

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain properties and investments in securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The adoption of these revised SSAPs has no material effect on the accounts other than changes in respect of the presentation of the Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Subsidiaries are those entities in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

1. PRINCIPAL ACCOUNTING POLICIES – continued

(b) Group accounting – continued

(i) Consolidation – continued

The gain or loss on the disposal of a subsidiary or an associated company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

(ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulative amortisation) on acquisition.

In the company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

1. PRINCIPAL ACCOUNTING POLICIES – continued

(b) Group accounting – continued

(ii) *Associated companies – continued*

In arriving at the Group's share of results and net asset value of the associated companies holding hotel properties, the hotel properties owned by the associated companies were valued based on their open market value. In addition, no depreciation is provided on hotel properties held on leases of more than 20 years as the directors consider that the value of the hotel properties would not materially diminish over time due to the fact that hotel properties would be maintained in a continuous state of proper repair and improvements would be made thereto from time to time.

The Group's share of revaluation surplus of the hotel properties owned by associated companies is accounted for as other properties revaluation reserve in the consolidated accounts of the Group. Subsequent decreases in valuation are first set off against surplus from earlier valuations and debited to operating profit thereafter. Any subsequent increases are credited to operating profit up to the amount previously debited.

Certain associated companies have financial years which are not co-terminous with that of the Company. Accordingly, these companies have been equity accounted for based on the latest audited results and the management accounts for the remaining period.

(c) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their long term investment potential, any rental income being negotiated at arm's length.

Investment properties are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and debited to operating profit thereafter. Any subsequent increases are credited to operating profit up to the amount previously debited.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

1. PRINCIPAL ACCOUNTING POLICIES – continued

(c) Fixed assets – continued

(i) *Investment properties – continued*

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations of an investment property is released from the revaluation reserve to the profit and loss account.

(ii) *Other tangible fixed assets*

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of other tangible fixed assets is calculated to write off their costs less accumulated impairment losses on a straight line basis over their estimated useful lives to the Group. The principal annual rates of depreciation are as follows:

Furniture, fixtures and equipment	10% – 20%
Motor vehicles and others	10% – 20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account.

The gain or loss on disposal of other tangible assets are the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that other tangible fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

(d) Properties held for/under development

Properties held for/under development comprise land at cost or, in the case of properties previously held by the Group for other purposes, carrying value as at the date of reclassification, and development costs including construction expenditure and attributable interest and professional charges capitalised during the development period, less incidental rental income and any accumulated impairment losses.

1. PRINCIPAL ACCOUNTING POLICIES – continued

(e) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries or associated companies at the date of acquisition.

Goodwill on acquisition occurring on or after 1st April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st April 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions on or after 1st April 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1st April 2001, negative goodwill was taken directly to reserves on acquisition.

(f) Investments in securities

Investment securities are stated at cost less any provision made to the extent that the directors consider significant permanent diminution in value has taken place. The carrying amounts of these investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments should be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

1. PRINCIPAL ACCOUNTING POLICIES – continued

(f) Investments in securities – continued

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost represents the acquisition cost or, in the case of properties previously held by the Group for other purposes, carrying value as at the date of reclassification. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet as cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and cash investments with a maturity of three months or less from date of investment.

(j) Provisions

Provisions are 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 will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

1. PRINCIPAL ACCOUNTING POLICIES – continued

(k) Contingent liabilities

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

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

(l) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. 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 accounts. The deferred tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent it is probable a liability or an asset will crystallise in the foreseeable future.

(m) Revenue recognition

Revenues from the sale of property interests and securities trading are recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Operating lease rental income is recognised on a straight-line basis over the lease periods.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

1. PRINCIPAL ACCOUNTING POLICIES – continued

(n) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement scheme obligations*

The Group participates in a master trust scheme provided by an independent Mandatory Provident Fund (“MPF”) service provider to comply with the requirements under the MPF Schemes Ordinance. Contributions paid and payable by the Group to the scheme are charged to the profit and loss account.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Segment reporting

The Group has determined that business segments be presented as the primary reporting format. No geographical analysis is presented as less than 10% of the consolidated turnover, consolidated profit/(loss) and consolidated assets are attributable to markets outside Hong Kong.

Unallocated costs represent corporate expenses. Segment assets consist primarily of properties and exclude items such as non-trade receivables and cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

1. PRINCIPAL ACCOUNTING POLICIES – continued

(q) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement of reserves.

The profit and loss accounts of foreign subsidiaries were translated at closing rates in prior years. However, the translation of the profit and loss accounts of foreign subsidiaries in prior years has not been restated as the effect of this change is not material to the current and prior years.

(r) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

2. REVENUES AND TURNOVER

The Group is principally engaged in property development and investment, securities investment and trading and investment holding. Revenues recognised during the year are as follows:

	2003	Group
	HK\$'000	2002
		HK\$'000
Sale of property interests	159,490	472,280
Rental income	77,672	91,754
Proceeds from securities trading	1,631	48,876
Dividend income from other investments	46	2,145
	<hr/>	<hr/>
Turnover	238,839	615,055
	<hr/>	<hr/>
Interest income	17,459	12,311
Other income	5,092	5,366
	<hr/>	<hr/>
Other revenues	22,551	17,677
	<hr/>	<hr/>
Total revenues	261,390	632,732
	<hr/> <hr/>	<hr/> <hr/>

(a) Primary reporting format – business segments

The Group is organised into three main business segments:

- Property rental
- Property development
- Securities investment and trading

Other operations of the Group comprise hotel ownership which is undertaken by certain associated companies.

There are no sales or other transactions between the business segments.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

2. REVENUES AND TURNOVER – continued

(a) Primary reporting format – business segments – continued

	Property rental 2003 HK\$'000	Property development 2003 HK\$'000	Securities investment and trading 2003 HK\$'000	Other operations 2003 HK\$'000	Unallocated 2003 HK\$'000	Consolidated 2003 HK\$'000
Turnover	<u>77,672</u>	<u>159,490</u>	<u>1,677</u>	<u>-</u>	<u>-</u>	<u>238,839</u>
Segment results	<u>69,201</u>	<u>(30,631)</u>	<u>(586)</u>	<u>-</u>	<u>-</u>	<u>37,984</u>
Unallocated corporate expenses (net)	-	-	-	-	(42,294)	<u>(42,294)</u>
						(4,310)
Interest income	-	-	-	-	17,459	17,459
Finance costs	-	-	-	-	(22,037)	(22,037)
Share of results of associated companies	-	(143,497)	-	45,631	-	<u>(97,866)</u>
Loss before taxation						(106,754)
Taxation	-	-	-	-	(5,408)	<u>(5,408)</u>
Loss after taxation						(112,162)
Minority interests	-	(18,335)	-	-	-	<u>(18,335)</u>
Loss attributable to shareholders						<u>(130,497)</u>
Segment assets	1,558,823	339,858	1,729	-	-	1,900,410
Investments in associated companies	-	(93,157)	-	1,018,843	-	925,686
Unallocated corporate assets	-	-	-	-	941,693	<u>941,693</u>
Consolidated total assets						<u>3,767,789</u>
Segment liabilities	18,093	157,513	-	-	-	175,606
Unallocated corporate liabilities	-	-	-	-	782,186	<u>782,186</u>
Consolidated total liabilities						<u>957,792</u>
Capital expenditure	4,393	-	-	-	36	4,429
Depreciation	-	-	-	-	1,677	1,677
Impairment of properties held for/under development	-	(70,616)	-	-	-	<u>(70,616)</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

2. REVENUES AND TURNOVER – continued

(a) Primary reporting format – business segments – continued

	Property rental 2002 HK\$'000	Property development 2002 HK\$'000	Securities investment and trading 2002 HK\$'000	Other operations 2002 HK\$'000	Unallocated 2002 HK\$'000	Consolidated 2002 HK\$'000
Turnover	<u>91,754</u>	<u>472,280</u>	<u>51,021</u>	<u>-</u>	<u>-</u>	<u>615,055</u>
Segment results	<u>86,646</u>	<u>(171,025)</u>	<u>(11,842)</u>	<u>-</u>	<u>-</u>	<u>(96,221)</u>
Unallocated corporate expenses (net)	-	-	-	-	(52,110)	<u>(52,110)</u>
						(148,331)
Interest income	-	-	-	-	12,311	12,311
Finance costs	-	-	-	-	(31,556)	(31,556)
Share of results of associated companies	-	(29,237)	-	32,281	-	<u>3,044</u>
Loss before taxation						(164,532)
Taxation	-	-	-	-	(1,998)	<u>(1,998)</u>
Loss after taxation						(166,530)
Minority interests	-	(16,928)	-	-	-	<u>(16,928)</u>
Loss attributable to shareholders						<u>(183,458)</u>
Segment assets	1,936,777	484,459	4,350	-	-	2,425,586
Investments in associated companies	-	50,340	-	976,925	-	1,027,265
Unallocated corporate assets	-	-	-	-	853,724	<u>853,724</u>
Consolidated total assets						<u>4,306,575</u>
Segment liabilities	23,167	31,499	-	-	-	54,666
Unallocated corporate liabilities	-	-	-	-	832,855	<u>832,855</u>
Consolidated total liabilities						<u>887,521</u>
Capital expenditure	5,345	-	-	-	621	5,966
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,763</u>	<u>1,763</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

2. REVENUES AND TURNOVER – continued

- (b) No geographical analysis is provided as less than 10% of the consolidated turnover, consolidated profit/(loss) and consolidated assets of the Group are attributable to markets outside Hong Kong.

3. PROFIT/(LOSS) FROM OPERATIONS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Profit/(loss) from operations is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties	77,672	91,754
Less: outgoings	(3,908)	(1,220)
Net rental income from investment properties	73,764	90,534
Gain on disposal of fixed assets	–	752
Charging		
Auditors' remuneration		
– provision for current year	831	993
– (over)/under provision in previous year	(84)	55
Operating leases of land and buildings	747	1,048
Depreciation of fixed assets	2,576	2,576
Bad debts written off	1,677	1,763
Staff costs (note 4)	4,563	20,954
Realised and unrealised losses on other investments	21,254	19,677
Loss on disposal of fixed assets	632	12,952
Loss on disposal of fixed assets	211	–
Cost of properties sold	119,505	643,305

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

4. STAFF COSTS

The amount of staff costs (including directors' emoluments as disclosed in note 10) charged to the consolidated profit and loss account represents:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Salaries and allowances	20,913	19,335
Retirement benefit costs (note 8)	341	342
	<u>21,254</u>	<u>19,677</u>

5. FINANCE COSTS

Finance costs comprise the following:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans		
– wholly payable within five years	5,102	7,588
– not wholly payable within five years	20,053	28,059
Interest on other loans		
– wholly payable within five years	22	33
	<u>25,177</u>	<u>35,680</u>
Total borrowing costs incurred		
Less: amounts capitalised in properties held for/under development (note 14)	(3,500)	(4,497)
	<u>21,677</u>	<u>31,183</u>
Bank facilities arrangement fee	360	373
	<u>22,037</u>	<u>31,556</u>

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

6. TAXATION – continued

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax		
– provision for current year	1,600	–
Overseas taxation		
– under provision in previous years	62	–
	<u>1,662</u>	–
Share of taxation attributable to associated companies	3,746	1,998
	<u>5,408</u>	<u>1,998</u>

Deferred taxation charge for the year has not been provided in respect of the following:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Accelerated depreciation allowance	454	258
Tax losses	7,263	2,547
	<u>7,717</u>	<u>2,805</u>

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Included in the loss attributable to shareholders is a loss of HK\$4,710,000 (2002: profit of HK\$367,866,000) which is dealt with in the Company's own accounts.

8. RETIREMENT BENEFIT COSTS

Pursuant to the MPF Schemes Ordinance which became effective on 1st December 2000, all employees of the Group in Hong Kong aged between 18 and 65 are enrolled in the MPF Scheme.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

8. RETIREMENT BENEFIT COSTS – continued

The MPF Scheme is a master trust scheme established under trust arrangement and governed by the laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. The Group and the employees contribute to the MPF Scheme (the “MPF contributions”) in accordance with the MPF Schemes Ordinance. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

The MPF contributions made by the Group during the year amounted to HK\$341,000 (2002: HK\$342,000) of which HK\$28,000 (2002: HK\$28,000) remains payable at the year end.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$130,497,000 (2002: HK\$183,458,000) and on 1,286,482,836 shares (2002: 1,286,482,836 shares) in issue during the year.

For the year ended 31st March 2003 and 2002, diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.

10. DIRECTORS’ AND SENIOR MANAGEMENT’S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	Group	
	2003	2002
	HK\$’000	HK\$’000
Fees	120	120
Salaries, allowances and benefits in kind	6,976	7,573
MPF contributions	36	36
	<u>7,132</u>	<u>7,729</u>

Directors’ fees include HK\$24,000 (2002: HK\$24,000) paid to the independent non-executive directors.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(a) – continued

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2003	2002
HK\$		
0 – 1,000,000	7	7
1,000,001 – 1,500,000	1	1
2,000,001 – 2,500,000	1	1
3,500,001 – 4,000,000	1	1

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the years ended 31st March 2003 and 31st March 2002.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: three) directors whose emoluments are reflected in the analysis presented in note 10(a) above. The emoluments payable to the remaining two (2002: two) individuals during the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,674	2,189
MPF contributions	24	24
	<u>1,698</u>	<u>2,213</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2003	2002
HK\$		
0 – 1,000,000	2	1
1,000,001 – 1,500,000	–	1

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

11. FIXED ASSETS – GROUP

	Investment properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and others HK\$'000	Total HK\$'000
Cost or valuation				
At 1st April 2002	1,927,270	8,895	6,610	1,942,775
Additions	4,393	36	–	4,429
Adjustment on revaluation (note 22)	(377,193)	–	–	(377,193)
Disposals	(1,650)	(1,481)	–	(3,131)
At 31st March 2003	1,552,820	7,450	6,610	1,566,880
Accumulated depreciation				
At 1st April 2002	–	4,123	5,716	9,839
Charge for the year	–	1,323	354	1,677
Disposals	–	(956)	–	(956)
At 31st March 2003	–	4,490	6,070	10,560
Net book value				
At 31st March 2003	1,552,820	2,960	540	1,556,320
At 31st March 2002	1,927,270	4,772	894	1,932,936

An analysis of the cost or valuation of the above assets at 31st March 2003 is set out as follows:

	Investment properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and others HK\$'000	Total HK\$'000
At cost	–	7,450	6,610	14,060
At 2003 professional valuation	1,552,820	–	–	1,552,820
	1,552,820	7,450	6,610	1,566,880

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

11. FIXED ASSETS – GROUP – continued

An analysis of the cost or valuation of the above assets at 31st March 2002 is set out as follows:

	Investment properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and others HK\$'000	Total HK\$'000
At cost	–	8,895	6,610	15,505
At 2002 professional valuation	<u>1,927,270</u>	<u>–</u>	<u>–</u>	<u>1,927,270</u>
	<u>1,927,270</u>	<u>8,895</u>	<u>6,610</u>	<u>1,942,775</u>

The Group's interests in investment properties are analysed as follows:

	2003 HK\$'000	2002 HK\$'000
In Hong Kong, held on leases of over 50 years	1,548,070	1,920,020
Outside Hong Kong, held on leases of over 50 years	4,750	7,250
	<u>1,552,820</u>	<u>1,927,270</u>

Investment properties were revalued at 31st March 2003 on the basis of their open market value by independent property valuers, DTZ Debenham Tie Leung Limited.

Particulars of the Group's principal investment properties are set out on page 69.

At 31st March 2003, the carrying value of investment properties pledged as securities for banking facilities granted to the Group (note 23) amounted to HK\$1,540,350,000 (2002: HK\$1,912,300,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares at cost	1	1
Amounts due from subsidiaries	<u>2,279,940</u>	<u>2,283,944</u>
	<u><u>2,279,941</u></u>	<u><u>2,283,945</u></u>

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Particulars of principal subsidiaries are set out in note 30 to the accounts.

Statement Pursuant to Paragraph 25 of the Tenth Schedule of the Companies Ordinance

The following subsidiary's financial year is not co-terminous with that of the Company:

	Accounting date of subsidiary	Length of accounting period of subsidiary	Reason for using different accounting date
南華投資股份有限公司	31st December	12 months	Compliance with local regulations

13. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	502,646	604,261
Amounts due from associated companies	423,078	423,045
Amounts due to associated companies	<u>(38)</u>	<u>(41)</u>
	<u><u>925,686</u></u>	<u><u>1,027,265</u></u>

Particulars of principal associated companies are set out in note 31 to the accounts.

The amounts due from and due to associated companies are unsecured, non-interest bearing and have no fixed terms of repayment.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

13. INVESTMENTS IN ASSOCIATED COMPANIES – continued

Information on material associated companies

The financial information on the Group's material associated companies, Gold Return Resources Ltd. and New Unity Holdings Ltd., whose results and financial position are material in the context of the Group accounts, is summarised below. Gold Return Resources Ltd. and New Unity Holdings Ltd., through its subsidiaries, are engaged in property development and ownership of hotels in Hong Kong respectively.

	Gold Return Resources Ltd.*		New Unity Holdings Ltd.	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Profit and loss account – Year ended 31st March				
Turnover	–	–	741,305	725,658
(Loss)/profit before taxation	(543,072)	(145)	91,273	64,575
(Loss)/profit after taxation and minority interests	<u>(543,060)</u>	<u>(104)</u>	<u>83,780</u>	<u>60,580</u>
(Loss)/profit attributable to the Group	<u>(108,612)</u>	<u>(21)</u>	<u>41,890</u>	<u>30,290</u>
Balance sheet – As at 31st March				
Non-current assets	<u>179,000</u>	689,533	<u>4,424,323</u>	4,447,321
Current assets	22	–	283,707	243,481
Current liabilities	<u>(250)</u>	<u>(12)</u>	<u>(182,367)</u>	<u>(190,165)</u>
Net current (liabilities)/assets	<u>(228)</u>	<u>(12)</u>	<u>101,340</u>	<u>53,316</u>
Long term liabilities	(721,987)	(689,678)	(2,772,071)	(2,869,416)
Minority interests	–	–	(385,596)	(346,997)
	<u>(721,987)</u>	<u>(689,678)</u>	<u>(3,157,667)</u>	<u>(3,216,413)</u>
Shareholders' (deficit)/funds	<u>(543,215)</u>	<u>(157)</u>	<u>1,367,996</u>	<u>1,284,224</u>
Net (liabilities)/assets attributable to the Group	<u>(108,643)</u>	<u>(31)</u>	<u>683,998</u>	<u>642,112</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

13. INVESTMENTS IN ASSOCIATED COMPANIES – continued

Information on material associated companies – continued

- * The losses incurred by Gold Return Resources Ltd. represent mainly the provisions made against the carrying value of its properties. The Group's share of net deficit of Gold Return Resources Ltd. has been fully recognised in the accounts.

14. PROPERTIES HELD FOR/UNDER DEVELOPMENT

	Group	
	2003 HK\$'000	2002 HK\$'000
Cost		
Balance brought forward	240,135	726,779
Additions	60,781	20,346
Disposals	–	(506,990)
	<u>300,916</u>	<u>240,135</u>
Less: impairment charge	<u>(70,616)</u>	<u>–</u>
Balance carried forward	<u><u>230,300</u></u>	<u><u>240,135</u></u>
Held on:		
Leases of over 50 years	–	213,167
Leases of between 10 to 50 years	<u>230,300</u>	<u>26,968</u>
	<u><u>230,300</u></u>	<u><u>240,135</u></u>

All the properties held for/under development are situated in Hong Kong. Particulars of the Group's principal properties held for/under development are set out on pages 69 to 70.

Included in additions during the year is interest capitalised of HK\$3,500,000 (2002: HK\$4,497,000).

As at 31st March 2003, the carrying value of property held for/under development pledged as securities for banking facilities granted to the Group (note 23) amounted to HK\$222,300,000 (2002: Nil).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

15. INVESTMENT SECURITIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Unlisted securities, at cost net of provision	<u>6,001</u>	<u>3,001</u>

16. LONG TERM RECEIVABLES

Long term receivables carry interest at 1.75% above the Hong Kong dollar prime lending rate with an interest free period of 2 years from the respective dates when the amounts were drawn. Repayment will commence after the expiry of the interest free period and will be by instalments over a period of 18 years thereafter.

17. ACCOUNTS RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Trade receivables (note (a))	5,816	8,444
Loan receivable (note (b))	113,967	107,587
Deposits and prepayments	<u>30,632</u>	<u>43,023</u>
	<u>150,415</u>	<u>159,054</u>

- (a) The ageing analysis of trade receivables, which represent rental receivable including interest on overdue balances, was as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within 30 days	3,057	3,348
31 – 60 days	2,101	2,461
61 – 90 days	497	1,618
Over 90 days	<u>161</u>	<u>1,017</u>
	<u>5,816</u>	<u>8,444</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

17. ACCOUNTS RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

- (b) This represents a loan receivable from a listed company (“Listco”) in Hong Kong plus interest accrued thereon. According to the loan agreement, the loan was unsecured, interest bearing at 1% above the Hong Kong dollar prime rate and repayable in full in November 2002.

During the year, the Group has entered into a supplementary loan agreement with Listco whereby Listco pledged its entire interest in its subsidiary to the Group as security for the loan, and the loan repayment date is extended to May 2003. This subsidiary of Listco, through its subsidiaries and associated companies, is engaged in property development and investment.

Subsequent to the year end date, the Group entered into a second supplementary loan agreement with Listco to further extend the loan repayment date to November 2003. Other terms of the loan remain the same.

18. PROPERTIES HELD FOR SALE

All properties held for sale are situated in Hong Kong. Particulars of the Group’s properties held for sale are set out on page 70.

As at 31st March 2003, the carrying value of properties held for sale pledged as securities for banking facilities granted to the Group (note 23) amounted to HK\$101,135,000 (2002: Nil).

As at 31st March 2003, none of the properties were carried at net realisable value (2002: Nil).

19. OTHER INVESTMENTS

	Group	
	2003	2002
	HK\$’000	HK\$’000
Listed in Hong Kong	1,514	3,773
Listed outside Hong Kong	70	74
	<hr/>	<hr/>
Market value	<u>1,584</u>	<u>3,847</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

20. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group	
	2003 HK\$'000	2002 HK\$'000
Construction cost payable (note (a))	22,491	16,826
Rental deposits (note (b))	16,336	21,764
Other payables	18,376	26,482
	<u>57,203</u>	<u>65,072</u>

(a) At 31st March 2003, the ageing analysis of the construction costs payable was as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	17,446	16,800
31 – 60 days	4,886	–
61 – 90 days	159	26
	<u>22,491</u>	<u>16,826</u>

(b) Rental deposits are repayable when the tenancy contracts lapse.

21. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Amount	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Authorised:				
Balance brought forward and carried forward	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
Balance brought forward and carried forward	<u>1,286,482,836</u>	<u>1,286,482,836</u>	<u>128,648</u>	<u>128,648</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

21. SHARE CAPITAL – continued

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and capital.

Under the share option scheme adopted by the Company on 8th September 1998 and expired on 8th September 2001, 79,682,000 and 24,518,000 share options were granted to certain directors of the Company and employees of the Group respectively during the year ended 31st March 2000. These share options are exercisable during the period from 21st March 2000 to 20th March 2003 and entitle the holders thereof to subscribe for ordinary shares of HK\$0.10 each of the Company at a subscription price of HK\$0.68 per share (subject to adjustment).

On 18th March 2003, the Company entered into an agreement with the option holders (including certain directors) in relation, inter alia, to the cancellation of all the outstanding share options at a fee of HK\$0.32 per share option and the extension of the option period by six calendar months from 21st March 2003. This was approved by the shareholders of the Company at the special general meeting held on 5th May 2003.

None of these share options has been exercised, lapsed or cancelled since the date of grant and no other share options were granted during the year. On 26th June 2003, all the 104,200,000 share options were cancelled.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

22. RESERVES

Group

	Special reserve	Share premium	Capital redemption reserve	Revaluation reserve – investment properties	Revaluation reserve – properties held for/ under development	Revaluation reserve – other properties	Capital reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2001	435,421	929,824	129	1,299,455	25,748	433,867	74,153	(11,759)	279,691	3,466,529
Deficit arising on revaluation	-	-	-	(7,845)	-	-	-	-	-	(7,845)
Revaluation reserve realised upon disposal of properties	-	-	-	(1,321)	(9,849)	-	-	-	-	(11,170)
Translation of accounts of a foreign subsidiary	-	-	-	-	-	-	-	(3,800)	-	(3,800)
Reserve released upon disposal of a subsidiary	978	-	-	-	-	-	-	-	-	978
Share of post-acquisition reserve movements of associated companies	-	-	-	-	-	(85,672)	-	-	-	(85,672)
Transfer of reserves	(436,399)	-	-	-	-	-	(4,161)	-	440,560	-
Loss for the year	-	-	-	-	-	-	-	-	(183,458)	(183,458)
At 31st March 2002	-	929,824	129	1,290,289	15,899	348,195	69,992	(15,559)	536,793	3,175,562
Retained by:										
Company and subsidiaries	-	929,824	129	1,290,289	15,899	-	(6,426)	(15,559)	357,145	2,571,301
Associated companies	-	-	-	-	-	348,195	76,418	-	179,648	604,261
	-	929,824	129	1,290,289	15,899	348,195	69,992	(15,559)	536,793	3,175,562

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

22. RESERVES – continued

Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve – investment properties HK\$'000	Revaluation reserve – properties held for/ under development HK\$'000	Revaluation reserve – other properties HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April 2002	929,824	129	1,290,289	15,899	348,195	69,992	(15,559)	536,793	3,175,562
Deficit arising on revaluation (note 11)	-	-	(377,193)	-	-	-	-	-	(377,193)
Revaluation reserve realised upon disposal of properties	-	-	(73)	(8,894)	-	-	-	-	(8,967)
Translation of accounts of a foreign subsidiary	-	-	-	-	-	-	(292)	-	(292)
Share of post-acquisition reserve movements of associated companies	-	-	-	-	(3)	-	-	-	(3)
Loss for the year	-	-	-	-	-	-	-	(130,497)	(130,497)
At 31st March 2003	929,824	129	913,023	7,005	348,192	69,992	(15,851)	406,296	2,658,610
Retained by:									
Company and subsidiaries	929,824	129	913,023	7,005	-	(6,426)	(15,851)	328,260	2,155,964
Associated companies	-	-	-	-	348,192	76,418	-	78,036	502,646
	929,824	129	913,023	7,005	348,192	69,992	(15,851)	406,296	2,658,610

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

22. RESERVES – continued

Company

	Special reserve	Share premium	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2001	795,885	929,824	129	61,947	1,787,785
Transfer of reserves	(795,885)	–	–	795,885	–
Profit for the year	–	–	–	367,866	367,866
At 31st March 2002	–	929,824	129	1,225,698	2,155,651
Loss for the year	–	–	–	(4,710)	(4,710)
At 31st March 2003	–	929,824	129	1,220,988	2,150,941

The special reserve arose from the scheme of arrangement which became effective on 12th May 1992 and is distributable under the Companies Act 1981 of Bermuda.

As at 31st March 2003, the reserves of the Company available for distribution amounted to HK\$1,220,988,000 (2002: HK\$1,225,698,000).

23. BANK LOANS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Secured bank loans		
– current portion	49,882	44,851
– long term portion	844,207	771,394
	894,089	816,245

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

23. BANK LOANS – continued

The analysis of the above is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Bank loans		
Wholly repayable within five years	204,232	81,936
Not wholly repayable within five years	689,857	734,309
	894,089	816,245

At 31st March 2003, the Group's bank loans were repayable as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
On demand or within one year	49,882	44,851
More than one year but not exceeding two years	259,636	49,877
More than two years but not exceeding five years	222,987	275,798
Over five years	361,584	445,719
	894,089	816,245

The above bank loans were secured by first charges on certain investment properties, properties held for/under development, properties held for sale, other specified assets of the Group and corporate guarantees from the Company.

24. DEFERRED TAXATION

The potential deferred tax (asset)/liability as at the year end not provided for in the accounts amounted to:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Accelerated depreciation allowances	908	454
Tax losses	(6,883)	(14,146)
	(5,975)	(13,692)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

24. DEFERRED TAXATION – continued

No recognition for deferred taxation has been made in the accounts as it is uncertain that it will crystallise in the foreseeable future.

The revaluation of investment properties does not constitute a timing difference for deferred taxation purposes as realisation of the revaluation surplus would not result in a taxation liability.

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of loss before taxation to net cash inflow from operations**

	Group	
	2003 HK\$'000	2002 HK\$'000
Loss before taxation	(106,754)	(164,532)
Share of results of associated companies	97,866	(3,044)
Impairment of properties held for/under development	70,616	–
Loss on disposal of interests in subsidiaries	–	211,755
Revaluation reserve realised upon disposal of properties	(16,171)	(17,907)
Foreign exchange gain	(292)	(3,800)
Interest income	(17,459)	(12,311)
Interest expenses	21,677	31,183
Unclaimed dividends forfeited	(166)	(278)
Write back of provision for impairment loss of investment securities	–	(1,035)
Depreciation of fixed assets	1,677	1,763
Loss/(gain) on disposal of fixed assets	211	(752)
	<hr/>	<hr/>
Operating profit before working capital changes	51,205	41,042
Increase in long term receivables	–	(6,774)
Decrease in accounts receivables, deposits and prepayments	15,134	309,452
Decrease in properties held for sale	128,406	142,193
Decrease in other investments	2,263	61,304
Decrease in accounts payable, deposits received and accrued charges	(7,869)	(36,328)
	<hr/>	<hr/>
Net cash inflow generated from operations	189,139	510,889

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

(b) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Bank loans HK\$'000	Minority interests HK\$'000
At 31st March 2001	1,058,472	898,207	231,491
Cash outflow from financing	–	(81,962)	(125,550)
Interest due to minority shareholders*	–	–	33
Revaluation reserve attributable to minority shareholders realised upon disposal of properties*	–	–	(8,058)
Profit for the year attributable to minority shareholders *	–	–	16,928
	<hr/>	<hr/>	<hr/>
At 31st March 2002	1,058,472	816,245	114,844
Cash inflow/(outflow) from financing	–	77,844	(103,185)
Interest due to minority shareholders*	–	–	22
Revaluation reserve attributable to minority shareholders realised upon disposal of properties*	–	–	(7,277)
Profit for the year attributable to minority shareholders*	–	–	18,335
	<hr/>	<hr/>	<hr/>
At 31st March 2003	<u>1,058,472</u>	<u>894,089</u>	<u>22,739</u>

* representing non cash transactions.

26. CONTINGENT LIABILITIES

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks in respect of banking facilities granted to subsidiaries	<hr/>	<hr/>	<u>344,689</u>	<u>287,245</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

27. COMMITMENTS

(a) Capital commitments in respect of properties held for/under development

	Group	
	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for	<u>71,417</u>	<u>20,223</u>

(b) Operating leases

- (i) At 31st March 2003, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Land and buildings		
Not later than one year	1,174	2,576
Later than one year and not later than five years	<u>–</u>	<u>1,174</u>
	<u>1,174</u>	<u>3,750</u>

- (ii) At 31st March 2003, the Group has future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Land and buildings		
Not later than one year	51,811	65,378
Later than one year and not later than five years	72,126	84,576
Later than five years	<u>377</u>	<u>7,245</u>
	<u>124,314</u>	<u>157,199</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

28. SUBSEQUENT EVENTS

Subsequent to the balance sheet date:–

- (a) the Group underwent a reorganisation, as a result of which the Group's entire interest in Besteam Limited ("Besteam"), a wholly owned subsidiary, was distributed in specie to the shareholders of the Company. Besteam is an investment holding company which, upon the completion of the reorganisation, holds certain subsidiaries and associated companies of the Group. Details of the distribution in specie, in particular the financial information of Besteam, are set out in the circular of the Company dated 10th April 2003.

The reorganisation and the distribution in specie of the shares in Besteam were completed on 20th June 2003.

- (b) on 20th June 2003, Winsworld Properties Limited, a wholly owned subsidiary which holds the Group's interest in an investment property ("the Property"), entered into a management contract with, inter alia, Verywell Services Limited, a wholly owned subsidiary of Besteam after the reorganisation, in respect of the management of the Property for a period of three years commencing 26th June 2003. Details of the management contract are set out in the circular of the Company dated 10th April 2003.

The above transactions were approved by the shareholders of the Company at the special general meeting held on 5th May 2003.

29. ULTIMATE HOLDING COMPANY

The directors regard United Goal Development Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company during the financial year 2003.

On 26th June 2003, United Goal Development Limited disposed of all its interests in the Company to Mexan Group Limited ("Mexan"), a company incorporated in the British Virgin Islands. Mexan thereby became the ultimate holding company of the Company as from that date.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31st March 2003 are set out below:

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2003	2002	
<i>Shares held directly:</i>					
Asean Resources Limited	Hong Kong	5,000 ordinary shares of HK\$0.2 each	100	100	Investment holding
Besteam Limited	British Virgin Islands	780 shares of HK\$0.01 each	100	–	Investment holding
<i>Shares held indirectly:</i>					
Asean Resources Finance Limited	Hong Kong	100,000 ordinary shares of HK\$1,000 each	100	100	Provision of financial services
Billion Venture Limited	Hong Kong	100 ordinary shares of HK\$1 each	100	100	Property investment
Broadtrade Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Champion Worldwide Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Cityroy (IOM) Limited	Isle of Man	2 ordinary shares of GBP1 each	100	100	Yacht investment
Cityroy Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Investment holding
Cityscope Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property development
Conington Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Securities dealing

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2003	2002	
<i>Shares held indirectly: – continued</i>					
Fitmond Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Investment holding
Golden Union Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Grands Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Holding of club debenture
Grandwoods Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Renting property
Hin Kei Investment Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	100	Property development
Lipro Prosper Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
南華投資股份有限公司	Taiwan	1,000,000 ordinary shares of NT\$100 each	100	100	Investment holding in Taiwan
Regal Trophy Limited	British Virgin Islands	20 ordinary shares of US\$1 each	55	55	Investment holding
Starward Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Investment holding
Sunshine Tower Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	100	Property investment
United Prosper Limited	Hong Kong	2 ordinary shares of HK\$1 each	55	55	Provision of loan to property purchasers

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2003	2002	
<i>Shares held indirectly: – continued</i>					
Verywell Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Provision of management services
Winbond Limited	British Virgin Islands	1 ordinary share of US\$1	100	–	Investment holding
Winning Hong Kong Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Investment holding
Winsworld Properties Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100	100	Property investment
Wisdom Profit Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Investment holding
Wise Step International Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Operation of car park
Wiseson Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Wonderlite Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Securities dealing
World Glory Properties Limited	Hong Kong	2 ordinary shares of HK\$1 each	55	55	Property development

Except南華投資股份有限公司, which operates in Taiwan, all the above subsidiaries operate in Hong Kong

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

31. PARTICULARS OF PRINCIPAL ASSOCIATED COMPANIES

The principal associated companies of the Company as at 31st March 2003 are set out below:

Name of associated company	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2003	2002	
<i>Shares held indirectly:</i>					
Broad Reach Company Limited	Hong Kong	100 ordinary shares of HK\$1 each	50	50	Property development
Chishore Enterprise Inc.	British Virgin Islands	100 ordinary shares of US\$1 each	31	31	Investment holding
Ferguson Hotel Holdings Limited	Hong Kong	27,500,000 ordinary shares of HK\$10 each	47.7	47.7	Investment holding
Gold Return Resources Ltd.	British Virgin Islands	10 ordinary shares of US\$1 each	20	20	Investment holding
Hotel Nikko Hong Kong Limited	Hong Kong	2 ordinary shares of HK\$1 each and 29,700 non-voting deferred shares of HK\$10,000 each	47.7	47.7	Hotel ownership
New Unity Holdings Ltd.	British Virgin Islands	2 ordinary shares of US\$1 each	50	50	Investment holding
Queensway Hotel Holdings Limited	Hong Kong	100,000 ordinary shares of HK\$10 each	24.8	24.8	Investment holding
Queensway Hotel Limited	Hong Kong	100,000 ordinary shares of HK\$10 each	24.8	24.8	Hotel ownership

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2003

31. PARTICULARS OF PRINCIPAL ASSOCIATED COMPANIES – continued

Name of associated company	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2003	2002	
<i>Shares held indirectly: – continued</i>					
Wise Come Development Limited	Hong Kong	30 ordinary shares of HK\$1 each	20	20	Investment holding

All the above associated companies operate principally in Hong Kong.

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

32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 15th July 2003.