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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 the Rights Issue Documents, you should obtain independent professional advice.

If you have sold or transferred all your Shares, you should at once hand the Rights Issue Documents to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Dealings in the existing Shares and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC. You should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Rights Issue Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in appendix III to this Rights Issue, have been registered with the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance. The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of these documents.

The Stock Exchange and HKSCC take no responsibility for the contents of the Rights Issue Documents, make no representation as to their 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 the Rights Issue Documents.

Subject to the granting of listing of, and permission to deal in, the Rights Shares on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates 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 the CCASS Operational Procedures in effect from time to time.

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### FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

Website: <http://www.fet.com.hk>

(Stock Code: 36)

### RIGHTS ISSUE OF 33,166,890 RIGHTS SHARES AT HK\$0.915 PER RIGHTS SHARE IN THE PROPORTION OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE PAYABLE IN FULL UPON ACCEPTANCE

Financial Advisor to the Company



KINGSTON CORPORATE FINANCE LIMITED

Underwriter



KINGSTON SECURITIES LIMITED

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The latest time for acceptance of and payment for the Rights Shares is 6:00 p.m. on Thursday, 15 December 2005. The procedures for acceptance and transfer of the Rights Shares is set out on pages 23 to 25 of this Prospectus.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter at its reasonable discretion, by notice in writing, to terminate its obligations thereunder at any time prior to 4:00 p.m. on the third business day following the Final Acceptance Date: (a) if the occurrence of the following events would, in the sole and reasonable opinion of the Underwriter, materially and adversely affect the success of the Rights Issue by materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or the number of Rights Shares accepted or applied for or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue: (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever; or (ii) the occurrence of any local, national or international event or change, (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or (iii) the occurrence of any change in market conditions (including without limitation suspension or material restriction on trading in securities); or (iv) any change in the circumstances of the Company or any member of the Group. (b) if, at or prior to 4:00 p.m. on the third business day following the Final Acceptance Date: (i) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or (ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its sole and reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent an adverse change in the financial or trading position or prospectus of the Group taken as a whole or is otherwise likely to have a prejudicial effect on the Rights Issue; or (iii) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to any of the Underwriter's attention, fail promptly to send out any announcement or circular (after the dispatch of the Rights Issue Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company; or (iv) any of the Undertaking Shareholders commits a breach of or omit to observe any of the obligations or undertakings under the Underwriting Agreement. In the event that the Underwriting Agreement shall have been terminated, the Rights Issue shall not proceed. Save for all reasonable costs, fees, charges and expenses which may be incurred in connection with the Rights Issue, upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

Shareholders should note that the last day of dealings in the Shares on a cum-rights basis was Tuesday, 22 November 2005. Existing Shares have been dealt in on an ex-rights basis since Wednesday, 23 November 2005. The Rights Shares are expected to be dealt with in their nil-paid form from Friday, 2 December 2005 to Monday, 12 December 2005, both dates inclusive. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any dealings in the Shares or Rights Shares in their nil-paid form up to the date on which the Underwriting Agreement becomes unconditional are accordingly at the Shareholders' or investors' own risk. Any Shareholder or other person contemplating any dealings in the Shares or Rights Shares in their nil-paid form is recommended to consult his/her own professional advisor.

30 November 2005

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## DEFINITIONS

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

“Allotment Posting Date”	Wednesday, 30 November 2005, or such other date as may be agreed between the Company and the Underwriter in writing, to despatch the Rights Issue Documents to the Qualifying Shareholders; the Overseas Letter together with the Rights Issue Documents to the Overseas Shareholders who are not Excluded Shareholders; and the Overseas Letter together with the Prospectus, for information only, to the Excluded Shareholders and Options Holders (without the Overseas Letter)
“Announcement”	the announcement of the Company in relation to the Rights Issue dated 9 November 2005
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Far East Technology International Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Dato’ David Chiu”	Dato’ David Tat Cheong Chiu, a non-executive Director and Shareholder who holds directly or indirectly approximately 11.01% interest in the existing issued share capital of the Company as at the Latest Practicable Date
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EAF”	the form of application for excess Rights Shares
“Excluded Shareholder(s)”	Shareholder(s) whose names appear on the register of members of Company on the Record Date and whose address(es) as shown on such register is(are) outside Hong Kong where the Directors, after making enquiries with the Company’s legal advisers of the relevant jurisdictions consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Shareholders
“Final Acceptance Date”	from 9:00 a.m. to 6:00 p.m. on Thursday, 15 December 2005 or such other date or time as the Underwriter and the Company may agree as the last date for acceptance and payment in respect of provisional allotments and applications for excess under the Rights Issue
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertakings”	the irrevocable undertakings given pursuant to the Underwriting Agreement dated 31 October 2005 under which, Mr. Deacon Te Ken Chiu has irrevocably undertaken to, (i) subscribe for his full entitlements pursuant to the Rights Issue for 1,988,660 Rights Shares; and (ii) apply for 2,985,246 excess Rights Shares; and Mr. Duncan Chiu has irrevocably undertaken to, (i) subscribe for his full entitlements pursuant to the Rights Issue, being 3,220,621 Rights Shares; and (ii) apply for 3,900,000 excess Rights Shares
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, which is independent of and not a connected person (as defined in the Listing Rules) of the Company

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## DEFINITIONS

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“Last Trading Day”	28 October 2005, being the last trading day before the suspension of the trading of the Shares on the Stock Exchange pending the release of the Announcement
“Latest Practicable Date”	25 November 2005, being the latest practicable date for ascertaining certain information for inclusion herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Madam Ching Lan Ju Chiu”	Madam Ching Lan Ju Chiu, the wife of Mr. Deacon Te Ken Chiu
“Miss Margaret Chiu”	Miss Margaret Chiu, a non-executive Director and Shareholder who holds approximately 1.51% interest in the existing issued share capital of the Company as at the Latest Practicable Date
“Mr. Daniel Tat Jung Chiu”	Mr. Daniel Tat Jung Chiu, a non-executive Director and Shareholder who holds directly and indirectly approximately 20.56% interest in the existing issued share capital of the Company as at the Latest Practicable Date
“Mr. Deacon Te Ken Chiu”	Mr. Deacon Te Ken Chiu, the chairman and a Shareholder of the Company who holds approximately 6.00% interest in the existing issued share capital of the Company as at the Latest Practicable Date
“Mr. Dennis Chiu”	Mr. Dennis Tat Shing Chiu, an executive Director and a Shareholder who holds directly and indirectly approximately 9.59% interest in the existing issued share capital of the Company as at the Latest Practicable Date
“Mr. Derek Chiu”	Mr. Derek Chiu, a non-executive Director and Shareholder who holds approximately 0.06% interest in the existing issued share capital of the Company as at the Latest Practicable Date
“Mr. Desmond Chiu”	Mr. Desmond Chiu, a non-executive Director and Shareholder who holds approximately 1.51% interest in the existing issued share capital of the Company as at the Latest Practicable Date

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## DEFINITIONS

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“Mr. Duncan Chiu”	Mr. Duncan Chiu, the managing Director and chief executive officer of the Group and a Shareholder who holds approximately 9.71% interest in the existing issued share capital of the Company as at the Latest Practicable Date
“Options”	share options granted by the Company to subscribe for Shares pursuant to the share option scheme adopted by the Company on 23 May 2005
“Options Holder(s)”	Mr. Duncan Chiu, being the holder of 3,200,000 Options; Mr. Deacon Te Ken Chiu, being the holder of 2,000,000 Options; Mr. Dennis Chiu, being the holder of 1,000,000 Options; and two employees of the Company, being the holders of 400,000 Options
“Overseas Letter”	letters from the Company to the Excluded Shareholders and Overseas Shareholders who are not Excluded Shareholders advising them of the arrangement of their respective entitlements under the Rights Issue
“Overseas Shareholders”	Shareholders with registered address (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“Overseas Shareholders Announcement”	the announcement of the Company in relation to the rights of the Overseas Shareholders regarding the Rights Issue dated 16 November 2005
“PAL”	provisional allotment letter for the Rights Shares
“PRC”	the People’s Republic of China, for the purpose of this Prospectus excluding Hong Kong, Macau and Taiwan
“Prospectus”	this prospectus to the Qualifying Shareholders in relation to the Rights Issue and to the Excluded Shareholders and Options Holders for information only
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Wednesday, 30 November 2005 or such other date as may be agreed between the Company and the Underwriter, being the record date for determining entitlement to the Rights Issue

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## DEFINITIONS

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“Registrar”	Computershare Hong Kong Investor Services Limited, being the share registrar of the Company
“Rights Issue”	the issue of the Rights Shares on the basis of one Rights Share for every two existing Shares held on the Record Date at a price of HK\$0.915 per Rights Share as described in this Prospectus
“Rights Issue Documents”	the Prospectus, PAL and EAF
“Rights Share(s)”	new Share(s) to be allotted and issued in respect of the Rights Issue
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.915 per Rights Share
“Supplemental Agreement”	the supplemental agreement dated 28 November 2005 entered into between the Company, the Undertaking Shareholders and the Underwriter which is supplemental to the Underwriting Agreement
“Trading Day”	a day on which the Stock Exchange is open for trading
“Undertaking Shareholders”	Mr. Deacon Te Ken Chiu and Mr. Duncan Chiu
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO, which is independent of and not a connected person (as defined in the Listing Rules) of the Company
“Underwriting Agreement”	the conditional agreement dated 31 October 2005 entered into between the Company, the Undertaking Shareholders and the Underwriter relating to the underwriting and other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter at its reasonable discretion, by notice in writing, to terminate its obligations thereunder at any time prior to 4:00 p.m. on the third business day following the Final Acceptance Date:

- (a) if the occurrence of the following events would, in the sole and reasonable opinion of the Underwriter, materially and adversely affect the success of the Rights Issue by materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or the number of Rights Shares accepted or applied for or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever; or
  - (ii) the occurrence of any local, national or international event or change, (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing) , or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
  - (iii) the occurrence of any change in market conditions (including without limitation suspension or material restriction on trading in securities) ; or
  - (iv) any change in the circumstances of the Company or any member of the Group.
- (b) if, at or prior to 4:00 p.m. on the third business day following the Final Acceptance Date:
  - (i) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or
  - (ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its sole and reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent an adverse change in the financial or trading position or prospectus of the Group taken as a whole or is otherwise likely to have a prejudicial effect on the Rights Issue; or



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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (iii) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to any of the Underwriter's attention, fail promptly to send out any announcement or circular (after the dispatch of the Rights Issue Documents) , in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company; or
- (iv) any of the Undertaking Shareholders commits a breach of or omit to observe any of the obligations or undertakings under the Underwriting Agreement.

In the event that the Underwriting Agreement shall have been terminated, the Rights Issue shall not proceed.

Save for all reasonable costs, fees, charges and expenses which may be incurred in connection with the Rights Issue, upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

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## EXPECTED TIMETABLE

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2005

First day of dealings in nil-paid Rights Shares .....	Friday, 2 December
Latest time for splitting nil-paid Rights Shares .....	4:00 p.m. on Wednesday, 7 December
Last day of dealings in nil-paid Rights Shares .....	Monday, 12 December
Latest time for acceptance of, and payment of Rights Shares and application for excess Rights Shares ( <i>Note</i> ) .....	6:00 p.m. on Thursday, 15 December
Expected time for the Rights Issue to become unconditional .....	4:00 p.m. on Tuesday, 20 December
Announcement of results of the Rights Issue .....	Thursday, 22 December
Despatch of certificates for the Rights Shares on or before .....	Friday, 23 December
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before .....	Friday, 23 December
Dealings in Rights Shares commence .....	Thursday, 29 December

All times in this Prospectus refer to Hong Kong times.

Dates stated in this Prospectus for events mentioned in the timetable are indicative only and may be extended or varied. Any change to the expected timetable for the Rights Issue will be announced as appropriate.

*Note:*

### **SPECIAL ARRANGEMENT FOR ACCEPTANCE OF, AND PAYMENT OF RIGHTS SHARES AND APPLICATIONS FOR EXCESS RIGHTS SHARES**

The Company is fully aware of the forthcoming conference of the World Trade Organisation to be held in Hong Kong during the period from 13 December 2005 to 18 December 2005, which may affect the traffic condition of the Wanchai area of Hong Kong during such period. As the Registrar for receiving the acceptance of, and payment of Rights Shares and the application for excess Rights Shares in respect of the Rights Issue is located in Wanchai, Hong Kong, the Company anticipates that the lodgement of the acceptance of, and payment of Rights Shares and the application for excess Rights Shares by the Qualifying Shareholders with the Registrar in Wanchai, Hong Kong may be affected in view of the fact that the original latest time for acceptance, and payment of Rights Shares and application for excess Rights Shares is at 4:00 p.m. on 15 December 2005 as stated in the Announcement.

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## **EXPECTED TIMETABLE**

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In order to alleviate such problem, the Company has adopted a contingency plan to make available another office of the Registrar at 3/F., Futura Plaza, 111-113 How Ming Street, Kwun Tong, Kowloon, Hong Kong from 9:00 a.m. to 6:00 p.m. on 15 December 2005 for that day only to receive the acceptance of, and payment of Rights Shares and the application for excess Rights Shares should the Qualifying Shareholders experience any difficulty in lodging the acceptance of, and payment of Rights Shares and the application for excess Rights Shares with the Registrar in Wanchai, Hong Kong on that day. At the same time, the opening hours of the office of the Registrar in Wanchai, Hong Kong on 15 December 2005 will also be extended to 6:00 p.m. The latest time for acceptance, and payment of Rights Shares and application for excess Rights Shares will accordingly be extended to 6:00 p.m. on 15 December 2005.

In any event the Registrar in Wanchai and the temporary office of the Registrar in Kwun Tong will be open from 9:00 a.m. to 6:00 p.m. on 15 December 2005 such that Qualifying Shareholders are entitled to furnish the PAL and/or EAF to either one of the above-mentioned offices of the Registrar till 6:00 p.m. on 15 December 2005.

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## LETTER FROM THE BOARD

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### FAR EAST TECHNOLOGY INTERNATIONAL LIMITED

*(Incorporated in Hong Kong with limited liability)*

Website: <http://www.fet.com.hk>

(Stock Code: 36)

*Executive Directors:*

Mr. Deacon Te Ken Chiu (*Chairman*)

Mr. Duncan Chiu

(*Managing Director and Chief Executive Officer*)

Mr. Dennis Chiu

*Registered office:*

16th Floor

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

*Non-executive Directors:*

Dato' David Chiu

Mr. Daniel Tat Jung Chiu

Mr. Derek Chiu

Mr. Desmond Chiu

Miss Margaret Chiu

*Head office and principal place  
of business:*

Room 1802-1804, 18th Floor

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

*Independent non-executive Directors:*

Mr. Chi Man Ma

Dr. Lee G. Lam

Mr. Ryan Yen Hwung Fong

30 November 2005

*To the Qualifying Shareholders and  
for information only, to the Excluded Shareholders and  
holders of the Options,*

Dear Sir or Madam,

**RIGHTS ISSUE OF 33,166,890 RIGHTS SHARES  
AT HK\$0.915 PER RIGHTS SHARE IN THE PROPORTION OF ONE RIGHTS SHARE  
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE  
PAYABLE IN FULL UPON ACCEPTANCE**

#### **INTRODUCTION**

The Directors announced in the Announcement that the Company proposed to raise not less than approximately HK\$30.3 million and not more than approximately HK\$31.9 million before expenses by way of a rights issue of not less than 33,166,890 Rights Shares and not more than 34,866,890 Rights Shares at a price of HK\$0.915 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date. The Company will provisionally allot to the Qualifying Shareholders one Rights Share in nil-paid form for every two existing Shares held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company.

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## LETTER FROM THE BOARD

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This Prospectus sets out further information on the Rights Issue, including information on dealing in, acceptance and transfer of, the Rights Shares and financial and other information in respect of the Group.

### TERMS

#### 1. Issue statistics

Basis of Rights Issue:	One Rights Share for every two existing Shares held on the Record Date
Number of existing Shares in issue as at the Latest Practicable Date:	66,333,781 Shares
Number of Rights Shares:	33,166,890 Rights Shares
Number of Rights Shares undertaken to be taken by the Undertaking Shareholders:	Pursuant to the Irrevocable Undertakings, the Undertaking Shareholders have irrevocably undertaken to take up or procure subscribers to take up all of their entitlements under the Rights Issue in an aggregate of 5,209,281 Rights Shares and, in addition, make excess applications for 6,885,246 Rights Shares in aggregate under the Rights Issue
Number of Rights Shares underwritten by the Underwriter:	21,072,363 Rights Shares
Subscription Price:	HK\$0.915 per Rights Share, payable in full upon acceptance
Gross proceeds:	approximately HK\$30.3 million before expenses

As at the Latest Practicable Date, there were an aggregate of 6,600,000 outstanding Options eligible for exercise on or before the Record Date to subscribe for up to an aggregate of 6,600,000 Shares at a subscription price of HK\$1.35 per Share (subject to adjustment). Pursuant to the Irrevocable Undertakings, Mr. Duncan Chiu has irrevocably undertaken not to exercise the subscription rights attaching to the 3,200,000 Options being held by him prior to the Record Date.

Of the 6,600,000 outstanding Options, 3,200,000 Options are being held by Mr. Duncan Chiu, 2,000,000 Options are being held by Mr. Deacon Te Ken Chiu, 1,000,000 Options are being held by Mr. Dennis Chiu and 400,000 Options are being held by two employees of the Company. Among the holders of the Options, Mr. Deacon Te Ken Chiu, Mr. Duncan Chiu and Mr. Dennis Chiu are Directors and the

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## LETTER FROM THE BOARD

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two employees of the Company are independent third parties not connected with the Company and its connected persons (as defined under the Listing Rules). Mr. Duncan Chiu irrevocably undertakes with the Company and the Underwriter that at any time before the Record Date, he shall not exercise any of the subscription rights attaching to the Options held by him.

Out of the 6,600,000 Options, none of the Options were exercised up to the Record Date.

Save for the Options, the Company has no other outstanding options, warrants or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date. No Shares shall be allotted or issued by the Company except for the Shares to be allotted and issued upon the exercise of the Options by the Options Holders up to the Record Date.

### **2. Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (i) the Rights Issue Documents to the Qualifying Shareholders; (ii) the Overseas Letter together with the Rights Issue Documents to the Overseas Shareholders who are not Excluded Shareholders and (iii) the Overseas Letter together with the Prospectus, for information only, to the Excluded Shareholders and the Options Holders (without the Overseas Letter).

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) not be an Excluded Shareholder.

The Company will provisionally allot one Rights Share in nil-paid form for every two existing Shares held by the Qualifying Shareholders on the Record Date.

### **3. Rights of Overseas Shareholders**

If at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue as the Rights Issue Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong.

As at the Record Date, according to the register of members of the Company, the Overseas Shareholders have registered addresses in nine jurisdictions, namely, PRC, Macau, Canada, U.K., U.S., Australia, Malaysia, Philippines and Spain. As such, the Company had made enquiries with its legal advisers of the relevant jurisdictions regarding the feasibility of extending the Rights Issue to Shareholders with registered addressees in the said nine jurisdictions pursuant to Rule 13.36(2)(a) of the Listing Rules.

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## LETTER FROM THE BOARD

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The following is the respective shareholdings of the Company held by the Overseas Shareholders having registered addresses in the said nine jurisdictions as at the Record Date:

<b>Name of jurisdiction</b>	<b>No. of Shares</b>	<b>% (approximate) to the total existing issued share capital of the Company</b>
PRC	2,000	0.00302
Macau	18,892	0.02848
Canada	4,304	0.00649
U.K.	330	0.00050
U.S.	780	0.00118
Australia	928	0.00140
Malaysia	200	0.00030
Philippines	532	0.00080
Spain	440	0.00066

As mentioned in the Overseas Shareholders Announcement, the Company had made enquiries with its legal advisers in U.S., Canada, Philippines, PRC and Malaysia as to whether there is any legal restrictions and requirements of the relevant body or stock exchange under the laws of the relevant jurisdictions with respect to offering the Rights Shares to the Overseas Shareholders with registered addresses in such jurisdictions. The Company had been advised by its legal advisers on the laws of U.S., Canada, Philippines, PRC and Malaysia that the Rights Issue Documents would be required to be registered or filed with or subject to approval by the relevant regulatory authorities in the relevant jurisdictions (as the case may be), thus the Company would be required to comply with the relevant laws and regulations if the Rights Issue is to be offered to the Overseas Shareholders with registered addresses in U.S., Canada, Philippines, PRC and Malaysia. Having considered the circumstances, the Directors are of the view that it is not expedient to extend the Rights Issue to such Overseas Shareholders as the costs involved in complying with the legal requirements of U.S., Canada, Philippines, PRC and Malaysia would be substantial and such costs and time involved will outweigh the possible benefits to the relevant Overseas Shareholders and the Company. Thus, the Rights Issue would not be extended to the Overseas Shareholders in U.S., Canada, Philippines, PRC and Malaysia. The Company would send the Overseas Letter together with the Prospectus, for their information only, to such Excluded Shareholders with registered addresses in U.S., Canada, Philippines, PRC and Malaysia but would not send the provisional allotment letter and the excess application form to them on the Allotment Posting Date.

As mentioned in the Overseas Shareholders Announcement, the Company had also made enquiries with its legal advisers in Australia, U.K., Spain and Macau as to whether there is any legal restrictions and requirements of the relevant body or stock exchange under the laws of the relevant jurisdictions with respect to offering the Rights Shares to the Overseas Shareholders with registered addresses in such jurisdictions. The Company had been advised by its legal advisers on the laws of Australia, U.K., Spain and Macau that the Company would be exempted from registration of the Rights Issue Documents with the relevant regulatory authorities under the relevant laws of the relevant jurisdictions since the Company would meet the relevant requirements for exemption under the relevant jurisdictions. However, the Company has been advised by its legal advisers on Australian laws that the Overseas Shareholders with registered addresses in Australia may need to provide the relevant disclosure documents to investors if such Overseas Shareholders with registered addresses in Australia wish to transfer the relevant securities

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## LETTER FROM THE BOARD

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issued under the Rights Issue to a third party within twelve months from the date of issue of the Rights Shares. Based on the advices of the Company's legal advisers on the laws of Australia, U.K., Spain and Macau, the Directors believe that the Rights Issue Documents would not be required to be registered under the relevant laws and regulations of Australia, U.K., Spain and Macau, except that the Overseas Shareholders with registered addresses in Australia may need to provide the relevant disclosure documents to investors as aforementioned. Therefore, the Directors believe that the Rights Issue Documents may be depatched to the Overseas Shareholders with registered addresses in Australia, U.K., Spain and Macau without any restrictions. In view thereof, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in U.K., Spain and Macau and such Overseas Shareholders are Qualifying Shareholders. With respect to the Overseas Shareholders with registered addresses in Australia, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Australia subject to their providing the relevant disclosure documents to investors if they transfer their securities issued under the Rights Issue within twelve months from the date of issue of the Rights Shares and such Shareholders with registered addresses in Australia would be Qualifying Shareholders. The Company will send the Overseas Letter together with the Prospectus, to such Qualifying Shareholders with registered addresses in Australia, U.K., Spain and Macau together with the provisional allotment letter and the excess application form to them on the Allotment Posting Date.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid to the relevant Excluded Shareholders in Hong Kong dollars pro-rata (rounded down to the nearest cent) to their respective shareholdings as soon as practicable. The Company will retain individual amounts of HK\$100 or less for its own benefit.

#### **4. Status of the Rights Shares**

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the then existing Shares in issue. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Rights Shares.

Nil-paid Rights Shares will be traded in existing board lot size of 3,000 Shares. Dealing in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong. The Rights Shares shall represent approximately 50% of the existing issued share capital of the Company and approximately 33.33% of the enlarged issued share capital of the Company upon completion of the Rights Issue.



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## LETTER FROM THE BOARD

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### 5. Fractional of Rights Shares

The Company will not provisionally allot fractions of Rights Shares (whether in nil-paid or fully-paid form). The Company will sell in the market any such Rights Shares created from the aggregation of fractions of Rights Shares (if a premium, net of expenses, can be obtained), and will retain the proceeds for its own benefit.

### 6. Subscription Price for the Rights Shares

The subscription price will be HK\$0.915 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her provisional allotment of the Rights Shares under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

1. a discount of approximately 25.0% to the closing price of HK\$1.22 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 18.2% to the theoretical ex-rights price of approximately HK\$1.118 per Share based on the closing price of HK\$1.22 per Share as quoted on the Stock Exchange on the Last Trading Day;
3. a discount of approximately 24.9% to the average closing price of approximately HK\$1.219 per Share as quoted on the Stock Exchange for the last ten Trading Days up to and including the Last Trading Day;
4. a discount of approximately 6.6% to the closing price of HK\$0.98 per Share on the Latest Practicable Date; and
5. a premium of approximately 158.5% over the audited consolidated net assets value per Share of approximately HK\$0.354 with reference to the audited consolidated net assets value of the Group as at 31 December 2004 as shown in the 2004 annual report of the Company (before taking into account the capital reorganisation being effective on 2 February 2005 as announced on 26 January 2005) and a discount of approximately 51.1% to the unaudited consolidated net assets value per Share of approximately HK\$1.87 based on the unaudited consolidated net assets value of the Group as at 30 June 2005 as shown in the 2005 interim report of the Company.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the recent market prices of the Shares under the prevailing market conditions which would encourage the Qualifying Shareholders to participate in the Rights Issue. The Directors consider the terms of the Rights Issue to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **7. Application for excess Rights Shares**

Qualifying Shareholders shall be entitled to apply for any unsold entitlements of Excluded Shareholders, any unsold Rights Shares created by adding together fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted and paid by Qualifying Shareholders. Application may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair basis, but will give preference to topping-up odd lots to whole board lots. The Shareholders with the Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

The latest time for acceptance of, and payment of Rights Shares and application for excess Rights Shares is expected to be at 6:00 p.m. on Thursday, 15 December 2005, or such later date as may be agreed between the Company and the Underwriter.

### **8. Reasons for subscription of provisionally allotted Rights Shares and application for excess Rights Shares by the Undertaking Shareholders**

Pursuant to the Irrevocable Undertakings, Mr. Deacon Te Ken Chiu has irrevocably undertaken with the Company and (as separate undertakings) with the Underwriter to take up all of his entitlements under the Rights Issue being 1,988,660 Rights Shares with a total subscription price of approximately HK\$1,819,624 and in addition, make an excess application for 2,985,246 Rights Shares (having a total subscription price of HK\$2,731,500 payable in cash) under the Rights Issue.

Pursuant to the Irrevocable Undertakings, Mr. Duncan Chiu has irrevocably undertaken with the Company and (as separate undertakings) with the Underwriter to take up all of his entitlements under the Rights Issue, being 3,220,621 Rights Shares with a total subscription price of approximately HK\$2,946,868 payable in cash) and in addition, to make an excess application for 3,900,000 Rights Shares with a total subscription price of HK\$3,568,500 payable in cash under the Rights Issue. Mr. Duncan Chiu has further irrevocably undertaken with the Company and (as a separate undertaking) with the Underwriter that at any time before the Record Date, he shall not exercise any of the subscription rights attaching to the Options granted to him by the Company on 21 July 2005 to subscribe for 3,200,000 Shares.

The Directors consider that the Rights Issue provides a good opportunity for the Group to capitalise on the recent market conditions to raise funds to strengthen its capital base and improve its financial position to provide flexibility for the Group's future development and investments. The Directors are of the opinion that the terms of the Irrevocable Undertakings are fair and reasonable and in the interest of the Company and Shareholders as a whole.

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## LETTER FROM THE BOARD

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### UNDERWRITING ARRANGEMENTS

#### 1. Underwriting Agreement

Date:	31 October 2005
Underwriter:	Kingston Securities Limited
Number of Rights Shares underwritten:	21,072,363 Rights Shares are fully underwritten by the Underwriter pursuant to the Underwriting Agreement
Commission:	2.5 % of the aggregate Subscription Price in respect of the actual number of Rights Shares underwritten payable on the Record Date

Pursuant to the Underwriting Agreement, the Underwriter has agreed to underwrite the Rights Shares (other than the Rights Shares to be allotted in respect of the Shares beneficially owned by the Undertaking Shareholders and the Rights Shares undertaken by the Undertaking Shareholders to be taken up by excess application) which have not been taken up and fully-paid for up to 6:00 p.m. on the Final Acceptance Date. Accordingly, the Rights Issue is fully underwritten. Save as its obligations under the Underwriting Agreement, the Underwriter does not have any shareholding in the Company and is an independent third party not acting in concert nor connected with the Company and its connected person (as defined in the Listing Rules) .

The 2.5% commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter and based on normal commercial terms with reference to the market rates.

On 28 November 2005, the Company, Underwriter and Undertaking Shareholders entered into the Supplemental Agreement to supplement the Underwriting Agreement pursuant to which the definitions and terms relating to the special arrangement as set out in the section headed "Special arrangement for acceptance of, and payment of Rights Shares and applications for excess Rights Shares" are amended.

#### 2. Undertaking by the Undertaking Shareholders

As at the Latest Practicable Date, the Undertaking Shareholders are beneficially interested in an aggregate of 10,418,562 Shares, representing approximately 15.71% of the existing issued Shares of the Company.

Subject to the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms, the Undertaking Shareholders have irrevocably undertaken to the Company and the Underwriters that all Shares beneficially owned by them shall remain registered in their (or their nominee's) names up to and inclusive of the Record Date and that they shall take up or procure subscribers to take up their entitlements to the Rights Shares in full which shall be provisionally allotted to them as the holder or beneficial owner of such Shares under the Rights Issue and, in addition, they shall make an excess application for an aggregate of 6,885,246 Rights Shares.

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## LETTER FROM THE BOARD

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One of the Undertaking Shareholders, Mr. Duncan Chiu, has further irrevocably undertaken with the Company and (as a separate undertakings) with the Underwriter that at any time before the Record Date, he shall not exercise any of the subscription rights attaching to the Options granted to him by the Company on 21 July 2005 to subscribe for 3,200,000 Shares.

Up to the Record Date, none of the 6,600,000 Options outstanding were exercised. Therefore, the maximum number of Rights Shares to be underwritten by the Underwriter is 21,072,363 Rights Shares.

### **3. Termination of the Underwriting Agreement:**

**It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter at its reasonable discretion, by notice in writing, to terminate its obligations thereunder at any time prior to 4:00 p.m. on the third business day following the Final Acceptance Date:**

- (a) if the occurrence of the following events would, in the sole and reasonable opinion of the Underwriter, materially and adversely affect the success of the Rights Issue by materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or the number of Rights Shares accepted or applied for or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue:**
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever; or**
  - (ii) the occurrence of any local, national or international event or change, (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing) , or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or**
  - (iii) the occurrence of any change in market conditions (including without limitation suspension or material restriction on trading in securities) ; or**
  - (iv) any change in the circumstances of the Company or any member of the Group.**
- (b) if, at or prior to 4:00 p.m. on the third business day following the Final Acceptance Date:**
  - (i) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement; or**

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## LETTER FROM THE BOARD

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- (ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its sole and reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent an adverse change in the financial or trading position or prospectus of the Group taken as a whole or is otherwise likely to have a prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to any of the Underwriter's attention, fail promptly to send out any announcement or circular (after the dispatch of the Rights Issue Documents) , in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company; or
- (iv) any of the Undertaking Shareholders commits a breach of or omit to observe any of the obligations or undertakings under the Underwriting Agreement.

In the event that the Underwriting Agreement shall have been terminated, the Rights Issue shall not proceed.

Save for all reasonable costs, fees, charges and expenses which may be incurred in connection with the Rights Issue, upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders shall take up his/her/its respective entitlements in full)		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders shall take up his/her/its entitlement under the Rights Issue, except that the Undertaking Shareholders take up all their entitlements (being 5,209,281 Rights Shares in aggregate) and their excess applications (being 6,885,246 Rights Shares in aggregate) under the Rights Issue	
	Shares	% (approx.)	Shares	% (approx.)	Shares	% (approx.)
Controlling Shareholders:						
(a) Undertaking Shareholders:						
Mr. Deacon Te Ken Chiu (Note 1)	3,977,320	6.00	5,965,980	6.00	8,951,226	9.00
Mr. Duncan Chiu	6,441,242	9.71	9,661,863	9.71	13,561,863	13.63
Sub-total	10,418,562	15.71	15,627,843	15.71	22,513,089	22.63
(b) Other Shareholders:						
Dato' David Chiu	1,700,000	2.56	2,550,000	2.56	1,700,000	1.71
Rocket High Investments Limited (Note 2)	5,608,000	8.45	8,412,000	8.45	5,608,000	5.64
Mr. Daniel Tat Jung Chiu	2,200,000	3.32	3,300,000	3.32	2,200,000	2.21
Gorich Holdings Limited (Note 3)	8,400,040	12.66	12,600,060	12.66	8,400,040	8.44
Cape York Investments Limited (Note 4)	6,080,000	9.17	9,120,000	9.17	6,080,000	6.11
Mr. Dennis Chiu	3,322,040	5.01	4,983,060	5.01	3,322,040	3.34
Sub-total	27,310,080	41.17	40,965,120	41.17	27,310,080	27.45
Total for parties acting in concert with it:	37,728,642	56.88	56,592,963	56.88	49,823,169	50.08
Miss Margaret Chiu	1,000,000	1.51	1,500,000	1.51	1,000,000	1.01
Mr. Derek Chiu	40,200	0.06	60,300	0.06	40,200	0.03
Mr. Desmond Chiu	1,000,000	1.51	1,500,000	1.51	1,000,000	1.01
Total for Controlling Shareholders	39,768,842	59.96	59,653,263	59.96	51,863,369	52.13
Underwriter (Note 5)	-	-	-	-	21,072,363	21.18
Other Shareholders	26,564,939	40.04	39,847,408	40.04	26,564,939	26.69
Total	<u>66,333,781</u>	<u>100.00</u>	<u>99,500,671</u>	<u>100.00</u>	<u>99,500,671</u>	<u>100.00</u>

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## LETTER FROM THE BOARD

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*Notes:*

1. Of the 3,977,320 Shares, 1,222,000 Shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
2. Rocket High Investments Limited, a company wholly-owned by Dato' David Chiu.
3. Gorich Holdings Limited, a company wholly-owned by Mr. Daniel Tat Jung Chiu.
4. Cape York Investments Limited, a company owned equally by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
5. Save as its obligations under the Rights Issue, the Underwriter is independent of and not acting in concert nor connected with Company and its connected persons (as defined under the Listing Rules) . The Underwriter, and if applicable the sub-underwriter, will at no time hold in aggregate, 30% or more interests in the Company upon completion of the Rights Issue.

### CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, among other things, the following conditions:

- (i) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Rights Issue Documents duly certified by two directors of the Company (or by their agents duly authorized in writing) as having been approved by resolution of the Board (and all other documents required to be attached thereto) not later than the Allotment Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (ii) the posting of the Rights Issue Documents to the Qualifying Shareholders; the posting of the Overseas Letter together with the Rights Issue Documents to the Overseas Shareholders who are not Excluded Shareholders and the posting of the Overseas Letter together with copies of the Prospectus stamped "For Information Only" to the Excluded Shareholders and the Options Holders (without the Overseas Letter) all on the Allotment Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting (subject to allotment) , and not having revoked, listing of, and permission to deal in the Rights Shares, in nil-paid and fully-paid forms before the expected date of commencement of dealings in the nil-paid form (or such other date as may be agreed in writing between the Company and Underwriter) ;
- (iv) compliance by the Undertaking Shareholders with all its undertakings and obligations under the Underwriting Agreement; and
- (v) compliance by the Company with all its undertakings and obligations under the Underwriting Agreement;

In the event that the above conditions not being fulfilled or waived by the Underwriter on or before the respective dates aforesaid (or such later date or dates as may be agreed between the Company and the Underwriter) or if the Underwriting Agreement shall be terminated, all obligations and liabilities of the parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against the others (save for any antecedent breaches thereof) save that the Company will pay the

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## LETTER FROM THE BOARD

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documentation fee to Kingston Corporate Finance by less than 1% of the total Subscription Price on the actual number of Rights Shares underwritten by the Underwriter and the expenses incurred to the Underwriter referred to in the Underwriting Agreement. In such case, the Rights Issue will not proceed.

### RESTORATION OF PUBLIC FLOAT

The Stock Exchange has stated that if, upon completion of the Rights Issue, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading in the Shares; or
- (ii) there are too few Shares in public hands to maintain an orderly market;

then it will consider exercising its discretion to suspend trading in the Shares until a sufficient public float is attained.

### REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in property investment, securities investment, manufacture and sales of garments and commodity concrete and provision of information technology services in the PRC.

The Company intends to use the net proceeds from the Rights Issue of approximately HK\$29 million as to i) approximately HK\$25 million for possible diversified investment in aviation technology company and/or outdoor media business in the PRC which has not yet been identified by the Company as at the Latest Practicable Date and; ii) the remaining balance of approximately HK\$4 million for general working capital. In the event that the Company is unable to identify any suitable investment upon completion of the Rights Issue, the net proceeds from the Rights Issue will be temporarily deposited in bank as time deposit for earning interest income. The Company intends to continue its existing principal businesses despite that it may identify those possible diversified investment.

Having considered other fund raising alternatives for the Group, including bank borrowings and placing of new Shares, and taking into account the benefits and costs of each of the alternatives, the Rights Issue allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Directors consider that the Rights Issue is in the interest of the Company and its Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

### LISTINGS AND DEALINGS

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. It is expected that dealings in the Rights Shares in their nil-paid form will commence on Friday, 2 December 2005 and will end on Monday, 12 December



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## LETTER FROM THE BOARD

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2005 (both days inclusive). No securities of the Company are listed or dealt in on any other stock exchange and no application has been made or is currently proposed to be made for the Shares to be listed or dealt in on any other stock exchange.

Subject to the granting of approval for the listing of, and permission to deal in, the Rights Shares on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as may be 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.

The Rights Shares in their nil-paid and fully-paid forms, will be traded in board lots of 3,000 Shares. Dealings in the nil-paid and fully-paid Rights Shares will be subject to payment of stamp duty in Hong Kong.

**Shareholders should note that the last day of dealings in the Shares on a cum-rights basis was Tuesday, 22 November 2005. Existing Shares have been dealt in on an ex-rights basis since Wednesday, 23 November 2005. The Rights Shares are expected to be dealt with in their nil-paid form from Friday, 2 December 2005 to Monday, 12 December 2005, both dates inclusive. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.**

**Any dealings in the Shares or Rights Shares in their nil-paid form up to the date on which the Underwriting Agreement becomes unconditional are accordingly at the Shareholders' or investors' own risk. Any Shareholder or other person contemplating any dealings in the Shares or Rights Shares in their nil-paid form is recommended to consult his/her own professional advisor.**

### PROCEDURES FOR ACCEPTANCE AND TRANSFER

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept the provisional allotment and entitlements in full as specified in the PAL, they must lodge the whole of the PAL intact with the Registrar, together with a remittance for the full amount payable on acceptance, so as to be received by no later than 6:00 p.m. on Thursday, 15 December 2005. This will constitute acceptance of the provisional allotment and entitlements on the terms of the PAL and this Prospectus and subject to the memorandum and articles of association of the Company. **All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Far East Technology International Limited – Rights Issue Account" and crossed "Account Payee Only".** No receipt will be given for such remittances.

Qualifying Shareholders should note that unless the duly completed PAL, together with the appropriate remittance, is received by the Registrar as described above by no later than 6:00 p.m. on Thursday, 15 December 2005, whether by the original allottee or any person in whose favour the rights

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## LETTER FROM THE BOARD

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have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

Completion and return of the PAL will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions other than Hong Kong in connection with the PAL and any acceptance of it have been, or will be, duly complied with.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer only part of their provisional allotment to one person or transfer all or part of their provisional allotment to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Wednesday, 7 December 2005, with the Registrar, which will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the office of the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PAL by the Qualifying Shareholders.

All cheques and cashier's orders will be presented for payment immediately upon receipt and all interest earned on such moneys will be retained for the benefit of the Company. Completion and return of the PAL with a cheque and/or a cashier's order, whether by the Qualifying Shareholders or by any nominated transferee, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlement given pursuant to which will be deemed to have been declined and will be cancelled. The amount tendered for subscription, in full without interest, will be sent by ordinary post at the risk of the Qualifying Shareholders to the registered addresses of the Qualifying Shareholders, or other persons entitled thereto, on or about Friday, 23 December 2005.

Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself, before acquiring any rights to subscribe for the provisionally allotted Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such jurisdiction in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and regulatory requirements have been fully complied with. If Qualifying Shareholders are in doubt as to their positions, they should consult their own independent professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

If the Underwriter exercises the right to terminate the Underwriting Agreement in accordance with the terms thereof or if the conditions of the Rights Issue are not fulfilled and/or waived as mentioned in the paragraph headed "Conditions of the Rights Issue", as the case may be, the moneys received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of

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## LETTER FROM THE BOARD

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joint acceptances, to the first-named person without interest, by means of cheques crossed “Account Payee Only” despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses on or about Friday, 23 December 2005.

### APPLICATIONS FOR EXCESS RIGHTS SHARES

If the Qualifying Shareholders wish to apply for any excess Rights Shares in addition to their provisional allotment, they must complete and sign the enclosed EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, in accordance with the instructions printed thereon, with the Registrar, so as to be received by no later than 6:00 p.m. on Thursday, 15 December 2005. **All remittances must be made in Hong Kong dollars, cheques must be drawn on a bank account with, or a cashier’s order must be issued by, a licensed bank in Hong Kong and made payable to “Far East Technology International Limited – Excess Application Account” and crossed “Account Payee Only”.** No receipt will be given for such remittances.

The Registrar will notify the Qualifying Shareholders of any allotment of excess Rights Shares made to them, which will be at the sole discretion of the Directors on a fair and equitable basis and will give preference to topping up odd lots to whole board lots.

If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on application is expected to be returned to that Qualifying Shareholder in full on or about Friday, 23 December 2005. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application moneys are also expected to be returned to them on or about Friday, 23 December 2005.

All cheques or cashier’s orders will be presented for payment immediately upon receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier’s order is dishonoured on first presentation is liable to be rejected. The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier’s orders for amounts due, will be sent by ordinary post at the risk of the Qualifying Shareholders to their registered addresses on or about Friday, 23 December 2005.

The Right Issue Documents have not been and will not be registered and/or filed under any securities or equivalent legislation of any jurisdictions other than the applicable laws in Hong Kong. No Rights Issues Document has been sent to any Excluded Shareholders except for the Prospectus which is for information only. Accordingly, no action has been taken to permit the Rights Issue in any jurisdiction outside Hong Kong. No person receiving an EAF in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for excess Rights Shares, unless in a jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof.

Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the excess Rights Shares to satisfy himself/herself/itself, before acquiring any rights to subscribe for the excess Rights Shares, as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such jurisdictions in connection therewith. Any acceptance of the offer of the excess Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully

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## LETTER FROM THE BOARD

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complied with. If Qualifying Shareholders are in doubt as to their positions, they should consult their own independent professional advisers. The Company reserves the right to refuse to accept any application for the excess Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

If the Underwriter exercises the right to terminate the Underwriting Agreement in accordance with the terms thereof or if the conditions of the Rights Issue are not fulfilled and/or waived as mentioned in the paragraph headed “Conditions of the Rights Issue”, as the case may be, the moneys received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques crossed “Account Payee Only” despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses on or about Friday, 23 December 2005.

### **SPECIAL ARRANGEMENT FOR ACCEPTANCE OF, AND PAYMENT OF RIGHTS SHARES AND APPLICATIONS FOR EXCESS RIGHTS SHARES**

The Company is fully aware of the forthcoming conference of the World Trade Organisation to be held in Hong Kong during the period from 13 December 2005 to 18 December 2005, which may affect the traffic condition of the Wanchai area of Hong Kong during such period. As the Registrar for receiving the acceptance of, and payment of Rights Shares and the application for excess Rights Shares in respect of the Rights Issue is located in Wanchai, Hong Kong, the Company anticipates that the lodgement of the acceptance of, and payment of Rights Shares and the application for excess Rights Shares by the Qualifying Shareholders with the Registrar in Wanchai, Hong Kong may be affected in view of the fact that the original latest time for acceptance, and payment of Rights Shares and application for excess Rights Shares is at 4:00 p.m. on 15 December 2005 as stated in the Announcement.

In order to alleviate such problem, the Company has adopted a contingency plan to make available another office of the Registrar at 3/F., Futura Plaza, 111-113 How Ming Street, Kwun Tong, Kowloon, Hong Kong from 9:00 a.m. to 6:00 p.m. on 15 December 2005 for that day only to receive the acceptance of, and payment of Rights Shares and the application for excess Rights Shares should the Qualifying Shareholders experience any difficulty in lodging the acceptance of, and payment of Rights Shares and the application for excess Rights Shares with the Registrar in Wanchai, Hong Kong on that day. At the same time, the opening hours of the office of the Registrar in Wanchai, Hong Kong on 15 December 2005 will also be extended to 6:00 p.m. The latest time for acceptance, and payment of Rights Shares and application for excess Rights Shares will accordingly be extended to 6:00 p.m. on 15 December 2005.

### **CERTIFICATES FOR RIGHTS SHARES AND REFUND CHEQUES**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted on or before Friday, 23 December 2005 to those who have accepted and (where applicable) applied for, and paid for the Rights Shares, by ordinary post at their own risk, and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Friday, 23 December 2005 by ordinary post at their own risk.

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## LETTER FROM THE BOARD

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### EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Group did not have any capital raising activities for 12 months immediately before the Latest Practicable Date.

### BUSINESS REVIEW AND PROSPECTS OF THE GROUP

For information technology segment, in the Group's share of profit of an associated company, relating to 24.36% equity interests in Chinasoft International Limited ("Chinasoft"), amounted to HK\$4.36 million for the six months ended 30 June 2005 (HK\$3.29 million for the six months ended 30 June 2004), representing a rise of 32.22% over that of last period. It reflected Chinasoft's continuous endeavours in penetrating and development into new market which has been successful. It has also seen the establishment of Chinasoft's good quality, branding and reliability in China's software industry. With the possible joining of strategic foreign business partners in the second half of 2005, it is anticipated that Chinasoft will continue to grow in both software and hardware segment.

For industrial segment, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited (the "Jiangsu Bang Bang") reported turnover of HK\$15 million for the six months ended 30 June 2005, a drop of 14% compared with the same period of 2004. With the abolishment of the textile quota control amongst the World Trade Organisation member countries on 1 January 2005, consolidations is expected amongst manufacturers of PRC's garment industry. Furthermore, the announcement of new textile export duty imposition by the PRC government at the end of 2004 created further uncertainties in the outlook of garment manufacturing industry exporting out of China. Under such circumstances, Jiangsu Bang Bang's sales and production strategies are inevitably adversely affected. Therefore, the business prospects for this segment is not quite optimistic in the coming year.

For property segment, gross rental income for the six months ended 30 June 2005, declined by 64% to HK\$0.5 million over that of last period. It was attributable to disposal of two investment properties in Hong Kong in 2004. With the opening of the Hong Kong Disneyland theme park in September 2005 and recovery in Hong Kong economy, the Board believes that there would be more demand for retail space. Besides, Kwai Chung Fa Yuen, the investment properties owned by the Group in Kwai Chung, has been left vacant since 24 July 2005 for refurbishment, it is expected to be completed in April 2006.

Overall business environment is likely to grow steadily in second half of 2005, though the surge of oil price and rising interest rate shall cast shadows over longer term economy. Looking ahead, the Group is actively exploring the forming of strategic partnerships to diversify its investments and broaden its source of income. It is expected that external acquisitions will strengthen the Group's earning base and improve revenue inflow to the Group.

### ADJUSTMENT TO THE EXERCISE PRICE AND NUMBER OF SHARES SUBJECT TO THE OPTIONS

As at the Record Date, there were 6,600,000 Options outstanding. Subject to the Rights Issue becoming unconditional, the exercise price and the number of Shares subject to the Options will be adjusted. Such adjustment(s) will be set out in the announcement by the Company of the results of the Rights Issue.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**Duncan Chiu**  
*Managing Director and Chief Executive Officer*

## 1. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Rights Issue, were and will be as follows:

### (i) As at the Latest Practicable Date:

<i>Authorised:</i>	<i>HK\$</i>
<u>70,000,000,000</u> Shares	<u>700,000,000</u>
<i>Issued and fully paid:</i>	
<u>66,333,781</u> Shares	<u>663,338</u>

### (ii) Upon completion of the Rights Issue:

<i>Authorised:</i>	<i>HK\$</i>
<u>70,000,000,000</u> Shares	<u>700,000,000</u>
<i>Issued and fully paid:</i>	
66,333,781 Shares	663,338
33,166,890 Rights Shares	331,669
<u>99,500,671</u>	<u>995,007</u>

All Shares in issue and the Rights Shares rank and will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

As at the Latest Practicable Date, the Company had 6,600,000 Options outstanding. Save for the Options, the Company has no other outstanding convertible securities, options, or warrants in issue which confer any right to subscribe for, convert or exchange into shares as at the Latest Practicable Date.

Save for the Options, no share or loan capital of any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted as at the Latest Practicable Date.

No Share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital as at the Latest Practicable Date.

The Shares are listed on the Stock Exchange. No part of the Shares is listed or dealt in, nor is listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

**2. AUDITED CONSOLIDATED FINANCIAL STATEMENT OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2002**

Set out below is the reproduction of the text of the qualified auditors' report for the year ended 31 December 2002 contained in the Company's 2002 annual report:–

**Deloitte.**  
**德勤**

德勤·關黃陳方會計師行  
香港中環干諾道中111號  
永安中心26樓

Deloitte Touche Tohmatsu  
26/F Wing On Centre  
111 Connaught Road Central  
Hong Kong

**TO THE MEMBERS OF  
FAR EAST TECHNOLOGY INTERNATIONAL LIMITED**

遠東科技國際有限公司

*(Incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 17 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**Respective responsibilities of directors and auditors**

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited. As disclosed in note 19, the directors have recognised an impairment loss of HK\$68,500,000 in respect of the Group's interest in a leisure-entertainment complex. Accordingly, the directors assess that the recoverable amount of the Group's interest in the complex at 31st December, 2002 is HK\$68,500,000. We were unable to obtain sufficient information and



explanations to assess whether this recoverable amount has been appropriately determined in accordance with the requirements of SSAP 31 “Impairment of Assets” and accordingly whether such amount is free from material misstatement.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Qualified opinion arising from limitation of audit scope**

Except for any adjustment that might have been found to be necessary had we been able to obtain sufficient evidence concerning the recoverable amount of the Group’s interest in the leisure-entertainment complex, in our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st December, 2002 and of the loss and cash flows of the Group for the year then ended, and have been properly prepared in accordance with the Companies Ordinance.

In respect alone of the limitation on our work relating to the interest in leisure-entertainment complex, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

24th April, 2003

## 3. THREE YEARS SUMMARY

The following information has been extracted from the audited consolidated financial statements of the Company for each of the three years ended 31 December 2004:–

**Consolidated income statement**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	73,394,521	84,678,252	89,843,403
Cost of sales	<u>(65,576,647)</u>	<u>(71,313,072)</u>	<u>(64,699,453)</u>
Gross profit	7,817,874	13,365,180	25,143,950
Other operating income	5,000,441	3,160,200	3,888,011
Distribution costs	(460,238)	(552,814)	(574,295)
Administrative expenses	(6,158,693)	(6,301,300)	(23,760,040)
Other operating expenses	(191,394)	(1,352,895)	(10,389,926)
Unrealised holding gain			
on listed other investments	4,545,221	6,239,799	(1,453,041)
Gain on disposal of listed investment securities	3,089,802	5,275,613	–
Impairment loss on investment securities reversed	1,843,838	3,089,978	(30,358,368)
Impairment loss on property, plant and equipment (recognised) reversed	(3,185,376)	654,354	(24,751,626)
Surplus (deficit) on revaluation of investment properties	460,000	(45,451,938)	–
Gain on disposal of investment properties	<u>2,376,620</u>	<u>–</u>	<u>–</u>
Profit (loss) from operations	15,138,095	(21,873,823)	(62,255,335)
Finance costs	(1,653,146)	(5,693,260)	(14,722,776)
Impairment loss on interest in leisure-entertainment complex	–	(68,499,999)	(68,500,000)
Gain (loss) on disposal of subsidiaries and discontinued operations	27,851,326	–	(46,817,276)
Gain on deemed disposal of an associate	7,663,747	3,278,482	–
Share of results of associates	9,873,233	7,692,350	6,776,638
Share of results of a jointly controlled entity	<u>(4,269,793)</u>	<u>7,500</u>	<u>824,047</u>
Profit (loss) before taxation	54,603,462	(85,088,750)	(184,694,702)
Taxation	<u>(1,284,569)</u>	<u>2,691,694</u>	<u>5,386,729</u>
Profit (loss) before minority interests	53,318,893	(82,397,056)	(179,307,973)
Minority interests	<u>(1,042,695)</u>	<u>(2,362,852)</u>	<u>66,433</u>
Profit (loss) for the year	<u><u>52,276,198</u></u>	<u><u>(84,759,908)</u></u>	<u><u>(179,241,540)</u></u>
Earnings (loss) per share			
Basic	<u><u>15.8 cents</u></u>	<u><u>(25.6 cents)</u></u>	<u><u>(54.0 cents)</u></u>

## Consolidated Balance Sheet

	2004 <i>HK\$</i>	2003 <i>HK\$</i>	2002 <i>HK\$</i>
<b>Non-current Assets</b>			
Property, plant and equipment	20,585,977	27,708,927	28,000,030
Investment properties	25,700,000	168,811,952	211,101,000
Land held for development	2,734,382	2,734,382	2,734,382
Leisure-entertainment complex	–	1	68,500,000
Interests in associates	47,583,384	32,661,084	23,011,082
Interest in a jointly controlled entity	2,799,189	7,068,982	7,061,482
Investments in securities	8,179,693	12,436,432	16,729,501
	<u>107,582,625</u>	<u>251,421,760</u>	<u>357,137,477</u>
<b>Current Assets</b>			
Investments in securities	20,845,373	14,357,749	8,066,932
Inventories	5,275,451	6,539,656	7,590,424
Trade and other receivables	14,342,234	18,919,306	28,266,562
Amounts due from minority shareholders	6,193,745	6,692,183	–
Amounts due from associates	685,529	4,727	607,201
Pledged bank deposits	5,216,006	14,335,487	6,632,834
Bank balances and cash	14,466,764	7,082,948	8,548,753
	<u>67,025,102</u>	<u>67,932,056</u>	<u>59,712,706</u>
<b>Current Liabilities</b>			
Trade and other payables	25,613,688	56,275,581	48,301,215
Amounts due to directors	5,752,598	15,904,179	29,829,527
Amounts due to related companies	1,557,088	5,752,548	6,712,679
Amount due to a minority shareholder	982,870	968,462	–
Amount due to a jointly controlled entity	507,550	507,550	298,389
Tax payable	6,690	403,031	5,154,701
Obligations under finance leases			
– due within one year	–	–	8,409
Bank and other loans – due within one year	6,531,658	141,372,463	146,167,701
	<u>40,952,142</u>	<u>221,183,814</u>	<u>236,472,621</u>
<b>Net Current Assets (Liabilities)</b>	<u>26,072,960</u>	<u>(153,251,758)</u>	<u>(176,759,915)</u>
	<u><u>133,655,585</u></u>	<u><u>98,170,002</u></u>	<u><u>180,377,562</u></u>

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Capital and Reserves</b>			
Share capital	331,668,905	331,668,905	331,668,905
Reserves	(214,342,313)	(258,491,919)	(175,742,399)
	<u>117,326,592</u>	<u>73,176,986</u>	<u>155,926,506</u>
<b>Minority Interests</b>	<u>16,328,993</u>	<u>16,410,692</u>	<u>16,922,218</u>
<b>Non-current Liability</b>			
Obligations under finance leases			
– due after one year	–	–	15,418
Bank and other loans – due after one year	–	8,582,324	7,513,420
	<u>–</u>	<u>8,582,324</u>	<u>7,528,838</u>
	<u>133,655,585</u>	<u>98,170,002</u>	<u>180,377,562</u>

## 4. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following are the audited consolidated income statements of the Company for each of the two years ended 31 December 2004, the audited consolidated balance sheets of the Company as at 31 December 2004 and 2003, the audited balance sheets of the Company as at 31 December 2004 and 2003, the audited consolidated statements of changes in equity of the Company for each of the two years ended 31 December 2004 and the audited consolidated cash flow statements of the Company for each of the two years ended 31 December 2004, together with accompanying notes extracted from the 2004 annual report and accounts of the Company:–

**Consolidated income statement**

*For the year ended 31st December, 2004*

	<i>Notes</i>	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
Turnover	4	73,394,521	84,678,252
Cost of sales		<u>(65,576,647)</u>	<u>(71,313,072)</u>
Gross profit		7,817,874	13,365,180
Other operating income	6	5,000,441	3,160,200
Distribution costs		(460,238)	(552,814)
Administrative expenses		(6,158,693)	(6,301,300)
Other operating expenses	7	(191,394)	(1,352,895)
Unrealised holding gain on listed other investments		4,545,221	6,239,799
Gain on disposal of listed investment securities		3,089,802	5,275,613
Impairment loss on investment securities reversed		1,843,838	3,089,978
Impairment loss on property, plant and equipment (recognised) reversed		(3,185,376)	654,354
Surplus (deficit) on revaluation of investment properties		460,000	(45,451,938)
Gain on disposal of investment properties		<u>2,376,620</u>	<u>–</u>
Profit (loss) from operations	8	15,138,095	(21,873,823)
Finance costs	9	(1,653,146)	(5,693,260)
Impairment loss on interest in leisure-entertainment complex		–	(68,499,999)
Gain on disposal of subsidiaries and discontinued operations	10 & 33	27,851,326	–
Gain on deemed disposal of an associate	19	7,663,747	3,278,482
Share of results of associates		9,873,233	7,692,350
Share of results of a jointly controlled entity		<u>(4,269,793)</u>	<u>7,500</u>
Profit (loss) before taxation		54,603,462	(85,088,750)
Taxation	12	<u>(1,284,569)</u>	<u>2,691,694</u>
Profit (loss) before minority interests		53,318,893	(82,397,056)
Minority interests		<u>(1,042,695)</u>	<u>(2,362,852)</u>
Profit (loss) for the year		<u><u>52,276,198</u></u>	<u><u>(84,759,908)</u></u>
Earnings (loss) per share			
Basic	13	<u><u>15.8 cents</u></u>	<u><u>(25.6 cents)</u></u>

**Consolidated Balance Sheet***At 31st December, 2004*

	<i>Notes</i>	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
<b>Non-current Assets</b>			
Property, plant and equipment	14	20,585,977	27,708,927
Investment properties	15	25,700,000	168,811,952
Land held for development	16	2,734,382	2,734,382
Leisure-entertainment complex	17	–	1
Interests in associates	19	47,583,384	32,661,084
Interest in a jointly controlled entity	20	2,799,189	7,068,982
Investments in securities	21	8,179,693	12,436,432
		<u>107,582,625</u>	<u>251,421,760</u>
<b>Current Assets</b>			
Investments in securities	21	20,845,373	14,357,749
Inventories	22	5,275,451	6,539,656
Trade and other receivables	23	14,342,234	18,919,306
Amounts due from minority shareholders		6,193,745	6,692,183
Amounts due from associates	24	685,529	4,727
Pledged bank deposits		5,216,006	14,335,487
Bank balances and cash		14,466,764	7,082,948
		<u>67,025,102</u>	<u>67,932,056</u>
<b>Current Liabilities</b>			
Trade and other payables	25	25,613,688	56,275,581
Amounts due to directors	26	5,752,598	15,904,179
Amounts due to related companies	27	1,557,088	5,752,548
Amount due to a minority shareholder		982,870	968,462
Amount due to a jointly controlled entity	28	507,550	507,550
Tax payable		6,690	403,031
Bank and other loans – due within one year	29	6,531,658	141,372,463
		<u>40,952,142</u>	<u>221,183,814</u>
<b>Net Current Assets (Liabilities)</b>		<u>26,072,960</u>	<u>(153,251,758)</u>
		<u><u>133,655,585</u></u>	<u><u>98,170,002</u></u>

		<b>2004</b>	<b>2003</b>
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Capital and Reserves</b>			
Share capital	30	331,668,905	331,668,905
Reserves		<u>(214,342,313)</u>	<u>(258,491,919)</u>
		<u>117,326,592</u>	<u>73,176,986</u>
<b>Minority Interests</b>			
		<u>16,328,993</u>	<u>16,410,692</u>
<b>Non-current Liability</b>			
Bank and other loans – due after one year	29	<u>–</u>	<u>8,582,324</u>
		<u>133,655,585</u>	<u>98,170,002</u>

**Balance sheet**

At 31st December, 2004

	<i>Notes</i>	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
<b>Non-current Assets</b>			
Property, plant and equipment	14	311,473	–
Land held for development	16	1,994,382	1,994,382
Interests in subsidiaries	18	55,143,320	91,453,885
Interests in associates	19	16,020,274	16,020,034
		<u>73,469,449</u>	<u>109,468,301</u>
<b>Current Assets</b>			
Investments in securities	21	20,062,713	13,894,846
Other receivables		1,779,735	781,015
Amounts due from associates	24	685,529	4,727
Pledged bank deposits		5,216,006	14,335,487
Bank balances and cash		1,231,722	1,166,520
		<u>28,975,705</u>	<u>30,182,595</u>
<b>Current Liabilities</b>			
Other payables		2,608,858	6,341,862
Amounts due to directors	26	4,545,299	13,200,290
Amounts due to related companies	27	1,557,088	5,357,088
Amounts due to subsidiaries		15,605,011	669,601
Bank and other loans – due within one year	29	5,996,635	26,075,416
		<u>30,312,891</u>	<u>51,644,257</u>
<b>Net Current Liabilities</b>		<u>(1,337,186)</u>	<u>(21,461,662)</u>
		<u>72,132,263</u>	<u>88,006,639</u>
<b>Capital and Reserves</b>			
Share capital	30	331,668,905	331,668,905
Reserves	31	(259,536,642)	(249,662,266)
		72,132,263	82,006,639
<b>Non-current Liability</b>			
Bank and other loans – due after one year	29	–	6,000,000
		<u>72,132,263</u>	<u>88,006,639</u>



**Consolidated statement of changes in equity***For the year ended 31st December, 2004*

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Investment property revaluation reserve <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1st January, 2003	331,668,905	282,892,010	491,191	8,181,485	(467,307,085)	155,926,506
Revaluation decrease, net of minority interests	-	-	(491,191)	-	-	(491,191)
Exchange differences arising on translation of overseas subsidiaries, net of minority interests	-	-	-	3,055,222	-	3,055,222
Share of post-acquisition reserve movement of associates	-	-	-	(553,643)	-	(553,643)
Net (losses) gains not recognised in the consolidated income statement	-	-	(491,191)	2,501,579	-	2,010,388
Loss for the year	-	-	-	-	(84,759,908)	(84,759,908)
At 31st December, 2003	331,668,905	282,892,010	-	10,683,064	(552,066,993)	73,176,986
Revaluation increase	-	-	1,950,000	-	-	1,950,000
Exchange differences arising on translation of overseas subsidiaries, net of minority interests	-	-	-	(288,508)	-	(288,508)
Share of post-acquisition reserve movement of associates	-	-	-	136,281	-	136,281
Net gain (losses) not recognised in the consolidated income statement	-	-	1,950,000	(152,227)	-	1,797,773
Realised on disposal of subsidiaries	-	-	-	(9,924,365)	-	(9,924,365)
Profit for the year	-	-	-	-	52,276,198	52,276,198
At 31st December, 2004	331,668,905	282,892,010	1,950,000	606,472	(499,790,795)	117,326,592

The accumulated losses of the Group include retained profits of HK\$21,038,244 (2003: HK\$13,916,212) and accumulated losses of HK\$4,186,586 (2003: retained profits of HK\$83,207) retained by associates and a jointly controlled entity, respectively.

**Consolidated cash flow statement***For the year ended 31st December, 2004*

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>OPERATING ACTIVITIES</b>		
Profit (loss) from operations	15,138,095	(21,873,823)
Adjustments for:		
Depreciation	3,714,426	3,857,958
Loss on disposal of property, plant and equipment	63,849	138,586
Gain on disposal of investment properties	(2,376,620)	–
Gain on disposal of listed investment securities	(3,089,802)	(5,275,613)
(Surplus) deficit on revaluation of investment properties	(460,000)	45,451,938
Impairment loss on investment securities reversed	(1,843,838)	(3,089,978)
Impairment loss on property, plant and equipment recognised (reversed)	3,185,376	(654,354)
Unrealised holding gain on listed other investments	(4,545,221)	(6,239,799)
Interest income	(271,336)	(154,127)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	9,514,929	12,160,788
Decrease in inventories	1,225,176	975,436
Increase in other investments	(1,942,403)	(51,018)
Decrease in trade and other receivables	3,302,685	2,203,387
Decrease in amounts due from minority shareholders	498,438	398,907
(Increase) decrease in amounts due from associates	(680,802)	602,474
(Decrease) increase in trade and other payables	(12,582,610)	8,990,651
Increase in amount due to a minority shareholder	14,408	968,462
Increase (decrease) in amounts due to directors	187,093	(13,925,348)
Increase in amount due to a jointly controlled entity	–	209,161
Decrease in amounts due to related companies	(3,789,396)	(960,131)
	<hr/>	<hr/>
Cash (used in) generated from operations	(4,252,482)	11,572,769
Overseas tax paid	(362,941)	(612,584)
Hong Kong Profits Tax paid	(42,849)	(684,000)
	<hr/>	<hr/>
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(4,658,272)	10,276,185
	<hr/>	<hr/>

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP**

	<i>Notes</i>	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
<b>INVESTING ACTIVITIES</b>			
Interest received		271,336	154,127
Proceeds on disposal of property, plant and equipment		6,315	1,367
Net proceeds on disposal of investment properties		30,176,620	–
Proceeds on disposal of investment securities		9,190,379	12,658,660
Net cash outflow arising on disposal of subsidiaries	33	(69,960)	–
Expenditure spent on of investment properties		(3,290,000)	–
Investment in an associate		(240)	–
Acquisition of property, plant and equipment		(5,455,253)	(3,410,946)
Dividend received from an associate		1,768,898	–
Decrease (increase) in pledged bank deposits		9,119,481	(7,702,653)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>41,717,576</u>	<u>1,700,555</u>
<b>FINANCING ACTIVITIES</b>			
Dividend paid to minority shareholders		(1,171,599)	(1,881,842)
Repayment of bank and other loans		(54,969,523)	(27,343,306)
Repayment of obligations under finance leases		–	(23,827)
New bank and other loans		28,126,671	21,555,149
Interest paid on bank and other loans		(1,653,146)	(5,693,260)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(29,667,597)</u>	<u>(13,387,086)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		7,391,707	(1,410,346)
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		7,082,948	8,548,753
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<u>(7,891)</u>	<u>(55,459)</u>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>			
represented by bank balances and cash		<u>14,466,764</u>	<u>7,082,948</u>

**Notes to the financial statements**

*For the year ended 31st December, 2004*

**1. GENERAL**

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is engaged in investment holding and securities trading. Its subsidiaries are principally engaged in the manufacture and sales of garments and commodity concrete, securities investment, property investment and sale. Its principal associate is engaged in the provision of information technology services in the People’s Republic of China (the “PRC”).

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

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

**Goodwill**

Goodwill represents the excess of the cost of acquisition and the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

**Investments in subsidiaries**

Investments in subsidiaries are included in the Company’s balance sheet at cost less any identified impairment loss.

**Interests in associates**

The consolidated income statement includes the Group’s share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group’s share of the net assets of the associates.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

#### **Interests in jointly controlled entities**

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of the assets over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings in the PRC	over the lease term
Amusement equipment	20%
Leasehold improvements	10%
Exhibits, display items and costumes	6% – 20%
Lifts, electrical and office equipment	10% – 20%
Trams, coaches and motor vehicles	20% – 30%

Land and buildings in the PRC consist of land use rights and buildings in the PRC.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

#### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance of the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

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

#### **Land held for development**

Land held for development for purposes not yet determined is stated at cost less any identified impairment loss.

#### **Leisure-entertainment complex**

The carrying amount of the leisure-entertainment complex includes land cost, construction costs, other direct development expenditure, overheads and other associated costs attributable to the development project less any identified impairment loss.

**Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method.

**Revenue recognition**

Sales of merchandise are recognised when goods are delivered and title has passed.

Sales of investments are recognised when title to the investments is transferred and the buyer takes legal possession of the investments.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Revenue from amusement park operation is recognised upon receipt from theme park operation, sales of tickets and services rendered.

Revenue from restaurant operation is recognised when services are rendered.

Income from sales of completed properties is recognised upon completion of the sales agreement and when the risks and rewards of ownership are passed to the buyers.

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

**Operating leases**

Rental payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

**Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Retirement benefit costs

Payments to defined contribution retirement benefits schemes are charged as an expense as they fall due.

## 4. TURNOVER

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
<b>Continuing operations</b>		
Sales of goods	67,445,889	74,177,924
Securities trading	3,611,797	887,175
Property rental income	1,723,902	8,926,389
Dividend income from listed securities	541,003	492,202
	<u>73,322,591</u>	<u>84,483,690</u>
<b>Discontinued operation</b>		
Revenue from amusement park operation	71,930	194,562
	<u>73,394,521</u>	<u>84,678,252</u>

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

**Business segments**

For management purposes, the Group is currently organised into four operating divisions – securities investment and trading, property development and investment, entertainment and leisure, and industrial. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Securities investment and trading	–	investment and trading in securities.
Property development and investment	–	properties development, investment and sale.
Entertainment and leisure	–	operation of amusement park.
Industrial	–	manufacture and sales of garments and commodity concrete.

Segment information about these businesses is presented below:

**2004**

	Continuing operations			Discontinued operation	Consolidated HK\$
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	Entertainment and leisure HK\$	
<b>TURNOVER</b>					
External sales	<u>4,152,800</u>	<u>1,723,902</u>	<u>67,445,889</u>	<u>71,930</u>	<u>73,394,521</u>
<b>RESULTS</b>					
Segment results	<u>7,653,562</u>	<u>2,641,993</u>	<u>(438,832)</u>	<u>280,931</u>	10,137,654
Other operating income	4,627,530	125,397	194,320	53,194	<u>5,000,441</u>
Profit from operations					15,138,095
Finance costs					(1,653,146)
Gain on disposal of subsidiaries and discontinued operations	–	(3,213,856)	–	31,065,182	27,851,326
Gain on deemed disposal of an associate					7,663,747
Share of results of associates					9,873,233
Share of results of a jointly controlled entity	–	(4,269,793)	–	–	<u>(4,269,793)</u>
Profit before taxation					54,603,462
Taxation					<u>(1,284,569)</u>
Profit before minority interests					<u><u>53,318,893</u></u>



2004

	Continuing operations			Discontinued operation	Consolidated HK\$
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	Entertainment and leisure HK\$	
<b>ASSETS</b>					
Segment assets	31,118,779	28,508,996	38,029,875	–	97,657,650
Interests in associates					47,583,384
Interest in a jointly controlled entity	–	2,799,189	–	–	2,799,189
Unallocated corporate assets					26,567,504
Consolidated total assets					<u>174,607,727</u>
<b>LIABILITIES</b>					
Segment liabilities	3,467,778	524,862	21,605,048	–	25,597,688
Tax payable					6,690
Bank and other loans					6,531,658
Unallocated corporate liabilities					8,816,106
Consolidated total liabilities					<u>40,952,142</u>
<b>OTHER INFORMATION</b>					
Capital additions	402,998	8,342,255	–	–	8,745,253
Depreciation	91,525	–	3,541,321	81,580	3,714,426
Impairment loss on property, plant and equipment	–	–	3,185,376	–	3,185,376

2003

	Continuing operations			Discontinued operation	Consolidated HK\$
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	Entertainment and leisure HK\$	
<b>TURNOVER</b>					
External sales	<u>1,379,377</u>	<u>8,926,389</u>	<u>74,167,825</u>	<u>204,661</u>	<u>84,678,252</u>
<b>RESULTS</b>					
Segment results	<u>8,352,227</u>	<u>(41,939,353)</u>	<u>4,787,392</u>	<u>(64,734,288)</u>	(93,534,022)
Other operating income	83,902	68,746	1,571,458	1,436,094	<u>3,160,200</u>
Loss from operations after impairment loss on interest in leisure-entertainment complex					(90,373,822)
Finance costs					(5,693,260)
Gain on deemed disposal of an associate					3,278,482
Share of results of associates					7,692,350
Share of results of a jointly controlled entity	-	7,500	-	-	<u>7,500</u>
Loss before taxation					(85,088,750)
Taxation					<u>2,691,694</u>
Loss before minority interests					<u>(82,397,056)</u>

2003

	Continuing operations			Discontinued operation	Consolidated HK\$
	Securities investment and trading HK\$	Property development and investment HK\$	Industrial HK\$	Entertainment and leisure HK\$	
<b>ASSETS</b>					
Segment assets	27,575,196	172,200,356	52,437,929	5,987,107	258,200,588
Interests in associates					32,661,084
Interest in a jointly controlled entity	–	7,068,982	–	–	7,068,982
Unallocated corporate assets					21,423,162
Consolidated total assets					<u>319,353,816</u>
<b>LIABILITIES</b>					
Segment liabilities	2,358,863	6,924,054	19,345,764	27,629,100	56,257,781
Tax payable					403,031
Bank and other loans					149,954,787
Unallocated corporate liabilities					23,150,539
Consolidated total liabilities					<u>229,766,138</u>
<b>OTHER INFORMATION</b>					
Capital additions	–	–	3,410,946	–	3,410,946
Depreciation	–	16,395	3,266,520	575,043	3,857,958
Deficit on revaluation of investment properties	–	45,451,938	–	–	45,451,938
Impairment loss on interest in leisure-entertainment complex	–	–	–	68,499,999	68,499,999

**Geographical segments**

The Group's operations are located in Hong Kong, PRC and Singapore.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2004 HK\$	2003 HK\$
Hong Kong	15,408,031	16,791,262
Singapore	841,844	7,294,512
PRC	28,376,213	30,615,590
Japan	28,768,433	29,976,888
	<u>73,394,521</u>	<u>84,678,252</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and investment properties	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Hong Kong	66,797,771	93,842,405	3,692,998	–
Singapore	–	121,732,641	–	–
PRC	57,427,383	64,048,704	5,052,255	3,410,946
	<u>124,225,154</u>	<u>279,623,750</u>	<u>8,745,253</u>	<u>3,410,946</u>
<b>6. OTHER OPERATING INCOME</b>				
Other operating income included interest income of HK\$271,336 (2003: HK\$154,127)				
<b>7. OTHER OPERATING EXPENSES</b>				
			<b>2004</b> HK\$	<b>2003</b> HK\$
Loss on disposal of property, plant and equipment			63,849	138,586
Net exchange loss			–	1,048,880
Others			127,545	165,429
			<u>191,394</u>	<u>1,352,895</u>
<b>8. PROFIT (LOSS) FROM OPERATIONS</b>				
			<b>2004</b> HK\$	<b>2003</b> HK\$
Profit (loss) from operations has been arrived at after charging:				
Auditors' remuneration			763,144	785,875
Depreciation			3,714,426	3,857,958
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$1,040,244 (2003: HK\$1,574,681)			12,064,753	13,814,813
Minimum lease payments for operating lease in respect of rented premises			75,250	–
and after crediting:				
Rental income from investment properties, less outgoings of HK\$862,370 (2003: HK\$3,353,708)			<u>861,532</u>	<u>5,572,681</u>
<b>9. FINANCE COSTS</b>				
			<b>2004</b> HK\$	<b>2003</b> HK\$
Interest on:				
Bank loans wholly repayable within five years			1,592,981	5,291,122
Bank loans not wholly repayable within five years			–	144,092
Other loans			60,165	258,046
			<u>1,653,146</u>	<u>5,693,260</u>

## 10. DISCONTINUED OPERATIONS

- (a) In June 2004, the Group disposed its entire 100% equity interest in Laichi Kok Amusement (Haimen) Co. Ltd. ("LKA"), a company registered and carried out the Group's amusement park operation in the PRC, to Mr. Deacon Te Ken Chiu at a consideration of HK\$8.8 million. The disposal was effected in order to generate the working capital for the Group.

The results of LKA up to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	2004 HK\$	2003 HK\$
Turnover	71,930	204,661
Cost of sales	(145,507)	(562,407)
Gross loss	(73,577)	(357,746)
Other operating income	–	60,050
Administrative expenses	(47,975)	(208,063)
Other operating expenses	–	(1,130)
Loss for the period/year	<u>(121,552)</u>	<u>(506,889)</u>

LKA has no significant contributions to the Group's operating, investing and financing cash flows for both years.

The carrying amounts of the assets and liabilities of LKA at the date of disposal were approximately HK\$5.8 million (2003: HK\$5.9 million) and HK\$0.5 million (2003: HK\$0.5 million), respectively.

A gain of approximately HK\$3.5 million arose on the disposal of LKA, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and the realisation of exchange reserve. No tax charge or credit arose from the transaction.

The net assets of LKA at the date of disposal were disclosed in note 33(b).

- (b) In November 2004, the Group disposed of its entire 95% equity interest in Tang Dynasty City Pte. Ltd. ("TDC"), a company incorporated and carried out the Group's leisure-entertainment business in Singapore, to Mr. Deacon Te Ken Chiu at a consideration of HK\$1. The disposal was effected in order to generate the working capital for the Group.

Except for operating loss of HK\$56.8 million, which was mainly attributable to the impairment loss on interest in leisure-entertainment complex charged to the income statement, during the year ended 31st December, 2003, TDC has no significant contributions to the Group's turnover, profit from operations and net operating, investing and financing cash flows for both years.

The carrying amounts of the assets and liabilities of TDC at the date of disposal, were approximately HK\$0.07 million (2003: HK\$0.07 million) and HK\$4.6 million (2003: HK\$4.7 million), respectively.

A gain of approximately HK\$22.1 million arose on disposal of TDC and its subsidiaries, being the proceeds of disposal less the carrying amount of the subsidiaries' net liabilities and the realisation of exchange reserve. No tax charge or credit arose from the transaction.

The net liabilities of TDC and its subsidiaries at the date of disposal were disclosed in note 33(b).

- (c) In November 2004, the Group disposed of its entire 100% equity interest in RFC Far East Ltd. ("RFC Far East"), a company incorporated in the British Virgin Islands and carried out the Group's restaurant operation in Singapore, to Mr. Dennis Tat Shing Chiu at a consideration of US\$1. RFC Far East had ceased its operations previously since July 2002.

Except for operating loss of HK\$6 million during the year ended 31st December, 2003 and HK\$10.3 million used in the Group's operating activities during the year, RFC Far East has no significant contributions to the Group's turnover, profit from operations and net operating, investing and financing cash flows for both years.

The carrying amounts of the assets and liabilities of RFC Far East and its subsidiaries at the date of disposal, were approximately HK\$0.1 million (2003: 0.1 million) and HK\$7.5 million (2003: HK\$17.8 million), respectively.

A gain of approximately HK\$5.4 million arose on disposal of RFC Far East and its subsidiaries, being the sales proceeds of disposal less the carrying amount of the subsidiaries' net liabilities and the realisation of exchange reserve. No tax charge or credit arose from the transaction.

The net liabilities of RFC Far East and its subsidiaries at the date of disposal were disclosed in note 33(b).

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

	2004 HK\$	2003 HK\$
Fees	235,000	190,000
Other emoluments:		
Salaries and other benefits	654,516	933,676
Retirement benefits schemes contributions	27,000	72,392
	<u>916,516</u>	<u>1,196,068</u>

The emoluments disclosed above include directors' fees of HK\$115,000 (2003: HK\$70,000) payable to independent non-executive directors and the emoluments of each of the directors were less than HK\$1 million in both years.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2003: two) was executive director and one (2003: one) was non-executive director whose emoluments are included in the disclosures above. The emoluments of the remaining three (2003: two) individuals were as follows:

	2004 HK\$	2003 HK\$
Salaries and other benefits	676,645	389,186
Retirement benefits schemes contributions	27,288	18,250
	<u>703,933</u>	<u>407,436</u>

## 12. TAXATION

	2004 HK\$	2003 HK\$
Current tax:		
PRC	302,266	367,680
(Over) underprovision in prior years:		
Hong Kong	–	(3,924,607)
Other jurisdictions	–	98,047
Taxation attributable to the Company and its subsidiaries	302,266	(3,458,880)
Share of taxation attributable to associates	982,303	767,186
	<u>1,284,569</u>	<u>(2,691,694)</u>

Taxation arising in PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong have no assessable profits for both years.

The taxation charge (credit) for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
Profit (loss) before taxation	<u>54,603,462</u>	<u>(85,088,750)</u>
Tax at the domestic income tax rate of 17.5%	9,555,606	(14,890,531)
Tax effect of expenses not deductible for tax purpose	574,965	17,983,640
Tax effect of income not taxable for tax purpose	(9,745,959)	(1,340,383)
Tax effect of utilisation of tax losses previously not recognised	(4,969)	(65,644)
Tax effect of tax losses not recognised	983,552	45,853
Effect of tax relief granted to a subsidiary	(220,402)	(268,823)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	81,864	96,956
Share of tax effect of associates	(745,513)	(578,974)
Share of tax effect of a jointly controlled entity	747,214	1,313
Overprovision in prior years	–	(3,826,560)
Others	<u>58,211</u>	<u>151,459</u>
Taxation charge (credit) for the year	<u><u>1,284,569</u></u>	<u><u>(2,691,694)</u></u>

### 13. EARNINGS (LOSS) PER SHARE

The calculation of basic earning (loss) per share is based on the profit for the year of HK\$52,276,198 (2003: loss of HK\$84,759,908) and on 331,668,905 (2003: 331,668,905) ordinary shares in issue during the year.

The effect of dilutive potential ordinary shares of an associate is considered to be insignificant to the Group.

## 14. PROPERTY, PLANT AND EQUIPMENT

## THE GROUP

	Land and buildings in the PRC held under medium term lease HK\$	Amusement equipment HK\$	Lifts, electrical and office equipment HK\$	Exhibits, display items and costumes HK\$	Leasehold improvements HK\$	Trams, coaches and motor vehicles HK\$	Total HK\$
<b>COST</b>							
At 1st January, 2004	20,194,426	25,316,766	33,730,178	202,423	30,806,287	8,396,216	118,646,296
Currency realignment	91,139	77,404	170,440	2,199	950,237	32,378	1,323,797
Additions	4,755,483	-	348,310	-	272,328	79,132	5,455,253
Disposals	-	(11,096,000)	(337,336)	(26,769)	-	(196,770)	(11,656,875)
Disposal of subsidiaries	(7,668,685)	(14,298,170)	(1,459,135)	(177,853)	(31,756,524)	-	(55,360,367)
At 31st December, 2004	17,372,363	-	32,452,457	-	272,328	8,310,956	58,408,104
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1st January, 2004	6,160,120	25,316,766	20,374,273	189,901	30,806,287	8,090,022	90,937,369
Currency realignment	26,196	34,971	108,249	2,040	945,366	31,795	1,148,617
Provided for the year	668,655	-	2,901,946	-	53,526	90,299	3,714,426
Impairment loss recognised	-	-	3,185,376	-	-	-	3,185,376
Eliminated on disposals	-	(11,096,000)	(286,149)	(26,769)	-	(177,793)	(11,586,711)
Eliminated on disposal of subsidiaries	(1,945,640)	(14,255,737)	(1,458,741)	(165,172)	(31,751,660)	-	(49,576,950)
At 31st December, 2004	4,909,331	-	24,824,954	-	53,519	8,034,323	37,822,127
<b>NET BOOK VALUES</b>							
At 31st December, 2004	12,463,032	-	7,627,503	-	218,809	276,633	20,585,977
At 31st December, 2003	14,034,306	-	13,355,905	12,522	-	306,194	27,708,927

## THE COMPANY

	Office equipment HK\$	Leasehold improvements HK\$	Total HK\$
<b>COST</b>			
At 1st January, 2004	18,466	-	18,466
Additions	130,670	272,329	402,999
At 31st December, 2004	149,136	272,329	421,465
<b>DEPRECIATION</b>			
At 1st January, 2004	18,466	-	18,466
Provided for the year	38,000	53,526	91,526
At 31st December, 2004	56,466	53,526	109,992
<b>NET BOOK VALUES</b>			
At 31st December, 2004	92,670	218,803	311,473
At 31st December, 2003	-	-	-



Notes:

1. Included in the carrying amount of the Group's land and buildings in the PRC is land use rights of HK\$2,442,684 (2003: HK\$4,941,113).
2. At December 31, 2004, the directors conducted a review of the Group's lifts, electrical and office equipment held by a subsidiary in the PRC and determined that the assets were impaired due to continuing operating loss incurred by the subsidiary. Accordingly, impairment loss of HK\$3,185,376 has been recognised in the income statement.

#### 15. INVESTMENT PROPERTIES

	<b>THE GROUP</b> <i>HK\$</i>
AT VALUATION	
At 1st January, 2004	168,811,952
Currency realignment	1,514,307
Expenditure incurred	3,290,000
Disposals	(27,800,000)
Disposal of subsidiaries	(122,526,259)
Revaluation increase	2,410,000
	<u>25,700,000</u>
At 31st December, 2004	<u>25,700,000</u>

The carrying amount of investment properties comprises:

	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
Properties in Hong Kong under medium-term leases	25,700,000	47,800,000
Properties in Singapore under long leases	–	121,011,952
	<u>25,700,000</u>	<u>168,811,952</u>

All of the Group's investment properties are rented out under operating leases.

The investment properties in Hong Kong were revalued at 31st December, 2004 by DTZ Debenham Tie Leung, an independent firm of valuers, in existing state on an open market value basis. The net revaluation increase arising on the revaluation, which had been credited directly to the investment property revaluation reserve and consolidated income statement, amounting to HK\$1,950,000 and HK\$460,000 respectively.

#### 16. LAND HELD FOR DEVELOPMENT

	<b>THE GROUP</b> <i>HK\$</i>	<b>THE COMPANY</b> <i>HK\$</i>
AT COST		
At 1st January, 2004 and 31st December, 2004	<u>2,734,382</u>	<u>1,994,382</u>

The land held for development of the Group and the Company is situated in Hong Kong and is held under medium-term leases.

The title of the Company's land held for development has not been transferred to the Company and is still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

## 17. LEISURE-ENTERTAINMENT COMPLEX

	THE GROUP	
	2004 HK\$	2003 HK\$
At 1st January	1	68,500,000
Disposal of subsidiary	(1)	–
Impairment loss recognised	–	(68,499,999)
	<u>–</u>	<u>–</u>
At 31st December	<u>–</u>	<u>1</u>

## 18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$	2003 HK\$
Unlisted shares, at cost	25,765,601	152,190,009
Amounts due from subsidiaries, net of amount written off	<u>112,604,383</u>	<u>432,033,722</u>
	138,369,984	584,223,731
Less: Impairment loss and allowance recognised	<u>(83,226,664)</u>	<u>(492,769,846)</u>
	<u>55,143,320</u>	<u>91,453,885</u>

The amounts due from subsidiaries are unsecured and interest-free. The Company has agreed that the amount will not be demanded for repayment within the next twelve months. Accordingly, the amount is shown as non-current.

Particulars of the subsidiaries of the Company at 31st December, 2004 are as follows:

Name of subsidiary	Place of incorporation or registration/operations	Paid up issued share capital/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	US\$200 Ordinary shares	100%	–	Securities investment
Cathay Motion Picture Studios Limited	Hong Kong/ Hong Kong	HK\$3,000,000 Ordinary shares	100%	–	Property investment
China Entertainment (Jiangsu) Development Ltd.	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding
Epoch Sino Investments Limited	British Virgin Islands/ Hong Kong	US\$10 Ordinary shares	100%	–	Investment holding
Far East Art and Cultural Corporation Limited	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Property investment
Far East Holdings China Limited	Hong Kong/ Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding

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**FINANCIAL INFORMATION ON THE GROUP**

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Direct	Indirect	
Panlong Investments (Holdings) Company Limited (formerly known as Fullwin Management Limited)	Hong Kong/ Hong Kong	HK\$1 Ordinary share	–	100%	Investment holding
Goldtrack Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	90%	–	Investment holding
Goodway Holdings Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary share	100%	–	Investment holding
HealthOnline.com Limited	Hong Kong	HK\$10,000 Ordinary shares	100%	–	Inactive
Panlong Asset Management Company Limited (formerly known as Hugo Management Limited)	Hong Kong/ Hong Kong	HK\$1 Ordinary share	–	100%	Inactive
Kwong Ming Amusement Company, Limited	Hong Kong/ Hong Kong	HK\$1,000 Ordinary shares HK\$448,000 Deferred shares	100%	–	Inactive
Panlong Far East Auction Company Limited (formerly known as Link Joy Limited)	Hong Kong/ Hong Kong	HK\$1 Ordinary share	–	100%	Inactive
Peterfame Company Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	100%	–	Property investment
Profess World Investments Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	100%	–	Inactive
Far East Holdings International Limited	Hong Kong	HK\$10,000 Ordinary shares	–	100%	Inactive
Far East Holdings (Jiangsu) Limited	Hong Kong/ Hong Kong	HK\$10,000 Ordinary shares	–	100%	Investment holding
Jiangsu Bang Bang Silky Fashion Manufacturer Co., Ltd.	PRC/PRC*	US\$3,940,000 Paid up registered capital	–	51%	Manufacture and sales of garment products
Suzhou Goldtract Commodity Concrete Company Limited	PRC/ PRC*	US\$1,840,000 Paid up registered capital	–	63%	Sales and production of commodity concrete

\* Sino-foreign equity joint venture

None of the subsidiaries had any debt securities outstanding at the end of the year.

## 19. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Listed shares, at cost	–	–	16,020,034	16,020,034
Unlisted shares, at cost	–	–	240	–
Share of net assets	47,583,384	32,661,084	–	–
	<u>47,583,384</u>	<u>32,661,084</u>	<u>16,020,274</u>	<u>16,020,034</u>
Market value of listed shares	<u>129,129,700</u>	<u>171,589,120</u>	<u>129,129,700</u>	<u>171,589,120</u>

Particulars of associates of the Group at 31st December, 2004 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group	Principal activity
Chinasoft International Limited ("Chinasoft")	Cayman Islands/ PRC	25.36%	Provision of information technology services
Fortex Investments Limited	British Virgin Islands/ Hong Kong	41.67%	Inactive

The shares of Chinasoft are listed on the Growth Enterprise Market of the Stock Exchange with effective from 20th June, 2003.

In August 2004, Chinasoft allotted and issued 57,500,000 new shares at an issue price of HK\$0.73 each to China National Computer Software & Technology Service Corporation as consideration for the acquisition of the remaining 15% of the registered capital of Beijing Chinasoft International Information Tech. Ltd.. Accordingly, the Company's shareholding in Chinasoft has decreased from 27.64% to 25.36%, resulting in a gain on deemed disposal of HK\$7,663,747 during the year.

The following details have been extracted based on the consolidated financial statements of Chinasoft:

	2004 HK\$	2003 HK\$
<b>Results for the year</b>		
Turnover	276,850,000	156,424,000
Profit before taxation	<u>39,994,000</u>	<u>25,295,000</u>
Profit before taxation attributable to the Group	<u>9,873,000</u>	<u>7,692,000</u>
	<b>2004 HK\$</b>	<b>2003 HK\$</b>
<b>Financial position</b>		
Non-current assets	52,202,000	12,155,000
Current assets	259,575,000	159,426,000
Current liabilities	(122,997,000)	(39,742,000)
Non-current liabilities	(1,149,000)	(13,673,000)
Net assets	<u>187,631,000</u>	<u>118,166,000</u>
Net assets attributable to the Group	<u>47,583,000</u>	<u>32,661,000</u>

## 20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004 HK\$	2003 HK\$
Share of net assets	<u>2,799,189</u>	<u>7,068,982</u>

At 31st December, 2004, the Group held 65% interest in Wuxi Cheerman Property Co. Ltd. ("Wuxi Cheerman"), (formerly known as Wuxi Cheerman Recreation Centre Co. Ltd.), a joint venture registered and engaged in letting of properties in the PRC. Under a joint venture agreement, Wuxi Cheerman is jointly controlled by the Group and another PRC joint venture partner.

The Group's share of results of a jointly controlled entity was based upon its audited financial statements made up to 31st December, 2004.

## 21. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
<b>THE GROUP</b>						
Listed equity securities:						
Hong Kong	8,179,693	12,436,432	10,427,227	5,804,640	18,606,920	18,241,072
Overseas	–	–	10,418,146	8,553,109	10,418,146	8,553,109
	<u>8,179,693</u>	<u>12,436,432</u>	<u>20,845,373</u>	<u>14,357,749</u>	<u>29,025,066</u>	<u>26,794,181</u>
Market value of listed equity securities	<u>12,624,788</u>	<u>12,436,432</u>	<u>20,845,373</u>	<u>14,357,749</u>	<u>33,470,161</u>	<u>26,794,181</u>
Carrying amount analysed for reporting purposes as:						
Current	–	–	20,845,373	14,357,749	20,845,373	14,357,749
Non-current	8,179,693	12,436,432	–	–	8,179,693	12,436,432
	<u>8,179,693</u>	<u>12,436,432</u>	<u>20,845,373</u>	<u>14,357,749</u>	<u>29,025,066</u>	<u>26,794,181</u>
					<b>Other investments</b>	
					<b>2004</b>	<b>2003</b>
					HK\$	HK\$

**THE COMPANY**

Listed equity securities, at market value:		
Hong Kong	10,257,227	5,737,140
Overseas	9,805,486	8,157,706
	<u>20,062,713</u>	<u>13,894,846</u>

At 31st December, 2004, the directors reviewed the recoverable amount of the Group's investment securities by reference to their market values. As the market values of the investment securities exceeded their carrying values, part of the impairment loss recognised previously of HK\$1,843,838 (2003: HK\$3,089,978) has been reversed and credited to the income statement.

**22. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
Raw materials	2,701,700	3,558,925
Work in progress	1,173,305	1,243,385
Finished goods	1,400,446	1,737,346
	<u>5,275,451</u>	<u>6,539,656</u>

All the inventories are carried at cost.

The cost of inventories recognised as an expense during the year was HK\$62,416,070 (2003: HK\$67,115,648).

**23. TRADE AND OTHER RECEIVABLES**

For sales of goods, the Group has a policy of allowing a credit period of 30 days to 90 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on presentation of invoices. The aged analysis of trade receivable is as follows:

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
0 – 30 days	2,001,277	5,138,107
31 – 60 days	1,592,386	1,649,952
61 – 90 days	2,359,181	471,677
Over 90 days	6,626,276	3,766,526
Total trade receivables	12,579,120	11,026,262
Other receivables	1,763,114	7,893,044
	<u>14,342,234</u>	<u>18,919,306</u>

**24. AMOUNTS DUE FROM ASSOCIATES**

The amounts are unsecured, interest-free and repayable on demand.

**25. TRADE AND OTHER PAYABLES**

The aged analysis of trade payables is as follows:

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
0 – 30 days	2,010,307	4,196,817
31 – 60 days	692,900	1,801,377
61 – 90 days	1,651,082	688,124
Over 90 days	8,323,506	7,536,591
Total trade payables	12,677,795	14,222,909
Other payables	12,935,893	42,052,672
	<u>25,613,688</u>	<u>56,275,581</u>

**26. AMOUNTS DUE TO DIRECTORS**

The amounts are unsecured, interest-free and repayable on demand.

**27. AMOUNTS DUE TO RELATED COMPANIES**

The amounts are unsecured, interest-free and repayable on demand. The related companies are controlled by certain Directors of the Company.

**28. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY**

The amount is unsecured, interest-free and repayable on demand.

**29. BANK AND OTHER LOANS**

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Bank and other loans comprise:				
Bank loans	5,863,706	147,365,100	5,328,683	29,485,729
Other loans	667,952	2,589,687	667,952	2,589,687
	<u>6,531,658</u>	<u>149,954,787</u>	<u>5,996,635</u>	<u>32,075,416</u>
The above loans are secured and are repayable as follows:				
Within one year	6,531,658	141,372,463	5,996,635	26,075,416
More than one year, but not exceeding two years	–	2,411,001	–	2,000,000
More than two years, but not exceeding five years	–	4,197,833	–	4,000,000
More than five years	–	1,973,490	–	–
	<u>6,531,658</u>	<u>149,954,787</u>	<u>5,996,635</u>	<u>32,075,416</u>
Less: Amount due within one year shown under current liabilities	<u>(6,531,658)</u>	<u>(141,372,463)</u>	<u>(5,996,635)</u>	<u>(26,075,416)</u>
Amount due after one year	<u>–</u>	<u>8,582,324</u>	<u>–</u>	<u>6,000,000</u>

**30. SHARE CAPITAL**

**2004 & 2003**  
HK\$

**Authorised:**

700,000,000 ordinary shares of HK\$1 each

700,000,000

**Issued and fully paid:**

331,668,905 ordinary shares of HK\$1 each

331,668,905

Subsequent to the balance sheet date, the Company undertook a capital reorganisation resulting in reduction of capital, consolidation of shares, subdivision of shares and reduction of share premium. Details of this post balance sheet event are set out in note 40.

## 31. RESERVES

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
<b>THE COMPANY</b>			
At 1st January, 2003	282,892,010	(497,468,090)	(214,576,080)
Loss for the year	–	(35,086,186)	(35,086,186)
At 31st December, 2003	282,892,010	(532,554,276)	(249,662,266)
Loss for the year	–	(9,874,376)	(9,874,376)
At 31st December, 2004	<u>282,892,010</u>	<u>(542,428,652)</u>	<u>(259,536,642)</u>

The Company did not have any distributable reserves at the balance sheet date.

## 32. DEFERRED TAXATION

The followings are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$	Tax losses HK\$	Total HK\$
<b>THE GROUP</b>			
At 1st January, 2003	549,634	(549,634)	–
Charge (credit) to income	124,413	(124,413)	–
Effect of change in tax rate – charge to income	51,528	(51,528)	–
At 31st December, 2003	725,575	(725,575)	–
(Credit) charge to income	(417,861)	417,861	–
At 31st December, 2004	<u>307,714</u>	<u>(307,714)</u>	<u>–</u>

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

At 31st December, 2004, the Group has unused tax losses of approximately HK\$93.1 million (2003: HK\$115.8 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$1.8 million (2003: HK\$4.1 million) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$91.3 million (2003: HK\$111.7 million) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

The Company has unused tax losses of approximately HK\$77.1 million (2003: HK\$75.9 million) at 31st December, 2004. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

## 33. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of the following subsidiaries:

- (a) In February 2004, the Group disposed of its entire equity interest in Tang City Properties Pte. Ltd. (“TCP”), a company incorporated in Singapore in which the Company had a 90% interest and Mr. Dennis Tat Shing Chiu had a 10% interest. TCP and its subsidiaries were incorporated in Singapore and held all of the Group’s investment properties in Singapore. Details of the transaction are set out in note 38.
- (b) In June and November 2004, the Group discontinued its amusement park operations, leisure-entertainment business and restaurant operation at the time of disposal of its entire equity interests in LKA, TDC and RFC Far East. Details of the discontinued operations are set out in note 10.



## APPENDIX I

## FINANCIAL INFORMATION ON THE GROUP

The effect of the disposal are summarised as follows:

	<b>Continuing operation</b> <i>HK\$</i> <i>(Note (a) above)</i>	<b>Discontinued operations</b> <i>HK\$</i> <i>(Note (b) above)</i>	<b>Total</b> <i>HK\$</i>
NET ASSETS (LIABILITIES) DISPOSED OF:			
Property, plant and equipment	12,680	5,770,737	5,783,417
Investment properties	122,526,259	–	122,526,259
Leisure entertainment complex	–	1	1
Inventories	–	39,029	39,029
Trade and other receivables	1,095,154	179,233	1,274,387
Bank balances and cash	15,997	53,977	69,974
Trade and other payables	(6,914,914)	(11,627,863)	(18,542,777)
Amounts due to directors	(894,188)	(644,486)	(1,538,674)
Amounts due to related companies	–	(406,064)	(406,064)
Tax payable	(297,064)	–	(297,064)
Bank and other loans	(118,035,435)	–	(118,035,435)
	(2,491,511)	(6,635,436)	(9,126,947)
Exchange reserve realised	5,705,372	(15,629,737)	(9,924,365)
	3,213,861	(22,265,173)	(19,051,312)
(Loss) gain on disposals	(3,213,856)	31,065,182	27,851,326
	<u>5</u>	<u>8,800,009</u>	<u>8,800,014</u>
SATISFIED BY:			
Cash	5	9	14
Set-off amounts due to directors	–	8,800,000	8,800,000
	<u>5</u>	<u>8,800,009</u>	<u>8,800,014</u>
NET CASH INFLOW (OUTFLOW) ARISING ON DISPOSALS OF SUBSIDIARIES:			
Cash consideration	5	9	14
Bank balances and cash disposed of	(15,997)	(53,977)	(69,974)
	<u>(15,992)</u>	<u>(53,968)</u>	<u>(69,960)</u>

The subsidiaries disposed of contributed approximately HK\$0.9 million to the Group's turnover and incurred a loss of approximately HK\$0.1 million to the Group's profit from operations. No tax charge or credit arose from the transactions.

In addition, the subsidiaries contributed HK\$0.3 million to the Group's operating activities and used HK\$0.4 million in financing activities.

**34. PLEDGE OF ASSETS**

At the balance sheet date:

- (a) bank loan facilities to the extent of approximately HK\$16.2 million (2003: HK\$16.2 million) of which nil (2003: HK\$16.2 million) were utilised, are secured by the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$25.7 million (2003: HK\$47.8 million).
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$5.5 million (2003: HK\$7.0 million), of which HK\$0.7 million (2003: HK\$2.6 million) were utilised, were secured by the listed investments of the Group and the Company of approximately HK\$11 million (2003: HK\$14 million) and HK\$10 million (2003: HK\$13.7 million), respectively;
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$40.6 million (2003: HK\$40.3 million), of which HK\$5.3 million (2003: HK\$13.3 million) were utilised, were secured by time deposits held by the Company of approximately HK\$5.2 million (2003: HK\$14.3 million) and by a floating charge over the asset of the Company;
- (d) bank loan of approximately HK\$0.5 million (2003: HK\$0.9 million) were secured by a blending machine held by a subsidiary with net book value of approximately HK\$2.3 million (2003: HK\$2.5 million).

**35. CONTINGENT LIABILITIES**

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Guarantees given to banks in respect of banking facilities utilised by subsidiaries	—	—	—	122,990,249

**36. CAPITAL COMMITMENTS**

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Commitments in respect of capital contribution to a subsidiary contracted but not provided for in the financial statements	—	—	—	9,678,271

**37. OPERATING LEASE ARRANGEMENTS****The Group as lessor**

Property rental income earned during the year was HK\$1,723,902 (2003: HK\$8,926,389). The properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2004 HK\$	2003 HK\$
Within one year	660,000	1,755,000
In the second to fifth year inclusive	852,500	1,512,000
	<u>1,512,500</u>	<u>3,267,000</u>

**The Group and the Company as lessee**

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
Within one year	154,800	–
In the second to fifth year inclusive	64,500	–
	<u>219,300</u>	<u>–</u>

Operating lease payments represent rentals payable by the Group and the Company to a company controlled by certain directors of the Company for the use of its office premises. Lease is negotiated for a term of two years.

**38. RELATED PARTY TRANSACTIONS**

On 22nd December, 2003, the Group entered into conditional sale and purchase agreements, pursuant to which, inter alia, the Company and Mr. Dennis Tat Shing Chiu agreed to dispose of their entire interests in TCP to a wholly-owned subsidiary of FEC at a consideration of S\$1, and FEC agreed to procure the refinancing of the bank loan facility of S\$25 million obtained by TCP and to take over the net external trade and non-trade creditors of TCP of S\$1.1 million. Details of the transaction are set out in a circular of the Company dated 16th January, 2004. The transaction was completed in February 2004.

In addition, the Group disposed certain of its subsidiaries to certain of the directors of the Company during the year. Details of these transactions are disclosed in note 10(a), (b) and (c).

**39. RETIREMENT BENEFITS SCHEMES**

The Group participates in certain defined contribution schemes in Hong Kong and Singapore and make contributions for its eligible employees. The contributions borne by the Group are calculated at certain percentage of the salaries and wages. The retirement benefits cost charged to the income statement represents contributions paid and payable to the scheme.

**40. POST BALANCE SHEET EVENT**

Subsequent to the balance sheet date, the Court has granted an order confirming the Company's capital reorganisation, details of the capital reorganisation are as follows:

- (i) every 5 shares of HK\$1.00 each in the share capital of the Company (whether issued or unissued) will be consolidated into one consolidated share;
- (ii) upon the share consolidation taking effect, the issued share capital of the Company be reduced from HK\$331,668,905 to HK\$663,338 by cancelling paid up capital to the extent of HK\$4.99 on each consolidated share in issue arising from the share consolidation so as to form fully-paid up adjusted shares;
- (iii) upon the capital reduction taking effect, each authorised but unissued consolidated share of HK\$5.00 each be subdivided into 500 adjusted shares; and
- (iv) upon the capital reduction taking effect, the credit amount arising from the capital reduction together with the credit amount standing in the share premium account be applied by the directors to eliminate the accumulated losses of the Company as at 31st December, 2003 in accordance with the Articles of Association of the Company and all applicable laws.

Details of the transaction are set out in a circular and a supplemental circular of the Company dated 28th May, 2004 and 27th August, 2004 respectively.

## 5. INTERIM RESULTS

The following are the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2005 together with comparative amounts. The interim financial report has not been audited, but has been reviewed by the Company's Audit Committee:–

**Condensed consolidated income statement**

*For the six months ended 30th June, 2005*

	Notes	Unaudited six months ended 30th June,	
		2005 HK\$'000	2004 HK\$'000 (restated)
Turnover	3	30,336	35,837
Cost of sales		(28,863)	(32,349)
Gross profit		1,473	3,488
Other operating income		829	199
Distribution costs		(383)	(173)
Administrative expenses		(5,264)	(4,831)
Other operating expenses		(67)	(133)
Gain on disposal of available-for-sale investments/investments in securities		1,046	1,118
Impairment loss on investment securities recognised		–	(241)
Fair value change on financial assets at fair value		(1,600)	3,557
Fair value change on investment properties		1,500	–
(Loss)/profit from operations	4	(2,466)	2,984
Finance costs		(112)	(1,295)
Gain on disposal of discontinued operations	5	–	301
Gain on disposal of an investment property	6	–	1,032
Gain on disposal of partial interest in an associate	10	2,924	–
Share of results of associates	10	4,330	3,291
Share of results of a jointly-controlled entity		(582)	(17)
Profit before tax		4,094	6,296
Tax	7	(22)	(393)
Net profit for the period		<u>4,072</u>	<u>5,903</u>
Attributable to:			
Equity holders of the parent		3,992	5,513
Minority interests		80	390
		<u>4,072</u>	<u>5,903</u>
Earnings per share			
Basic	8	<u>6.0 cents</u>	<u>8.3 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

**Condensed consolidated balance sheet***As at 30th June, 2005*

		<b>30/6/2005</b>	<b>31/12/2004</b>
		<b>(unaudited)</b>	<b>(audited)</b>
			<b>(restated)</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		16,048	18,143
Investment properties	<i>11</i>	27,200	25,700
Lease premium for land	<i>12</i>	4,477	4,566
Interest in associates	<i>10</i>	48,133	47,583
Interest in a jointly-controlled entity		2,218	2,800
Available-for-sale investments/investments in securities		10,894	8,180
		<u>108,970</u>	<u>106,972</u>
<b>Current Assets</b>			
Financial assets at fair value/investments in securities		26,566	20,845
Inventories		5,685	5,275
Trade and other receivables	<i>13</i>	12,953	14,342
Lease premium for land	<i>12</i>	174	174
Amount due from minority shareholders		5,789	6,194
Amount due from associates		640	686
Pledged bank deposits		9,950	5,216
Bank balances and cash		14,962	14,467
		<u>76,719</u>	<u>67,199</u>
Total Assets		<u><u>185,689</u></u>	<u><u>174,171</u></u>

		30/6/2005 (unaudited)	31/12/2004 (audited) (restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Share capital	16	663	331,669
Reserves		123,675	(214,779)
		<u>          </u>	<u>          </u>
Equity attributable to equity holders of the parent		124,338	116,890
Minority interests		16,397	16,329
		<u>          </u>	<u>          </u>
Total Equity		140,735	133,219
		<u>          </u>	<u>          </u>
<b>Current Liabilities</b>			
Trade and other payables	14	23,755	25,614
Amounts due to directors		4,994	5,752
Amounts due to related companies		1,627	1,557
Amount due to a minority shareholder		912	983
Amount due to a jointly-controlled entity		508	508
Tax payable		22	6
Bank and other loans-due within one year	15	13,136	6,532
		<u>          </u>	<u>          </u>
		44,954	40,952
		<u>          </u>	<u>          </u>
Total Liabilities		44,954	40,952
		<u>          </u>	<u>          </u>
Total Equity and Liabilities		<u>185,689</u>	<u>174,171</u>

**Condensed consolidated statement of changes in equity***For the six months ended 30th June, 2005 (unaudited)*

	Attributable to equity holders of the parent								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Attributable to equity holders of the parent HK\$'000	Minority interests HK\$'000	
At 1st January, 2005, as originally stated	331,669	282,892	1,950	606	–	(499,790)	117,327	16,329	133,656
Effect of change in accounting policies									
HKAS 17	–	–	–	–	–	(438)	(438)	–	(438)
HKAS 39	–	–	–	–	3,368	–	3,368	–	3,368
HKAS 40	–	–	(1,950)	–	–	1,950	–	–	–
As restated	331,669	282,892	–	606	3,368	(498,278)	120,257	16,329	136,586
Exchange differences arising on translation of overseas subsidiaries	–	–	–	1	–	–	1	(12)	(11)
Share of post-acquisition reserve movement of associates during the period	–	–	–	(57)	–	–	(57)	–	(57)
Unrealized holding gain on available-for-sale investments	–	–	–	–	145	–	145	–	145
Net income recognised directly in equity	331,669	282,892	–	550	3,513	(498,278)	120,346	16,317	136,663
Net profit for the period	–	–	–	–	–	3,992	3,992	80	4,072
Total recognised income for the period	331,669	282,892	–	550	3,513	(494,286)	124,338	16,397	140,735
Capital reorganisation during the period	(331,006)	(201,549)	–	–	–	532,555	–	–	–
At 30th June, 2005, as restated	663	81,343	–	550	3,513	38,269	124,338	16,397	140,735

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	Attributable to equity holders of the parent								
	Share capital	Share premium	Investment property revaluation reserve	Exchange reserve	Revaluation reserve	(Accumulated losses)/ retained profits	Attributable to equity holders of the parent	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2004, as originally stated	331,669	282,892	-	10,683	-	(552,067)	73,177	16,411	89,588
Effect of change in accounting policies HKAS 17	-	-	-	-	-	(383)	(383)	-	(383)
As restated	<u>331,669</u>	<u>282,892</u>	<u>-</u>	<u>10,683</u>	<u>-</u>	<u>(552,450)</u>	<u>72,794</u>	<u>16,411</u>	<u>89,205</u>
Exchange differences arising on translation of overseas subsidiaries	-	-	-	370	-	-	370	90	460
Share of post-acquisition reserve movement of associates during the period	-	-	-	184	-	-	184	-	184
Net income recognised directly in equity	331,669	282,892	-	11,237	-	(552,450)	73,348	16,501	89,849
Net profit for the period	-	-	-	-	-	5,540	5,540	390	5,930
Effect of change in accounting policies during the period HKAS17	-	-	-	-	-	(27)	(27)	-	(27)
Total recognised income for the period	<u>331,669</u>	<u>282,892</u>	<u>-</u>	<u>11,237</u>	<u>-</u>	<u>(546,937)</u>	<u>78,861</u>	<u>16,891</u>	<u>95,752</u>
Realised on disposal of subsidiaries during the period	-	-	-	5,695	-	-	5,695	-	5,695
At 30th June, 2004, as restated	<u><u>331,669</u></u>	<u><u>282,892</u></u>	<u><u>-</u></u>	<u><u>16,932</u></u>	<u><u>-</u></u>	<u><u>(546,937)</u></u>	<u><u>84,556</u></u>	<u><u>16,891</u></u>	<u><u>101,447</u></u>



**Condensed consolidated cash flow statement***For the six months ended 30th June, 2005*

	Unaudited six months ended 30th June,	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net cash (used in)/from operating activities	(9,583)	5,220
Net cash from investing activities	3,563	29,875
Net cash from/(used in) financing activities	<u>6,525</u>	<u>(26,711)</u>
Net increase in cash and cash equivalents	505	8,384
Cash and cash equivalents at beginning of period	14,467	7,083
Effect of foreign exchange rate changes	<u>(10)</u>	<u>33</u>
Cash and cash equivalents at end of period represented by bank balances and cash	<u><u>14,962</u></u>	<u><u>15,500</u></u>

**Notes to the condensed consolidated financial statements****1. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and should be read in conjunction with the 2004 annual financial statements.

**2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and available-for-sale investments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2004 except as described below:

In current period, the Group applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The adoption of the new HKFRSs has resulted in changes of the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

**a) Presentation of Financial Statements**

HKAS 1 “Presentation of Financial Statements” affects certain presentation in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity, including the following:

- i) tax of jointly-controlled entity and associates attributable to the Group, which were previously included in the tax charge on the consolidated income statement, are now included in the share of profits and losses of jointly controlled entity and associates, respectively; and
- ii) minority interests are now included in the equity section of the balance sheet.

The changes in presentation have been applied retrospectively.

**b) Lease Premium for Land**

The adoption of HKAS 17 “Leases” has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at cost less accumulated depreciation and any accumulated impairment losses. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. The lease premium for land is stated at cost and amortised over the period of the lease whereas the leasehold building is stated at cost less accumulated depreciation and any accumulated impairment losses.

Pursuant to HKAS 17, up-front payment made for leasehold land with a carrying value of approximately HK\$2,734,000 as at 30th June, 2005 (31st December, 2004: HK\$2,734,000) are reclassified as lease premium for land instead of land held for development (fixed assets) which are expensed in the consolidated income statement on straight-line basis over the period of the leases. Opening retained profits at 1st January, 2004 and 1st January, 2005 have been decreased by approximately HK\$383,000 and HK\$438,000 respectively. Profit for the six months ended 30th June, 2004 and 30th June, 2005 have been decreased by approximately HK\$27,000 and HK\$27,000 respectively.

**Notes to the condensed consolidated financial statements** *(continued)***2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES** *(continued)***c) Interests in Joint Ventures**

The adoption of HKAS 31 “Interests in Joint Ventures”, allows a venturer to recognise its interest in a jointly controlled entity using either proportionate consolidation or the equity method. While there is no change, the Group recognises its interest in a jointly controlled entity using the equity method. The applied HKAS 31 does not have any material effect on the financial statements for the current period. Comparative figures have not been restated.

**d) Financial Assets and Liabilities**

The adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement” has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurement.

In accordance with the provisions of HKAS 39, the investments have been classified into available-for-sale investments and financial assets at fair value. The classification depends on the purpose for which the investments were held. As a result of the adoption of HKAS 39, all the investments are now stated at fair value in balance sheet, except for certain available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any accumulated impairment losses. In addition, all the investments as at 31st December, 2004 that should be measured at fair value on adoption of HKAS 39 should be remeasured at 1st January, 2005 and any adjustment of the previous carrying value amount should be recognised as an adjustment of the balance of revaluation reserves at 1st January, 2005. The revaluation reserves at 1st January, 2005 and 30th June, 2005 have been increased by approximately HK\$3,368,000 and HK\$145,000 respectively. Comparative figures have not been restated.

Available-for-sale investments are carried at fair value with any unrealised gains and losses recognised in equity. Financial assets at fair value with any fair value change are included in the income statement. Available-for-sale investments and financial assets at fair value were previously classified as investments in securities (non-current assets) and investments in securities (current assets).

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowing using the effective interest method or at fair value through profit and loss. Borrowings were previously carried at cost.

**e) Investment Properties**

Following the adoption of HKAS 40 “Investment Property”, changes in the fair values of investment properties are included in the income statement. Previously the Group had recorded such fair value changes in the property valuation reserve. The adoption of new HKAS 40 has been applied retrospectively and comparative figures presented have been restated to conform to the changed policy. Opening retained profits at 1st January, 2005 has been increased by approximately HK\$1,950,000. Profit for the six months ended 30th June, 2005 has been increased by approximately HK\$1,500,000.

**f) Deferred Taxes Related to Investment Properties**

In addition, Hong Kong Accounting Standard Interpretation (“HKAS-Int”) 21 now requires deferred tax to be calculated using profits tax rates on these surpluses and deficits. The deferred tax liabilities arising from revaluation of investment properties have been recognised at 1st January, 2005 and 30th June, 2005 approximately HK\$341,000 and HK\$263,000. The deferred tax assets and liabilities have been offset for the current period. The applied HKAS-Int 21 does not have any material effect on the financial statements for the current period. Comparative figures have not been restated.

**g) Share-based Payment**

In the current period, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognised where the Group buys goods or obtains service in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the vesting period. As at 30th June, 2005, no option has been granted pursuant to the adoptions of share option scheme on 23rd May, 2005. The applied HKFRS 2 does not have any material effect on the financial statements for the current period. Comparative figures have not been restated.

## Notes to the condensed consolidated financial statements (continued)

## 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

## Business segments

	Continuing operations						Discontinued operation		Consolidated	
	Securities investment and trading		Property development and investment		Industrial		Entertainment and leisure			
	2005	2004	2005	2004	2005	2004	2005	2004		
	Unaudited (restated) six months ended 30th June,									
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
External sales	5,572	1,870	506	1,411	24,258	32,476	–	80	30,336	35,837
RESULTS										
Segment results	(3,749)	1,742	1,562*	307	(1,108)	967	–	(231)	(3,295)	2,785
Other operating income	829	78	–	7	–	114	–	–	829	199
(Loss)/profit from operations									(2,466)	2,984
Gain on disposal of discontinued operations									–	301
Gain on disposal of an investment property									–	1,032
Finance costs									(112)	(1,295)
Gain on disposal of partial interest in an associate									2,924	–
Share of results of associates									4,330	3,291
Share of results of a jointly controlled entity									(582)	(17)
Profit before tax									4,094	6,296
Tax									(22)	(393)
Net profit for the period									4,072	5,903

\* The segment result of property development and investment for 2005 had been included a fair value change on investment properties of HK\$1,500,000.

## Geographical segments

	Sales revenue by geographical market	
	Unaudited six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong	9,633	8,107
Singapore	–	828
PRC	9,117	15,046
Japan	11,586	11,856
	30,336	35,837

Notes to the condensed consolidated financial statements (*continued*)

## 4. (LOSS)/PROFIT FROM OPERATIONS

	Unaudited six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000 (restated)
(Loss)/profit from operations has been arrived at after charging:		
Auditors' remuneration	290	405
Depreciation	2,305	2,099
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$641,943 (2004: HK\$623,680)	6,427	5,615
Minimum lease payments for operating lease in respect of rented premium	111	–
Lease premium for land amortisation	87	87
and after crediting:		
Profit on disposal of listed other investments	–	217
Rental income from investment properties, less outgoings of HK\$506,367 (2004: HK\$734,074)	<u>506</u>	<u>717</u>

## 5. GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS

During the period, there was no gain recognised on the disposal of discontinued operations (six months ended 30th June, 2004: HK\$301,000).

## 6. GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

During the period, there was no gain recognised on the disposal of an investment property (six months ended 30th June, 2004: HK\$1,032,000).

## 7. TAX

	Unaudited six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000 (restated)
Current tax:		
Profits Tax for the period		
PRC	<u>(22)</u>	<u>(393)</u>
Tax attributable to the Company and its subsidiaries	<u>(22)</u>	<u>(393)</u>

Tax arising in PRC is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong have no assessable profits for the both periods.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised. The effect of deferred tax for the both period is considered to be insignificant to the Group.

## Notes to the condensed consolidated financial statements (continued)

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of HK\$3,992,000 (six months ended 30th June, 2004 (restated): HK\$5,513,000) and on the weighted average number of 66,333,781 (six months ended 30th June, 2004 (restated): 66,333,781) ordinary shares in issue during the period.

The basic earning per share for the six months ended 30th June, 2004 has been restated to reflect the reduction in number of ordinary shares in issue to 66,333,781 shares as a result of the capital reorganisation (as detailed in note 16).

The effect of dilutive potential ordinary shares of an associate is considered to be insignificant to the Group.

## 9. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2005 (six months ended 30th June, 2004: Nil).

## 10. INTEREST IN ASSOCIATES

	THE GROUP		THE COMPANY	
	30/6/2005 (unaudited) HK\$'000	31/12/2004 (audited) HK\$'000	30/6/2005 (unaudited) HK\$'000	31/12/2004 (audited) HK\$'000
Listed share, at cost	–	–	15,386	16,020
Unlisted shares, at cost	–	–	–	–
Share of net assets	48,133	47,583	–	–
	<u>48,133</u>	<u>47,583</u>	<u>15,386</u>	<u>16,020</u>
Market value of listed shares	<u>183,481</u>	<u>129,130</u>	<u>183,481</u>	<u>129,130</u>

Particulars of associates of the Group at 30th June, 2005 are as follows:–

Name of associates	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group	Principal activities
Chinasoft International Limited ("Chinasoft")	Cayman Islands/ PRC	24.36%	Provision of information technology services
Fortex Investments Limited ("Fortex")	British Virgin Islands/ Hong Kong	41.67%	Inactive

The shares of Chinasoft are listed on the Growth Enterprise Market of the Stock Exchange with effect from 20th June, 2003.

In August 2004, Chinasoft allotted and issued 57,500,000 new shares at an issue price of HK\$0.73 each to China National Computer Software & Technology Service Corporation as consideration for the acquisition of the remaining 15% of the registered capital of Beijing Chinasoft International Information Technology Limited. Accordingly, the Company's shareholding in Chinasoft decreased from 27.64% to 25.36%, resulting in a gain on deemed disposal of HK\$7,663,747 during 2004.

In June 2005, the company disposed of partial interest 7,000,000 shares in Chinasoft. As a result, the company's interest in Chinasoft further decreased from 25.36% to 24.36%, such disposal with a gain of approximately HK\$2,924,000 (six months ended 30th June, 2004: Nil).

During the period, the Group's share of the result of associates were approximately HK\$4,330,000 (six months ended 30th June, 2004: HK\$3,291,000) which shared profit from an associate (Chinasoft) of approximately HK\$4,352,000 (six months ended 30th June, 2004: HK\$3,291,000) while loss from another associate (Fortex) of approximately HK\$22,000 (six months ended 30th June, 2004: Nil).

## Notes to the condensed consolidated financial statements (continued)

## 10. INTEREST IN ASSOCIATES (continued)

The following details have been extracted based on the unaudited interim results 2005 of Chinasoft:

	Unaudited six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000
<b>Results for the period</b>		
Turnover	154,191	109,490
Profit before tax	<u>18,403</u>	<u>13,351</u>
Profit before tax attributable to the Group	4,667	3,690
Share of tax attributable to an associate	<u>(315)</u>	<u>(399)</u>
Profit after tax attributable to the Group	<u>4,352</u>	<u>3,291</u>
	<b>30/6/2005 (unaudited) HK\$'000</b>	<b>31/12/2004 (audited) HK\$'000</b>
<b>Financial position</b>		
Non-current assets	58,023	52,202
Current assets	260,167	259,575
Current liabilities	(119,169)	(122,997)
Non-current liabilities	<u>(1,430)</u>	<u>(1,149)</u>
Net assets	<u>197,591</u>	<u>187,631</u>
Net assets attributable to the Group	<u>48,133</u>	<u>47,583</u>

## 11. INVESTMENT PROPERTIES

	THE GROUP	
	30/6/2005 (unaudited) HK\$'000	31/12/2004 (audited) HK\$'000
AT VALUATION		
At beginning of period/year	25,700	168,812
Currency realignment	–	1,514
Expenditure incurred	–	3,290
Disposals	–	(27,800)
Disposals of subsidiaries	–	(122,526)
Revaluation increase	<u>1,500</u>	<u>2,410</u>
At end of period/year	<u>27,200</u>	<u>25,700</u>
The carrying amount of investment properties comprises:		
	<b>30/6/2005 (unaudited) HK\$'000</b>	<b>31/12/2004 (audited) HK\$'000</b>
Properties in Hong Kong under medium-term leases	<u>27,200</u>	<u>25,700</u>

All of the Group's investment properties are rented out under operating leases.

The investment properties in Hong Kong were revalued at 30th June, 2005 and 31st December, 2004 by DTZ Debenham Tie Leung, an independent firm of valuers, in existing state on an open market value basis. The net revaluation increase arising on the revaluation, which had been charged to consolidated income statement and credited directly to the investment property revaluation reserves, amounting to HK\$1,500,000 and HK\$1,950,000 respectively.

Notes to the condensed consolidated financial statements (*continued*)

## 12. LEASE PREMIUM FOR LAND

	THE GROUP	
	30/6/2005 (unaudited) HK\$'000	31/12/2004 (audited) HK\$'000
Cost:		
At beginning of period/year:		
As previously reported	–	–
Effect of adopting HKAS 17	6,309	6,333
	<u>6,309</u>	<u>6,333</u>
At restated	6,309	6,333
Currency realignment	(3)	(24)
	<u>6,306</u>	<u>6,309</u>
At end of period/year		
Accumulated amortisation:		
At beginning of period/year:		
As previously reported	–	–
Effect of adopting HKAS 17	1,569	1,402
	<u>1,569</u>	<u>1,402</u>
At restated	1,569	1,402
Currency realignment	(1)	(8)
Amortisation for the period/year	87	175
	<u>1,655</u>	<u>1,569</u>
At end of period/year		
Net book value:		
At end of period/year	4,651	4,740
Portion classified as current assets	(174)	(174)
	<u>4,477</u>	<u>4,566</u>

The leasehold land of the Group as at 30th June, 2005 are held under medium term leases in Hong Kong and land use rights in PRC.

## 13. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group has a policy of allowing a credit period of 30 days to 90 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on presentation of invoices. The aged analysis of trade receivable at the reporting date is as follows:

	THE GROUP	
	30/6/2005 (unaudited) HK\$'000	31/12/2004 (audited) HK\$'000
0 – 30 days	1,897	2,001
31 – 60 days	1,950	1,593
61 – 90 days	845	2,359
Over 90 days	6,829	6,626
	<u>11,521</u>	<u>12,579</u>
Total trade receivables		
Other receivables	1,432	1,763
	<u>12,953</u>	<u>14,342</u>



## Notes to the condensed consolidated financial statements (continued)

## 14. TRADE AND OTHER PAYABLES

The aged analysis of trade payables at the reporting date is as follows:

	THE GROUP	
	30/6/2005 (unaudited) HK\$'000	31/12/2004 (audited) HK\$'000
0 – 30 days	2,527	2,010
31 – 60 days	1,657	693
61 – 90 days	1,516	1,651
Over 90 days	6,760	8,324
Total trade payables	12,460	12,678
Other payables	11,295	12,936
	<u>23,755</u>	<u>25,614</u>

## 15. BANK AND OTHER LOANS

	THE GROUP	
	30/6/2005 (unaudited) HK\$'000	31/12/2004 (audited) HK\$'000
Bank and other loans comprise:		
Bank loans	4,195	5,864
Other loans	8,941	668
	<u>13,136</u>	<u>6,532</u>

The above loans are secured and are repayable within one year.

## 16. SHARE CAPITAL

	Number of ordinary shares of		Share Capital	
	HK\$0.01 each 30/06/2005 (in thousand)	HK\$1 each 31/12/2004 (in thousand)	Nominal value 30/06/2005 HK\$'000	31/12/2004 HK\$'000
<b>Authorised:</b>	<u>70,000,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>
<b>Issued and fully paid:</b>				
At beginning of the period/year	331,669	331,669	331,669	331,669
Capital reorganisation	(265,335)	–	(331,006)	–
At ended of the period/year	<u>66,334</u>	<u>331,669</u>	<u>663</u>	<u>331,669</u>

During the period, the Group undertook a capital reorganisation resulting in reduction of capital, consolidation of shares, subdivision of shares and reduction of share premium:

- every 5 shares of HK\$1.00 each in the share capital of the Company (whether issued or unissued) will be consolidated into one consolidated share;
- upon the share consolidation taking effect, the issued share capital of the Company be reduced from HK\$331,668,905 to HK\$663,338 by cancelling paid up capital to the extent of HK\$4.99 on each consolidated share in issue arising from the share consolidation so as to form fully-paid up adjusted shares;
- upon the capital reduction taking effect, each authorised but unissued consolidated share of HK\$5.00 each be subdivided into 500 adjusted shares; and

**Notes to the condensed consolidated financial statements (continued)****16. SHARE CAPITAL (continued)**

- d) upon the capital reduction taking effect, the credit amount arising from the capital reduction together with the credit amount standing in the share premium account be applied by the directors to eliminate the accumulated losses of the Company as at 31st December, 2003 in accordance with the Articles of Association of the Company and all applicable laws.

Details of the transaction are set out in a circular and a supplemental circular of the Company dated 28th May, 2004 and 27th August, 2004 respectively.

**17. SHARE OPTION SCHEME**

The Company's share option scheme was adopted pursuant to a resolution passed on 23rd May, 2005 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any its subsidiaries (including executive and non – executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

As at 30th June, 2005, the total number of shares in respect of which options may be granted under the share option scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted will be taken up upon payment of HK\$1 per option. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

As at 30th June, 2005, no option has been granted or agreed to be granted by the Company under the Share Option Scheme.

**18. PLEDGE OF ASSETS**

At the reporting date:

- (a) bank loan facilities to the extent of approximately HK\$16.2 million (31st December, 2004: HK\$16.2 million) of which nil (31st December, 2004: nil) were utilised, were secured by the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$27.2 million (31st December, 2004: HK\$25.7 million);
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$12.3 million (31st December, 2004: HK\$5.5 million), of which HK\$8.9 million (31st December, 2004: HK\$0.7 million) were utilised, were secured by the listed investments of the Group and the Company of approximately HK\$25 million (31st December, 2004: HK\$11 million) and HK\$24 million (31st December, 2004: HK\$10 million), respectively;
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$40.6 million (31st December, 2004: HK\$40.6 million), of which HK\$3.8 million (31st December, 2004: HK\$5.3 million) were utilised, were secured by time deposits held by the Company of approximately HK\$5 million (31st December, 2004: HK\$5.2 million) and by a floating charge over the asset of the Company;
- (d) bank loan of approximately HK\$0.4 million (31st December, 2004: HK\$0.5 million) were secured by a blending machine held by a subsidiary with net book value of approximately HK\$2.3 million (31st December, 2004: HK\$2.3 million).

**19. CONTINGENT LIABILITIES**

At the reporting date, the Group and the Company had no contingent liabilities regarding guarantees to banks in respect of banking facilities utilised by subsidiaries (31st December, 2004: Nil).

**20. CAPITAL COMMITMENTS**

At the reporting date, the Group and the Company had no capital commitments in respect of capital contribution to a subsidiary contracted but not provided for in the financial statements (31st December, 2004: Nil).

## Notes to the condensed consolidated financial statements (continued)

## 21. OPERATING LEASE ARRANGEMENTS

**The Group as lessor**

Property rental income earned during the period was HK\$506,000 (six months ended 30th June, 2004: HK\$765,000). The properties held have committed tenants for the next two years.

At the reporting date, the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30/6/2005</b> <b>(unaudited)</b> <i>HK\$'000</i>	<b>31/12/2004</b> <b>(audited)</b> <i>HK\$'000</i>
Within one year	660	660
In the second to fifth year inclusive	523	853
	<u>1,183</u>	<u>1,513</u>

**The Group and the Company as lessee**

At the reporting date, the Group and the Company had commitments for the future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	<b>30/6/2005</b> <b>(unaudited)</b> <i>HK\$'000</i>	<b>31/12/2004</b> <b>(audited)</b> <i>HK\$'000</i>
Within one year	313	155
In the second to fifth year inclusive	93	64
	<u>406</u>	<u>219</u>

Operating lease payments represent rentals payable by the Group and the Company to a company controlled by certain Directors of the Company for the use of its office premises. Lease is negotiation for a term of two years.

## 22. POST BALANCE SHEET EVENT

On 21st July, 2005, 6.6 million share options at a subscription price of HK\$1.35 per share with an exercisable period from 21st July, 2005 to 20th July, 2015 (both days inclusive) were granted to directors and employees of the Company. It represented 9.95% of the shares of the Company in issue at that date.

**6. INDEBTEDNESS****Borrowings**

As at the close of business on 30 September 2005 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus), the Group had total outstanding borrowings of approximately HK\$8.3 million, comprising short term bank loans and other loan of approximately HK\$4.0 million and HK\$4.3 million, respectively, secured by time deposits, securities, properties and plant and machinery of the Group.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, none of the companies in the Group had any loan capital issued and outstanding or agreed to be issued, any bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, obligations under finance leases or hire purchases, guarantees or other material contingent liabilities as at the close of business on 30 September 2005.

The Directors have confirmed that as at the Latest Practicable Date, save as disclosed above, there had not been any material change in the indebtedness and contingent liabilities of the Group since 30 September 2005.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest audited financial statements of the Company were made up.

**8. WORKING CAPITAL**

The Directors are of the opinion that, taking into account the present available banking facilities and financial resources of the Group and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Prospectus, in the absence of any unforeseen circumstances.

**UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2005.

The pro forma financial information has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared based on the unaudited consolidated net tangible assets of the Group as at 30 June 2005 as set out in Appendix I to this Prospectus and adjusted to reflect the effect of the Rights Issue:–

	<b>As at 30 June 2005 HK\$'000</b>	<b>Estimated net proceeds from the Rights Issue HK\$'000 (Note)</b>	<b>Unaudited pro forma adjusted amount HK\$'000</b>
Unaudited consolidated net tangible assets (assuming none of the Options has been converted into Shares up to the Record Date)	<u>124,338</u>	<u>29,048</u>	<u>153,386</u>
Unaudited consolidated net tangible asset value per Share as at 30 June 2005 based on 66,333,781 Shares in issue			<u>HK\$1.87</u>
Unaudited pro forma adjusted consolidated net tangible asset value per Share immediately following completion of the Rights Issue based on 99,500,671 Shares to be in issue following completion of the Rights Issue			<u>HK\$1.54</u>

*Note:* The estimated net proceeds from the Rights Issue are based on 33,166,890 Rights Shares to be allotted at the Subscription Price of HK\$0.915 each under the Rights Issue (assuming none of the Options has been converted into Shares up to the Record Date) and after deducting expenses of approximately HK\$1,300,000 which include underwriting commission, professional fees, printing charges and sundry expenses.

**REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

Set out below is the text of a letter in connection with the Rights Issue received from the reporting accountants of the Group, Deloitte Touche Tohmatsu, which has been prepared for the purpose of incorporation in this Prospectus:–

**Deloitte.**  
**德勤**

德勤·關黃陳方會計師行  
香港中環干諾道中111號  
永安中心26樓

Deloitte Touche Tohmatsu  
26/F Wing On Centre  
111 Connaught Road Central  
Hong Kong

30 November 2005

The Directors  
**Far East Technology International Limited**

Dear Sirs,

We report on the pro forma financial information of Far East Technology International Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Appendix II of the prospectus dated 30 November 2005 (the “Prospectus”) issued in connection with the proposed rights issue of the Company, which has been prepared, for illustrative purpose only, to provide information about how the proposed rights issue might have affected the financial information presented.

**RESPONSIBILITIES**

It is the responsibility solely of the Directors of the Company to prepare the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**BASIS OF OPINION**

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no

independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors of the Company.

Our work does not constitute an audit or a review in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the pro forma financial information.

The pro forma financial information has been prepared on the basis set out in Appendix II of the Prospectus for illustrative purpose only and, because of its nature, it may not give an indicative financial position of the Group as at 30 June 2005 or at any future date.

### **OPINION**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group so far as such policies related to net tangible assets; and
- (c) the adjustment is appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

## 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 and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DIRECTORS AND SENIOR MANAGEMENT

The brief biographies of the Directors and senior management are set out below:

### *Executive Directors*

#### **Mr. Deacon Te Ken Chiu, J.P. (Chairman)**

**Mr. Chiu**, aged 80, is the founder of the Far East Group and has been the Chairman of the Company since 1981. He is also the Chairman of Far East Consortium International Limited and Far East Hotels and Entertainment Limited. Mr. Chiu has more than 50 years of business experience in property investment and development; operation of entertainment and tourism related business; hotel ownership and management; financing and banking. He was a member of the Chinese People's Political and Consultative Conference; the founder of the Yan Chai Hospital; the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce; the founder and Chairman of the Ju Ching Chu Secondary School since 1966 and the Vice Patron of the Community Chest since 1968. Mr. Chiu is the father of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu .

#### **Mr. Duncan Chiu, B.Sc. (Managing Director and Chief Executive Officer)**

**Mr. Chiu**, aged 30, is the Managing Director and Chief Executive Officer of the Group. Mr. Chiu holds a bachelor's degree in business administration from Pepperdine University, U.S.A.. He has vast experience and excellent relationship in China's IT industry. He has also been serving as Vice Chairman of Hong Kong & Mainland Software Industry Cooperation Association. He is also a Non-executive Director of Far East Hotels & Entertainment Limited (SEHK: 37) as well as an Executive Director of Chinasoft International Limited (SEHK: 8216). Far East Hotels & Entertainment Limited principally engages in property and hotel business whereas Chinasoft International Limited principally engages in provision of solutions for information technology outsourcing, software development and information technology consulting services. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu and Miss Margaret Chiu.



**Mr. Dennis Chiu, B.A.**

**Mr. Chiu**, aged 47, was appointed an Executive Director of the Company in 1981. Mr. Chiu has been actively involved in the business development in the People's Republic of China ("P.R.C."), Singapore and Malaysia. He is an Executive Director of Far East Consortium International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He is also a Non-executive Director of London-listing Fortune Oil Plc. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

*Non-executive directors***Y. Bhg Dato' David Chiu, B.Sc.**

**Dato' Chiu**, aged 51, joined the Far East Group in 1975 and was appointed a Director of the Company in 1981. Since 1978, he had been the Managing Director of Far East Consortium Limited. He was appointed Deputy Chairman and Chief Executive Officer of Far East Consortium International Limited on 8th December, 1994 and 8th October, 1997 respectively. He is also a Non-executive Director of Far East Technology International Limited, Far East Hotels and Entertainment Limited and Chinasoft International Limited. He holds a double degree of Bachelor of Science in Business Administration and Economics from the University of Sophia, Japan.

Dato' Chiu is the Vice Chairman and a substantial shareholder of Malaysia Land Holdings Berhad, Malaysia. He is also the Chairman of Tokai Kanko Ltd, which is listed on the Tokyo Stock Exchange. Presently, Dato' Chiu is a member of the Guangxi Chinese People's Political and Consultative Conference in China and the Honorary Chairman of the Food, Biscuit and Beverage Association in Hong Kong. He has also been conferred an honorary award in Malaysia which carries the title Dato' by His Majesty, the King of Malaysia, in July 1997. Dato' Chiu actively participates in charitable activities. Currently, he is a Trustee Member of the Better of Hong Kong Foundation and Committee Member of the Chinese People's Liberation Army Force in Hong Kong. He is the second son of Mr. Deacon Te Ken Chiu and the brother of Messrs. Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

**Mr. Daniel Tat Jung Chiu**

**Mr. Chiu**, aged 44, was appointed a Director of the Company in 1983. He is also a Non-executive Director of Far East Consortium International Limited. He was appointed Vice Chairman (Non-executive) of Far East Hotels and Entertainment Limited in 1999. He is the major shareholder and Vice Chairman of London-listing Fortune Oil Plc. Mr. Chiu has extensive experience in China trade, petroleum trading and infrastructure investments. He also takes an active part in several kinds of projects in Hong Kong and the P.R.C.. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Derek Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

**Mr. Derek Chiu, B.A.**

**Mr. Chiu**, aged 39, was appointed a Director of the Company in 1989. He is also the Managing Director and Chief Executive of Far East Hotels and Entertainment Limited. Mr. Chiu has extensive experience in the operation of amusement parks and entertainment business. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Desmond Chiu, Duncan Chiu and Miss Margaret Chiu.

**Mr. Desmond Chiu, B.A.**

**Mr. Chiu**, aged 38, was appointed a Director of the Company in 1991. He graduated from the University of Cambridge, the United Kingdom and he was appointed as Deputy Managing Director of Far East Hotels and Entertainment Limited in 1999. He is the son of Mr. Deacon Te Ken Chiu and the brother of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Duncan Chiu and Miss Margaret Chiu.

**Miss Margaret Chiu, LL.B.**

**Miss Chiu**, aged 48, was appointed a Director of the Company in 1995. She is also an Executive Director of Far East Hotels and Entertainment Limited. She graduated with law degree from the University of Buckingham, the United Kingdom and has extensive experience in entertainment, television and motion picture business in Hong Kong, the P.R.C. and overseas. She is the daughter of Mr. Deacon Te Ken Chiu and sister of Messrs. David Chiu, Dennis Chiu, Daniel Tat Jung Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

*Independent Non-executive Directors***Mr. Chi Man Ma**

**Mr. Ma**, aged 72, was appointed as an Independent Non-executive Director of the Company in 1998. He is also a Director of The Hong Kong Parkview Group Limited, a public listed company in Hong Kong. He has extensive working experience in the fields of travel, transport, economics and infrastructure development in Hong Kong and the PRC.

**Dr. Lee G. Lam**

**Lee G. Lam**, aged 46, has been an Independent Non-executive Director of the Company since 30th September, 2004. He is the President & Chief Executive Officer and Vice Chairman of Chia Tai Enterprises International Limited. He is a Director of True Corporation Public Company Limited, a Non-executive Director of Glorious Sun Enterprises Limited, and an Independent Non-executive Director of Rowsley Ltd., Hutchison Global Communications Limited, Hutchison Harbour Ring Limited, Capital Strategic Investment Limited, Shanghai Ming Yuan Holdings Limited, and Finet Group Limited. Dr. Lam has over 23 years of multinational operations and general management, strategy consulting, corporate governance, investment banking, and direct investment experience in the telecommunications, media and information technology and financial services sectors.

**Mr. Ryan Yen Hwung Fong**

**Mr. Fong** aged 33, has been an Independent Non-executive Director of the Company since 30th September, 2004. He has over 10 years of equities portfolio management, trading and international capital markets analysis management experience. He is currently a director of HSZ (Hong Kong) Limited.

*Senior Management***Mr. Hung Kwong Lui, FCPA, FCCA, CGA**

**Mr. Lui** aged 46, is the Qualified Accountant and Company Secretary of the Company and the Financial Controller of the Group. He is responsible for overseeing the accounting matters and financial functions of the Group. He has over 20 years experience in audit and finance function in various sizeable and multinational companies. He is a Fellow Member of the Hong Kong Institute of Certified Public Accountants as well as Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. He is also an Associate Member of the Certified General Accountants Association of Canada.

**3. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION**

<b>Registered office</b>	16th Floor Far East Consortium Building 121 Des Voeux Road Central Hong Kong
<b>Principal office</b>	Room 1802-1804 18th Floor Far East Consortium Building 121 Des Voeux Road Central Hong Kong
<b>Financial adviser</b>	Kingston Corporate Finance Limited Suite 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong
<b>Underwriter</b>	Kingston Securities Limited Suite 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong
<b>Legal adviser of the Company</b>	<i>On Hong Kong Law</i> Arculli Fong & Ng in association with King & Wood, PRC Lawyers, Arculli & Associates and Goodmans 2018, Hutchison House Central Hong Kong
<b>Auditors</b>	Deloitte Touche Tohmatsu, <i>Certified Public Accountants</i> 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong

<b>Principal bankers</b>	Bank of China (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited The Bank of East Asia Limited Hang Seng Bank Limited
<b>Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Authorised representatives</b>	Mr. Duncan Chiu Mr. Hung Kwong Lui
<b>Company secretary</b>	Mr. Hung Kwong Lui, <i>FCPA, FCCA, CGA</i>
<b>Qualified accountant</b>	Mr. Hung Kwong Lui, <i>FCPA, FCCA, CGA</i>

#### 4. DISCLOSURE OF INTERESTS

##### (A) Interests of Directors and Chief Executive

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which 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 provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:–

*Long Position in issued shares*

Name of director	Number of ordinary shares held				Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Deacon Te Ken Chiu	6,483,506 <sup>(1)</sup>	1,222,000 <sup>(2)</sup>	1,245,720	8,951,226	13.49%
Dato' David Chiu	1,700,000	–	5,608,000 <sup>(3)</sup>	7,308,000	11.02%
Miss Margaret Chiu	1,000,000	–	–	1,000,000	1.51%
Mr. Dennis Chiu	3,322,040	–	6,080,000 <sup>(4)</sup>	9,402,040	14.17%
Mr. Daniel Tat Jung Chiu	2,200,000	–	14,480,040 <sup>(5)</sup>	16,680,040	25.15%
Mr. Derek Chiu	40,200	–	–	40,200	0.06%
Mr. Desmond Chiu	1,000,000	–	–	1,000,000	1.51%
Mr. Duncan Chiu	13,561,863 <sup>(6)</sup>	–	–	13,561,863	20.44%

*Notes:*

- (1) Of the 6,483,506 Shares, 1,509,600 Shares are beneficially held by Mr. Deacon Te Ken Chiu, 1,988,660 Shares and 2,985,246 Shares are the Rights Shares undertaken to be taken up by Mr. Deacon Te Ken Chiu under the Rights Issue pursuant to the Irrevocable Undertaking in respect of his entitlements under the Rights Issue and the excess application made respectively.
- (2) The Shares are held by Madam Ching Lan Ju Chiu, wife of Mr. Deacon Te Ken Chiu.
- (3) The Shares are held by Rocket High Investments Limited, a company wholly owned by Dato' David Chiu.
- (4) The Shares are held by Cape York Investments Limited ("Cape York"), a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.

- (5) Of the 14,480,040 Shares, 6,080,000 Shares are held by Cape York and the remaining 8,400,040 Shares are held by Gorich Holdings Limited, a company wholly owned by Mr. Daniel Tat Jung Chiu.
- (6) Of the 13,561,863 Shares, 6,441,242 Shares are beneficially held by Mr. Duncan Chiu, 3,220,621 Shares and 3,900,000 Shares are the Rights Shares undertaken to be taken up by Mr. Duncan Chiu under the Rights Issue pursuant to the Irrevocable Undertaking in respect of his entitlements under the Rights Issue and the excess application made respectively.
- (7) All interests disclosed above represent long positions in the ordinary shares of the Company.

*Long Position in underlying Shares*

Pursuant to the share option scheme of the Company adopted on 23 May 2005, the Directors mentioned below were granted which entitled them to subscribe for Shares and accordingly they are regarded as interested in the underlying Shares. Details of the Options granted are as follows:–

<b>Name of Director</b>	<b>Number of Options outstanding (Note)</b>	<b>Number of Shares entitled to subscribe for under the Options</b>	<b>Exercise Price HK\$</b>
Mr. Deacon Te Ken Chiu	2,000,000	2,000,000	1.35
Mr. Duncan Chiu	3,200,000	3,200,000	1.35
Mr. Dennis Chiu	1,000,000	1,000,000	1.35

*Note:* The exercisable period of the Options outstanding is between 21 July 2005 to 20 July 2015.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st December, 2004 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group; and

- (c) As at the Latest Practicable Date, save for the Underwriting Agreement, none of the Directors were materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

**(B) Substantial Shareholders**

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:–

Name of shareholder	Number of shares held	Percentage of issued share capital of the Company
Gorich Holdings Limited (“Gorich”) (Note 1)	8,400,040	12.66%
Cape York Investments Limited (“Cape York”) (Note 2)	6,080,000	9.17%
Rocket High Investments Limited (“Rocket”) (Note 3)	5,608,000	8.45%
Tricom Cyberworld Holdings Limited	3,856,400	5.81%
Virtual Dragon International Limited (“Virtual Dragon”) (Note 4)	5,101,600	7.69%
Underwriter (Note 5)	21,072,363	21.18% (Note 6)
Ms. Chu Yuet Wah (Note 5)	21,072,363	21.18% (Note 6)
Ms. Ma Siu Fong (Note 5)	21,072,363	21.18% (Note 6)

*Notes:*

- (1) Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu. The interest of Mr. Daniel Tat Jung Chiu in the Company is stated under the section headed “Interests of Directors and Chief Executive” above.
- (2) The interests of Mr. Daniel Tat Jung Chiu and Mr. Dennis Chiu in the Company are stated under the section headed “Interests of Directors and Chief Executive” above.
- (3) Rocket is wholly-owned by Mr. David Chiu. The interest of Mr. David Chiu in the Company is stated in the section headed “Interests of Directors and Chief Executive” above.
- (4) The Shares are held by Peace View Company Limited (“Peace View”), a wholly owned subsidiary of Far East Consortium Limited (“FEC”). On 28 March 2001, Far East Consortium Limited had entered into a Sale of Shares Agreement with Virtual Dragon International Limited (“Virtual Dragon”) to dispose of its entire equity interests in Peace View to Virtual Dragon.
- (5) These are the Rights Shares agreed to be underwritten by the Underwriter pursuant to the Underwriting Agreement. The Underwriter is owned as to 51% by Ms. Chu Yuet Wah and 49% by Ms. Ma Siu Fong, therefore, they are deemed to be interested in the Rights Shares.
- (6) The percentages of shareholding are calculated based on the number of the then issued Shares of the Company as enlarged by the Rights Issue.



Save as disclosed herein, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly, interested or had short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

#### **5. EXPERT AND CONSENT**

Deloitte Touche Tohmatsu, a firm of Certified Public Accountants, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter as set out in this Prospectus and references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, direct or indirect, in any assets which have been, since 31 December 2004, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **6. BINDING EFFECT**

This Prospectus and the enclosed PAL and EAF, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

#### **7. EXPENSES**

The expenses in connection with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal, and accountancy charges are estimated to amount to approximately HK\$1.3 million and will be payable by the Company.

#### **8. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Rights Issue Documents and the written consent of Deloitte Touche Tohmatsu referred to in the paragraph headed "Expert and consent" in this appendix have been delivered to the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies Ordinance.

#### **9. LITIGATION**

As at the Latest Practicable Date and so far as the Directors are aware, there was no litigation or claims of material importance pending or threatened against the Company or any of its subsidiaries.

**10. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company and its subsidiaries within the two years immediately preceding the date of this Prospectus and are or may be material:

- (a) a sale and purchases agreement dated 22 December, 2003 in respect of, inter alia, the sale of the entire shareholding interest in Tang City Properties Pte. Ltd., a private company incorporated in Singapore, by the Company and Mr. Dennis Chiu, a Director, to Smartland Assets Limited, and the sale of Company's Shares by the Far East Consortium Limited, Ridon Investment Limited, Ready Town Limited, Elliot Investment Corporation Limited and Singford Holdings Limited to Mr. Deacon Te Ken Chiu, Dato' David Chiu, Mr. Dennis Chiu, Mr. Daniel Tat Jung Chiu and Mr. Duncan Chiu in respect of an aggregate of 93,540,200 Shares;
- (b) a Chinese sale and purchase agreement dated 21 April, 2004 for the sale of Laichi Kok Amusement (Haimen) Co., Ltd., a wholly foreign owned enterprise incorporated in the PRC which is wholly-owned by the Company, to Mr. Deacon Te Ken Chiu, a Director, for a consideration of HK\$8,800,000;
- (c) a provisional sale and purchase agreement dated 30 April, 2004 for the sale of properties located at 2/F., of Podium A, Wealthy Garden, 12-28 Tsuen Fu Street, 36-48 Tsuen Wah Street and 1-27 Tsuen Kwai Street, Tsuen Wan, New Territories, Hong Kong by Kwong Ming Amusement Company Limited, a wholly-owned subsidiary of the Company, to Wai Wah Trader Limited for a consideration of HK\$15,500,000;
- (d) a sale and purchase agreement dated 28 June, 2004 for the sale of a cinema located at Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Kowloon, Hong Kong by Profess World Investments Limited, a wholly-owned subsidiary of the Company, to Fortune Plan Limited for a consideration of HK\$15,000,000;
- (e) an assignment dated 28 June, 2004 for the sale of a cinema located at Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Kowloon, Hong Kong by Profess World Investments Limited, a wholly-owned subsidiary of the Company, to Fortune Plan Limited for a consideration of HK\$15,000,000;
- (f) the Underwriting Agreement; and
- (g) the Supplemental Agreement

Save as aforesaid, no material contracts (not being contracts entered into in the ordinary course of business carried on by the Group) have been entered into by any member of the Group within the two years preceding the date of this Prospectus.

**11. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).
- (b) The English texts of this Prospectus and the accompanying PAL and EAF shall prevail over their respective Chinese texts.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the principal office of the Company in Hong Kong at Room 1802-1804, 18th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong from the date of this Prospectus up to and including Thursday, 15 December 2005:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports and accounts of the Company for the two years ended 31 December 2004;
- (c) the interim report of the Company for the six months ended 30 June 2005;
- (d) the comfort letter from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this Prospectus;
- (e) the written consent referred to in the paragraph headed “Expert and consent” in this Appendix;
- (f) the material contracts referred to in the paragraph headed “Material contracts” in this Appendix;
- (g) the Underwriting Agreement;
- (h) the Supplemental Agreement; and
- (i) this Prospectus.

## **AMENDMENT**

Any references made in relation to “Section 342C” of the Companies Ordinance should be replaced by “Section 38D” of the Companies Ordinance in this Prospectus, Provisional Allotment Letter and application form for excess Rights Shares.