Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

(i) The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(ii) Notwithstanding the net current liabilities of the group at 31 March 2003, the financial statements have been prepared on a going concern basis since the major shareholder has confirmed that it is its present intention to do its best to obtain financial resources in order to provide such financial assistance as is necessary to maintain the group as a going concern.

(c) Subsidiaries

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

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

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

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (continued)

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

(d) Associates

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

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

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

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

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

– for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(i)); and

– for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(i)).

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

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

– for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill (Continued)

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

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

- for associates, such negative goodwill is included in the carrying amount of the interest in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

(f) Other investments in securities

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

(i) Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

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

(iii) Transfers from the revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in securities (Continued)

(iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and

– furniture, fixtures and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.

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

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets (Continued)

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

(h) Amortisation and depreciation

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

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

Furniture, fixtures and other fixed assets	3 to 5 years

(i) Impairment of assets

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

– fixed assets (other than investment properties carried at revalued amounts);

– investments in subsidiaries and associates (except for those accounted for at fair value under note 1(d)); and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(j) Cash equivalents

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

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee benefits

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

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

(iii) When the group grants employees options to acquire shares of the company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received on exercise of share options.

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

(l) Deferred taxation

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

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

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions and contingent liabilities

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

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

(n) Revenue recognition

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

(i) Rental income from operating leases

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

(ii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

(iii) Interest income

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

(o) Borrowing costs

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

(p) Related parties

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

(q) Segment reporting

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

2 TURNOVER

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

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

(Expressed in Hong Kong dollars)

3 OTHER REVENUE AND OTHER NET LOSS

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

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003 $'000	2002 $'000
(a) Finance costs:		
Interest on bank loans and other borrowings wholly repayable within five years	**9,652**	25,150
Interest on bank loans repayable beyond five years	**3,140**	3,354
Premium paid on redemption of convertible bonds	**3,000**	–
Refinancing charges	**–**	3,239
	15,792	31,743

(Expressed in Hong Kong dollars)

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION (Continued)

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

	2003	2002
	$'000	$'000
(b) Staff costs (including directors' remuneration (note 6)):		
– Wages and salaries	**1,257**	1,379
– Retirement costs	**16**	–
	1,273	1,379
(c) Other items:		
Provision for doubtful debts	**2,612**	1,106
Auditors' remuneration	**390**	400
Depreciation	**16**	–
Rentals receivable from investment properties less direct outgoings of $ 322,000 (2002: $ 1,772,000)	**(22,853)**	(21,279)

5 TAXATION

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

	2003	2002
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	**1,000**	–

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

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

	2003	2002
	$'000	$'000
Depreciation allowances in excess of related depreciation	**2,698**	2,268

5 TAXATION (Continued)

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

(b) Taxation in the balance sheet represents:

	The group	
	2003	2002
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	**1,000**	–
Provisional Profits Tax paid	**(50)**	–
	950	–

6 DIRECTORS' REMUNERATION

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

	2003	2002
	$'000	$'000
Fees:		
– Executive	**–**	–
– Non-executive	**–**	–
– Independent non-executive	**–**	500
	–	500
Salaries and other emoluments – executive	**896**	879
Retirement costs	**16**	–
	912	1,379

(Expressed in Hong Kong dollars)

6 DIRECTORS' REMUNERATION (Continued)

The remuneration of the directors is within the following bands:

	Number of directors	
	2003	2002
$Nil to $1,000,000	**7**	4
$1,000,001 to $1,500,000	**–**	–
	7	4

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

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

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

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

9 LOSS PER SHARE

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

(Expressed in Hong Kong dollars)

9 LOSS PER SHARE (Continued)

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

10 FIXED ASSETS

(a) The group

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

(Expressed in Hong Kong dollars)

10 FIXED ASSETS (Continued)

(b) The company

	Furniture, fixtures and other fixed assets $'000
Cost:	
Additions and at 31 March 2003	362
Accumulated depreciation:	
Charge for the year and at 31 March 2003	16
Net book value:	
At 31 March 2003	346
At 31 March 2002	–

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

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

	2003 **$'000**	2002 $'000
Long-term leases	**335,000**	350,000
Medium-term leases	**800**	730
	335,800	350,730

(d) Investment properties of the group situated in Hong Kong were revalued by Chesterton Petty Limited, independent professional qualified valuers, who have among their Members of Hong Kong Institute of Surveyors on an open market value basis at 31 March 2003.

(Expressed in Hong Kong dollars)

10 FIXED ASSETS (Continued)

(e) Certain of the above investment properties with an aggregate carrying value of $335,000,000 (2002: $350,000,000) have been pledged to a bank for bank loans (note 17).

(f) The group leases out investment properties under operating lease arrangements, with leases negotiated for an initial period of one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. None of the leases includes contingent rentals.

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

	The group	
	2003	2002
	$'000	$'000
Within one year	**18,953**	17,678
In the second to fifth years, inclusive	**8,388**	9,446
	27,341	27,124

11 INTEREST IN SUBSIDIARIES

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

(Expressed in Hong Kong dollars)

11 INTEREST IN SUBSIDIARIES (Continued)

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

(i) an amount of $162,258,000 (2002: $170,228,000) due from a subsidiary at 31 March 2003, which bears interest at prime rate plus 1% (2002: 1%) per annum; and

(ii) an amount of $10,992,000 (2002: $8,394,000) due from a subsidiary, which is repayable within one year and is therefore classified as a current asset in the company's balance sheet.

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

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

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

(Expressed in Hong Kong dollars)

12 INTEREST IN AN ASSOCIATE

	The group		The company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Share of net assets	**–**	–	**–**	–
Goodwill on acquisition	**–**	78,400	**–**	–
	–	78,400	**–**	–
Less: impairment loss	**–**	(78,400)	**–**	–
	–	–	**–**	–

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

13 OTHER INVESTMENTS

	The group		The company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Unlisted equity securities	**60,000**	–	–	–
Less: impairment loss	**(60,000)**	–	–	–
	–	–	–	–
Others	**3,000**	–	**3,000**	–
	3,000	–	**3,000**	–

(Expressed in Hong Kong dollars)

13 OTHER INVESTMENTS (Continued)

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

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

14 TRADING SECURITIES

	The group	
	2003	2002
	$'000	$'000
Equity securities listed in Hong Kong, at market value (note 12)	**2,840**	–

15 ACCOUNTS RECEIVABLE

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

	The group	
	2003	2002
	$'000	$'000
Outstanding balances aged:		
– Within 1 month	**1,675**	1,390
– 1 to 3 months	**1,179**	1,456
– Over 3 months	**1,207**	460
	4,061	3,306

(Expressed in Hong Kong dollars)

16 CASH AND CASH EQUIVALENTS

	The group		The company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**2,152**	2,117	**596**	127
Time deposits	**10,950**	124,979	**10,007**	121,344
Cash and cash equivalents	**13,102**	127,096	**10,603**	121,471

17 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	The group and the company	
	2003	2002
	$'000	$'000
Bank loans, secured	**192,904**	168,583
Promissory notes, unsecured	**–**	15,000
Total bank loans and other borrowings	**192,904**	183,583
Portion classified as current liabilities	**(10,992)**	(8,394)
Long-term portion	**181,912**	175,189

Bank loans

	The group and the company	
	2003	2002
	$'000	$'000
Bank loans are repayable:		
– Within 1 year	**10,992**	8,394
– In the second year	**11,383**	8,710
– In the third to fifth years, inclusive	**30,261**	26,132
– Beyond 5 years	**140,268**	125,347
	192,904	168,583

(Expressed in Hong Kong dollars)

17 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

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

Promissory notes

	The group and the company	
	2003	2002
	$'000	$'000
Promissory notes are repayable:		
– Within 1 year	**–**	–
– In the second year	**–**	15,000
	–	15,000

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

18 AMOUNTS DUE TO RELATED COMPANIES

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

19 CONVERTIBLE BONDS

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

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

19 CONVERTIBLE BONDS (Continued)

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

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

20 EQUITY COMPENSATION BENEFITS

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

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

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

(Expressed in Hong Kong dollars)

20 EQUITY COMPENSATION BENEFITS (Continued)

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

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with $1.0 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the date upon which the option is granted and accepted and ends on the expiry date of the option as may be determined by the directors, which shall not be later than the tenth anniversary of the New Scheme's effective date.

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

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

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

(Expressed in Hong Kong dollars)

20 EQUITY COMPENSATION BENEFITS (Continued)

* The share options were granted to the company's directors on 22 June 2001.

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

*** The price of the company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

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

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

21 SHARE CAPITAL

Shares

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

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

(Expressed in Hong Kong dollars)

21 SHARE CAPITAL (Continued)

Shares (Continued)

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

Notes:

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

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

(Expressed in Hong Kong dollars)

21 SHARE CAPITAL (Continued)

Shares (Continued)

Redeemable convertible preference shares

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

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

(Expressed in Hong Kong dollars)

21 SHARE CAPITAL (Continued)

Shares (Continued)

Redeemable convertible preference shares (Continued)

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

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

(Expressed in Hong Kong dollars)

22 RESERVES

The group

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

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

(Expressed in Hong Kong dollars)

22 RESERVES (Continued)

The company

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

23 COMMITMENTS

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

	The group and the company	
	2003	2002
	$'000	$'000
Contracted, but not provided for:		
Acquisition of a subsidiary	**400,000**	400,000

(Expressed in Hong Kong dollars)

23 COMMITMENTS (Continued)

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

24 RETIREMENT BENEFITS SCHEME

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

25 POST BALANCE SHEET EVENTS

(a) CAPITAL REORGANISATION

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

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

(Expressed in Hong Kong dollars)

25 POST BALANCE SHEET EVENTS (Continued)

(a) CAPITAL REORGANISATION (Continued)

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

(ii) a sub-division of the authorised but unissued ordinary shares of $0.25 each into 25 ordinary shares of $0.01 each ("Share Sub-division");

(iii) an increase of the authorised ordinary share capital of the company to $2,500,000,000, by the creation of not less than 79,557,120,000 new ordinary shares of $0.01 each ("Capital Increase"); and

(iv) the consolidation of 10 ordinary shares of $0.01 each and 10 preference shares of $0.01 each after such Capital Reduction into one new consolidated share of $0.10 ("Consolidated Shares") and one new consolidated preference share of $0.10 ("Consolidated Preference Shares") respectively (the "Share Consolidation") (collectively as "Capital Reorganisation").

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

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

(Expressed in Hong Kong dollars)

25 POST BALANCE SHEET EVENTS (Continued)

(a) CAPITAL REORGANISATION (Continued)

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

(b) REFINANCING

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

26 COMPARATIVE FIGURES

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

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

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