

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Kompas International Limited, a company incorporated in the British Virgin Islands.

The principal activities of the Group are investment holding, property dealing, decoration contractor and trading, provision of corporate management services, and investment and financing. The Group was also previously involved in the property investment and ship chartering, which operations were discontinued during last year.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas associates at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash Flow Statements

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings, namely, operating, investing and financing, rather than the previous five headings. Interests received, dividend and interests paid, which were previously presented under a separate heading, are classified as investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The change in exchange rates used for translation of the cash flows of overseas operations has not had any material effect on the results for the current or prior accounting periods.

Discontinuing Operations

SSAP 33 "Discontinuing Operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group property investment and ship chartering as discontinued operations in the prior year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

Employee Benefits

In the current year, the Company has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or after 1st April 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions on or after 1st April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Revenue recognition

Income from property sales is recognised on the execution of a binding sales agreement.

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

Trading sales are recognised when the goods are delivered and title has passed.

Income from sale of investment in securities is recognised on a trade date basis.

When the outcome of a decoration contract can be estimated reliably, revenue from fixed price decoration contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in decoration work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a decoration contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable to be recovered.

Revenue from long-term service contracts, is recognised on the basis of work done when contracts have progressed to the point where a profitable outcome can prudently be foreseen.

Management fee income and consultancy fee income are recognised when the relevant services are rendered.

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

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

Other service income is recognised when services are rendered.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the relevant lease
Buildings	Over the shorter of the lease term, and 20 years
Machinery, equipment and motor vehicles	5% – 33 ¹ / ₃ %
Furniture and fixtures	2% – 20%
Leasehold improvements	20% or over the life of the lease, if shorter

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

Capitalisation of 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.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Investments in subsidiaries

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

Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets/liabilities of the associates, less any identified impairment loss.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

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

All securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in investment revaluation reserve, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

Investments in limited partnerships

Investments in limited partnerships are included in the Group's balance sheet at cost less any identified impairment loss. The results of the limited partnership are accounted for under the equity method of accounting in the consolidated financial statements.

Inventories and work in progress and payments received on account

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

Contract work in progress, other than that of construction contract, is valued at cost plus estimated attributable profits, less foreseeable losses and progress payments received and receivable. Cost comprises direct materials, labour and overheads attributable to bringing the work in progress to its present location and condition. For contracts where progress payments received and receivable exceed costs incurred to date plus estimated attributable profits less foreseeable losses, the surplus is shown as payments received on account and is shown as a current liability.

Estimated attributable profit is recognised on the basis of work done when contracts have progressed to the point where a profitable outcome can prudently be foreseen. Anticipated losses are fully provided for on contracts when they are identified.

Decoration contracts

When the outcome of a decoration contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a decoration contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

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

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

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollar are translated at rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Profits and losses arising on consolidation are dealt with in the exchange reserve.

Operating leases

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

Retirement benefit costs

Payments to the retirement contribution schemes are charged as expenses as they fall due.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

4. TURNOVER

	2003 HK\$	2002 HK\$
Consultancy fee income	3,000,000	3,532,040
Dividend income	4,465	5,970
Income from decoration contracts	13,100,179	949,096
Income from property sales	–	17,453,185
Interest income	–	1,717,856
Management fee income	3,230,120	7,707,870
Rentals income from investment properties	–	18,620,009
Ship charter income	–	5,144,035
Trading sales	27,576,666	23,398,008
Other service income	–	14,315
	<u>46,911,430</u>	<u>78,542,384</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions – decoration contractor and trading of building supplies, property dealing, management and consultancy services and investment and financing. These divisions are the basis on which the Group reports its primary segment information. During last year, the Group discontinued its operations in property leasing and ship chartering.

Segment information about these businesses is presented below:

2003

	Decoration contractor and trading HK\$	Management and consultancy services HK\$	Investment and financing HK\$	Property dealing HK\$	Consolidated HK\$
TURNOVER	<u>40,676,845</u>	<u>6,230,120</u>	<u>4,465</u>	<u>–</u>	<u>46,911,430</u>
RESULT					
Segment result	<u>210,460</u>	<u>155,246</u>	<u>(31,219,536)</u>	<u>(1,421,514)</u>	<u>(32,275,344)</u>
Unallocated corporate expenses					<u>(14,098,286)</u>
Loss from operations					<u>(46,373,630)</u>
Finance costs					<u>(273,871)</u>
Gain on disposal of subsidiaries					<u>610,091</u>
Share of results of associates			<u>(15,436,516)</u>		<u>(15,436,516)</u>
Loss before taxation					<u>(61,473,926)</u>
Taxation					<u>(361,111)</u>
Loss before minority interests					<u>(61,835,037)</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2003 (Continued)

BALANCE SHEET

	Decoration contractor and trading <i>HK\$</i>	Management and consultancy services <i>HK\$</i>	Investment and financing <i>HK\$</i>	Property dealing <i>HK\$</i>	Consolidated <i>HK\$</i>
ASSETS					
Segment assets	<u>37,639,849</u>	<u>1,738,887</u>	<u>87,836,016</u>	<u>52,033,736</u>	179,248,488
Interest in associates			83,167,406		83,167,406
Unallocated corporate assets					<u>443,388</u>
Consolidated total assets					<u>262,859,282</u>
LIABILITIES					
Segment liabilities	<u>20,029,756</u>	<u>337,480</u>	<u>27,584,135</u>	<u>8,123,253</u>	56,074,624
Unallocated corporate liabilities					<u>36,042,524</u>
Consolidated total liabilities					<u>92,117,148</u>
OTHER INFORMATION					
Additions to property, plant and equipment	19,836	23,428	41,230	–	84,494
Depreciation and amortisation	140,337	25,263	1,219,224	2,736,386	4,121,210
Allowances for doubtful debts	121,200	–	448,557	–	569,757
Allowances for inventories	2,000,000	–	–	–	2,000,000
Unrealised loss on investments in securities	–	–	56,997	–	56,997
Interest capitalised in associates written off	–	–	222,250	–	222,250
Impairment loss recognised in respect of investment in securities	–	–	<u>27,881,000</u>	–	<u>27,881,000</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2002

	Continuing operations					Discontinued operations		Consolidated HK\$
	Decoration contractor and trading HK\$	Management and consultancy services HK\$	Investment and financing HK\$	Others HK\$	Property dealing HK\$	Property leasing HK\$	Ship chartering HK\$	
	TURNOVER	24,347,104	11,239,910	1,723,826	14,315	17,453,185	18,620,009	
RESULT								
Segment result	(11,409,734)	52,494	(18,045,879)	-	(10,995,896)	15,124,551	(5,327,056)	(30,601,520)
Unallocated corporate expenses								(31,178,257)
Loss from operations								(61,779,777)
Finance costs								(1,356,114)
Gain on disposal of subsidiaries								164,395,431
Impairment loss recognised in respect of interest in a limited partnership			(3,817,500)					(3,817,500)
Share of results of associates			(13,687,883)					(13,687,883)
Profit before taxation								83,754,157
Taxation								(848,454)
Profit before minority interests								82,905,703

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2002 (Continued)

BALANCE SHEET

	Continuing operations				Discontinued operations		Consolidated HK\$
	Decoration contractor and trading HK\$	Management and consultancy services HK\$	Investment and financing HK\$	Property dealing HK\$	Property leasing HK\$	Ship chartering HK\$	
ASSETS							
Segment assets	<u>33,436,589</u>	<u>9,058,829</u>	<u>95,333,443</u>	<u>62,132,839</u>	<u>-</u>	<u>-</u>	199,961,700
Interest in associates			97,787,887				97,787,887
Unallocated corporate assets							<u>443,388</u>
Consolidated total assets							<u>298,192,975</u>
LIABILITIES							
Segment liabilities	<u>6,342,673</u>	<u>692,517</u>	<u>31,941,198</u>	<u>7,423,690</u>	<u>-</u>	<u>-</u>	46,400,078
Unallocated corporate liabilities							<u>37,754,052</u>
Consolidated total liabilities							<u>84,154,130</u>
OTHER INFORMATION							
Additions to property, plant and equipment	36,194	74,596	687,859	28,350	-	3,474,999	4,301,998
Depreciation and amortisation	485,041	2,139,336	2,531,189	2,827,722	-	1,485,196	9,468,484
Allowances for doubtful debts	-	1,059,329	12,641,920	-	-	-	13,701,249
Allowances for loan to associates	-	-	11,440,069	-	-	-	11,440,069
Unrealised loss on investments in securities	-	-	272,791	-	-	-	272,791
Impairment loss recognised in respect of interest in a limited partnership	<u>-</u>	<u>-</u>	<u>3,817,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,817,500</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in Hong Kong, the PRC and South East Asia and the United Kingdom and other areas.

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

	Turnover	
	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Hong Kong	19,094,693	33,994,614
The PRC and South East Asia	27,816,737	39,399,799
United Kingdom and other areas	–	5,147,971
	<u>46,911,430</u>	<u>78,542,384</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 <i>HK\$</i>	2002 <i>HK\$</i>	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Hong Kong	180,196,930	197,309,878	55,079	711,012
The PRC and South East Asia	82,662,352	100,883,097	29,415	115,987
United Kingdom and other areas	–	–	–	3,474,999
	<u>262,859,282</u>	<u>298,192,975</u>	<u>84,494</u>	<u>4,301,998</u>

6. OTHER OPERATING INCOME

	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Exchange gain	–	647,914
Interest on bank deposits	134,682	–
Others	1,559,915	2,648,039
	<u>1,694,597</u>	<u>3,295,953</u>

Notes to the Financial Statements

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7. LOSS FROM OPERATIONS

	2003	2002
	HK\$	HK\$
Loss from operations has been arrived at after charging:		
Auditors' remuneration		
– current year	584,874	678,342
– overprovision in the previous years	(16,000)	(411,100)
	568,874	267,242
Depreciation on property, plant and equipment	4,121,210	9,468,484
Exchange loss	173,782	–
Loss on disposal of property, plant and equipment	10,060	738,152
Rental under operating leases on land and buildings	1,056,000	2,332,815
Retirement benefits costs	241,376	963,084
Interest capitalised in associates written off	222,250	–
Staff costs	10,293,352	22,377,316
and after crediting:		
Property rental income arising from operating leases		
less nil (2002: HK\$2,679,872) outgoings	–	15,940,137

8. FINANCE COSTS

	2003	2002
	HK\$	HK\$
Interest on:		
Bank loans and overdrafts repayable		
– wholly repayable within five years	273,871	453,123
– not wholly repayable within five years	–	1,937,888
	273,871	2,391,011
Less: Amount capitalised to vessels during the year	–	(1,034,897)
	273,871	1,356,114

Borrowing costs capitalised in prior year arose on the general borrowing pool and were calculated by applying a capitalisation rate of 5.2% to expenditure on qualifying assets.

Notes to the Financial Statements

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9. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

No emoluments were paid to directors for both years.

Five Highest Paid Employees

	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Salaries and other emoluments	2,982,240	3,732,000
Retirement benefits scheme contributions	36,000	47,600
	<u>3,018,240</u>	<u>3,779,600</u>

	THE GROUP	
	2003	2002
	No. of employees	
HK\$Nil – HK\$1,000,000	<u>5</u>	<u>5</u>

10. TAXATION

	2003 <i>HK\$</i>	2002 <i>HK\$</i>
The tax charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	–	–
Overseas taxation	361,111	848,454
	<u>361,111</u>	<u>848,454</u>

No provision for Hong Kong Profits Tax was made as the Group has no assessable profits for the year. Overseas taxes have been calculated at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

A deferred tax asset of HK\$19,163,000 (2002: HK\$15,869,000) has not been recognised in the financial statements of the Group and the Company in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in foreseeable future.

11. SPECIAL DISTRIBUTION

The amount represented special distribution of HK\$1.626 per share paid from contributed surplus for the year ended 31st March 2002.

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12. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on the consolidated loss for the year of HK\$56,689,304 (2002: profit of HK\$76,975,467) and on 535,359,258 (2002: 535,359,258) ordinary shares in issue during the year.

No diluted (loss) earnings has been presented as there were no dilutive potential ordinary shares in issue in either 2003 or 2002.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$</i>	Machinery, equipment and motor vehicles <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP					
COST					
At 1st April 2002	35,286,877	7,464,815	15,775,555	16,838,993	75,366,240
Exchange adjustment	(93,352)	(3,993)	(7,336)	(5,431)	(110,112)
Additions	–	17,879	65,265	1,350	84,494
Eliminated on disposals of subsidiaries	–	(208,149)	(401,452)	(4,250,267)	(4,859,868)
Disposals	–	(379,700)	(69,802)	–	(449,502)
At 31st March 2003	<u>35,193,525</u>	<u>6,890,852</u>	<u>15,362,230</u>	<u>12,584,645</u>	<u>70,031,252</u>
ACCUMULATED DEPRECIATION					
At 1st April 2002	29,386,000	6,248,994	4,378,833	13,816,966	53,830,793
Exchange adjustment	(17,209)	(3,567)	(6,500)	(2,976)	(30,252)
Charge for the year	1,588,917	640,439	858,927	1,032,927	4,121,210
Eliminated on disposals of subsidiaries	–	(160,056)	(284,696)	(4,132,364)	(4,577,116)
Eliminated on disposals	–	(379,699)	(54,276)	–	(433,975)
At 31st March 2003	<u>30,957,708</u>	<u>6,346,111</u>	<u>4,892,288</u>	<u>10,714,553</u>	<u>52,910,660</u>
NET BOOK VALUES					
At 31st March 2003	<u>4,235,817</u>	<u>544,741</u>	<u>10,469,942</u>	<u>1,870,092</u>	<u>17,120,592</u>
At 31st March 2002	<u>5,900,877</u>	<u>1,215,821</u>	<u>11,396,722</u>	<u>3,022,027</u>	<u>21,535,447</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Land and buildings are situated in the PRC and held under medium-term leases.

	Leasehold improvements <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Office equipment and machinery <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY					
COST					
At 1st April 2002	8,374,061	1,367,585	4,762,313	65,000	14,568,959
Additions	–	35,850	5,380	–	41,230
Disposals	–	–	(314,700)	(65,000)	(379,700)
At 31st March 2003	8,374,061	1,403,435	4,452,993	–	14,230,489
ACCUMULATED DEPRECIATION					
At 1st April 2002	7,003,476	972,288	4,256,151	64,999	12,296,914
Charge for the year	573,198	137,427	288,599	–	999,224
Eliminated on disposals	–	–	(314,700)	(64,999)	(379,699)
At 31st March 2003	7,576,674	1,109,715	4,230,050	–	12,916,439
NET BOOK VALUES					
At 31st March 2003	797,387	293,720	222,943	–	1,314,050
At 31st March 2002	1,370,585	395,297	506,162	1	2,272,045

Notes to the Financial Statements

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14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$	HK\$
Unlisted shares, at cost	224,552,753	224,552,753
Shareholders' loans	136,161,038	136,161,038
Amounts due therefrom	181,529,207	237,000,000
Less: Impairment loss	(123,601,042)	(116,965,586)
	<u>418,641,956</u>	<u>480,748,205</u>

The shareholders' loans and the amounts due from subsidiaries are unsecured, interest free and will not be repayable within one year.

The impairment loss recognised mainly represents the write off the investment costs of certain subsidiaries and write down of loans and amounts due therefrom to the recoverable amounts.

As at 31st March 2003, one of the subsidiaries, Shanghai Qiao-Yi Real Estate Co., Ltd., was undergoing voluntary dissolution. However, on 24th June 2003, an agreement was signed with the other PRC minority shareholder to rescind the voluntary dissolution and to continue to develop the remaining parcel of land. Details of which is disclosed in the Post Balance Sheet Events on note 33.

Particulars of the principal subsidiaries are set out in note 32.

15. INTEREST IN ASSOCIATES

	THE GROUP	
	2003	2002
	HK\$	HK\$
Share of net assets	65,466,173	81,292,681
Shareholders' loans, less allowances	17,701,233	16,495,206
	<u>83,167,406</u>	<u>97,787,887</u>

	THE COMPANY	
	2003	2002
	HK\$	HK\$
Unlisted share, at cost	1	1
Amount due therefrom, less impairment loss	9,497,256	8,291,229
	<u>9,497,257</u>	<u>8,291,230</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

15. INTEREST IN ASSOCIATES (Continued)

The shareholders' loans and the amounts due from the associate are unsecured, interest free and will not be repayable within one year.

The following table lists only the particulars of the Group's associate at 31st March 2003 which principally affects the results or net assets of the Group as the directors are of the opinion that a complete list of all the associates will be of excessive length.

Name of associate	Form of business structure	Country of incorporation	Principal country of operation	Nominal value of capital contribution	Proportional of nominal value of registered capital held indirectly by the Company	Principal activities
Nanjing Dingshan Garden Hotel Co. Ltd.	Incorporated	The People's Republic of China	The People's Republic of China	US\$25,600,000	45%	Hotel business

The following details have been extracted from the management accounts of Nanjing Dingshan Garden Hotel Company Limited.

Results for the year

	2003 HK\$	2002 HK\$
Turnover	<u>107,078,526</u>	<u>60,197,717</u>
Loss from ordinary activities before taxation	<u>(34,165,556)</u>	<u>(29,619,956)</u>
Loss from ordinary activities before taxation attributable to the Group	<u>(15,374,500)</u>	<u>(13,328,980)</u>

Financial position

	2003 HK\$	2002 HK\$
Non-current assets	443,512,535	439,307,234
Current assets	37,776,571	56,231,032
Current liabilities	(78,110,239)	(100,616,082)
Non-current liabilities	<u>(254,475,000)</u>	<u>(211,680,000)</u>
Net assets	<u>148,703,867</u>	<u>183,242,184</u>
Net assets attributable to the Group	<u>66,916,740</u>	<u>82,458,983</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

16. INVESTMENT IN SECURITIES

THE GROUP

	Trading securities		Other securities		Total	
	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity securities:						
Listed in Hong Kong	42,058	99,055	14,595,000	31,050,000	14,637,058	31,149,055
Unlisted	-	-	4,349,000	2,893,000	4,349,000	2,893,000
	<u>42,058</u>	<u>99,055</u>	<u>18,944,000</u>	<u>33,943,000</u>	<u>18,986,058</u>	<u>34,042,055</u>
Market value of listed securities:						
Hong Kong	<u>42,058</u>	<u>99,055</u>	<u>14,595,000</u>	<u>31,050,000</u>	<u>14,637,058</u>	<u>31,149,055</u>
Carrying amount analysed for reporting purposes as:						
Current	42,058	99,055	-	-	42,058	99,055
Non-current	-	-	18,944,000	33,943,000	18,944,000	33,943,000
	<u>42,058</u>	<u>99,055</u>	<u>18,944,000</u>	<u>33,943,000</u>	<u>18,986,058</u>	<u>34,042,055</u>

During the year, an impairment loss of HK\$27,881,000 (2002: nil) was recognised to income statement by crediting the investment revaluation reserve. The amount represented the write off of investment costs of certain other securities to their recoverable amounts.

17. INTEREST IN A LIMITED PARTNERSHIP

	THE GROUP	
	2003	2002
	HK\$	HK\$
Share of net assets	<u>-</u>	<u>-</u>

Particulars of the limited partnership as at 31st March 2003 were as follows:

Name	Place of registration	Call up capital contribution	Percentage owned by the Group	Business activities
Monterey Atlantic Place	Los Angeles, USA	US\$2,250,000	4.058%	Property investment

At 31st March 2002, an impairment loss of HK\$3,817,500 had been recognised to write off the carrying amounts of assets held by the limited partnership which had no recoverable amounts.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

18. OTHER RECEIVABLES

THE GROUP AND THE COMPANY

The amounts are unsecured and interest free.

19. INVENTORIES AND WORK IN PROGRESS

	THE GROUP	
	2003	2002
	HK\$	HK\$
Raw materials and consumables	2,617,988	44,335
General merchandises	2,447,161	3,686,300
Properties held for sale	39,464,888	45,690,056
Contracts in progress (<i>note 21</i>)	9,518,913	140,087
	<u>54,048,950</u>	<u>49,560,778</u>

The cost of inventories recognised as an expense during the year was HK\$33,305,046 (2002: HK\$28,852,269).

At the balance sheet date, all of the general merchandises and properties held for sale were carried at net realisable value.

20. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade debtors of HK\$10,555,578 (2002: HK\$16,704,981). The Group allows an average credit period of 90 days to trade debtors. The aged analysis of trade debtors is as follows:

	THE GROUP	
	2003	2002
	HK\$	HK\$
Aged:		
0 to 60 days	8,264,088	9,144,309
61 to 90 days	516,418	3,131,687
More than 90 days	1,775,072	4,428,985
	<u>10,555,578</u>	<u>16,704,981</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

21. PAYMENT RECEIVED ON ACCOUNTS

	THE GROUP	
	2003	2002
	HK\$	HK\$
Cost incurred to date plus estimated attributable profits less foreseeable losses	23,027,702	1,088,443
Less: Progress payments received and receivable	(13,508,789)	(948,706)
	<u>9,518,913</u>	<u>139,737</u>
Represented by:		
Contracts in progress in current assets (<i>note 19</i>)	9,518,913	140,087
Payments received on accounts included in current liabilities	—	(350)
	<u>9,518,913</u>	<u>139,737</u>

22. ACCOUNTS PAYABLE AND ACCRUED CHARGES

Included in accounts payable and accrued charges are trade creditors of HK\$2,911,847 (2002: HK\$7,937,621). The aged analysis of trade creditors is as follows:

	THE GROUP	
	2003	2002
	HK\$	HK\$
Aged:		
0 to 60 days	1,194,022	235,091
61 to 90 days	282,847	16,313
More than 90 days	1,434,978	7,686,217
	<u>2,911,847</u>	<u>7,937,621</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

23. SHARE CAPITAL

	Number of shares		Share capital	
	2003	2002	2003 HK\$	2002 HK\$
Authorised:				
At beginning of the year				
Ordinary shares of HK\$0.1 (2002: HK\$1) each	8,500,000,000	850,000,000	850,000,000	850,000,000
Increase in number of shares by sub-division of shares from HK\$1 to HK\$0.1 each (<i>note</i>)	—	7,650,000,000	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At the end of the year				
Ordinary shares of HK\$0.1 each	<u>8,500,000,000</u>	<u>8,500,000,000</u>	<u>850,000,000</u>	<u>850,000,000</u>
Issued and fully paid:				
At beginning of the year				
Ordinary shares of HK\$0.1 (2002: HK\$1)	535,359,258	535,359,258	53,535,926	535,359,258
Reduction of share capital by sub-division of shares from HK\$1 to HK\$0.1 each (<i>note</i>)	—	—	—	(481,823,332)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At the end of the year				
Ordinary shares of HK\$0.1 each	<u>535,359,258</u>	<u>535,359,258</u>	<u>53,535,926</u>	<u>53,535,926</u>

Note:

Pursuant to a special resolution passed at special general meeting held on 5th October 2001, every share of HK\$1.00 in the unissued share capital of the Company which shall include those unissued shares arising from the reduction of issued share capital was sub-divided into ten shares of HK\$0.1 each. The number of authorised shares were increased by 7,650,000,000 due to this capital restructuring.

The issued share capital of the Company was reduced from HK\$535,359,258 to HK\$53,535,926 by cancelling paid up capital to the extent of HK\$0.9 on each of the shares in issue on the date of the special resolution mentioned above so that each issued share of HK\$1.00 in the capital of the Company was treated as one fully paid up share of HK\$0.10 in the capital of the Company.

The entire share premium account of the Company was eliminated with its balance transferred to the contributed surplus account of the Company.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

24. RESERVES

	Capital redemption reserve <i>HK\$</i>	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Deficit <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY					
At 1st April 2001	2,382,000	718,599,024	66,889,494	(336,654,564)	451,215,954
Transfer of share premium to contributed surplus	-	(718,599,024)	718,599,024	-	-
Decrease in par value of ordinary share	-	-	481,823,332	-	481,823,332
Net profit for the year	-	-	-	19,200,604	19,200,604
2002 special distribution - paid	-	-	(870,494,154)	-	(870,494,154)
	<u>2,382,000</u>	<u>-</u>	<u>396,817,696</u>	<u>(317,453,960)</u>	<u>81,745,736</u>
At 31st March 2002 and 1st April 2002	2,382,000	-	396,817,696	(317,453,960)	81,745,736
Net loss for the year	-	-	-	(25,877,976)	(25,877,976)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,877,976)</u>	<u>(25,877,976)</u>
At 31st March 2003	<u>2,382,000</u>	<u>-</u>	<u>396,817,696</u>	<u>(343,331,936)</u>	<u>55,867,760</u>

As at 31st March 2003, the Company's reserves available for distribution in accordance with The Companies Act 1981 of Bermuda (as amended) consist of contributed surplus and deficit of aggregate of HK\$53,485,760 (2002: HK\$79,363,736).

The contributed surplus comprises the difference of HK\$66,889,494 between the consolidated shareholders' funds of Parkview Property Development Limited (Formerly known as Ming Ren Investment and Enterprises Limited) as at 24th November 1992 and the nominal amount of the Company's shares allotted under a Scheme of Arrangement completed on that date and HK\$1,200,422,356 from the elimination of the entire share premium account and reduction of par value of the issued capital from HK\$1 to HK\$0.10 of the Company at the time of the capital restructuring of the Group as at 7th November 2001. Under the Bye-laws of the Company, distributions may be made out of contributed surplus.

25. LOANS FROM MINORITY SHAREHOLDERS

THE GROUP

The loans are unsecured, interest free and the amounts not repayable within one year are classified as non-current liabilities.

26. AMOUNTS DUE TO SUBSIDIARIES

THE COMPANY

The amounts are unsecured, interest free and are not repayable within one year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

27. DISPOSAL OF SUBSIDIARIES

	2003	2002
	HK\$	HK\$
Investment properties	–	659,500,000
Property, plant and equipment	282,752	112,722,211
Property under development	–	77,842,288
Interest in associates	–	33,887,910
Investments in securities	–	6,026,556
Inventories	135,555	116,520,164
Accounts receivable and prepayments	1,486,463	19,949,052
Amounts due from related companies	–	5,466,326
Bank balances and cash	471,744	26,119,883
Accounts payable and accrued charges	(1,950,117)	(34,710,154)
Loan from minority shareholder	(1,400,000)	–
Amount due to an associate	–	(33,649)
Amounts due to related companies	–	(6,694,760)
Tax payable	–	(92,045,840)
Bank loans	–	(72,486,630)
Bank overdrafts	–	(7,840,340)
	<hr/>	<hr/>
Net (liabilities) assets disposed of	(973,603)	844,223,017
Goodwill (negative goodwill)	1,404,033	(8,269,172)
Exchange reserves	–	(2,509,621)
Investment property revaluation reserve	–	(157,476,498)
Minority interests	(1,040,521)	–
Gain on disposal	610,091	164,395,431
	<hr/>	<hr/>
Satisfied by cash consideration	–	840,363,157
	<hr/> <hr/>	<hr/> <hr/>
Net cash inflow arising on disposal:		
Cash consideration	–	840,363,157
Bank balances and cash disposed of	(471,744)	(26,119,883)
Bank overdrafts eliminated	–	7,840,340
	<hr/>	<hr/>
	(471,744)	822,083,614
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of during the current year made no significant contribution to the Group in respect of the cash flows, turnover and net loss attribution to the Group's loss from operations.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

28. COMMITMENTS

(a) Capital commitments

At 31st March 2003, the Group had contracted for approximately HK\$70 million of unpaid capital contribution to one of its subsidiaries in the PRC. This subsidiary was under a process of voluntary dissolution, no further commitment was required under this circumstance.

(b) Lease commitments

Operating lease payments represent rental payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for terms of 2 years.

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$	HK\$
Within one year	264,000	1,056,000
In the second to fifth year inclusive	—	264,000
	264,000	1,320,000

At the balance sheet date, the Company did not have any commitments under non-cancellable operating leases.

At the balance sheet, the Group and the Company did not have any future minimum lease payments contracted with tenants.

29. RETIREMENT BENEFITS SCHEME

- (a) Effective 1st December 2000, the Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The total amount contributed by the Group to the MPF Scheme and charged to the income statement was HK\$241,376 (2002: HK\$934,890).
- (b) In accordance with regulations issued by the Shanghai Municipal Government, the People’s Republic of China, a subsidiary is required to make contributions to a defined contribution retirement fund which is administered by the labour bureau of the local government. The subsidiary is required to contribute 25.5% of the basic salary of its staff. The subsidiary has no material obligation for the pension payment or any post-retirement benefits beyond the annual contributions described above. No retirement fund was contributed for the year ended 31st March 2003 (2002: HK\$28,194).

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

30. CONTINGENT LIABILITIES

	THE COMPANY	
	2003	2002
	HK\$	HK\$
Corporate guarantee given to banks in respect of banking facilities utilised by a subsidiary	10,692,034	–

At the balance sheet date, the Group did not have any contingent liabilities.

31. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties, including key management personnel and companies controlled or significantly influenced by management of the Group:

	Associates		Related companies (v)		Directors	
	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Trade sale to (i)	–	–	–	–	–	195,837
Management income received from (i)	1,322,400	1,374,600	–	–	–	–
Net management fee received from (iii)	–	–	–	4,347,187	–	–
Clubhouse subscription fee paid to (ii)	–	–	–	184,000	–	–
Carpark rental and building management fee paid to (ii)	–	–	101,016	891,038	–	–
General expenses paid to (ii)	–	–	3,722,668	6,908,663	–	–
Amount due from (iv)	51,238,665	38,633,643	4,296,984	4,109,963	–	–
Amount due to (iv)	–	–	29,574,397	24,483,984	–	–
Loans to (iv)	17,701,233	16,495,206	–	–	–	–

- (i) All such income was determined by the Company's directors based on estimated market value.
- (ii) All these expenses were determined by the Company's directors based on estimated market value.
- (iii) The amount represented the net receipt of management fee for providing management services to the serviced apartments and clubhouse. The amounts were agreed by both parties.
- (iv) The amounts are unsecured, interest free and the amounts repayable within one year are classified as current assets/liabilities. Loans to associates are net of allowances of HK\$2,957,123 (2002: HK\$2,957,123).
- (v) Certain directors of the related companies are also the Company's directors.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31st March 2003 which principally affect the results or net assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. All the following subsidiaries are operating principally in Hong Kong except otherwise indicated.

Name of subsidiary	Place/ country of incorporation	Class of share held	Paid up issued share capital/capital contribution	Proportional of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
China Garden Limited	British Virgin Islands	Ordinary	US\$30	–	70	Investment in a limited partnership
Dragon Spirit Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Gallaria Furnishings International Limited (<i>note a</i>)	Hong Kong	Ordinary	HK\$2,000,020	–	100	General trading
Hebo Urge Company Limited	Hong Kong	Ordinary	HK\$2	100	–	Painting owner
Hong Kong Parkview (China) Limited	Hong Kong	Ordinary	HK\$10,000,000	–	100	Investment holding
Hong Kong Parkview (Finance) Limited	Hong Kong	Ordinary	HK\$2	100	–	Refinancing and money lending
Hong Kong Parkview International Limited	Hong Kong	Ordinary	HK\$2	–	100	Investment holding
Hong Kong Parkview International Management Limited	Hong Kong	Ordinary	HK\$2	–	100	Personnel management
Interlink Associates Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Jiangsu Parkview Hotels and Resorts Limited (<i>note b</i>)	British Virgin Islands	Ordinary	US\$100	–	55	Hotel management and consultancy services
Multi Gain Management Limited	Hong Kong	Ordinary	HK\$2	–	100	Investment holding

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/ country of incorporation	Class of share held	Paid up issued share capital/capital contribution	Proportional of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Newmeadow Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Parkview International Trading Limited	British Virgin Islands	Ordinary	US\$1	100	–	Investment holding
Parkview Management Services Limited	British Virgin Islands	Ordinary	US\$4	100	–	Investment holding
Parkview Property Development Limited	Hong Kong	Ordinary	HK\$1,000	100	–	Investment holding and capital market investment
Shanghai Parkview Real Estate Management Co., Ltd. (note b)	The People's Republic of China	N/A	US\$500,000	–	55	Property management
Shanghai Qiao-Yi Real Estate Co., Ltd. (note b)	The People's Republic of China	N/A	US\$10,000,000	–	80	Property development
張家港保稅區港麗國際 貿易有限公司 (note c)	The People's Republic of China	N/A	US\$200,000	–	100	Manufacturing of household and kitchen appliances and interior wooden-made decoration

Notes:

- (a) Operating internationally.
- (b) Sino-foreign equity joint ventures and operating in the People's Republic of China.
- (c) Wholly foreign owned enterprise and operating in the People's Republic of China.

None of the subsidiaries had issued any debt securities.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH 2003

33. POST BALANCE SHEET EVENTS

On 24th June 2003, an agreement was signed between the Group and the other PRC minority shareholder in respect of a Group's subsidiary to:

- (1) rescind the voluntary dissolution;
- (2) continue to sell the completed units in order to repay the shareholders' loans from both parties. Any remaining surplus proceeds and units to be distributed among the shareholders according to their revised respective shares; and
- (3) develop the remaining parcel of land under the same joint venture with new terms.

34. COMPARATIVE FIGURES

Certain comparative figures had been reclassified in order to conform with the current year's presentation.