NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

1. CORPORATE INFORMATION

The registered office and the principal place of business of the Company is located at 18th Floor, Hang Seng Building, 77 Des Voeux Road Central, Hong Kong.

During the year, the Group was involved mainly in property development and property investment.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements.

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

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 27 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(Continued)*

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group's employees as at the balance sheet date. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 27 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2003, together with the Group's share of the post-acquisition results of its jointly-controlled entities and associates on the basis as set out below. The results of any subsidiaries, jointly-controlled entities and associates acquired or disposed of during the year are consolidated or equity accounted for from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of its board of directors.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess purchase consideration paid for subsidiaries, associates or jointly-controlled entities over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any 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. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the year in which incurred. In situations where 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 an asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost less any residual value of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	5% or over the unexpired terms of the leases
Leasehold improvements	5% to 20%
Furniture and equipment	20%

The gain or loss on disposal of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under development

Properties under development are stated at cost and include the cost of land, construction, financing and other related expenses, less any impairment losses.

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, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

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 of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has established pre-sale programmes, are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions, on an individual property basis.

Profit arising on the pre-sale of properties under development is recognised over the course of the development and is calculated on each project as a proportion of the total estimated profit to completion, after taking into account further costs to completion. The proportion used is the estimated construction costs of pre-sold units over the total estimated construction costs of the property under development. The profit per pre-sold unit so recognised is restricted to the amount of instalments received and receivable under legally binding contracts at the balance sheet date.

Borrowing costs

Borrowing costs 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Convertible guaranteed bonds

Convertible guaranteed bonds are stated at cost, and are adjusted for the accretion of any premiums on redemption on the straight-line basis over the period of the bonds' existence.

Deferred charges

Charges relating to expenses incurred for bond issues are deferred and amortised, using the straight-line method, over the period of the bonds' existence.

3. SUMMARY OF SIGNIFICANT 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, on the following bases:

(a) income from the sale of completed properties, when a legally binding sale and purchase contract is signed. Income from the pre-sale of properties under development is recognised over the course of development (as more fully described under the accounting policy "Properties held for sale" above);

(b) rental income, on the straight-line basis over the lease terms;

(c) property management income, in the period in which services are rendered;

(d) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Paid leave carried forward (Continued)

Prior to the adoption of SSAP 34 during the year, as explained in note 2 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy has had no significant impact on prior year financial statements.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

With respect to investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than equity, the resulting exchange differences on translation are included in the exchange fluctuation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Company's net investment in the enterprises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the property development segment develops properties for sale;

(b) the property investment segment holds investment properties for the generation of rental income;

(c) the property management segment provides property management services; and

(d) the others segment comprises miscellaneous rental income generated from properties held by the Group other than investment properties.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the current and prior years, there were no intersegment transactions.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments.

	Property development		Property investment		Property management		Others		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**416,386**	585,149	**47,918**	44,319	**3,052**	3,674	**6,521**	6,151	**473,877**	639,293
Segment results	**(357,926)**	55,382	**(60,861)**	32,138	**436**	107	**2,865**	2,595	**(415,486)**	90,222
Interest income									**1,065**	2,950
Unallocated gains									**604**	5,586
Unallocated expenses									**(32,492)**	(26,466)
Profit/(loss) from operating activities									**(446,309)**	72,292
Interest expenses									**(31,873)**	(44,921)
Amortisation of bond issue expenses									**(1,154)**	(1,299)
Share of profits and losses of jointly-controlled entities	**1,477**	4,642	**–**	–	**–**	–	**(23)**	(67)	**1,454**	4,575
Profit/(loss) before tax									**(477,882)**	30,647
Tax									**(2,865)**	(13,186)
Profit/(loss) before minority interests									**(480,747)**	17,461
Minority interests									**1,646**	(14,305)
Net profit/(loss) from ordinary activities attributable to shareholders									**(479,101)**	3,156

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Property development		Property investment		Property management		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	1,322,970	1,785,024	937,420	898,084	3,321	3,874	2,174,891	1,898,451	(2,155,804)	(1,840,091)	2,282,798	2,745,342
Interests in jointly-controlled entities	2,442	33,802	-	–	-	–	-	–	-	–	2,442	33,802
Interest in an associate	14,857	14,857	-	–	-	–	-	–	-	–	14,857	14,857
Unallocated assets											54	322
Total assets											2,300,151	2,794,323
Segment liabilities	1,347,683	1,385,068	873,050	525,646	2,484	2,675	34,093	21,642	(2,155,804)	(1,840,091)	101,506	94,940
Unallocated liabilities											1,381,320	1,403,912
Total liabilities											1,482,826	1,498,852
Other segment information:												
Depreciation of fixed assets recognised in the profit and loss account	613	639	11	10	73	62	1,350	1,407	-	–	2,047	2,118
Amortisation of bond issue expenses recognised in the profit and loss account	-	–	1,154	1,299	-	–	-	–	-	–	1,154	1,299
Impairment losses recognised in the profit and loss account	366,776	–	-	–	-	–	-	–	-	–	366,776	–
Revaluation deficit/(surplus) recognised in the profit and loss account	-	–	94,836	(2,431)	-	–	-	–	-	–	94,836	(2,431)
Other non-cash (income)/expenses	316	75	(82)	191	826	–	1,000	–	-	–	2,060	266
Additions to fixed assets	555	715	22	9	21	186	44	231	-	–	642	1,141

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table present revenue, certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Malaysia		Canada		Eliminations		Consolidated	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**124,376**	281,116	**317,881**	341,690	**12,058**	11,405	**19,562**	5,082	**–**	–	**473,877**	639,293
Other segment information:												
Segment assets	**1,960,743**	2,400,010	**540,608**	581,714	**189,954**	215,542	**104,396**	99,946	**(512,903)**	(551,870)	**2,282,798**	2,745,342
Additions to fixed assets	**65**	249	**555**	883	**22**	9	**–**	–	**–**	–	**642**	1,141

5. TURNOVER, OTHER REVENUE AND GAIN

Turnover represents income from the sale of properties, gross rental income and property management income.

An analysis of turnover, other revenue and gain is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sale of properties	**416,386**	585,149
Gross rental income	**54,439**	50,470
Property management income	**3,052**	3,674
	473,877	639,293
Other revenue		
Interest income from bank deposits	**559**	2,212
Interest income from mortgages	**506**	738
Others	**3,038**	4,734
	4,103	7,684
Gain		
Gain on disposal of a listed short term investment	**–**	3,798
	4,103	11,482

6. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had transactions with companies in which James Sai-Wing Wong, Madeline May-Lung Wong, William Chung-Yue Fan and Herman Man-Hei Fung, directors of the Company, have beneficial interests. The significant transactions are summarised below:

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Construction costs paid to related companies	*(i)*	**11,976**	55,125
Interests paid to a substantial shareholder	*(ii)*	**14,100**	13,434
Commissions paid to a substantial shareholder	*(iii)*	**2,625**	1,954
Legal and professional fees paid to a solicitor's firm of which a director of the Company is a consultant	*(iv)*	**534**	957

Notes:

(i) The construction costs paid to related companies were agreed on an individual contract basis between the respective parties. Such costs were negotiated and charged on bases similar to those under contracts with third parties.

(ii) The interests were paid to the substantial shareholder at a fixed coupon rate of 10% per annum for the convertible guaranteed bonds issued to the substantial shareholder as more fully described in paragraph (b) below.

(iii) The commissions were paid to the substantial shareholder for provision of cash security for certain bank loans granted to the Company and were agreed and charged on bases taking into consideration the average borrowing cost of the Group. Please refer to paragraph (c) below for details.

(iv) The directors consider that the provision of legal and professional services was made according to the standard prices and conditions similar to those offered to other clients of the solicitor's firm.

6. RELATED PARTY TRANSACTIONS *(Continued)*

(b) In April 2001, the Group issued 10% convertible guaranteed bonds due April 2003 with a principal sum of HK$300 million (the "10% Bonds"). Chinney Investments, Limited ("Chinney Investments"), as a substantial shareholder, and Patrick Yen-Tse Tsai, as a director, subscribed for the 10% Bonds in the principal amount of HK$141 million and HK$2 million, respectively. These subscriptions for the 10% Bonds, together with the Group's repurchase of the principal amount of US$5,625,000 of the 5.3% convertible guaranteed bonds due July 2001 (the "5.3% Bonds") held by Chinney Investments, were approved by the independent shareholders of the Company on 9th April, 2001. The 10% Bonds were issued and allotted to Chinney Investments and Patrick Yen-Tsai under the same terms and conditions as other independent bondholders.

(c) In May 2001, the Group obtained bank loan facilities of HK$150 million through cash collateral provided by Lucky Year Finance Limited ("Lucky Year"), a substantial shareholder of the Company. In consideration for Lucky Year's provision of the cash security, the Group agreed to pay commission of 1.75% per annum on the average principal amount of the cash security outstanding during the term of the bank loans to Lucky Year and counter-indemnify Lucky Year in respect of the cash security by mortgaging the entire issued share capital of two of the Group's subsidiaries and assigned shareholders' loans in an aggregate amount of HK$220,245,000 to Lucky Year. The connected financing arrangement was approved by the independent shareholders of the Company on 28th June, 2001.

(d) On 12th February, 2003, Chinney Investments entered into an underwriting agreement (the "Underwriting Agreement") with the Company in relation to the underwriting of all of the rights shares issued pursuant to a rights issue of 200,123,100 shares of the Company at a subscription price of HK$1.00 per share (the "Rights Issue"), which occurred after the balance sheet date. Upon completion of the Rights Issue on 21st May, 2003, 73,367,367 shares of HK$1.00 each were issued to Chinney Investments pursuant to the Underwriting Agreement.

The Company paid underwriting commission of approximately HK$2,632,000 to Chinney Investments pursuant to the Underwriting Agreement.

(e) On 12th February, 2003, the Company and Hon Kwok Land Treasury II Limited entered into a payment arrangement deed with Chinney Investments, whereby all parties agreed that the redemption monies of HK$141 million of the 10% Bonds held by Chinney Investments be applied towards payment of part of or the whole of the subscription monies for the shares subscribed by Chinney Investments under the Rights Issue. The deed was subsequently amended on 31st March, 2003, whereby all parties agreed that the redemption of the 10% Bonds held by Chinney Investments be deferred upon completion of the Rights Issue.

6. RELATED PARTY TRANSACTIONS *(Continued)*

(f) On 31st March, 2003, the Company entered into an agreement for a bridging facility with Chinney Investments whereby Chinney Investments agreed to provide financing to the Company to partly finance the redemption of the 10% Bonds. Chinney Investments will receive interest in respect of the bridging facility under normal commercial terms.

The Company has repaid all of the amount due under the bridging facility to Chinney Investments before the date of this report.

(g) The balances with the related companies are unsecured, interest-free, and have no fixed terms of repayment.

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Cost of properties sold		**403,890**	528,115
Auditors' remuneration		**1,155**	1,063
Depreciation	*14*	**2,047**	2,118
Minimum lease payments under operating leases on land and buildings		**1,802**	2,605
Provision for bad debts		**1,826**	–
Provision against rental receivables		**234**	266
Impairment of properties under development*	*15*	**148,457**	–
Impairment of properties held for sale*		**218,319**	–
Deficit/(surplus) on revaluation of investment properties*	*16*	**94,836**	(2,431)
Staff costs (including directors' remuneration – note 9):			
Salaries and bonuses		**19,905**	14,700
Pension scheme contributions		**821**	959
		20,726	15,659
Gross rental income		**(54,439)**	(50,470)
Less: Outgoing expenses		**17,804**	16,187
		(36,635)	(34,283)
Loss on disposal of fixed assets		**280**	–
Exchange gains, net		**(66)**	–

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES *(Continued)*

At the balance sheet date, the amount of forfeited pension contributions available for future utilisation was not significant.

* *The deficit/(surplus) on revaluation of investment properties and the impairments of properties under development and properties held for sale are included in "Other operating income/(expenses), net" on the face of the consolidated profit and loss account.*

8. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**(25,641)**	(33,302)
Bank loans wholly repayable after five years	**(7,061)**	(18,282)
Convertible guaranteed bonds	**(30,000)**	(33,832)
Bank overdrafts	**(57)**	(43)
	(62,759)	(85,459)
Less: Amounts capitalised under property development projects	**30,886**	40,538
	(31,873)	(44,921)
Other finance costs:		
Accretion of convertible bond premium on redemption	**–**	(3,776)
Less: Amounts capitalised under property development projects	**–**	3,776
	–	–
Amortisation of bond issue expenses	**(4,205)**	(4,789)
Less: Amounts capitalised under property development projects	**3,051**	3,490
	(1,154)	(1,299)
Total finance costs	**(33,027)**	(46,220)

9. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Fees	**100**	100
Salaries, allowances and benefits in kind	**1,508**	2,340
Ex-gratia payment	**5,000**	–
Pension scheme contributions	**95**	162
	6,703	2,602

Included in the above were the following payments to independent non-executive directors:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Fees	**100**	100

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil	**4**	4
HK$1 – HK$1,000,000	**2**	2
HK$2,500,001 – HK$3,000,000	**–**	1
HK$6,500,001 – HK$7,000,000	**1**	–
	7	7

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid employees during the year included one (2002: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2002: four) non-director, highest paid employees are set out below:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**3,721**	3,581
Pension scheme contributions	**258**	247
	3,979	3,828

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2003	2002
HK$1 – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**2**	2
	4	4

11. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Tax on the profits of subsidiaries operating elsewhere has been calculated at the rates of tax prevailing in the respective jurisdictions.

	Group	
	2003	2002
	HK$'000	*HK$'000*
Group:		
Hong Kong	**6**	(48)
Elsewhere	**(2,871)**	(13,138)
	(2,865)	(13,186)

11. TAX *(Continued)*

Deferred tax has not been provided as there were no significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes at the balance sheet date. The revaluation of the Group's properties is not considered to be a timing difference.

A deferred tax asset of HK$82,850,000 (2002: HK$78,602,000), related primarily to the Group's unutilised tax losses, has not been recognised in the financial statements.

12. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31st March, 2003 dealt with in the financial statements of the Company was HK$391,588,000 (2002: net profit of HK$714,000).

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders of HK$479,101,000 (2002: net profit of HK$3,156,000) and on 133,415,401 (2002: 133,415,401) ordinary shares in issue during the year, as adjusted to reflect the share consolidation after the balance sheet date.

Diluted earnings/(loss) per share amounts for the years ended 31st March, 2003 and 2002 have not been disclosed, as all of the convertible guaranteed bonds and share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the current year and basic earnings per share for the prior year.

14. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost:				
At 1st April, 2002	2,531	6,032	8,972	17,535
Additions	–	–	642	642
Disposals	–	(398)	(360)	(758)
At 31st March, 2003	**2,531**	**5,634**	**9,254**	**17,419**
Accumulated depreciation:				
At 1st April, 2002	275	4,604	6,435	11,314
Provided during the year	114	823	1,110	2,047
Disposals	–	(177)	(301)	(478)
At 31st March, 2003	**389**	**5,250**	**7,244**	**12,883**
Net book value:				
At 31st March, 2003	**2,142**	**384**	**2,010**	**4,536**
At 31st March, 2002	2,256	1,428	2,537	6,221

The leasehold land and buildings are situated in Mainland China and are held under long term leases.

14. FIXED ASSETS *(Continued)*

Company

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Total *HK$'000*
Cost:			
At 1st April, 2002	5,347	5,658	11,005
Additions	–	44	44
At 31st March, 2003	**5,347**	**5,702**	**11,049**
Accumulated depreciation:			
At 1st April, 2002	4,223	4,651	8,874
Provided during the year	752	505	1,257
At 31st March, 2003	**4,975**	**5,156**	**10,131**
Net book value:			
At 31st March, 2003	**372**	**546**	**918**
At 31st March, 2002	1,124	1,007	2,131

15. PROPERTIES UNDER DEVELOPMENT

Group

	2002 *HK$'000*	Additions *HK$'000*	Reclassified to properties held for sale *HK$'000*	Impairment *HK$'000*	**2003** ***HK$'000***
At cost	447,097	61,744	(179,267)	(103,518)	**226,056**
Development expenditure	277,474	27,610	(182,633)	(44,939)	**77,512**
	724,571	89,354	(361,900)	(148,457)	**303,568**

The additions to development expenditure included interest expense and other borrowing costs totalling HK$12,497,000 (2002: HK$42,047,000) incurred and capitalised during the year.

15. PROPERTIES UNDER DEVELOPMENT *(Continued)*

Details of the properties under development are as follows:

	2003	2002
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**161,283**	286,356
Mainland China	**–**	253,523
Long term leases:		
Mainland China	**92,464**	86,115
Freehold property in Canada	**49,821**	98,577
	303,568	724,571

Certain of the Group's properties under development were pledged to secure banking facilities granted to the Group as detailed in note 24.

16. INVESTMENT PROPERTIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
At 1st April	**893,150**	888,150
Additions, at cost	**132,461**	2,569
Revaluation surplus/(deficit)	**(94,836)**	2,431
At 31st March, at valuation	**930,775**	893,150
Analysis by type and location:		
Long term leasehold land and buildings in Hong Kong	**528,000**	500,000
Medium term leasehold land and buildings in Hong Kong	**215,000**	180,000
Freehold land and buildings in Malaysia	**187,775**	213,150
	930,775	893,150

At the balance sheet date, all of the investment properties were revalued on the basis of their open market values by Knight Frank or Henry Butcher, Lim & Long Sdn. Bhd. (chartered surveyors). The investment properties are leased to third parties under operating leases, further summary details of which are included in note 29 to the financial statements.

All the Group's investment properties were pledged to secure banking facilities granted to the Group as detailed in note 24.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**8**	8
Due from subsidiaries	**2,599,456**	2,563,518
Provision for impairment	**(693,238)**	(297,137)
	1,906,226	2,266,389
Due to subsidiaries	**(904,700)**	(926,214)
	1,001,526	1,340,175

The balances with subsidiaries are unsecured, interest-free, and have no fixed terms of repayment, except for an amount due from a subsidiary of HK$168,961,000 (2002: HK$162,166,000) which is not repayable in the foreseeable future. Although the remaining balances are technically currently repayable under the original terms of the transactions giving rise thereto, they have been deferred or subordinated for the longer term and are therefore classified as non-current.

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 particulars of subsidiaries which materially affected the results or assets and liabilities of the Group.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Champion Fine International Investment Limited*	British Virgin Islands	US$1	–	100	Investment holding
Champion Fine International Investments Inc.*	Canada	C$1	–	100	Property development
Champion Fine Phase One Inc.*	Canada	C$1	–	100	Property development

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chinney Property Management Limited	Hong Kong	HK$100	–	100	Property management
Cosmos Star Development Limited	Hong Kong	HK$100	–	55	Property development
Cosmos Wealth Development Limited	Hong Kong	HK$1,000	–	100	Property development
Crown Honour Developments Limited	Hong Kong	HK$2	100	–	Provision of nominee services
Debest Development Limited	Hong Kong	HK$2	–	100	Property development
Golden Country Development Limited	Hong Kong	HK$2	–	100	Property development
Hon Cheong Limited	Hong Kong	HK$2	–	100	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	HK$2	100	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.*#	Mainland China	HK$30,000,000	–	100	Property development
Hon Kwok Land Treasury II Limited	British Virgin Islands	US$1	100	–	Financing
Hon Kwok Project Management Limited	Hong Kong	HK$2	100	–	Project management

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Honbest Investment Limited	Hong Kong	HK$2	–	100	Property development
Honour Well Development Limited	Hong Kong	HK$2	–	100	Property holding and letting
Kensen Properties Limited	Hong Kong	HK$100	–	55	Property development
King Capital Development Limited	Hong Kong	HK$2	–	100	Property holding and letting
King Champion Limited	Hong Kong	HK$2	–	100	Property holding and letting
Nanhai Xin Da Real Estate Development Co., Ltd.*#	Mainland China	HK$90,480,000	–	80	Property development
Pacific Corporate Services Limited	Hong Kong	HK$2	100	–	Provision of corporate services
Prime Best Development Limited	Hong Kong	HK$2	–	100	Property development
Rich Winner Development Limited	Hong Kong	HK$100	–	55	Property development
Shenzhen Honkwok Huaye Development Co., Ltd.*#	Mainland China	RMB30,000,000	–	80	Property development

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Spark Eagle Development Limited	Hong Kong	HK$2	100	–	Property holding and letting
Star World Property Limited	Hong Kong	HK$2	–	100	Property development
Sunny Land Sdn Bhd	Malaysia	M$2	100	–	Property management
Victory Venture Development Limited	Hong Kong	HK$2	–	100	Property development
Wide Fame Investment Limited	Hong Kong	HK$2	–	100	Property development
Wise Pacific Investment Limited	Hong Kong	HK$10,000	–	60	Money lending

* *Not audited by Ernst & Young Hong Kong or other Ernst & Young Global member firms.*

\# *These subsidiaries are registered in the Mainland China as foreign enterprises with durations of businesses from 15 to 50 years.*

The subsidiaries operate in their place of incorporation/registration, except for Spark Eagle Development Limited which operates in Malaysia.

Except for Hon Kwok Land Treasury II Limited, none of the subsidiaries had any loan capital outstanding at the balance sheet date or at any time during the year.

The subsidiaries disposed of during the current and prior years did not have any significant impact on the Group's turnover and results.

The entire issued share capital of Champion Fine International Investment Limited and Spark Eagle Development Limited were pledged to Lucky Year, a substantial shareholder of the Company, as a counter-indemnity for certain banking facilities detailed in note 24.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

Share of profits and losses of jointly-controlled entities:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Operating profits	**1,454**	4,575

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets less liabilities, other than goodwill	**(96,896)**	(98,350)	**–**	–
	(96,896)	(98,350)	**–**	–
Due from jointly-controlled entities, net	**99,338**	132,152	**3,873**	3,873
	2,442	33,802	**3,873**	3,873

The Group's share of the post-acquisition accumulated losses of the jointly-controlled entities at 31st March, 2003 was HK$141,891,000 (2002: HK$143,345,000).

The amounts due from the jointly-controlled entities are unsecured, interest-free, and have no fixed terms of repayment. Although the amounts are technically currently receivable under the original terms of the transactions giving rise thereto, they have been deferred or subordinated for the longer term and are therefore classified as non-current.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Cenford Investments Limited	Corporate	Hong Kong	50	50	50	Property development
Global Wealth Development Limited	Corporate	Hong Kong	50	50	50	Property development
Hunnewell Limited	Corporate	Hong Kong	50	50	50	Property development
King Success Limited	Corporate	Hong Kong	50	50	50	Property development

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

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Extracts of the financial statements as at 31st March, 2003 of the above principal jointly-controlled entities are as follows:

	2003	2002
	HK$'000	*HK$'000*
Cenford Investments Limited		
Current assets	**103**	492
Current liabilities	**(249)**	(7,248)
Non-current liabilities	**(131,980)**	(122,888)
Income	**–**	91,625
Net profit/(loss) for the year	**(3,082)**	1,674
Global Wealth Development Limited		
Current assets	**158**	2,580
Current liabilities	**(7,761)**	(7,778)
Non-current liabilities	**(9,625)**	(11,080)
Income	**1,530**	8,500
Net profit/(loss) for the year	**(949)**	4,257
Hunnewell Limited		
Non-current assets	**9,037**	9,567
Current assets	**10,441**	10,224
Current liabilities	**(120)**	(1,386)
Income	**2,199**	1,448
Net profit/(loss) for the year	**1,089**	(177)
King Success Limited*		
Current assets	**42,311**	74,923
Current liabilities	**(8,397)**	(30)
Non-current liabilities	**(78,565)**	(125,909)
Income	**45,811**	124,652
Net profit for the year	**6,365**	3,741

* *The financial year end of this company is 31st December.*

19. INTEREST IN AN ASSOCIATE

	Group	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Share of net assets	**6,156**	6,156
Due from an associate	**8,701**	8,701
	14,857	14,857

The amount due from the associate is unsecured, interest-free, and has no fixed terms of repayment. Although the amount is technically currently receivable under the original terms of the transactions giving rise thereto, it has been deferred or subordinated for the longer term and is therefore classified as non-current.

Particulars of the associate are as follows:

Name	**Business structure**	**Place of registration and operation**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Guangzhou Li Du Property Development Co., Ltd.	Corporate	Mainland China	49	Property development

20. PROPERTIES HELD FOR SALE

The carrying amount of properties held for sale carried at net realisable value is HK$500,766,000 (2002: HK$759,439,000).

Properties held for sale included interest expense and other borrowing costs totalling HK$21,440,000 (2002: HK$5,757,000) incurred and capitalised during the year.

Certain of the Group's properties held for sale were pledged to secure banking facilities granted to the Group as detailed in note 24.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables are trade receivables of HK$46,834,000 (2002: HK$40,935,000). An aged analysis of trade receivables is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Current to 30 days	**45,885**	39,270
31 to 60 days	**837**	589
61 to 90 days	**81**	428
Over 90 days	**31**	648
Total	**46,834**	40,935

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided in full in case of non-recoverability.

The Company had no trade receivables included in prepayments, deposits and other receivables at the balance sheet date (2002: Nil).

22. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are trade payables of HK$4,769,000 (2002: HK$18,036,000). An aged analysis of trade payables is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Current to 30 days	**4,769**	18,036

The Company had no trade payables included in accounts payable and accrued liabilities at the balance sheet date (2002: Nil).

23. CONVERTIBLE GUARANTEED BONDS

	Group	
	2003	2002
	HK$'000	*HK$'000*
At 1st April	**300,000**	496,176
Issue of the 10% Bonds	**–**	300,000
Accretion of premium on redemption of the 5.3% Bonds	**–**	3,776
Repurchase of the 5.3% Bonds	**–**	(66,536)
Redemption of the 5.3% Bonds upon maturity	**–**	(433,416)
At 31st March	**300,000**	300,000
10% Bonds due 2003	**300,000**	300,000
Portion classified as current liabilities	**(300,000)**	–
Non-current portion	**–**	300,000

(a) 5.30% convertible guaranteed bonds due 2001 (the "5.3% Bonds")

On 5th July, 1996, the Group, through a wholly-owned subsidiary, issued the 5.3% Bonds, which were listed in Luxembourg, with a principal sum of US$55,000,000. An option to subscribe for additional bonds of US$5,000,000 was exercised by the managers of the bond issue on 11th July, 1996, thus aggregating the principal sum of the 5.3% Bonds to US$60,000,000. The 5.3% Bonds were unconditionally and irrevocably guaranteed by the Company and bore interest at the rate of 5.30% per annum. The bondholders had the right, at any time on or after 5th September 1996, up to and including 21st June, 2001, to convert the 5.3% Bonds into equity shares of the Company with a nominal value of HK$0.10 at a conversion price, subject to adjustment in certain events, of HK$2.44 per share, at a fixed rate of exchange of US$1 to HK$7.7415.

In the prior year, the Group repurchased a total nominal amount of US$7,325,000 of the 5.3% Bonds at premiums ranging from 16.36% to 17.20%, representing an aggregate consideration of HK$66,536,000. The remaining outstanding principal of US$47,090,000 of the 5.3% Bonds was redeemed at 118% of the principal amount on 5th July, 2001, for a total consideration of HK$433,416,000.

23. CONVERTIBLE GUARANTEED BONDS *(Continued)*

(b) 10% convertible guaranteed bonds due 2003 (the "10% Bonds")

On 18th April, 2001, the Group, through another wholly-owned subsidiary, issued unlisted 10% Bonds with a principal sum of HK$300 million. The 10% Bonds were unconditionally and irrevocably guaranteed by the Company and bore interest at the rate of 10% per annum. The bondholders had the right, at any time on or after 18th April, 2001, up to and including 19th March, 2003, to convert the 10% Bonds into equity shares of the Company with a nominal value of HK$0.10 at a conversion price, subject to adjustment in certain events, of HK$0.40 per share.

Unless previously purchased and cancelled, redeemed or converted, the 10% Bonds were to be redeemed at 100% of the principal amount on 22nd April, 2003, the next business day immediately after 18th April, 2003. The exercise in full of the conversion rights of the outstanding principal of the HK$300,000,000 10% Bonds by the bondholders would have, under the existing share structure of the Company as at the balance sheet date, resulted in the issue of an additional 750,000,000 new shares of HK$0.10 each. No exercise of the conversion rights was made during the year.

Subsequent to the balance sheet date, the 10% Bonds with a principal amount of HK$159 million were redeemed at par upon their maturity on 22nd April, 2003. The remaining 10% Bonds held by Chinney Investments with a principal amount of HK$141 million were redeemed at par upon completion of the rights issue on 21st May, 2003.

24. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts:				
Unsecured	**3,644**	–	**3,644**	–
Bank loans:				
Secured	**981,261**	984,134	**185,000**	150,000
Unsecured	**–**	20,000	**–**	20,000
	981,261	1,004,134	**185,000**	170,000
	984,905	1,004,134	**188,644**	170,000
Bank overdrafts repayable:				
Within one year or on demand	**3,644**	–	**3,644**	–
Bank loans repayable:				
Within one year or on demand	**450,711**	450,803	**150,000**	20,000
In the second year	**92,932**	182,066	**35,000**	150,000
In the third to fifth years, inclusive	**331,575**	108,765	**–**	–
Beyond five years	**106,043**	262,500	**–**	–
	981,261	1,004,134	**185,000**	170,000
	984,905	1,004,134	**188,644**	170,000
Portion classified as current liabilities	**(454,355)**	(450,803)	**(153,644)**	(20,000)
Non-current portion	**530,550**	553,331	**35,000**	150,000

Certain bank loans are secured by mortgages on certain investment properties, properties under development and properties held for sale, with a carrying value of approximately HK$1,626 million (2002: HK$1,907 million), and assignments of rental income. In addition, certain other bank loans are secured by cash deposits provided by a substantial shareholder of the Company. In the prior year, certain bank loans were secured by time deposits of the Group amounted to HK$25 million.

Irrevocable and unconditional guarantees have been given by the Company in respect of certain subsidiaries' borrowings. In addition, the Company has subordinated its loans to certain subsidiaries in favour of the relevant lending banks.

25. LOANS FROM MINORITY INTERESTS

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

26. SHARE CAPITAL

	Company	
	2003	2002
	HK$'000	*HK$'000*
Authorised:		
17,500,000,000 shares of HK$0.10 each	**1,750,000**	1,750,000
Issued and fully paid:		
1,334,154,019 shares of HK$0.10 each	**133,415**	133,415

Pursuant to a court order dated 17th October, 2000, the nominal value of the shares of the Company was adjusted from HK$0.50 to HK$0.10 by way of a capital reduction. The authorised share capital of the Company was restored to its original amount of HK$1,750,000,000 by the creation of an additional 14,000,000,000 new shares of HK$0.10 each at the same time.

As a result of the capital reduction, a credit of HK$533,658,876.40 based on the 1,334,147,191 shares of the Company then in issue was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

(a) shall not be treated as a realised profit; and

(b) shall, for so long as the Company remains a listed company (as defined in the Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof,

provided always that the amount standing to the credit of the special capital reserve may be reduced by (i) the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

27. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 16th September, 1993 for the primary purpose of providing incentives to any employee (including any executive director) of the Company or any of its subsidiaries and will expire on 16th September, 2003.

The maximum number of shares issued or which may be issued under the Scheme cannot exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued pursuant to the Scheme. As at the date of this report, the total number of shares available for issue under the Scheme is 31,889,750 shares, representing 9.6% of the existing issued share capital of the Company.

The number of shares in respect of which options granted or which may be granted to any grantee of the Company is not permitted to exceed 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

An option may be exercised at any time during a period not exceeding five years commencing one month after the date upon which the option is accepted and expiring on the last day of such period or 16th September, 2003, whichever is the earlier. The subscription price for the shares under the Scheme is the higher of: (i) 80% of the average closing price of the Company's shares on the five trading days immediately preceding the date of the offer of the options; and (ii) the nominal value per share of the Company.

Under the Scheme, the consideration for a grant of share option is HK$1.00 per grantee which must be paid on acceptance to the Company by the grantee within 28 days after the date of the offer of the options.

On 1st September, 2001, Chapter 17 of the Listing Rules was amended whereby if the Company wishes to continue to grant options under the Scheme on or after 1st September, 2001, it must also comply with the new requirements set out therein.

As at 1st April, 2002, Herman Man-Hei Fung, a director of the Company, had options to subscribe for 12,000,000 shares in the Company at an exercise price, subject to adjustment in certain events, of HK$0.70 per share. The options were granted on 23rd January, 1998 with an exercise period of five years from 16th March, 1998 to 15th March, 2003. Apart from the 12,000,000 options, there were no other outstanding share options of the Company.

The 12,000,000 options have not been exercised and were lapsed on 16th March, 2003. Apart from the above, no options were granted, exercised, cancelled or lapsed during the year.

28. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of the financial statements.

(b) Company

	Share premium account *HK$'000*	Special capital reserve *HK$'000*	Capital reserve *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1st April, 2001	126,628	533,659	647	10	413,443	1,074,387
Net profit for the year	–	–	–	–	714	714
At 31st March, 2002 and 1st April, 2002	126,628	533,659	647	10	414,157	1,075,101
Net loss for the year	–	–	–	–	(391,588)	(391,588)
At 31st March, 2003	**126,628**	**533,659**	**647**	**10**	**22,569**	**683,513**

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31st March, 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**24,196**	23,393
In the second to fifth years, inclusive	**8,262**	10,044
	32,458	33,437

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31st March, 2003, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**2,637**	2,582	**2,554**	2,423
In the second to fifth years, inclusive	**1,310**	3,864	**1,310**	3,864
	3,947	6,446	**3,864**	6,287

There are no amounts relating to jointly-controlled entities included in the above annual commitments under non-cancellable operating leases in respect of land and buildings (2002: Nil).

30. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to approximately HK$159,286,000 (2002: HK$227,916,000) at the balance sheet date.

There were no authorised and contracted capital commitments in respect of property development expenditure relating to jointly-controlled entities included in the above (2002: HK$5,622,000).

31. CONTINGENT LIABILITIES

(a)

	Group		**Company**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to:				
– subsidiaries	**–**	–	**796,261**	834,134
– a jointly-controlled entity	**11,765**	–	**11,765**	–
	11,765	–	**808,026**	834,134

As at 31st March, 2003, the bank facilities granted to the subsidiaries and a jointly-controlled entity, subject to guarantees given to the banks by the Company, were utilised to the extent of approximately HK$796,261,000 (2002: HK$834,134,000) and HK$11,765,000 (2002: Nil), respectively. The bank facilities guaranteed by the Group to a jointly-controlled entity were utilised to the extent of approximately HK$11,765,000 (2002: Nil).

31. CONTINGENT LIABILITIES *(Continued)*

(b) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of the Group, Joint Peace Investment Limited ("Joint Peace"), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK$41,000,000 or HK$69,300,000, representing the claim for loss of rental income or loss of interest on the purchase price, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. Under advice by its solicitors, an Amended Defence in respect thereof was filed by Joint Peace on 30th December, 1997. On the same date, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Joint Peace's solicitors to the plaintiff's solicitors.

Following consultation with legal advisers (in their capacity as the legal advisers of Joint Peace), the directors formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary in the Group's financial statements. There has been no further progress of the claim so far up to the date of this report.

(c) The Company is currently appealing against a tax assessment of approximately HK$2,959,000 raised by the Hong Kong Inland Revenue Department regarding the taxability of certain gain recognised in prior years. Having taken into account professional advices, the directors considered that the gain is capital in nature and no provision regarding this assessment is necessary in the financial statements.

32. POST BALANCE SHEET EVENTS

(a) Pursuant to an ordinary resolution passed on 22nd April, 2003, every 10 issued and unissued ordinary shares of HK$0.10 each of the Company were consolidated into one ordinary share of HK$1.00 (the "Consolidated Shares"). All the Consolidated Shares rank pari passu in all respects and have the same rights and privileges and are subject to the restrictions contained in the memorandum and articles of association of the Company. Subsequent to the share consolidation taking effect, the authorised share capital of the Company became HK$1,750,000,000, divided into 1,750,000,000 ordinary shares of HK$1.00 each.

(b) Pursuant to an ordinary resolution passed on 22nd April, 2003, a rights issue was made on the basis of three rights shares (the "Rights Shares") for every two existing shares held by shareholders on the register of members on 30th April, 2003, at a subscription price of HK$1.00 per Rights Share. This resulted in the issue of 200,123,100 Rights Shares of HK$1.00 each for a total cash consideration of HK$200,123,100. The net proceeds of approximately HK$195,000,000 from the issue of the Rights Shares have been utilised to partly finance the redemption of the 10% Bonds.

32. POST BALANCE SHEET EVENTS *(Continued)*

Upon completion of the Rights Issue on 21st May, 2003, in addition to the 94,842,711 Rights Shares to which Chinney Investments entitled under the Rights Issue, a further 73,367,367 additional shares of HK$1.00 each were issued to Chinney Investments pursuant to the Underwriting Agreement entered into between the Company and Chinney Investments on 12th February, 2003. As a result of the Rights Issue and the Underwriting Agreement, the total interest of Chinney Investments in the Company increased from 47.39% to 69.39% of the total issued share capital of the Company and Chinney Investments has thus become the ultimate holding company of the Company.

(c) Subsequent to the balance sheet date, the 10% Bonds with a principal amount of HK$300 million were fully redeemed at par by the Group.

(d) On 31st March, 2003, the Group entered into a sale and purchase agreement with an independent third party, for the acquisition of 60% of the issued share capital of Island Parking Limited (formerly known as Guangdong Parking Limited), together with the assignment of shareholder's loans at a total consideration of HK$63 million. The transaction was completed on 2nd May, 2003.

33. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15th July, 2003.