underwriting commission to the Underwriters, the Directors are of the view that the entering into of the Underwriting Agreement with the Underwriters is beneficial to the Company and the Shareholders as a whole.

### **Conditions of the Open Offer**

The Open Offer is conditional upon, among other things, each of the following events:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Offer Shares;
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional in accordance with its terms;
- (iii) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong; and
- (iv) compliance with all legal and regulatory requirements (including but not limited to approval of shareholders of the Company) (if any) in respect of the Open Offer.

Neither the Company nor the Underwriters may waive the conditions (i), (ii) and (iv) above. Only the Underwriters have the right to waive condition (ii) above.

### **Warning of the risks of dealings in the Shares**

**The Shares have been dealt with on an ex-entitlement basis from 24 November 2003. If the Underwriters terminate the Underwriting Agreement, or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. Any person dealing in the ex-entitlement Shares will accordingly bear the risk that the Open Offer may not become unconditional and/or may not proceed.**

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## LETTER FROM THE BOARD

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**Any Shareholder or other person contemplating selling or purchasing the Shares during such period who is in any doubt about his/her position is recommended to consult his/her own professional adviser.**

### **Reasons for the Open Offer and the use of proceeds**

The Group is principally engaged in property investment and other investments in Hong Kong and the PRC. The audited consolidated net asset value of the Group as at 31 March 2002 and 31 March 2003 were approximately HK\$127,075,000 and HK\$135,491,000 respectively. The audited consolidated net loss of the Group for the two years ended 31 March 2003 were approximately HK\$78,965,000 and HK\$71,962,000 respectively.

The Group is aiming to diversify its sources of income and further develop its existing business. At this juncture, the Group is exploring various business opportunities. The Directors consider that the Open Offer will enable the Group to raise funds to improve its financial position and to finance any future investment opportunities that may arise. The Company has been in negotiations in relation to possible property investments in the PRC which the Directors believe would enhance the Group's earnings and would generate attractive returns on investment for the Company. The negotiation is at the final stage as at the Latest Practicable Date, however, the terms of the negotiation have not been finalised nor any form of legally binding agreement been entered into. Formal agreements regarding these possible investments may or may not be entered into. Moreover, as the Open Offer allows Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Open Offer.

The net proceeds of the Open Offer after deducting expenses are expected to be not less than approximately HK\$131.7 million. The estimated amount of expense of the Open Offer is approximately HK\$900,000. Though currently not earmarked for any specific purpose, the net proceeds are intended to be used as to approximately HK\$100.0 million as funding for any potential future investments (including PRC property investments) and as to the remaining balance of approximately HK\$31.7 million as general working capital of the Group. None of the net proceeds will be used for repayment of any existing loans of the Company.

The Company announced to raise net proceeds of approximately HK\$17.4 million by way of an open offer in November 2002. Such net proceeds were subsequently used to reduce part of the Company's indebtedness, which is in line with the intended use of such net proceeds as stated in the prospectus of the Company in relation to the open offer dated 13 December 2002. As at 31 March 2003, total indebtedness of the Group was approximately HK\$206.5 million.



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## LETTER FROM THE BOARD

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### **POSSIBLE MANDATORY CASH OFFER FOR THE SHARES**

If, as a result of the taking up of the Offer Shares by Allied Luck and/or Ace Solomon under the Underwriting Agreement, Allied Luck, Ace Solomon and parties acting in concert with them acquire Shares such that their aggregate holding of voting rights in the Company is increased to 30% or more, Allied Luck, Ace Solomon and parties acting in concert with them will be required under Rule 26 of the Takeovers Code to make a general offer for the Shares and the Preference Shares other than those already held by Allied Luck, Ace Solomon and parties acting in concert with them. In such event, Goldbond Capital (Asia) Limited (formerly known as Asia Investment Capital Limited), on behalf of Allied Luck and Ace Solomon, will make an offer to acquire all the existing Shares and Preference Shares other than those already owned and/or agreed to be acquired by Allied Luck, Ace Solomon and/or parties acting in concert with them.

### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

**It is the intention of Allied Luck and Ace Solomon that the listing of the Shares on the Stock Exchange should be maintained. Accordingly, Ace Solomon has undertaken to the Stock Exchange, in terms to be agreed with the Stock Exchange, to take appropriate steps as soon as practicable following the close of the Open Offer and the Cash Offer to ensure that such number of the Shares as may be required by the Stock Exchange are held by the public. The Stock Exchange has stated that, in the event that less than 25% of the Shares are in public hands following the closing of the Open Offer and the Cash Offer, or if the Stock Exchange believes that a false market exists or may exist in the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.**

**If the Company remains as a listed company, any future injections into or disposals of the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to its shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of the Group. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals may, in any event, result in the Company being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.**

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## LETTER FROM THE BOARD

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### **BUSINESS REVIEW OF THE GROUP**

The principal business of the Group is property investment and other investments in Hong Kong and the PRC. During the year ended 31 March 2003, turnover of the Group was mainly contributed by the rental income derived from its existing properties, Golden Plaza, No. 745-747 Nathan Road, Kowloon. Almost all of the total gross floor area of Golden Plaza has been rented.

For the year ended 31 March 2003, the Group recorded a net loss attributable to shareholders of approximately HK\$71,962,000, which was mainly attributable to the provision for impairment in value of investment properties and other investments.

As at 31 March 2003, the Group had net assets value of approximately HK\$135,491,000 and cash and bank balances of approximately HK\$13,102,000.

### **FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

Despite the gloomy economy in Hong Kong, Golden Plaza, being situated in Mongkok with an already established niche market, continues to provide satisfactory results. Looking ahead, occupancy rate of Golden Plaza is expected to remain high.

At the same time, the Board will continue to look for investment opportunities that have earning potentials, with an aim to diversify its sources of income and to develop its existing business. In particular, the Board will focus on the companies in Hong Kong and the PRC that either (i) have steady income and positive cashflow, or are in industries where the barrier of entry are relatively high; or (ii) are in fast growing industries.

It is the ultimate goal of the Board to make use of the Group's resources to maximise the value of the Company.

### **PROCEDURE FOR APPLICATION**

The provisional allotment letter in respect of your entitlements is enclosed with this prospectus. In the case where you are a Qualifying Shareholder, it entitles you to apply for up to the number of Offer Shares set out therein. Qualifying Shareholders should note that they may apply for any number of Offer Shares up to the number set out in the provisional allotment letter. If you are a Qualifying Shareholder and you wish to apply for all or any of your entitlements to the Offer Shares as specified in the enclosed provisional allotment letter in respect of your entitlements, you must sign and lodge the provisional allotment letter, duly completed in accordance with the instructions printed thereon and accompanied by an appropriate remittance for the full amount payable on application in respect of the Offer Shares provisionally allotted to you, with the share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:00 p.m. on 15

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## LETTER FROM THE BOARD

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December 2003. All remittances must be made in Hong Kong dollars and cheques or cashier orders must be drawn on a bank account in Hong Kong and made payable to “Goldbond Group Holdings Limited – Open Offer Account” and crossed “Account Payee Only”.

**It should be noted that unless the duly completed provisional allotment letter, together with the corresponding payment, is lodged with the share registrar and transfer office of the Company by 4:00 p.m. on 15 December 2003 by a Qualifying Shareholder, his/her relevant entitlements under the Open Offer will be deemed to have been not applied for.**

The provisional allotment letter contains full information regarding the procedure to be followed if a Qualifying Shareholder wishes to apply for only part of his/her entitlements under the Open Offer.

If the conditions of the Open Offer are not fulfilled or the Underwriting Agreement is terminated in accordance with its terms and conditions, the application monies will be refunded, without interest, by sending a cheque made out to the relevant Qualifying Shareholder named on the provisional allotment letter, or in the case of joint Shareholders to the first-named Shareholder and crossed “Account Payee Only”, in each case through ordinary post at the risk of such person, to the address specified in the register of members of the Company.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any application in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment letter and all rights thereunder will be deemed to have been declined and will be cancelled.

The provisional allotment letter is for use only by the person(s) to whom it is addressed and is not transferable. Documents, including cheques for refunds, will be sent by post at the risk of the persons entitled thereto to their registered addresses by the share registrar and transfer office of the Company.

No receipt will be issued in respect of any subscription monies received.

No action has been taken in any territory other than Hong Kong to permit the offering of the Offer Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to take up the Offer Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirement. No application for the Offer Shares can be made by any person whose registered address, on the Record Date, is in a place

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## LETTER FROM THE BOARD

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outside Hong Kong. The Company reserves the right to refuse the application for Offer Shares which it believes that acceptance would violate any applicable securities or other laws or regulations of any jurisdiction.

### LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares which may be issued pursuant to the Open Offer. Dealings in the Offer Shares are expected to commence on Wednesday, 24 December 2003. No part of the securities of the Group are listed or dealt in on any stock exchanges other than the Stock Exchange, nor is the listing of, or permission to deal in, the Company's securities on any other stock exchanges being or proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Offer Shares be admitted into CCASS.

Dealings in the Offer Shares will be subject to payment of stamp duty in Hong Kong.

### GENERAL

Your attention is also drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully  
By Order of the Board  
**Goldbond Group Holdings Limited**  
**Lam Kwok Wah**  
*Company Secretary*

**A. SHARE CAPITAL**

The authorised and issued share capital of the Company immediately following the completion of the Open Offer (assuming the Open Offer becoming unconditional) will be as follows:

**Ordinary Shares**

*Authorised:* *HK\$*

<u>25,000,000,000</u> Shares	<u>2,500,000,000</u>
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*Issued, to be issued and fully paid:*

	<i>HK\$</i>
331,488,000 Shares in issue	33,148,800
<u>1,325,952,000</u> Shares to be issued pursuant to the Open Offer	<u>132,595,200</u>
<u>1,657,440,000</u>	<u>165,744,000</u>

**Preference Shares**

*Authorised, issued and fully paid:* *HK\$*

<u>68,400,000</u> Preference Shares	<u>6,840,000</u>
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The Offer Shares will, when allotted, issued and fully-paid, rank pari passu in all respects with the Shares then in issue on the Record Date including the right to receive all dividends and other distributions which may be declared, made or paid after the date in which the Offer Shares are allotted.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchanges.

Save for the Preference Shares, as at the Latest Practicable Date, there were no outstanding securities, options or warrants which were convertible into new Shares.

**B. SUMMARY OF FINANCIAL INFORMATION**

The following is a summary of the audited consolidated results of the Group for each of the three years ended 31 March 2003 and the audited consolidated balance sheets of the Group as at 31 March 2001, 31 March 2002 and 31 March 2003. The information is extracted from the audited consolidated financial statements of the Group:

**Results**

	<b>Year ended 31 March</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Turnover</b>	23,175	23,051	23,203
Direct outgoings	(322)	(1,772)	(3,420)
	<u>22,853</u>	<u>21,279</u>	<u>19,783</u>
Other revenue	2,529	6,480	22,136
Other net loss	(2,272)	–	–
Administrative expenses	(5,644)	(9,445)	(17,295)
Other operating expenses	(2,668)	(1,106)	–
Gain on disposal of interest in associates	5,112	17,877	–
Provision for impairment in value of goodwill	–	(78,400)	–
Provision for losses on restructuring	–	–	(590,700)
Provision for impairment in value of other investments	(60,000)	–	–
Deficit on revaluation of investment properties	(15,080)	(70)	(25,000)
Loss on disposal of a property under redevelopment	–	–	(339,344)
Loss from operations	(55,170)	(43,385)	(930,420)
Finance costs	(15,792)	(31,743)	(94,138)
Share of loss of an associate	–	(3,837)	(99,811)
<b>Loss from ordinary activities before taxation</b>	(70,962)	(78,965)	(1,124,369)
Taxation	(1,000)	–	(18)
<b>Loss attributable to shareholders</b>	<u>(71,962)</u>	<u>(78,965)</u>	<u>(1,124,387)</u>
<b>Loss per share – Basic</b>	<u>HK\$0.02</u>	<u>HK\$0.04</u>	<u>HK\$2.78</u>

**Assets and liabilities**

	<b>Year ended 31 March</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS	360,615	482,865	591,097
TOTAL LIABILITIES	225,124	355,790	698,701
	<u>135,491</u>	<u>127,075</u>	<u>(107,604)</u>

## C. AUDITED FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated profit and loss account of the Group for each of the two years ended 31 March 2003, the audited consolidated balance sheet of the Group as at 31 March 2002 and 31 March 2003 and the audited consolidated cash flow statement for the years ended 31 March 2002 and 31 March 2003 together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 March 2003.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*For the year ended 31 March 2003*

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Turnover</b>	2	23,175	23,051
Direct outgoings		(322)	(1,772)
		22,853	21,279
Other revenue	3	2,529	6,480
Other net loss	3	(2,272)	–
Administrative expenses		(5,644)	(9,445)
Other operating expenses		(2,668)	(1,106)
Gain on disposal of interest in associates		5,112	17,877
Provision for impairment in value of goodwill		–	(78,400)
Provision for impairment in value of other investments	13	(60,000)	–
Deficit on revaluation of investment properties	10	(15,080)	(70)
Loss from operations		(55,170)	(43,385)
Finance costs	4(a)	(15,792)	(31,743)
Share of loss of an associate		–	(3,837)
<b>Loss from ordinary activities before taxation</b>	4	(70,962)	(78,965)
Taxation	5(a)	(1,000)	–
<b>Loss attributable to shareholders</b>	8, 22	<u>(71,962)</u>	<u>(78,965)</u>
<b>Loss per share – Basic</b>	9	<u>HK\$0.02</u>	<u>HK\$0.04</u>

The notes on pages 30 to 53 form part of these financial statements.



## CONSOLIDATED BALANCE SHEET

At 31 March 2003

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets	10	336,146	350,730
Interest in an associate	12	–	–
Other investments	13	3,000	–
		<u>339,146</u>	<u>350,730</u>
<b>Current assets</b>			
Trading securities	14	2,840	–
Accounts receivable	15	4,061	3,306
Prepayments, deposits and other receivables		1,466	1,733
Cash and cash equivalents	16	13,102	127,096
		<u>21,469</u>	<u>132,135</u>
<b>Current liabilities</b>			
Interest-bearing bank loans and other borrowings	17	10,992	8,394
Amounts due to related companies	18	13,616	91,446
Other payables and accruals		17,654	20,761
Taxation	5(b)	950	–
		<u>43,212</u>	<u>120,601</u>
<b>Net current (liabilities)/assets</b>		<u>(21,743)</u>	<u>11,534</u>
<b>Total assets less current liabilities</b>		<u>317,403</u>	<u>362,264</u>
<b>Non-current liabilities</b>			
Interest-bearing bank loans and other borrowings	17	(181,912)	(175,189)
Convertible bonds	19	–	(60,000)
		<u>(181,912)</u>	<u>(235,189)</u>
		<u>135,491</u>	<u>127,075</u>

		<b>2003</b>	<b>2002</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	21	999,720	479,320
Reserves	22	<u>(864,229)</u>	<u>(352,245)</u>
		<u>135,491</u>	<u>127,075</u>

The notes on pages 30 to 53 form part of these financial statements.

**BALANCE SHEET***At 31 March 2003*

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets	10	346	–
Interest in subsidiaries	11	324,241	342,907
Other investments	13	3,000	–
		<u>327,587</u>	<u>342,907</u>
<b>Current assets</b>			
Interest in subsidiaries	11	10,992	8,394
Prepayments, deposits and other receivables		375	938
Cash and cash equivalents	16	10,603	121,471
		<u>21,970</u>	<u>130,803</u>
<b>Current liabilities</b>			
Interest-bearing bank loans and other borrowings	17	10,992	8,394
Amounts due to related companies	18	13,616	91,446
Other payables and accruals		7,471	11,318
		<u>32,079</u>	<u>111,158</u>
<b>Net current (liabilities)/assets</b>		<u>(10,109)</u>	<u>19,645</u>
<b>Total assets less current liabilities</b>		<u>317,478</u>	<u>362,552</u>
<b>Non-current liabilities</b>			
Interest-bearing bank loans and other borrowings	17	(181,912)	(175,189)
Convertible bonds	19	–	(60,000)
		<u>(181,912)</u>	<u>(235,189)</u>
		<u>135,566</u>	<u>127,363</u>

		<b>2003</b>	<b>2002</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	21	999,720	479,320
Reserves	22	<u>(864,154)</u>	<u>(351,957)</u>
		<u>135,566</u>	<u>127,363</u>

The notes on pages 30 to 53 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2003

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Shareholders' equity at the beginning of the year	127,075	(107,604)
Surplus on revaluation of other investments	3,000	–
Exchange loss released upon disposal of an associate	–	84
Release of goodwill upon disposal of an associate	–	(14,124)
<b>Net gains/(losses) not recognised in the profit and loss account</b>	<b>3,000</b>	<b>(14,040)</b>
<b>Net loss for the year</b>	<b>(71,962)</b>	<b>(78,965)</b>
Movements in share capital and reserves		
– Issue of new ordinary shares under the Placement	60,000	73,700
– Issue of new ordinary shares under Rights Issue	460,400	86,120
– Issue of new preference shares	–	171,000
– Bonus issue	(441,984)	–
– Share issue expenses	(1,038)	(3,136)
<b>Net increase in shareholders' equity arising from capital transactions</b>	<b>77,378</b>	<b>327,684</b>
Shareholders' equity at the end of the year	135,491	127,075

The notes on pages 30 to 53 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2003

	<b>2003</b>	<b>2002</b>
		<i>restated</i>
<i>Note</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Operating activities</b>		
Loss from ordinary activities before taxation	(70,962)	(78,965)
Adjustments for:		
– Interest income	(1,656)	(709)
– Depreciation	16	–
– Provision for impairment in value of other investments	60,000	–
– Deficit on revaluation of investment properties	15,080	70
– Finance costs	15,792	31,743
– Gain on disposal of interest in associates	(5,112)	(17,877)
– Net unrealised loss in respect of trading securities	2,272	–
– Provision for doubtful debts	2,612	1,106
– Provision for impairment in value of goodwill	–	78,400
– Share of loss of an associate	–	3,837
– Fixed assets written off	–	24
– Gain on disposal of other investments	–	(5,295)
	<hr/>	<hr/>
<b>Operating results before changes in working capital</b>	18,042	12,334
Decrease/(increase) in prepayments, deposits and other receivables	267	(1,337)
Increase in accounts receivable	(3,367)	(354)
(Decrease)/increase in other payables and accruals	(616)	1,501
Increase in amounts due to related companies	–	483
	<hr/>	<hr/>
<b>Cash generated from operations</b>	14,326	12,627
Hong Kong profits tax paid	(50)	(18)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<u>14,276</u>	<u>12,609</u>
<b>Investing activities</b>		
Purchases of fixed assets	(512)	–
Proceeds from disposal of other investments	–	5,295
Interest received	1,656	709
Acquisition of an associate	–	(44,700)
	<hr/>	<hr/>
<b>Net cash from/(used in) investing activities</b>	<u>1,144</u>	<u>(38,696)</u>

	<b>2003</b>	<b>2002</b>
		<i>restated</i>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financing activities</b>		
Gross proceeds from issue of shares	18,416	126,120
Share issue expenses	(1,038)	(3,136)
New bank loans	24,321	168,583
Repayment of promissory notes	(15,000)	(55,841)
Repayment of loan from a related company	(89,526)	–
Loans from related companies	11,696	85,038
Repayment of convertible bonds	(60,000)	–
Other borrowing costs paid	(18,283)	(36,954)
Issue of convertible bonds	–	60,000
Bank charges and refinancing charges	–	(3,239)
Repayment of other borrowings	–	(12,195)
Repayment of a bank loan	–	(177,012)
	<u>          </u>	<u>          </u>
<b>Net cash (used in)/from financing activities</b>	<u>(129,414)</u>	<u>151,364</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(113,994)	125,277
<b>Cash and cash equivalents at the beginning of the year</b> 16	<u>127,096</u>	<u>1,819</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>13,102</u></u>	<u><u>127,096</u></u>
<b>Analysis of balance of cash and cash equivalents</b>		
Cash and bank balances	2,152	2,117
Non-pledged time deposits with original maturity of less than three months when acquired	<u>10,950</u>	<u>124,979</u>
	<u><u>13,102</u></u>	<u><u>127,096</u></u>

The notes on pages 30 to 53 form part of these financial statements.

## NOTES ON THE FINANCIAL STATEMENTS

## 1 SIGNIFICANT ACCOUNTING POLICIES

**(a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

**(b) Basis of preparation of the financial statements**

- (i) The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.
- (ii) Notwithstanding the net current liabilities of the Group at 31 March 2003, the financial statements have been prepared on a going concern basis since the major shareholder has confirmed that it is its present intention to do its best to obtain financial resources in order to provide such financial assistance as is necessary to maintain the Group as a going concern.

**(c) Subsidiaries**

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

An investment in a controlled subsidiary is consolidated into the consolidated financial statements.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)).



**(d) Associates**

An associate is a company in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the Group's share of the post acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

**(e) Goodwill**

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value 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 (see note 1(i)); and
- for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated profit and loss account 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 (see note 1(i)).

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(i)) is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for associates, such negative goodwill is included in the carrying amount of the interest in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account 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.

**(f) Other investments in securities**

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

- (i) Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.
- (ii) Other investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the revaluation reserve until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the revaluation reserve to the profit and loss account.

- (iii) Transfers from the revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

**(g) Fixed assets**

- (i) Fixed assets are carried in the balance sheets on the following bases:
  - investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and
  - furniture, fixtures and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).
- (ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:
  - when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and
  - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.
- (iii) 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 Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

**(h) Amortisation and depreciation**

- (i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

- (ii) Depreciation is calculated to write-off the cost of other fixed assets over their estimated useful lives on a straight-line basis as follows:

Furniture, fixtures and other fixed assets	3 to 5 years
--	--------------

**(i) Impairment of assets**

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

- fixed assets (other than investment properties carried at revalued amounts);
- investments in subsidiaries and associates (except for those accounted for at fair value under note 1(d)); and
- positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For 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 favourable 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 of an 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 had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

**(j) Cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(k) Employee benefits**

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.
- (iii) When the Group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received on exercise of share options.
- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**(l) Deferred taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

**(m) Provisions and contingent liabilities**

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

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

**(n) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

*(i) Rental income from operating leases*

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable.

*(ii) Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

*(iii) Interest income*

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

**(o) Borrowing costs**

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

**(p) Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

**(q) Segment reporting**

The Group's operating results are almost entirely attributable to its property investment activities in Hong Kong. Accordingly, no segmental analysis is provided.

**2 TURNOVER**

The principal activity of the Group is property development and investment.

Turnover represents the gross rental income derived from the investment properties during the year.

**3 OTHER REVENUE AND OTHER NET LOSS**

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Other revenue</b>		
Interest income	1,656	709
Rentals receivable from other assets, other than those relating to investment properties	252	54
Gain on disposal of other investments	–	5,295
Others	621	422
	<u>2,529</u>	<u>6,480</u>
<b>Other net loss</b>		
Net unrealised loss in respect of trading securities	<u>(2,272)</u>	<u>–</u>

**4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION**

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
(a) Finance costs:		
Interest on bank loans and other borrowings wholly repayable within five years	9,652	25,150
Interest on bank loans repayable beyond five years	3,140	3,354
Premium paid on redemption of convertible bonds	3,000	–
Refinancing charges	–	3,239
	<u>15,792</u>	<u>31,743</u>
(b) Staff costs (including directors' remuneration ( <i>note 6</i> )):		
– Wages and salaries	1,257	1,379
– Retirement costs	16	–
	<u>1,273</u>	<u>1,379</u>

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
(c) Other items:		
Provision for doubtful debts	2,612	1,106
Auditors' remuneration	390	400
Depreciation	16	–
Rentals receivable from investment properties less direct outgoings of HK\$322,000 (2002: HK\$1,772,000)	<u>(22,853)</u>	<u>(21,279)</u>

## 5 TAXATION

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the year	<u>1,000</u>	<u>–</u>

The provision for Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year.

The potential deferred tax liability attributable to accelerated depreciation allowances has not been provided in the financial statements as the timing differences are not likely to crystallise in the foreseeable future. The potential liability for unprovided deferred taxation for the year amounts to:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Depreciation allowances in excess of related depreciation	<u>2,698</u>	<u>2,268</u>

The potential deferred tax asset which represents the tax effect of timing differences due to tax losses available to set off against future assessable profits has not been recognised in the financial statements as its realisation is not assured beyond reasonable doubt.

(b) Taxation in the balance sheet represents:

	<b>The Group</b>	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the year	1,000	–
Provisional Profits Tax paid	<u>(50)</u>	<u>–</u>
	<u>950</u>	<u>–</u>



## 6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Fees:		
– Executive	–	–
– Non-executive	–	–
– Independent non-executive	–	500
	–	500
Salaries and other emoluments – executive	896	879
Retirement costs	16	–
	<u>912</u>	<u>1,379</u>

The remuneration of the Directors is within the following bands:

	Number of directors	
	2003	2002
HK\$Nil to HK\$1,000,000	7	4
HK\$1,000,001 to HK\$1,500,000	–	–
	<u>7</u>	<u>4</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: none).

In addition to the above remuneration, 47,180,000 share options granted to the directors in respect of their services to the Group were cancelled. No value in respect of the share options granted during the year has been charged to the profit and loss account.

## 7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid employees are all Directors, details of whose remuneration are disclosed in note 6. In the prior year, remuneration was paid to four employees only and all of whom were Directors and fell within the band of HK\$Nil to HK\$1,000,000.

## 8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$72,175,000 (2002: HK\$79,339,000).

## 9 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK\$71,962,000 (2002: HK\$78,965,000), and the weighted average of 3,143,494,000 (2002: 2,159,444,000) ordinary shares in issue during the year, after taking into account of the effect of the Open Offer during the year. The weighted average number of ordinary shares in issue for the year ended 31 March 2002 was restated because there was a bonus element resulting from the Open Offer during the year.

The exercise of the subscription rights conferred by the redeemable convertible preference shares and share options would not have any dilutive effect on the loss per share for the years ended 31 March 2002 and 2003.

## 10 FIXED ASSETS

(a) The Group

	<b>Furniture, fixtures and other fixed assets</b>	<b>Investment properties</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost or valuation:</b>			
At 1 April 2002	–	350,730	350,730
Additions	362	150	512
Deficit on revaluation	–	(15,080)	(15,080)
	<u>362</u>	<u>(15,080)</u>	<u>(15,080)</u>
At 31 March 2003	----- 362	----- 335,800	----- 336,162
<b>Representing:</b>			
Cost	362	–	362
Valuation – 2003	–	335,800	335,800
	<u>362</u>	<u>335,800</u>	<u>336,162</u>
<b>Accumulated depreciation:</b>			
At 1 April 2002	–	–	–
Charge for the year	16	–	16
	<u>16</u>	<u>–</u>	<u>16</u>
At 31 March 2003	----- 16	----- –	----- 16
<b>Net book value:</b>			
At 31 March 2003	<u>346</u>	<u>335,800</u>	<u>336,146</u>
At 31 March 2002	<u>–</u>	<u>350,730</u>	<u>350,730</u>

- (b) The Company

	<b>Furniture, fixtures and other fixed assets</b> <i>HK\$'000</i>
<b>Cost:</b>	
Additions and at 31 March 2003	362 -----
<b>Accumulated depreciation:</b>	
Charge for the year and at 31 March 2003	16 ----- -----
<b>Net book value:</b>	
At 31 March 2003	346 =====
At 31 March 2002	— =====

- (c) An analysis of the net book value of properties is as follows:

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Long-term leases	335,000	350,000
Medium-term leases	800	730
	-----	-----
	<u>335,800</u>	<u>350,730</u>

- (d) Investment properties of the Group situated in Hong Kong were revalued by Chesterton Petty Limited, independent professional qualified valuers, who have among their Members of Hong Kong Institute of Surveyors on an open market value basis at 31 March 2003.
- (e) Certain of the above investment properties with an aggregate carrying value of HK\$335,000,000 (2002: HK\$350,000,000) have been pledged to a bank for bank loans (note 17).
- (f) The Group leases out investment properties under operating lease arrangements, with leases negotiated for an initial period of one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. None of the leases includes contingent rentals.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases receivable as follows:

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	18,953	17,678
In the second to fifth years, inclusive	8,388	9,446
	<u>27,341</u>	<u>27,124</u>

## 11 INTEREST IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	197,075	197,075
Amounts due from subsidiaries	301,750	249,500
	<u>498,825</u>	<u>446,575</u>
Less: impairment loss	(163,592)	(95,274)
	<u>335,233</u>	<u>351,301</u>
Portion classified as current assets	(10,992)	(8,394)
	<u>324,241</u>	<u>342,907</u>

The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months following the balance sheet date, except for:

- (i) an amount of HK\$162,258,000 (2002: HK\$170,228,000) due from a subsidiary at 31 March 2003, which bears interest at prime rate plus 1% (2002: 1%) per annum; and
- (ii) an amount of HK\$10,992,000 (2002: HK\$8,394,000) due from a subsidiary, which is repayable within one year and is therefore classified as a current asset in the Company's balance sheet.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the consolidated financial statements.

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company a subsidiary		Principal activities
Genuine Glory Investments Limited	Hong Kong	HK\$2	100	–	Property investment
Master Profit Limited	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding
Perfect Manor Limited	Hong Kong	HK\$2	–	100	Property investment
Max Cyber Development Inc.	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding
Metro Fair Investment Limited	Hong Kong	HK\$2	–	100	Property investment
Can Do Enterprises Limited	Hong Kong	HK\$2	100	–	Investment holding

## 12 INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets	–	–	–	–
Goodwill on acquisition	–	78,400	–	–
	–	78,400	–	–
Less: impairment loss	–	(78,400)	–	–
	–	–	–	–

On 12 August 2002, Max Cyber Development Inc., a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party for the disposal of its 49% equity interests in Masterful Resources Limited (“Masterful”) at a total consideration of HK\$56,800,000 (the “Masterful Disposal”). The consideration for the Masterful Disposal was satisfied by the issue of 284,000,000 new ordinary shares of eCyberChina Holdings Limited (“eCyberChina”) at par of HK\$0.20 each. On the transaction date, the market value of the aforementioned eCyberChina shares amounted to HK\$5,112,000 and was recognised as a gain on disposal of interest in associates. The eCyberChina shares have been classified as trading securities (note 14). The Masterful Disposal was completed on 5 September 2002.

## 13 OTHER INVESTMENTS

	The Group		The Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted equity securities	60,000	–	–	–
Less: impairment loss	(60,000)	–	–	–
	–	–	–	–
Others	3,000	–	3,000	–
	<u>3,000</u>	<u>–</u>	<u>3,000</u>	<u>–</u>

The Group's unlisted equity securities represent a 30% equity interest in Power Insight Investments Limited ("Power Insight"), a company engaged in the supply and trading of liquid petroleum gas in bulk and in cylinders, the provision of piped gas and the sale of LPG household appliances in the PRC. In the opinion of the directors, the Group is not in a position to exercise significant influence over the financial and operating policies of Power Insight and accordingly, these equity securities have not been equity accounted for.

Others represents three club debentures held, which were revalued by the Directors during the year taking into account the prevailing saleable value of the debentures.

## 14 TRADING SECURITIES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong, at market value (note 12)	<u>2,840</u>	<u>–</u>

## 15 ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. An ageing analysis of accounts receivable, net of provisions for doubtful debts, is as follows:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Outstanding balances aged:		
– Within 1 month	1,675	1,390
– 1 to 3 months	1,179	1,456
– Over 3 months	1,207	460
	<u>4,061</u>	<u>3,306</u>

## 16 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	2002	2003	2002
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Cash and bank balances	2,152	2,117	596	127
Time deposits	10,950	124,979	10,007	121,344
	<u>13,102</u>	<u>127,096</u>	<u>10,603</u>	<u>121,471</u>

## 17 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	The Group and the Company	
	2003	2002
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Bank loans, secured	192,904	168,583
Promissory notes, unsecured	—	15,000
Total bank loans and other borrowings	192,904	183,583
Portion classified as current liabilities	(10,992)	(8,394)
Long-term portion	<u>181,912</u>	<u>175,189</u>

**Bank loans**

	The Group and the Company	
	2003	2002
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Bank loans are repayable:		
– Within 1 year	10,992	8,394
– In the second year	11,383	8,710
– In the third to fifth years, inclusive	30,261	26,132
– Beyond 5 years	140,268	125,347
	<u>192,904</u>	<u>168,583</u>

The bank loans are secured by certain investment properties of the Group with an aggregate carrying value of HK\$335,000,000 (2002: HK\$350,000,000) (note 10(e)) and an assignment of the rental income derived therefrom.

#### Promissory notes

	<b>The Group and the Company</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Promissory notes are repayable:		
– Within 1 year	–	–
– In the second year	–	15,000
	<u>–</u>	<u>15,000</u>
	<u>–</u>	<u>15,000</u>

The promissory notes existing at 31 March 2002 were repaid on 18 September 2002

#### 18 AMOUNTS DUE TO RELATED COMPANIES

Included in the amounts due to related companies is an unsecured loan of HK\$11,696,000 obtained from a related company, which is under common directorship. The loan bears interest at a rate of 3% per annum and is repayable on or before 7 February 2004.

#### 19 CONVERTIBLE BONDS

On 4 January 2002, the Company issued convertible bonds for an aggregate principal amount of HK\$60,000,000 at par to certain independent investors (the “Bonds”). The original maturity date of the Bonds was 4 January 2005 (the “Maturity Date”). The Bonds bore interest at a rate of 5% per annum payable semi-annually in arrears on 30 June and 31 December.

The holders of the Bonds had the option to convert the principal outstanding amount of the Bonds in whole or in part into ordinary shares of the Company at any time before the Maturity Date at the conversion price of HK\$0.25 per share (subject to adjustment).

At any time after the expiry of 12 months from the issue date, the Company had the right to redeem the whole (but not part) of the outstanding Bonds at the redemption amount which is 105% of the principal amount of the Bonds to be redeemed together with accrued interest thereon.

On 5 March 2003, the Company redeemed all the Bonds at the redemption amount of HK\$63,000,000 with accrued interest.



**20 EQUITY COMPENSATION BENEFITS**

The Company had a share option scheme (the “Old Scheme”) for the purpose of providing incentives and rewards to eligible participants, including the Company’s executive Directors and other eligible employees of the Group. The Old Scheme became effective on 13 December 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

After the adoption of the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) with effect on 1 September 2001, certain terms of the Old Scheme required amendments in order to comply with the new requirements under Chapter 17 of the Listing Rules. During the year, no options were granted under the Old Scheme after the new requirements of Chapter 17 of the Listing Rules became effective. At the annual general meeting of the Company held on 16 September 2002, resolutions were passed to terminate the Old Scheme and a new share options scheme was adopted (the “New Scheme”).

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants, including the Directors (including independent non-executive Directors), other eligible employees of the Group, suppliers of goods or services to the Group, customers of the Group and any minority shareholder of the Company’s subsidiaries. The New Scheme became effective on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of the Company in respect of which share options may be granted under the New Scheme, shall not, when aggregate with any shares subject to any other scheme, exceed 10% of the issued share capital of the Company from time to time, excluding the number of shares issued and allotted pursuant to the New Scheme. The maximum number of each participant under the New Scheme is equal to the maximum limit permitted under the Listing Rules.

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with HK\$1.00 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences on the date upon which the option is granted and accepted and ends on the expiry date of the option as may be determined by the Directors, which shall not be later than the tenth anniversary of the New Scheme’s effective date.

The subscription price of a share option is determined by the Directors, but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet for trades in one or more board lots of shares on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

The share options granted by the Company to the grantee under the Old Scheme will not be affected by the New Scheme and the following share options were outstanding under the Old Scheme during the year:

Name of Director	At 1 April 2002	Number of share options		At 31 March 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options	Company's
		Granted during the year*	Cancelled during the year**					share price at grant date of options***
Yeung Sau Chung	23,590,000	-	(23,590,000)	-	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176
Liu Shun Chuen	23,590,000	-	(23,590,000)	-	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176

\* The share options were granted to the Directors on 22 June 2001.

\*\* The number of share options outstanding was cancelled on 28 January 2003.

\*\*\* 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 financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

The Directors do not consider that it is appropriate to disclose a theoretical value of the share options granted during the year because the Directors are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself. The Directors consider that such disclosure does not give additional value in view of the abovementioned limitations surrounding these models.

## 21 SHARE CAPITAL

## Shares

	Ordinary shares of HK\$0.25 each		'A' Preference shares of HK\$0.25 each		'B' Preference shares of HK\$0.25 each		Total HK\$'000
	Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000	
<b>Authorised:</b>							
At 31 March 2003	<u>10,000,000</u>	<u>2,500,000</u>	<u>400,000</u>	<u>100,000</u>	<u>284,000</u>	<u>71,000</u>	<u>2,671,000</u>
At 31 March 2002	<u>3,920,000</u>	<u>980,000</u>	<u>400,000</u>	<u>100,000</u>	<u>284,000</u>	<u>71,000</u>	<u>1,151,000</u>

Pursuant to a resolution of an extraordinary general meeting held on 22 June 2002, the authorised share capital of the Company was further increased from 4,604,000,000 shares to 10,684,000,000 shares by the creation of additional 6,080,000,000 new ordinary shares of HK\$0.25 each.

	Note	Ordinary shares of HK\$0.25 each		'A' Preference shares of HK\$0.25 each		'B' Preference shares of HK\$0.25 each		Total HK\$'000
		Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000	Number of shares (thousand)	Amount HK\$'000	
<b>Issued and fully paid:</b>								
At 1 April 2001		594,000	148,500	-	-	-	-	148,500
Issue of preference shares		-	-	400,000	100,000	284,000	71,000	171,000
Issue of new shares		294,800	73,700	-	-	-	-	73,700
Rights issue		344,480	86,120	-	-	-	-	86,120
At 31 March 2002		<u>1,233,280</u>	<u>308,320</u>	<u>400,000</u>	<u>100,000</u>	<u>284,000</u>	<u>71,000</u>	<u>479,320</u>
At 1 April 2002		1,233,280	308,320	400,000	100,000	284,000	71,000	479,320
Issue of new shares	(a)	240,000	60,000	-	-	-	-	60,000
Open offer and bonus shares issued	(b)	1,841,600	460,400	-	-	-	-	460,400
At 31 March 2003		<u>3,314,880</u>	<u>828,720</u>	<u>400,000</u>	<u>100,000</u>	<u>284,000</u>	<u>71,000</u>	<u>999,720</u>

## Notes:

- (a) On 23 August 2002, 240,000,000 new ordinary shares were issued at HK\$0.25 each as consideration for the acquisition of a 30% equity interest in Power Insight, which is engaged in the business of supply and trading of liquid petroleum gas and the sale of LPG household appliances.

- (b) On 7 January 2003, a rights issue of 73,664,000 new shares of HK\$0.25 each was made to the Shareholders at the issue price of HK\$0.25 each and on the basis of one rights issue share for every twenty existing shares held. On the same date, a bonus issue of 1,767,936,000 new shares of HK\$0.25 each was made to the subscribers of the aforementioned rights issue at the issue price of HK\$0.25 each and on the basis of twenty four bonus shares for one aforementioned rights issue share subscribed. An aggregate consideration before expenses of HK\$460,400,000 has been credited to the Company's share capital.

#### Redeemable convertible preference shares

The Preference Shares carry no right to dividend distributions to the holders. The Preference Shares carry a right to be converted into fully paid ordinary shares at initial conversion prices of HK\$0.90, HK\$1.50 and HK\$2.50 during Conversion Periods I, II and III, respectively, as set out below.

	‘A’ Preference Shares	‘B’ Preference Shares
Conversion period I	not more than HK\$33,333,327 equivalent nominal value shall become convertible within a period of 12 months from the date of issue	not more than HK\$23,666,661 equivalent nominal value shall become convertible within a period of 12 months from the date of issue
Conversion period II	not more than a further HK\$33,333,333 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue	not more than a further HK\$23,666,664 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue
Conversion period III	the balance of HK\$33,333,340 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue	the balance of HK\$23,666,675 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue

Pursuant to the terms and conditions of the Preference Shares, the Preference Shares may be redeemed by the holders of the Preference Shares at any time subsequent to 50 years after the date of issue at the redemption value of HK\$1.00 per Preference Share.

No Preference Shares were converted or redeemed during the year. Upon full conversion of the Preference Shares into ordinary shares of the Company at the pre-determined conversion price set out above, an aggregate of approximately 124,133,324 ordinary shares of the Company would be issued, which represents approximately 3.74% of the Company's existing issued share capital of 3,314,880,000 ordinary shares and approximately 3.61% of the Company's enlarged share capital of 3,439,013,324.

## 22 RESERVES

**The Group**

	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	544,381	–	(84)	6,000	19,124	(825,525)	(256,104)
Share issue expenses	(3,136)	–	–	–	–	–	(3,136)
Release upon disposal of an associate	–	–	84	–	(14,124)	–	(14,040)
Loss for the year	–	–	–	–	–	(78,965)	(78,965)
At 31 March 2002	<u>541,245</u>	<u>–</u>	<u>–</u>	<u>6,000</u>	<u>5,000</u>	<u>(904,490)</u>	<u>(352,245)</u>
At 1 April 2002	541,245	–	–	6,000	5,000	(904,490)	(352,245)
Bonus share issue	(441,984)	–	–	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	–	–	3,000
Loss for the year	–	–	–	–	–	(71,962)	(71,962)
At 31 March 2003	<u>98,223</u>	<u>3,000</u>	<u>–</u>	<u>6,000</u>	<u>5,000</u>	<u>(976,452)</u>	<u>(864,229)</u>

Negative goodwill in respect of acquisitions made prior to 1 April 2001 was credited directly to the capital reserve. The remaining negative goodwill included in the capital reserve will not be released to the profit and loss account unless the respective subsidiaries are disposed of by the Group (note 1(e)).

**The Company**

	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	544,381	–	6,000	(819,863)	(269,482)
Share issue expenses	(3,136)	–	–	–	(3,136)
Loss for the year	–	–	–	(79,339)	(79,339)
At 31 March 2002	<u>541,245</u>	<u>–</u>	<u>6,000</u>	<u>(899,202)</u>	<u>(351,957)</u>
At 1 April 2002	541,245	–	6,000	(899,202)	(351,957)
Bonus share issue	(441,984)	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	3,000
Loss for the year	–	–	–	(72,175)	(72,175)
At 31 March 2003	<u>98,223</u>	<u>3,000</u>	<u>6,000</u>	<u>(971,377)</u>	<u>(864,154)</u>

## 23 COMMITMENTS

Capital commitments outstanding at 31 March 2003 not provided for in the financial statements were as follows:

	<b>The Group and the Company</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Contracted, but not provided for:</b>		
Acquisition of a subsidiary	<u>400,000</u>	<u>400,000</u>

In 2000, the Group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited ("Growing China"), a company incorporated in the British Virgin Islands, at a consideration of HK\$400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chengdu in the Sichuan Province, the PRC. Part of the consideration of HK\$340,000,000 is expected to be satisfied by the issue and allotment of approximately 301,000,000 new ordinary shares of the Company and the remaining balance of HK\$60,000,000 in cash. The agreement has yet to become unconditional and parties to the agreement agreed on 19 December 2000 to extend the long stop date of the agreement to such date as the parties may agree in writing. In the opinion of the Directors, unless the parties mutually agree to complete the acquisition, no payment under the agreement will be made within the next twelve months from the date of this report.

## 24 RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees.

## 25 POST BALANCE SHEET EVENTS

## (a) Capital reorganisation

On 11 April 2003, special resolutions were passed at an extraordinary general meeting of the Company to implement a capital reorganisation which, in summary, involved the following:

- (i) a reduction of the issued ordinary share capital of the Company of HK\$828,720,000 divided into 3,314,880,000 ordinary shares of HK\$0.25 each to HK\$33,148,800 divided into 3,314,880,000 ordinary shares of HK\$0.01 each and the issued preference share capital of HK\$171,000,000 divided into 684,000,000 preference shares of HK\$0.25 each to HK\$6,840,000 divided into 684,000,000 preference shares of HK\$0.01 each ("Capital Reduction").

The credit of HK\$959,731,200 resulting from the Capital Reduction of the Company will be set off, to the extent permitted by and subject to such conditions as may be imposed by the High Court of the Hong Kong Special Administrative Region (“Court”), against the accumulated losses of the Company;

- (ii) a sub-division of the authorised but unissued ordinary shares of HK\$0.25 each into 25 ordinary shares of HK\$0.01 each (“Share Sub-division”);
- (iii) an increase of the authorised ordinary share capital of the Company to HK\$2,500,000,000, by the creation of not less than 79,557,120,000 new ordinary shares of HK\$0.01 each (“Capital Increase”); and
- (iv) the consolidation of 10 ordinary shares of HK\$0.01 each and 10 preference shares of HK\$0.01 each after such Capital Reduction into one new consolidated share of HK\$0.10 (“Consolidated Shares”) and one new consolidated preference share of HK\$0.10 (“Consolidated Preference Shares”) respectively (the “Share Consolidation”) (collectively as “Capital Reorganisation”).

Further details of the Capital Reorganisation are also set out in the circular of the Company dated 19 March 2003.

On 25 June 2003, by an order of the Court (“Court Order”), the Capital Reduction was confirmed. And upon filing of the Court Order and minutes of the Company with the Companies Registrar, the Capital Reorganisation became effective on 26 June 2003.

The Company has given certain undertakings to the Court. Details of such undertakings are summarised in the Report of the Directors.

#### **(b) Refinancing**

On 11 April 2003, a subsidiary of the Company has entered into a new banking facility of HK\$200,000,000 granted by the bank. The new bank loan was drawn on 12 June 2003 to refinance its existing bank borrowings.

## **26 COMPARATIVE FIGURES**

Certain comparative figures have been adjusted to conform with changes in presentation in the current financial year as a result of adopting revised Statements of Standard Accounting Practice (“SSAPs”). The Statement of Recognised Gains and Losses was replaced by the Statement of Changes in Equity as required by the SSAP1 (revised) “Presentation of Financial Statements”.

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirement of SSAP15 (revised 2001) “Cash Flow Statements”. As a result, cash flow items from taxation, returns on investments and servicing of finance have been reclassified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities have been included on the face of the consolidated cash flow statement.

Comparative figures have been reclassified to conform with current year’s presentation.

**D. INDEBTEDNESS**

At the close of business on 30 September 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the total outstanding borrowings of approximately HK\$208.6 million, comprising secured bank borrowings of approximately HK\$196.9 million and unsecured loan of approximately HK\$11.7 million from a related company.

Save as referred to above or as otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, as at the close of business on 30 September 2003, any mortgages, charges, debentures or other loan capital or bank overdraft, loans or other similar indebtedness or hire purchase commitments or any guarantees or other material contingent liabilities.

Save as referred to above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 September 2003.

**E. STATEMENT OF UNAUDITED ADJUSTED PROFORMA CONSOLIDATED NET TANGIBLE ASSET VALUE OF THE GROUP**

The following is a summary of the statement of the adjusted proforma consolidated net tangible asset value of the Group based on the audited net tangible asset value of the Group as at 31 March 2003 and as adjusted to take into account of transactions since that date:

	<i>HK\$ million</i>
Audited consolidated net tangible asset value as at 31 March 2003	135.5
Add: the net proceeds from the Open Offer, net of expenses	<u>131.7</u>
Proforma adjusted net tangible asset value after the Open Offer	<u><u>267.2</u></u>

**F. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the estimated net proceeds to be derived from the Open Offer, the Group has sufficient working capital for its present requirements.



## 1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this prospectus have been arrived at after due and careful consideration and that there are no other facts the omission of which would make any statement herein misleading.

## 2. PARTICULARS OF DIRECTORS

### *Executive Directors*

#### **Mr. Wong Yu Lung, Charles**

Mr. Wong, aged 53, joined the Company as an Executive Director in January 2003. Mr. Wong has been the Vice Chairman of the Company since July 2003 and is primarily responsible for corporate strategic planning of the Group. He is a businessman who has been engaged in consumer product logistics business for more than 30 years.

#### **Mr. Ko Po Ming**

Mr. Ko, aged 45, joined the Company as an Independent Non-Executive Director in February 2003 and was re-designated as an Executive Director in July 2003. Mr. Ko has been the Vice Chairman of the Company since July 2003 and is responsible for management and corporate strategic planning of the Group. He was formerly the Chairman of BNP Paribas Peregrine Capital Limited. Presently, he is the Chairman and Chief Executive Officer of Goldbond Capital Holdings Limited. He has over 20 years of experience in banking and corporate finance. He is also an independent non-executive director of iMerchants Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, and a non-executive director of Golden Eagle Asset Management Company Limited.

#### **Ms. Loh Jiah Yee, Katherine**

Ms. Loh, aged 39, joined the Company as an Executive Director in January 2003. Ms. Loh has been the Chief Executive Officer of the Company since July 2003 and is responsible for business development, investment, administration and finance of the Group. She is also the chief executive officer of an investment company engaging in, among other things, investments in both listed and non-listed companies. She has more than 10 years of experience in finance and investment banking industry and is a qualified chartered accountant in Canada.

**Mr. Lan Ning**

Mr. Lan, aged 40, joined the Company as an Executive Director in January 2003, is responsible for the business investment and development of the Group. He is a senior director of China Poly Group Corporation and the founder and chairman of Guangzhou Poly Investment Limited in China. He has experience in a wide range of business, including trading, property development and investment, asset management, securities trading, corporate restructuring and making local and overseas strategic investments.

**Mr. Kee Wah Sze**

Mr. Kee, aged 55, joined the Company as an Executive Director in January 2003, is responsible for management and legal aspects of the Group. He is a practicing solicitor in Hong Kong and the senior partner of Messrs. Michael Cheuk, Wong & Kee. He has over 20 years of experience in legal field and has extensive legal practice in commercial and corporate laws both in Hong Kong and China.

*Independent non-executive Directors***Mr. Ma Ho Fai**

Mr. Ma, aged 52, joined the Company as an Independent Non-Executive Director in February 2003. He is a partner of Messrs. Woo, Kwan, Lee & Lo. He was admitted as a solicitor in Hong Kong, England and Wales, Australian Capital Territory and Singapore. He is also a China-Appointed Attesting Officer in Hong Kong. In addition, he is an independent non-executive director of Far East Hotels & Entertainment Limited, a company listed on the Stock Exchange.

**Mr. Zhang Xiao Shu**

Mr. Zhang, aged 60, joined the Company as an Independent Non-Executive Director in July 2003. He is the vice president and managing director of China Insurance (Holdings) Company Limited and China Insurance H.K. (Holdings) Company Limited (“CIHK”). He has over 20 years of experience in service and finance industry. Mr. Zhang was born in Shanghai where he worked until 1992 when he became the managing director and vice chairman of China Travel Service (Holdings) Hong Kong Limited and the vice chairman and general manager of China Travel Service (Hong Kong) Limited. Then he joined CIHK as vice president and managing director in 1997. Mr. Zhang is also the vice chairman of China Insurance International Holdings Company Limited, the chairman of CIG-WH International (Holdings) Limited, both companies are listed on the Stock Exchange, and a director of China International Reinsurance Company Limited, China Insurance Group Securities Limited, Toplap Investments Limited and China Insurance Group Assets Management Limited.

**3. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION**

<b>Registered and principal office</b>	Unit 3902A, 39th Floor Tower 1 Lippo Centre 89 Queensway Hong Kong
<b>Authorised representatives</b>	Mr. Kee Wah Sze Mr. Lam Kwok Wah
<b>Company secretary</b>	Mr. Lam Kwok Wah <i>AHKSA, AICPA</i>
<b>Auditors</b>	KPMG <i>Certified Public Accountants</i> 8th Floor Prince's Building 10 Chater Road Central Hong Kong
<b>Underwriters</b>	Allied Luck Trading Limited c/o 39th Floor Tower 1 Lippo Centre 89 Queensway Hong Kong  Ace Solomon Investments Limited c/o 39th Floor Tower 1 Lippo Centre 89 Queensway Hong Kong
<b>Legal advisers</b>	Deacons 3rd to 7th, 18th & 29th Floors Alexandra House 16-20 Chater Road Central Hong Kong

<b>Share registrar</b>	Computershare Hong Kong Investor Services Limited Rooms 1901-5, 19th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
<b>Principal bankers</b>	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong  International Bank of Asia Limited 38 Des Voeux Road Central Hong Kong

#### 4. DISCLOSURE OF INTERESTS

##### (i) Directors

As at the Latest Practicable Date, the interests or short positions of each Director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required to pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required to pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

<b>Directors</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate Percentage</b>
Mr. Wong	Corporate	37,591,380	11.34%
Mr. Ko ( <i>Note</i> )	Corporate	13,176,360	3.97%
Ms. Loh ( <i>Note</i> )	Corporate	13,176,360	3.97%
Mr. Kee	Corporate	26,740,260	8.07%

*Note:* The Shares are held by Sparkle Power, the share capital of which is owned as to 50% by Mr. Ko and as to 50% by Ms. Loh.

Save as disclosed in this prospectus, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by the Directors adopted by the Company to be notified to the Company and the Stock Exchange.

## (ii) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following parties, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provision of the Divisions 2 and 3 of Part XV of the SFO, or who was 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 the Company:

Name	Number of ordinary Shares	Approximate Percentage
Allied Luck	37,591,380	11.34%
Canasia	26,740,260	8.07%
Comax Resources Limited	29,586,600	8.93%

As far as the Directors are aware, save as disclosed herein, no other person was directly or indirectly beneficially 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 the Company as at the Latest Practicable Date.

The Company had, between 1 March 2003 and 31 August 2003, leased a property for use as its office. The Company has since moved to and, pursuant to a tenancy agreement dated 30 July 2003, leased its current premise. Both of the above properties are owned by a company that is beneficially owned by Mrs. Wong, the spouse of Mr. Wong, and a close relative of Mr. Wong.

Save as disclosed above, none of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

## 5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

## 6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years preceding the date of this prospectus and which are or may be material:

- (a) an agreement dated 13 December 2001 entered into between Masterful Technology Limited and Max Cyber Development Inc., a wholly-owned subsidiary of the Company, in relation to the acquisition of 9,500 shares in the capital of Masterful Resources Limited at the consideration of HK\$30,400,000;
- (b) a placement agreement dated 4 January 2002 entered into between Deloitte & Touche Corporate Finance Limited and the Company whereby Deloitte & Touche Corporate Finance Limited agreed to place HK\$60,000,000 5% convertible bonds due 2005 convertible into 240,000,000 new Shares to independent investors in accordance with the terms and conditions as stated in the placement agreement;
- (c) a conditional underwriting agreement dated 28 March 2002 entered into between the Company and Regent Medal Assets Corp. in respect of a proposed open offer to certain Shareholders at a subscription price of HK\$0.25 per offer Share on the basis of one offer Share for every seven Shares held as at a date by reference to which entitlements to the offer Share will be determined;
- (d) an agreement dated 5 August 2002 entered into between, inter alia, People Partner Limited, Gate Smart International Limited (collectively the “Vendors”) and Max Cyber Development Inc. in respect of the acquisition of a 30% interest in Power Insight Investments Limited by Max Cyber Development Inc. from the Vendors for a total consideration of HK\$60,000,000;
- (e) an agreement dated 12 August 2002 entered into between Max Cyber Development Inc., eCyberChina Holdings Limited and Prospect Technology Limited pursuant to which, inter alia, Max Cyber Development Inc. agreed to sell, eCyberChina Holdings Limited agreed to procure the purchase of and Prospect Technology Limited agreed to purchase 24,500 shares of US\$1.00 each in Masterful Resources Limited, representing 49% of the issued share capital of Masterful Resources Limited for a consideration of HK\$56,800,000;

- (f) the underwriting agreement dated 9 November 2002 entered into between the Company and Kingsway SW Securities Limited in relation to the underwriting and certain other arrangements in respect of the proposed issue of offer shares (with bonus shares) to the qualifying shareholders at a price of HK\$0.25 per offer share; and
- (g) the Underwriting Agreement.

## **7. LITIGATION**

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

## **8. MATERIAL ADVERSE CHANGE**

Save as disclosed in this prospectus, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2003, the date to which the latest published audited financial statements of the Company were made up.

## **9. GENERAL**

- a) The secretary of the Company is Mr. Lam Kwok Wah, *AHKSA, AICPA*.
- b) The English text of this prospectus shall prevail over the Chinese text.
- c) Save as disclosed above, no contracts of significance, to which the Company or any of its subsidiaries was a party, in which a Director had a material interest and which was significant in relation to the business of the Group, subsisted as at the Latest Practicable Date.

## **10. DOCUMENTS REGISTERED WITH THE REGISTER OF COMPANIES IN HONG KONG**

A copy of this prospectus, together with a copy of the provisional allotment letter, have been registered with the Registrar of Companies in Hong Kong.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Deacons at 3rd to 7th, 18th and 29th Floors, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal office hours on any weekday, except public holidays, from the date of this prospectus up to and including 15 December 2003;

- a) the memorandum and articles of association of the Company;
- b) the annual report of the Group for each of the three years ended 31 March 2001, 2002 and 2003;
- c) the Underwriting Agreement; and
- d) the contracts (other than the Underwriting Agreement) referred to in the section headed "Material contracts" in paragraph 6 of this Appendix.