

Notes to the Financial Statements

Year ended 31st March, 2003

1. Principal Accounting Policies

These financial statements have been prepared in accordance with the Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March, 2003. All material inter-company transactions have been eliminated on consolidation.

The results of subsidiaries acquired and disposed of during the year are accounted for from the effective dates of acquisition or to the effective dates of disposal respectively.

Goodwill on consolidation

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 subsidiaries and associates acquired before 1st April, 2001, the related positive goodwill has been eliminated against reserves. For subsidiaries and associates acquired on or after 1st April, 2001, the related positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life not exceeding 20 years. Provision for impairment losses has been made against positive goodwill in accordance with SSAP 31.

1. Principal Accounting Policies (Continued)

Goodwill on consolidation *(Continued)*

Negative goodwill arising on acquisitions of 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. In respect of subsidiaries and associates acquired before 1st April, 2001, the related negative goodwill has been credited to capital reserve. For subsidiaries and associates acquired on or after 1st April, 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, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill up to the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of depreciable non-monetary assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

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

Subsidiaries

A subsidiary is an enterprise, in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body. Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment loss.

Associates

An associate is an enterprise, in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year. The consolidated balance sheet includes the Group's share of the net assets of the associates, including the unamortised portion of goodwill or negative goodwill on acquisition.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Notes to the Financial Statements

Year ended 31st March, 2003

1. Principal Accounting Policies (Continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long-term basis for their investment potential.

Investment properties are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess is charged to the income statement.

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

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuations take into account the state of each property at the date of valuation.

Properties held for/under development

Properties held for/under development with the intention for holding for long-term purposes when completed or no decision has yet been decided on their purposes are included in the balance sheet as non-current assets and stated at cost less impairment loss. Cost includes land cost, construction expenditure and other direct costs, including interest costs, attributable to the development of the properties.

The carrying amount of properties held for/under development is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount will be reduced to the recoverable amount. The amount of the reduction will be charged to the income statement.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, construction expenditure and other direct costs, including interest costs, attributable to the development of the properties. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling the properties.

1. Principal Accounting Policies (Continued)**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, which include the estimated cost for dismantling, removing the asset and restoring the site.

Expenditure incurred to replace a separate component of an item of property, plant and equipment, including major inspection and overhaul expenditure, is capitalised and accounted for as a component of the asset. Other subsequent expenditure is capitalised as an additional cost of that asset only when it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the asset and is recognised as an income or expense in the income statement.

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

Plant, machinery and moulds	10%
Furniture, fixtures and equipment	10%
Motor vehicles and motor vessels	20%
Computer equipment	30%

Investments in securities

Investment securities held for an identified long-term purpose are stated at cost and subject to impairment review at each reporting date to reflect any diminution in their value, which is expected to be other than temporary. The amount of provisions is recognised as an expense in the period in which the decline occurs.

Notes to the Financial Statements

Year ended 31st March, 2003

1. Principal Accounting Policies (Continued)

Investments in securities *(Continued)*

Securities not classified as investment securities are classified as other investments, which are stated at fair value in the balance sheet. The unrealised holding gains and losses for other investments are included in the income statement.

The profit or loss on disposal of investment securities and other investments is accounted for in the period in which the disposal occurs as the difference between net sales proceeds and the carrying amount of the securities.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

1. Principal Accounting Policies (Continued)

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Notes to the Financial Statements

Year ended 31st March, 2003

1. Principal Accounting Policies (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Sale of properties

Sale of properties is recognised upon the completion of sale and purchase contracts. When an equitable interest in a development property is transferred to the buyer before completion of construction work and development, turnover and profit are recognised with reference to the stage of completion of the development property.

Sale of goods

Sale of goods is recognised when goods are delivered and title has passed.

Rental and property management fee income

Rental and property management fee income under operating leases are recognised in the period in which the properties are let out and on the straight-line basis over the lease terms.

Service income

Service income is recognised in the period when services are rendered.

Securities trading

Proceeds from disposal of other investments are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Interest income

Interest income is accrued on a time proportion basis on the principal outstanding and at the applicable interest rate.

Dividend income

Dividend income is recognised when the rights to receive payment have been established.

1. Principal Accounting Policies (Continued)

Foreign currencies

Transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the balance sheet of overseas subsidiaries denominated in currencies other than Hong Kong dollars are translated at the rates of exchange ruling at the balance sheet date while the income statement is translated at average rates for the year. All exchange differences arising on consolidation are dealt with in the exchange reserve.

Capitalisation of borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Cash equivalents

Cash equivalents in the consolidated cash flow statement represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

Related parties

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

Retirement benefits contribution

The obligations for contributions to defined contribution pension scheme are recognised as expenses in the income statement as incurred.

Notes to the Financial Statements

Year ended 31st March, 2003

2. Turnover and Revenue

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 14 to the financial statements.

Turnover and revenue recognised by category are analysed as follows:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Sale of properties and property based investments	1,681,982	259,304,533
Sale of goods	36,832,302	31,337,962
Rental and property management fee income	14,453,072	14,640,843
Service income	375,300	1,147,798
Securities trading	441,754	924,880
Interest income	4,215,755	8,811,202
Dividend income from unlisted preference shares	5,878,938	1,853,445
	<u>63,879,103</u>	<u>318,020,663</u>

3. Other Income

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Gain on disposal of investment securities	–	857,047
Gain on disposal of property, plant and equipment	187,751	–
Net exchange gain	1,152,401	676,443
Over-accrued construction costs written back	–	2,223,975
Provision for doubtful debts written back	1,184,901	–
Sundry income	3,520,475	3,190,595
	<u>6,045,528</u>	<u>6,948,060</u>

Notes to the Financial Statements

Year ended 31st March, 2003

4. (Loss) Profit from Ordinary Activities before Taxation

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
This is stated after charging (crediting):		
(a) Finance costs		
Interest on:		
Bank loans, overdrafts and other borrowings		
wholly repayable within five years	8,336,977	57,987
Bank loans not wholly repayable within five years	–	13,102,184
Finance charges on obligations under finance leases	25,736	199,978
Loan from minority shareholder	–	2,469,105
	8,362,713	15,829,254
<i>Less:</i> Amount capitalised into properties		
held for/under development	–	(2,469,105)
	8,362,713	13,360,149

Notes to the Financial Statements

Year ended 31st March, 2003

4. (Loss) Profit from Ordinary Activities before Taxation (Continued)

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
(b) Other items		
Auditors' remuneration	500,000	500,000
Cost of inventories sold	29,369,205	25,172,162
Cost of properties held for sale	1,810,896	4,631,559
Depreciation	3,833,851	3,559,174
Impairment loss on property, plant and equipment included in other operating expenses	334,224	–
Impairment loss on interest in an associate included in other operating expenses	2,205,323	–
Loss on deemed disposal of shares in an associate	186,393	–
Net realised and unrealised loss on other investments	398,174	1,372,741
Operating lease charges in respect of premises	965,145	1,926,081
Provision for doubtful debts, including provision for amounts due from associates of HK\$1,331,016 (2002: HK\$Nil)	2,625,027	1,013,307
Write-down of inventories to net realisable value	1,274,650	186,602
Gross rental income net of outgoings from operating leases on investment properties	(9,864,959)	(9,935,993)
Loss (Profit) on disposals/write-off of property, plant and equipment	1,570,686	(2,327,404)
Profit on disposal of investment properties	–	(1,740,964)
Staff costs, including directors' emoluments:		
– Wages and salaries	16,090,723	18,300,432
– Contributions to pension schemes	790,296	753,517
	<u> </u>	<u> </u>

Notes to the Financial Statements

Year ended 31st March, 2003

5. Directors' Remuneration

Remuneration of the Company's directors disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Fees	110,000	125,000
Basic salaries, housing allowances, other allowances and other benefits in kind	5,541,040	5,456,198
Contributions to pension schemes	327,938	269,052
	<u>5,978,978</u>	<u>5,850,250</u>

The amounts disclosed above include directors' fee of HK\$35,000 (2002: HK\$50,000) and other emoluments of HK\$120,000 (2002: HK\$120,000) payable to independent non-executive directors.

Emoluments of the directors are within the following bands:

	Number of directors	
	2003	2002
HK\$Nil – HK\$1,000,000	5	6
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	2	2
	<u> </u>	<u> </u>

6. Individuals with Highest Emoluments

Among the 5 individuals with the highest emoluments, all (2002: all) are executive directors whose emoluments are disclosed in note 5.

Notes to the Financial Statements

Year ended 31st March, 2003

7. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries either have no assessable profits for the year or have unutilized tax losses to set off against current year's assessable profits.

Overseas taxation has been provided on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
The charges comprise:		
The PRC income tax	177,808	–
Share of associates' taxation	418,005	114,421
	<u>595,813</u>	<u>114,421</u>

The major components of deferred taxation not provided (credited) for the year are as follows:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Excess of tax allowances over depreciation	383,607	1,287,563
Tax losses arising	(2,019,468)	(7,312,182)
	<u>(1,635,861)</u>	<u>(6,024,619)</u>

8. Net (Loss) Profit Attributable to Shareholders

The net (loss) profit attributable to shareholders includes a loss of HK\$8,063,999 (2002: profit of HK\$197,200,740) which has been dealt with in the financial statements of the Company, and a profit of HK\$9,010,827 (2002: HK\$2,938,406) retained by the associates.

Notes to the Financial Statements

Year ended 31st March, 2003

9. Dividends

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
(a) Dividend attributable to the year		
Final dividend proposed after balance sheet date at HK\$0.01 (2002: HK\$0.01) per share	<u>10,244,397</u>	<u>10,244,397</u>
(b) Dividend attributable to the previous financial year, approved and paid during the year		
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.01 (2002: HK\$0.01) per share	<u>10,244,397</u>	<u>10,244,397</u>

10. (Loss) Earnings per Share

The calculation of basic (loss) earnings per share was based on the consolidated loss attributable to shareholders of HK\$66,828,046 (2002: profit of HK\$8,800,269) and on the weighted average number of 1,024,439,690 (2002: 990,905,443) shares.

Diluted loss per share for the year has not been presented because there were no potential dilutive shares in issue at the balance sheet date. Diluted earnings per share for 2002 is not shown as the potential shares are anti-dilutive.

Notes to the Financial Statements

Year ended 31st March, 2003

11. Investment Properties

	The Group	
	2003	2002
	HK\$	HK\$
At beginning of year	454,400,000	516,100,000
Disposals	–	(33,700,000)
Revaluation deficit	(42,000,000)	(28,000,000)
	<u>412,400,000</u>	<u>454,400,000</u>
At balance sheet date	<u>412,400,000</u>	<u>454,400,000</u>

The carrying value of investment properties held by the Group at the balance sheet date comprised:

	The Group	
	2003	2002
	HK\$	HK\$
Long leases:		
In Hong Kong	410,000,000	452,000,000
Outside Hong Kong	2,400,000	2,400,000
	<u>412,400,000</u>	<u>454,400,000</u>

The investment properties situated in Hong Kong were revalued at the balance sheet date by BMI Appraisals Limited, independent Chartered Surveyors, on an open market value basis.

The investment properties situated outside Hong Kong were revalued at the balance sheet date by DTZ Debenham Tie Leung Limited, independent Chartered Surveyors, on an open market value basis.

Notes to the Financial Statements

Year ended 31st March, 2003

12. Property, Plant and Equipment

The Group

	Plant, machinery and moulds <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles and motor vessels <i>HK\$</i>	Computer equipment <i>HK\$</i>	Total <i>HK\$</i>
Cost					
At beginning of year	20,426,604	6,824,594	24,788,915	5,429,698	57,469,811
Additions	597,237	1,635,479	16,360,390	250,547	18,843,653
Disposals/Write-off	(2,386,666)	(2,226,569)	(448,000)	(834,171)	(5,895,406)
At balance sheet date	<u>18,637,175</u>	<u>6,233,504</u>	<u>40,701,305</u>	<u>4,846,074</u>	<u>70,418,058</u>
Accumulated depreciation					
At beginning of year	16,970,679	3,224,484	1,861,136	3,963,460	26,019,759
Charge for the year	1,033,739	493,233	1,806,135	500,744	3,833,851
Impairment loss	–	244,385	–	89,839	334,224
Eliminated on disposals/write-off	(2,327,000)	(556,524)	(224,000)	(267,984)	(3,375,508)
At balance sheet date	<u>15,677,418</u>	<u>3,405,578</u>	<u>3,443,271</u>	<u>4,286,059</u>	<u>26,812,326</u>
Net book value					
At balance sheet date	<u>2,959,757</u>	<u>2,827,926</u>	<u>37,258,034</u>	<u>560,015</u>	<u>43,605,732</u>
At beginning of year	<u>3,455,925</u>	<u>3,600,110</u>	<u>22,927,779</u>	<u>1,466,238</u>	<u>31,450,052</u>

The net book value of the Group's property, plant and equipment includes an amount of HK\$175,766 (2002: HK\$727,667) in respect of assets held under finance leases.

Notes to the Financial Statements

Year ended 31st March, 2003

12. Property, Plant and Equipment (Continued)

The Company

	Computer equipment
	<i>HK\$</i>
Cost	
At beginning of year and at balance sheet date	85,920
Accumulated depreciation	
At beginning of year	5,794
Charge for the year	25,776
At balance sheet date	31,570
Net book value	
At balance sheet date	54,350
At beginning of year	80,126

13. Properties Held for/under Development

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Land and development cost	1,175,063,523	1,175,056,073

The movement of properties held for/under development during the year is as follows:

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
At beginning of year, at cost	1,175,056,073	1,244,979,847
Additions	7,450	5,024,189
Interest capitalised	–	2,469,105
Disposals	–	(77,417,068)
At balance sheet date	1,175,063,523	1,175,056,073

Notes to the Financial Statements

Year ended 31st March, 2003

13. Properties Held for/under Development (Continued)

The properties held for/under development at the balance sheet date comprised:

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Land outside Hong Kong:		
Long leases	972,931,180	972,923,730
Medium-term leases	202,132,343	202,132,343
	1,175,063,523	1,175,056,073
	1,175,063,523	1,175,056,073

14. Interests in Subsidiaries

	The Company	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	150,036,546	150,036,546
Due from subsidiaries	1,744,561,565	1,639,633,488
	1,894,598,111	1,789,670,034
Provision	(170,000,000)	(70,000,000)
	1,724,598,111	1,719,670,034
	1,724,598,111	1,719,670,034

The amounts due from subsidiaries include HK\$1,358,400 (2002: HK\$Nil) which is interest-bearing at Hong Kong prime rate and HK\$750,000 (2002: HK\$Nil) which is interest-bearing at 3% over Hong Kong prime rate or 8% per annum, whichever is higher. The amounts due are unsecured and have no fixed repayment terms.

The remaining balances are unsecured, interest-free and have no fixed repayment terms.

Notes to the Financial Statements

Year ended 31st March, 2003

14. Interests in Subsidiaries (Continued)

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the following list contains only the subsidiaries which principally affect the assets of the Group at the balance sheet date and the Group's financial results for the year then ended.

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of equity held		Principal activities
			by the Company <i>Directly</i>	<i>Indirectly</i>	
China Cyberworld Limited	Hong Kong	HK\$2	100%	–	Investment holding
Chuang's China Commercial Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Chuang's China Enterprises Limited	Hong Kong	HK\$91,662,193	100%	–	Securities trading and investment holding
Chuang's China Realty Limited	Bermuda/ Hong Kong	HK\$100,000	100%	–	Investment holding
Chuang's China Treasury Limited	Cayman Islands/ Hong Kong	US\$1	100%	–	Investment holding
Chuang's Development (China) Limited	Hong Kong	HK\$20	–	100%	Property development and investment
Chuang's Development (Dong Guan) Limited	Hong Kong	HK\$2	–	100%	Investment holding
Chuang's Information Technology Limited	Hong Kong	HK\$100	–	100%	Investment holding
Distinguished Properties Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding

Notes to the Financial Statements

Year ended 31st March, 2003

14. Interests in Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of equity held by the Company		Principal activities
			Directly	Indirectly	
Double Wealthy Company Limited	Hong Kong	HK\$160	–	100%	Investment holding
Dragon Rich Investments Limited	Hong Kong	HK\$2	–	100%	Property investment
Gold Throne Finance Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
Guangzhou Panyu Chuang's Real Estate Development Company Limited	The PRC	RMB60,000,000	–	85%	Property development and investment
Internet PRO Limited	Hong Kong	HK\$1,568,634	–	56%	e-commerce solution provider
iPro Technology Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Koledo Company Limited	Hong Kong	HK\$400	–	100%	Property investment
On Profit Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Silver Chase Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Silver Dragon Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment

Notes to the Financial Statements

Year ended 31st March, 2003

14. Interests in Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of equity held by the Company		Principal activities
			Directly	Indirectly	
Success Gain Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Yuen Sang Hardware Company (1988) Limited	Hong Kong	HK\$1,000,000	–	100%	Manufacture and sale of watch components
Yuen Sang Watch and Clock Limited	Hong Kong	HK\$500,000	–	100%	Investment holding

15. Interests in Associates

	The Group	
	2003 HK\$	2002 HK\$
Share of net assets of associates:		
Listed in Hong Kong	55,427,282	39,854,798
Unlisted	4,330,928	4,702,200
	<u>59,758,210</u>	<u>44,556,998</u>
Provision for impairment loss	(2,205,323)	–
	<u>57,552,887</u>	<u>44,556,998</u>
Due from associates	2,358,829	7,702,939
Provision for doubtful debts	(2,358,829)	(1,027,813)
	<u>–</u>	<u>6,675,126</u>
	<u>57,552,887</u>	<u>51,232,124</u>
Market value of listed shares	<u>36,120,000</u>	<u>11,400,000</u>

15. Interests in Associates (Continued)

The amounts due from associates include HK\$750,000 which is unsecured, interest-bearing at 3% over Hong Kong prime rate or 8% per annum, whichever is higher, and repayable in three years after the relevant date of each advance. The remaining balances are unsecured, interest-free and have no fixed repayment terms.

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

Name of associate	Form of business structure	Place of incorporation/ operation	Issued and fully paid capital	Percentage of issued capital held by the Group	Principal activities
Fujian Sunshine Education Information Company Limited	Unlisted corporate entity	The PRC	RMB7,000,000	48%	Educational information system network development
Midas International Holdings Limited ("Midas")	Listed corporate entity	Cayman Islands/ Hong Kong	390,290,068 ordinary shares of HK\$0.1 each 326,166,667 non-voting preference shares of HK\$0.01 each	21.52%	Books printing, paper products printing and property investments
Shanghai Yuen Sang Watch and Clock Limited	Unlisted corporate entity	The PRC	US\$700,000	50%	Manufacture, assembling and sale of watches and clocks
Treasure Auctioneer International Limited	Unlisted corporate entity	British Virgin Islands/ Hong Kong	US\$1,000,000	25%	Auction services

Notes to the Financial Statements

Year ended 31st March, 2003

15. Interests in Associates (Continued)

Details of the operating results and financial position of Midas based on the audited financial statements are as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating results for the year ended 31st December		
Turnover	<u>574,090</u>	<u>513,537</u>
Profit from ordinary activities before taxation	<u>52,751</u>	<u>28,628</u>
Financial position at 31st December		
Total non-current assets	609,570	567,418
Total current assets	396,285	286,290
Total current liabilities	(286,104)	(169,137)
Total non-current liabilities	(76,515)	(80,478)
Minority interests	<u>(48,453)</u>	<u>(46,057)</u>
Shareholders' funds	594,783	558,036
Preference shares and related share premium	<u>(245,700)</u>	<u>(252,900)</u>
	<u>349,083</u>	<u>305,136</u>

Notes to the Financial Statements

Year ended 31st March, 2003

16. Interests in Investment Securities

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
At cost less provision:		
Debt securities, unlisted	195,700,000	252,900,000
Equity securities, unlisted	1,018,001	1,018,001
	196,718,001	253,918,001
Due from investee companies	4,808,604	6,280,785
	201,526,605	260,198,786

Debt securities represent series A and B preference shares which were issued to the Group by its associate, Midas, on 14th December, 2001.

The series A and B preference shares are non-voting, redeemable and the Group is entitled to a fixed preferential dividend payable semi-annually at a rate of 2.5% per annum on the issue price of HK\$0.6 of each preference share. During the year, the Group earned dividend income of HK\$5,878,938 (2002: HK\$1,853,445) on these preference shares. Each of the series A preference shares is convertible into two ordinary shares in Midas of HK\$0.1 each (“Conversion Shares”) at the option of the Group at any time during the five years’ period from the date of issue of the preference shares. The Conversion Shares shall, when issued, rank pari passu in all respects with the then existing ordinary shares of Midas. The series B preference shares have no option of conversion to ordinary shares of Midas and are redeemable by Midas at any time up to the fifth anniversary from the date of issue at their outstanding subscription amount together with any unpaid dividend in cash. Any outstanding preference shares which have not been previously redeemed or converted on the fifth anniversary from the date of issue shall be redeemed by Midas at their outstanding subscription amount together with any unpaid dividend in cash.

During the year, the Group converted 12,000,000 series A preference shares into 24,000,000 Conversion Shares. As a result of the conversion, the Group’s shareholdings in Midas have been increased from 16.43% to 21.58% and a negative goodwill of HK\$10,326,000 has arisen. Besides, Midas had redeemed 83,333,333 series B preference shares at HK\$0.6 each by cash. After the transactions, the Group held 72,000,000 series A preference shares and 254,166,667 series B preference shares of Midas.

Notes to the Financial Statements

Year ended 31st March, 2003

16. Interests in Investment Securities (Continued)

Subsequent to the balance sheet date, the Group entered into a concession agreement (“Concession Agreement”) with Midas pursuant to which the Group would convert the remaining 72,000,000 series A preference shares into 144,000,000 Conversion Shares. Upon conversion, the Group’s interests in Midas will increase from 21.52% to 42.67%. Other terms of the Concession Agreement include:

- (i) the Group agreed that Midas should redeem 6,666,667 series B preference shares at HK\$1;
- (ii) the Group would waive any dividend payable on the series A preference shares from January to June 2003 which the Group would otherwise be entitled to as a holder of the series A preference shares; and
- (iii) Midas would declare a conditional special dividend of HK\$0.012 per ordinary share of Midas (“Midas Share”) to be payable to holders of Midas Share, other than the holder of the 144,000,000 Conversion Shares.

Completion of the Concession Agreement is conditional upon:

- (i) the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or his delegate granting the Whitewash Waiver to the Group;
- (ii) the independent shareholders of Midas approving the Whitewash Waiver at an extraordinary general meeting; and
- (iii) approval (if any) to the transactions contemplated therein from all regulatory authorities.

The above conditions had been fulfilled on 30th June, 2003 and the Concession Agreement was completed on 4th July, 2003. It is not practicable to estimate the net financial effect of the Concession Agreement at the date of these financial statements.

17. Other Investments

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
At market value:		
Equity securities, listed in Hong Kong	3,746,850	394,500
Equity securities, listed outside Hong Kong	—	428,742
	<u>3,746,850</u>	<u>823,242</u>

Notes to the Financial Statements

Year ended 31st March, 2003

18. Inventories

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Raw materials	1,887,557	1,953,558
Work-in-progress	859,652	1,521,640
Finished goods	468,685	1,820,862
	3,215,894	5,296,060
	3,215,894	5,296,060

As at 31st March, 2003, all the inventories, excluding those fully provided for with nil carrying value, are carried at cost. As at 31st March, 2002, the carrying amount of inventories that are stated at net realisable value, excluding those fully provided for with nil carrying value, are HK\$217,704.

19. Properties Held for Sale

At balance sheet date, all the properties held for sale are stated at cost.

20. Trade and Other Receivables

	The Group		The Company	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	15,533,708	13,819,576	–	–
Other receivables				
Deposits, prepayments and other debtors	8,277,785	7,672,629	352,386	355,435
	23,811,493	21,492,205	352,386	355,435
	23,811,493	21,492,205	352,386	355,435

Notes to the Financial Statements

Year ended 31st March, 2003

20. Trade and Other Receivables (Continued)

The Group's credit terms on credit sales mainly range from 30 days to 90 days. The ageing analysis of the trade receivables at the balance sheet date is as follows:

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	3,579,916	4,236,996
31 – 60 days	1,174,331	2,002,941
61 – 90 days	1,375,228	1,117,960
Over 90 days	9,404,233	6,461,679
	<u>15,533,708</u>	<u>13,819,576</u>

21. Bank Balances and Cash

	The Group		The Company	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Bank balances and cash	8,106,441	6,947,131	715,788	544,514
Fixed deposits	200,678,385	223,726,391	175,725,114	197,447,864
	<u>208,784,826</u>	<u>230,673,522</u>	<u>176,440,902</u>	<u>197,992,378</u>

Notes to the Financial Statements

Year ended 31st March, 2003

22. Trade and Other Payables

	The Group		The Company	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade payables	2,421,946	3,699,086	–	–
Other payables				
Accrued charges and other creditors	19,761,371	21,228,427	384,378	406,539
Deposits received and rental in advance	4,817,615	4,816,305	–	–
	24,578,986	26,044,732	384,378	406,539
	27,000,932	29,743,818	384,378	406,539

The ageing analysis of the trade payables at the balance sheet date is as follows:

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	1,690,196	2,345,237
31 – 60 days	548,600	611,878
61 – 90 days	125,954	485,182
Over 90 days	57,196	256,789
	2,421,946	3,699,086

Notes to the Financial Statements

Year ended 31st March, 2003

23. Interest-bearing Borrowings

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Bank loan, secured (<i>Note 23 a</i>)	250,000,000	255,000,000
Obligations under finance leases (<i>Note 23 b</i>)	142,809	274,633
	<u>250,142,809</u>	<u>255,274,633</u>
Current portion	5,131,824	5,131,824
Non-current portion	<u>245,010,985</u>	<u>250,142,809</u>
	<u>250,142,809</u>	<u>255,274,633</u>

(a) Bank loan

The bank loan is secured by all assets, including investment properties, and shares of a subsidiary. The maturity is as follows:

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Within one year	5,000,000	5,000,000
After one year but within two years	6,000,000	5,000,000
After two years but within five years	239,000,000	20,000,000
After five years	–	225,000,000
	<u>250,000,000</u>	<u>255,000,000</u>

Notes to the Financial Statements

Year ended 31st March, 2003

23. Interest-bearing Borrowings (Continued)

(b) **Obligations under finance leases**

The obligations under finance leases are repayable as follows:

	The Group			
	Minimum lease payments		Present value of	
			minimum lease payments	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within one year	157,560	157,560	131,824	131,824
After one year but				
within two years	13,130	157,560	10,985	131,824
After two years but				
within five years	–	13,130	–	10,985
	170,690	328,250	142,809	274,633
Future finance charges	(27,881)	(53,617)	–	–
	142,809	274,633	142,809	274,633
Present value of				
lease obligations	142,809	274,633	142,809	274,633

Notes to the Financial Statements

Year ended 31st March, 2003

24. Provisions

The Group

	Undertakings in respect of		
	Rental	Construction	The PRC tax
	income	cost	liability of
	HK\$	HK\$	Midas
			HK\$
At beginning of the year	1,940,000	21,310,000	30,994,000
Provisions made during the year	5,558,333	6,800,000	–
Amount paid	(3,880,000)	(25,690,250)	–
At balance sheet date	3,618,333	2,419,750	30,994,000
<i>Less:</i> Amount included in current liabilities	(3,618,333)	(2,419,750)	–
Non-current portion	–	–	30,994,000

The Company

	Undertakings in respect of rental income
	HK\$
At beginning of the year	1,940,000
Provisions made during the year	5,558,333
Amount paid	(3,880,000)
At balance sheet date	3,618,333
<i>Less:</i> Amount included in current liabilities	(3,618,333)
Non-current portion	–

During the year ended 31st March, 2002, the Group had given an undertaking in favour of Midas that in the event the annual rental income of certain of the investment properties acquired by Midas for each of the two years after 14th December, 2001 shall be less than HK\$3,880,000, the Group will indemnify Midas for an amount of the shortfall on a dollar for dollar basis.

24. Provisions (Continued)

In addition, the Group had undertaken in favour of Midas to bear 51% share of all the construction costs from 14th December, 2001 up to the completion of the construction works of the property under development sold to Midas in the year ended 31st March, 2002. Construction works of the property had been completed in October 2002. As at date of these financial statements, final settlement amounts of certain construction contracts are still under negotiation. Had the negotiation been settled in favour of the construction companies, the provision for construction cost should be increased by approximately HK\$3,000,000. However, in the opinion of the directors, such liability is unlikely to crystallise and thus no provision is necessary.

The Group had also executed a deed of indemnity dated 14th December, 2001 in favour of Midas pursuant to which the Group agreed to bear that portion of the PRC land appreciation and enterprise income taxes, that may arise upon subsequent disposal of the properties by Midas, attributable to the excess of the consideration paid by Midas over the carrying value of the properties. Timing of utilisation cannot be estimated as the management has no information on the timing of disposal of the properties.

The provision for the undertakings represents management's best estimate of the Group's liability in relation to the above mentioned arrangements.

25. Minority Interests

	The Group	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Equity interests:		
Third parties	94,193,725	94,526,295
Related company	—	(1,669,857)
	94,193,725	92,856,438
Due to minority shareholders:		
Third parties	6,075,129	6,075,129
Related company	—	1,800,000
	6,075,129	7,875,129
	100,268,854	100,731,567

The amounts due to minority shareholders are unsecured, interest-free and have no fixed repayment terms.

Notes to the Financial Statements

Year ended 31st March, 2003

26. Issued Capital

	2003		2002	
	No. of shares	HK\$	No. of shares	HK\$
<i>Authorised:</i>				
At beginning of year and at balance sheet date, at HK\$0.05 (2002: HK\$0.05) each	18,000,000,000	900,000,000	18,000,000,000	900,000,000
<i>Issued and fully paid:</i>				
At beginning of year	1,024,439,690	51,221,985	854,439,690	42,721,985
Issue of shares	—	—	170,000,000	8,500,000
At balance sheet date	<u>1,024,439,690</u>	<u>51,221,985</u>	<u>1,024,439,690</u>	<u>51,221,985</u>

27. Share Options

A share option scheme was approved and adopted at the annual general meeting held on 14th September, 1999 with effect from 29th November, 1999 (the "1999 Scheme"). The Company granted options on 9th December, 1999 to certain directors and consultants of the Company to subscribe for 60,000,000 shares in the Company at an exercise price of HK\$0.5872 per share, subject to adjustment. The share options were exercisable within a period effective from their first exercisable date of 1st January, 2000 to 31st December, 2002. Certain share options were exercised during the year ended 31st March, 2000 to subscribe for 21,000,000 shares of the Company. Since then, no options have been granted, exercised or cancelled under the 1999 Scheme. The share options granted under the 1999 Scheme, which remained outstanding as at 31st December, 2002 to subscribe for 39,000,000 shares in the Company, were lapsed on that date.

Pursuant to the annual general meeting held on 26th August, 2002, a new share option scheme (the "2002 Scheme") was adopted by the Company in place of the 1999 Scheme. The termination of the 1999 Scheme did not affect the rights of the holders of the share options granted prior thereto and such options granted continue to remain valid and exercisable in accordance with the 1999 Scheme.

Under the 2002 Scheme which is valid and effective for a term of ten years from the date of its adoption, the directors of the Company may grant options to the eligible persons as defined in the scheme, inter alia, any employees, directors or business consultants of the Company and its subsidiaries, to subscribe for shares in the Company under the terms and conditions stipulated therein. No options have been granted under the 2002 Scheme since its adoption.

Notes to the Financial Statements

Year ended 31st March, 2003

28. Reserves

The Group

	Capital reserve HK\$	Share premium HK\$	Contributed surplus HK\$	Assets revaluation reserve		Capital reserve on consolidation HK\$	Exchange reserve HK\$	Retained profits HK\$	Statutory reserve HK\$	Total HK\$
				Investment properties HK\$	Other properties HK\$					
At 1st April, 2001										
- as previously reported	457,792,558	1,068,814,061	9,576,724	7,254,232	7,339,813	53,248,770	(4,826,104)	114,284,527	3,239,891	1,716,724,472
- prior year adjustment in respect of provision for impairment loss of goodwill	-	-	-	-	-	73,053,180	-	(73,053,180)	-	-
- prior year adjustment in respect of dividend proposed	-	-	10,244,397	-	-	-	-	-	-	10,244,397
- as restated	457,792,558	1,068,814,061	19,821,121	7,254,232	7,339,813	126,301,950	(4,826,104)	41,231,347	3,239,891	1,726,968,869
Dividend approved in respect of previous year	-	-	(10,244,397)	-	-	-	-	-	-	(10,244,397)
Premium arising from issue of shares	-	36,580,541	-	-	-	-	-	-	-	36,580,541
Appropriation of reserve	-	-	-	-	-	-	-	(17,103)	17,103	-
Surplus on revaluation	-	-	-	-	196,412	-	-	-	-	196,412
Released on disposal of properties and property based investment	-	-	-	(7,254,232)	(7,536,225)	-	1,144,561	-	-	(13,645,896)
Others	-	-	-	-	-	89,147	-	-	-	89,147
Share of reserves of associates	-	-	-	-	-	(46,661)	-	-	-	(46,661)
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	13,961	-	-	13,961
Profit for the year	-	-	-	-	-	-	-	8,800,269	-	8,800,269
At 31st March, 2002	<u>457,792,558</u>	<u>1,105,394,602</u>	<u>9,576,724</u>	<u>-</u>	<u>-</u>	<u>126,344,436</u>	<u>(3,667,582)</u>	<u>50,014,513</u>	<u>3,256,994</u>	<u>1,748,712,245</u>
Representing:										
At 31st March, 2002 after proposed final dividend										1,738,467,848
2002 final dividend proposed										<u>10,244,397</u>
At 31st March, 2002										<u>1,748,712,245</u>
Company and subsidiaries	457,792,558	1,105,394,602	9,576,724	-	-	125,849,727	(2,787,285)	43,490,228	3,256,994	1,742,573,548
Associates	-	-	-	-	-	494,709	(880,297)	6,524,285	-	6,138,697
	<u>457,792,558</u>	<u>1,105,394,602</u>	<u>9,576,724</u>	<u>-</u>	<u>-</u>	<u>126,344,436</u>	<u>(3,667,582)</u>	<u>50,014,513</u>	<u>3,256,994</u>	<u>1,748,712,245</u>

Notes to the Financial Statements

Year ended 31st March, 2003

28. Reserves (Continued)

The Group

	Capital reserve	Share premium	Contributed surplus	Assets revaluation reserve		Capital reserve on consolidation	Exchange reserve	Retained Profits/ (Accumulated loss)	Statutory reserve	Total
				Investment properties	Other properties					
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st April, 2002	457,792,558	1,105,394,602	9,576,724	-	-	126,344,436	(3,667,582)	50,014,513	3,256,994	1,748,712,245
Dividend approved in respect of previous year	-	-	(9,576,724)	-	-	-	-	(667,673)	-	(10,244,397)
Appropriation of reserve	-	-	-	-	-	-	-	(8,868)	8,868	-
Goodwill released on deemed disposal of shares in an associate	-	-	-	-	-	15,163	-	-	-	15,163
Share of reserves of associates	-	-	-	-	-	432	-	-	-	432
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	3,223	-	-	3,223
Loss for the year	-	-	-	-	-	-	-	(66,828,046)	-	(66,828,046)
At 31st March, 2003	457,792,558	1,105,394,602	-	-	-	126,360,031	(3,664,359)	(17,490,074)	3,265,862	1,671,658,620
Representing:										
At 31st March, 2003 after proposed final dividend										1,661,414,223
2003 final dividend proposed										10,244,397
At 31st March, 2003										1,671,658,620
Company and subsidiaries	457,792,558	1,105,394,602	-	-	-	125,864,890	(2,784,062)	(34,057,824)	3,265,862	1,655,476,026
Associates	-	-	-	-	-	495,141	(880,297)	16,567,750	-	16,182,594
	457,792,558	1,105,394,602	-	-	-	126,360,031	(3,664,359)	(17,490,074)	3,265,862	1,671,658,620

Notes to the Financial Statements

Year ended 31st March, 2003

28. Reserves (Continued)

The Company

	Capital reserve <i>HK\$</i>	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st April, 2001					
– as previously reported	457,792,558	1,068,814,061	41,954,109	62,187,440	1,630,748,168
– prior year adjustment in respect of dividend proposed	–	–	10,244,397	–	10,244,397
– as restated	457,792,558	1,068,814,061	52,198,506	62,187,440	1,640,992,565
Dividend approved in respect of previous year	–	–	(10,244,397)	–	(10,244,397)
Premium arising from issue of shares	–	36,580,541	–	–	36,580,541
Profit for the year	–	–	–	197,200,740	197,200,740
At 31st March, 2002	<u>457,792,558</u>	<u>1,105,394,602</u>	<u>41,954,109</u>	<u>259,388,180</u>	<u>1,864,529,449</u>
Representing:					
At 31st March, 2002 after proposed final dividend					1,854,285,052
2002 final dividend proposed					<u>10,244,397</u>
At 31st March, 2002					<u>1,864,529,449</u>
At 1st April, 2002	457,792,558	1,105,394,602	41,954,109	259,388,180	1,864,529,449
Dividend approved in respect of previous year	–	–	(10,244,397)	–	(10,244,397)
Loss for the year	–	–	–	(8,063,999)	(8,063,999)
At 31st March, 2003	<u>457,792,558</u>	<u>1,105,394,602</u>	<u>31,709,712</u>	<u>251,324,181</u>	<u>1,846,221,053</u>
Representing:					
At 31st March, 2003 after proposed final dividend					1,835,976,656
2003 final dividend proposed					<u>10,244,397</u>
At 31st March, 2003					<u>1,846,221,053</u>

Notes to the Financial Statements

Year ended 31st March, 2003

28. Reserves (Continued)

At the balance sheet date, the Company's reserves available for distribution to shareholders represent its retained profits of HK\$251,324,181 (2002: HK\$259,388,180) and contributed surplus of HK\$31,709,712 (2002: HK\$41,954,109). The contributed surplus arising on the formation of the Company in 1989 is distributable to shareholders under the Companies Act 1981 of Bermuda. In addition, the Company's share premium account may be distributed in the form of fully-paid bonus shares.

Statutory reserve of the Group represents Enterprise Expansion Fund and General Reserve Fund set aside by subsidiaries in accordance with the relevant laws and regulations in the PRC.

29. Deferred Taxation

Properties held for/under development (the "PUD") have been included in the consolidated financial statements at their fair value as at the date of acquisition of the respective subsidiaries by the Group and are higher than the carrying value in the books of the respective subsidiaries. The present intention of the Group is to fully develop all of the PUD and, on this basis, the statement of the PUD at their fair value does not constitute a timing difference for PRC land appreciation tax purposes because of various allowances and deductions. The estimated potential income tax liabilities upon the disposal of all the PUD at completion are HK\$206 million (2002: HK\$206 million), net of minority interests. The management reassessed the potential income tax liabilities during the year and the comparative figure has been restated accordingly. No provision for such income tax liabilities has been made as the Group currently has no plan to dispose of the PUD after their completion.

In addition, other major components of the deferred taxation liabilities (assets) unprovided at the balance sheet date are as follows:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Excess of tax allowances over depreciation	2,076,674	1,693,067
Tax losses carried forward	(43,920,468)	(41,901,000)
	<u>(41,843,794)</u>	<u>(40,207,933)</u>

Notes to the Financial Statements

Year ended 31st March, 2003

30. Reconciliation of (Loss) Profit from Ordinary Activities before Taxation to Cash Used in Operations

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
(Loss) Profit from ordinary activities before taxation	(66,564,803)	8,346,210
Interest income	(4,215,755)	(8,811,202)
Interest expenses	8,362,713	13,360,149
Dividend income from unlisted preference shares	(5,878,938)	(1,853,445)
Depreciation	3,833,851	3,559,174
Impairment loss on property, plant and equipment	334,224	–
Impairment loss on interest in an associate	2,205,323	–
Revaluation deficit on investment property	42,000,000	28,000,000
Loss on disposals/write off of property, plant and equipment	1,570,686	1,385,464
Loss on deemed disposal of shares in an associate	186,393	–
Provision for doubtful debts	2,625,027	1,013,307
Profit attributable from associates	(10,461,470)	(3,052,827)
Gain on disposal of properties and property based investments	–	(52,979,065)
Gain on disposal of investment securities	–	(857,047)
Provisions	12,358,333	2,127,742
Changes in working capital:		
Other investments	(2,923,608)	1,156,082
Inventories	2,080,166	347,855
Properties held for sale	1,510,903	4,559,503
Trade and other receivables	(3,598,214)	(1,326,577)
Trade and other payables	(1,271,002)	(19,148,101)
Effects of exchange rate changes	3,223	12,213
	(17,842,948)	(24,160,565)
Cash used in operations	(17,842,948)	(24,160,565)

Notes to the Financial Statements

Year ended 31st March, 2003

31. Major Non-cash Transactions

As mentioned in note 16 to the financial statements, the Group converted 12,000,000 series A preference shares into 24,000,000 Conversion Shares during the year.

32. Contingent Liabilities

At the balance sheet date, guarantees amounting to HK\$3,051,719 (2002: HK\$3,732,143) were given by a subsidiary to a bank for mortgage loans made by the bank to the purchasers of properties sold by the subsidiary.

33. Commitments

(a) Capital expenditure commitments

At the balance sheet date, the Group had capital expenditure commitments contracted but not provided for (net of deposits paid) amounting to HK\$4,675,530 (2002: HK\$10,420,440).

(b) Operating leases commitments payable

At the balance sheet date, the Group had total outstanding commitments in respect of land and buildings under non-cancellable operating leases, which are payable as follows:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Within one year	1,785,379	570,545
In the second to fifth years inclusive	2,167,285	1,643,675
	<u>3,952,664</u>	<u>2,214,220</u>

The above operating lease commitments included HK\$2,134,360 (2002: HK\$1,067,180) which arose from a lease agreement entered into between the Group and a wholly owned subsidiary of Midas. During the year, the Group leased certain properties from a wholly owned subsidiary of Midas and incurred rental expenses of HK\$1,067,180 (2002: HK\$315,564). The lease was expired on 31st March, 2003 and the Group has exercised the option to renew the lease for an additional term of two years.

33. Commitments (Continued)

(c) Operating leases commitments receivables

At the balance sheet date, the Group had future aggregate minimum rental receivable under non-cancellable operating lease as follows:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Within one year	10,294,788	10,335,265
In the second to fifth years inclusive	3,458,372	7,631,453
	13,753,160	17,966,718

At the balance sheet date, the Group leased its investment properties to third parties under operating leases. The leases usually run for two to three years.

Notes to the Financial Statements

Year ended 31st March, 2003

34. Segment Information

The analysis of the Group's turnover and contribution to (loss) profit attributable to shareholders are as follows:

(a) By business segments

	Property	Manufacturing	Information	Securities	Inter-segment	Unallocated	Consolidated
	HK\$	HK\$	technology	trading	elimination	HK\$	total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Year ended 31st March, 2003							
External sales	16,135,054	36,713,736	493,866	441,754	–	10,094,693	63,879,103
Inter-segment sales	48,000	–	–	–	(48,000)	–	–
Total revenue	16,183,054	36,713,736	493,866	441,754	(48,000)	10,094,693	63,879,103
Segment results:							
(Loss) Profit from operations before revaluation deficit and impairment loss	(8,315,387)	1,647,542	(3,931,366)	(408,290)	–	(13,116,512)	(24,124,013)
Revaluation deficit	(42,000,000)	–	–	–	–	–	(42,000,000)
Impairment loss	–	(2,205,323)	(334,224)	–	–	–	(2,539,547)
	(50,315,387)	(557,781)	(4,265,590)	(408,290)	–	(13,116,512)	(68,663,560)
Finance costs							(8,362,713)
Share of results of associates		10,664,985	(203,515)				10,461,470
Loss from ordinary activities before taxation							(66,564,803)
Taxation							(595,813)
Loss from ordinary activities after taxation							(67,160,616)
Minority interests							332,570
Net loss attributable to shareholders							(66,828,046)

Notes to the Financial Statements

Year ended 31st March, 2003

34. Segment Information (Continued)

(a) By business segments (Continued)

	Property HK\$	Manufacturing HK\$	Information technology HK\$	Securities trading HK\$	Inter-segment elimination HK\$	Unallocated HK\$	Consolidated total HK\$
OTHER INFORMATION							
Capital expenditures	416,376	462,383	34,947	-	-	17,937,397	18,851,103
Depreciation and amortisation	754,444	598,648	319,067	-	-	2,161,692	3,833,851
Amortisation of negative goodwill on an associate	-	1,032,638	-	-	-	-	1,032,638
Impairment loss	-	2,205,323	334,224	-	-	-	2,539,547
Other non-cash expenses other than depreciation and amortisation	<u>42,000,000</u>	<u>1,875,027</u>	<u>2,024,650</u>	<u>411,187</u>	<u>-</u>	<u>1,757,079</u>	<u>48,067,943</u>
Year ended 31st March, 2002							
External sales	273,945,376	30,658,370	1,827,390	924,880	-	10,664,647	318,020,663
Inter-segment sales	<u>613,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(613,147)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>274,558,523</u>	<u>30,658,370</u>	<u>1,827,390</u>	<u>924,880</u>	<u>(613,147)</u>	<u>10,664,647</u>	<u>318,020,663</u>
Segment results:							
Profit (Loss) from operations before revaluation deficit	57,149,551	1,269,800	(3,696,282)	(231,202)	-	(7,838,335)	46,653,532
Revaluation deficit	<u>(28,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,000,000)</u>
	<u>29,149,551</u>	<u>1,269,800</u>	<u>(3,696,282)</u>	<u>(231,202)</u>	<u>-</u>	<u>(7,838,335)</u>	18,653,532
Finance costs							(13,360,149)
Share of results of associates		4,407,203	(1,354,376)				<u>3,052,827</u>
Profit from ordinary activities before taxation							8,346,210
Taxation							<u>(114,421)</u>
Profit from ordinary activities after taxation							8,231,789
Minority interests							<u>568,480</u>
Net profit attributable to shareholders							<u>8,800,269</u>

Notes to the Financial Statements

Year ended 31st March, 2003

34. Segment Information (Continued)

(a) By business segments (Continued)

	Property	Manufacturing	Information technology	Securities trading	Inter-segment elimination	Unallocated	Consolidated total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
OTHER INFORMATION							
Capital expenditures	7,500,584	1,059,332	392,927	–	–	22,393,942	31,346,785
Depreciation and amortisation	1,272,239	678,439	929,998	–	–	678,498	3,559,174
Other non-cash expenses other than depreciation and amortisation	28,957,901	278,078	1,444,787	636,500	–	1,141,538	32,458,804

	Property	Manufacturing	Information technology	Securities trading	Consolidated total
	HK\$	HK\$	HK\$	HK\$	HK\$

As at 31st March, 2003

Assets

Segment assets	1,626,730,222	12,232,057	952,460	3,746,850	1,643,661,589
Interests in associates		55,427,282	2,125,605		57,552,887
Unallocated assets					451,723,764

Total assets 2,152,938,240

Liabilities

Segment liabilities	79,040,825	3,709,712	510,590	–	83,261,127
Unallocated liabilities					252,602,783

Total liabilities 335,863,910

As at 31st March, 2002

Assets

Segment assets	1,667,412,124	13,696,060	3,742,527	823,242	1,685,673,953
Interest in associates		48,903,005	2,329,119		51,232,124
Unallocated assets					518,457,320

Total assets 2,255,363,397

Liabilities

Segment liabilities	97,028,401	5,161,684	2,449,559	–	104,639,644
Unallocated liabilities					257,933,085

Total liabilities 362,572,729

Notes to the Financial Statements

Year ended 31st March, 2003

34. Segment Information (Continued)

(b) By geographical segments

Segment revenue and segment results are based on the geographical location of customers while segment assets and capital expenditure are based on the geographical location of assets.

	Year ended 31st March, 2003			
	Carrying amount of segment assets <i>HK\$</i>	Capital expenditure incurred <i>HK\$</i>	Revenue	Segment results <i>HK\$</i>
			from	
			external customers <i>HK\$</i>	
Hong Kong	925,931,206	16,452,384	57,439,415	(56,558,250)
The PRC	1,226,497,744	2,398,719	3,528,071	(10,788,428)
Others	509,290	–	2,911,617	(1,316,882)
	<u>2,152,938,240</u>	<u>18,851,103</u>	<u>63,879,103</u>	<u>(68,663,560)</u>
Year ended 31st March, 2002				
	Carrying amount of segment assets <i>HK\$</i>	Capital expenditure incurred <i>HK\$</i>	Revenue	Segment results <i>HK\$</i>
			from	
			external customers <i>HK\$</i>	
Hong Kong	977,311,311	1,263,217	303,561,464	14,347,385
The PRC	1,256,620,046	8,915,108	9,123,262	3,227,767
Others	21,432,040	21,168,460	5,335,937	1,078,380
	<u>2,255,363,397</u>	<u>31,346,785</u>	<u>318,020,663</u>	<u>18,653,532</u>

35. Ultimate Holding Company

The directors consider the ultimate holding company is Chuang's Consortium International Limited, a company incorporated in Bermuda and listed in Hong Kong.