

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 (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 36 and 16, respectively.

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 ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the 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. Further details of these new and revised SSAPs are as follows:

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries denominated in currencies other than Hong Kong dollars at the closing rate for the period. The income statements 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 years.

Cash flow statements

Under SSAP 15 (Revised) "Cash Flow Statement", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received, interest paid and dividends paid and received, which were previously presented under a separate heading, are classified as investing, operating or financing cash flows, as appropriate. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude import loans that are financing in nature. 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 re-definition of cash and cash equivalents resulted in a restatement in the comparative amounts shown in the consolidated cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**
*(Continued)***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 information 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’s publishing of newspaper, magazine and advertising services and software development as discontinuing operations in last year, details of which are disclosed in note 9.

Employee benefits

SSAP 34 “Employee Benefits” introduces measurement rules for employee benefits, including retirement benefit plans. Because of the Group’s participation 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 investment properties and investments in securities and 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 its subsidiaries made up to 31st March each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****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 acquisition 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 at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition 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.

Investments in subsidiaries

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

Interests 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 of the associates plus the goodwill on acquisition, less amortisation and any identified impairment loss.

Recognition of income

When properties are developed for sale, income is recognised only when the sale agreement is unconditional or when the relevant occupation permit is issued by the relevant authority, whichever is later.

Toll revenue is recognised on a receipt basis.

Sales of investments in securities are recognised on a trade-date basis.

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

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Recognition of income** *(Continued)*

When the renovation services are provided and the outcome of the renovation project can be estimated reliably, renovation service income is recognised on the percentage of completion method measured by reference to the value of work carried out during the year. When the outcome of a renovation project cannot be measured reliably, revenue is recognised only to the extent of the project costs incurred that it is probable will be recoverable.

Advertising income is recognised on the relevant publication date.

Sales of newspaper, magazines and building materials are recognised when they are delivered and title has passed.

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at open market values based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged respectively to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on this investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and amortisation and accumulated impairment loss.

Depreciation of toll highway is provided on the basis of a sinking fund calculation where annual depreciation charges compounded at the rate of 8% per annum will equal the cost of the toll highway at the end of the joint venture period of the relevant company in which the toll highway operates.

Depreciation and amortisation are provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line method as follows:

Leasehold land	Over the term of the lease
Leasehold buildings	2% – 4% or over the term of the lease, if shorter
Leasehold improvements	10% to 15% or over the term of the lease, if shorter
Others	10% to 30%

The gain or loss arising from 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.

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 loss is 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.

Inventories*Properties held for sale*

Properties held for sale is stated at the lower of cost and net realisable value. Cost includes the acquisition cost, architect's fees and other direct costs attributable to such properties.

Other inventories

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

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Operating leases

Rental income or expenses under operating leases are credited or charged, respectively, to the income statement on a straight line basis over the term of the relevant leases.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's subsidiaries operate outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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.

Retirement benefits scheme

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

4. TURNOVER

Turnover represents the aggregate of the net amount received and receivable from third parties and is summarized as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Securities trading and investment	205,446	29,376
Renovation services	30,475	6,667
Property development and sales	10,741	–
Operation of toll highway	5,754	–
Trading of building materials	4,999	2,189
Property rental	3,889	3,847
Publishing of newspaper and magazine and advertising income	–	37,940
Software development	–	9
	261,304	80,028

5. OTHER OPERATING EXPENSES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Impairment loss on goodwill arising on acquisition of a subsidiary	25,816	–
Deficit on revaluation of investment properties	6,879	–
Amortisation of goodwill arising on acquisition of subsidiaries	9,069	352
Amortisation of publishing right	–	859
	41,764	1,211

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

6. LOSS FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– basic salaries and other benefits	12,434	41,999
– retirement benefits scheme contribution	398	1,504
	12,832	43,503
Auditors' remuneration:		
– current year	1,318	848
– underprovision in prior year	310	–
Depreciation and amortisation of property, plant and equipment	2,829	5,199
Loss on disposal of an investment property	–	140
Loss on disposal of property, plant and equipment	198	594
Net realised losses on other investments	33,577	–
Net unrealised holding losses on other investments	45,539	20,979
and after crediting:		
Dividend income from investment in securities	86	263
Interest income	390	4,946
Net rental income from investment properties under operating leases, after deduction of outgoings of approximately HK\$42,000 (2002: HK\$45,000)	3,847	3,802
Net realised gains on other investments	–	2,586

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

7. DIRECTORS' AND HIGH PAID INDIVIDUALS

(A) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	–	600
Independent non-executive directors	–	500
Non-executive directors	480	348
	480	1,448
Other emoluments paid to executive directors		
– basic salaries and other benefits	1,589	3,131
– retirement benefits scheme contribution	24	15
	1,613	3,146
Total emoluments	2,093	4,594

The emoluments, including the above accommodation benefits, were within the following bands:

	2003 Number of directors	2002 Number of directors
Up to HK\$1,000,000	3	14
HK\$1,000,001 – HK\$1,500,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

7. DIRECTORS' AND HIGH PAID INDIVIDUALS (Continued)

(B) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2002: four) were directors of the Company whose emoluments are included in the disclosure in (A) above. The emoluments of the remaining individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	2,811	520
Retirement benefits scheme contribution	36	6
	2,847	526

The emoluments of the remaining highest paid individuals were within the following bands:

	2003 Number of employees	2002 Number of employees
Up to HK\$1,000,000	2	1
HK\$1,000,001 – HK\$1,500,000	1	–

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	8,510	4,111
Other borrowings wholly repayable within five years	7,504	3,663
	16,014	7,774

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***9. LOSS ON DISPOSAL OF DISCONTINUING OPERATIONS**

During the year ended 31st March, 2002, the Group entered into a conditional sales and purchase agreement with Expert Solution Limited, a company which was 65% owned by China Strategic Holdings Limited (“China Strategic”) and 35% owned by Star East Holdings Limited (“Star East”), both of which are listed on the Stock Exchange, under which the Group agreed to sell the entire interest of a subsidiary, Actiwater Resources Limited (“Actiwater”), which effectively constituted the Group’s publishing of newspaper, magazine and advertising service businesses operated in Hong Kong (“Actiwater Disposal”).

The aggregate consideration for Actiwater Disposal amounted to HK\$110,000,000 in accordance with the disposal agreement, resulting in a loss on disposal of businesses of approximately HK\$5,058,000. The Actiwater Disposal was completed in July 2001, on which date control of these businesses was passed to the acquirer. Details of the Actiwater Disposal were set out in the circular of the Company dated 18th June, 2001.

During the year ended 31st March, 2002, the Group also entered into a conditional sales and purchase agreement with an independent third party, under which the Group agreed to sell the entire interest of a subsidiary, Kavix Limited (“Kavix”), which effectively constituted the Group’s software development business in North America (“Kavix Disposal”).

The aggregate consideration for Kavix Disposal amounted to HK\$100,000 in accordance with the disposal agreement, resulting in a loss on disposal of these businesses of approximately HK\$40,347,000. The Kavix Disposal was completed in January 2002, on which date control of this business was passed to the acquirer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

9. LOSS ON DISPOSAL OF DISCONTINUING OPERATIONS (Continued)

The results of Actiwater and Kavix for the period from 1st April, 2001 to the date of discontinuance, which have been included in the consolidated financial statements for the year ended 31st March, 2002, were as follows:

	Actiwater <i>HK\$'000</i>	Kavix <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	37,940	9	37,949
Cost of sales	(50,923)	(2,917)	(53,840)
	(12,983)	(2,908)	(15,891)
Other operating income	958	–	958
Administrative expenses	(16,727)	(11,398)	(28,125)
Loss from operations	(28,752)	(14,306)	(43,058)
Finance costs	(814)	(605)	(1,419)
Loss before minority interests	(29,566)	(14,911)	(44,477)
Minority interests	204	9,384	9,588
Loss for the period up to date of discontinuance	(29,362)	(5,527)	(34,889)
Loss on disposal of discontinuing operations	(5,058)	(40,347)	(45,405)

The carrying amounts of the assets and liabilities of Actiwater and Kavix at the date of discontinuance were as follows:

	Actiwater <i>HK\$'000</i>	Kavix <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total assets	235,894	6,206	242,100
Total liabilities	(120,844)	(19,731)	(140,575)
Minority interest	(565)	(286)	(851)

During the year ended 31st March, 2002 Actiwater and Kavix contributed approximately HK\$32,240,000 and HK\$18,048,000 to the Group's net operating cash outflow, paid approximately HK\$26,003,000 and HK\$268,000 in respect of investing activities and raised approximately HK\$49,192,000 and HK\$18,255,000 in respect of financing activities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

10. TAXATION

The charge comprises Hong Kong Profits Tax:

The Company and its subsidiaries
Underprovision in prior years
Associates

2003	2002
HK\$'000	HK\$'000
129	–
10	–
139	–

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no assessable profit for both years.

Pursuant to relevant laws and regulations in the People's Republic of China, other than Hong Kong (the "PRC"), one of the Group's PRC subsidiaries is entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax reduction for the next three years. No provision for PRC income tax has been made for the year as the Group's PRC subsidiaries were still within the PRC income tax exemption period during the year or they have not had any assessable profit.

Details of the unrecognised deferred taxation for the year are set out in note 29.

11. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$220,464,000 (2002: HK\$151,169,000) and on the weighted average number of 3,202,436,654 shares (2002: 1,801,598,435 shares) in issue after adjustment for the share subdivision as set out in note 23(b).

No diluted loss per share has been presented because the exercise of the Company's outstanding share options and warrants would reduce the loss per share for both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

12. INVESTMENT PROPERTIES

THE GROUP

HK\$'000

VALUATION

At 1st April, 2002	83,630
Acquisition of subsidiaries	5,000
Additions	14,716
Deficit arising on revaluation	(29,160)
At 31st March, 2003	74,186

The investment properties were revalued at 31st March, 2003 on an open market value basis by RHL Appraisal Limited and LCH (Asia-Pacific) Surveyors Limited, independent firms of professional property valuers, separately for the respective properties. Of the deficit arising on the revaluation amounting to HK\$29,160,000, HK\$22,281,000 has been charged to the investment property revaluation reserve and the remaining balance of HK\$6,879,000 being the excess of the deficit over the balance on the revaluation reserve has been charged to the consolidated income statement.

The Group's investment properties comprises:

	2003 HK\$'000	2002 HK\$'000
Properties situated in Hong Kong held under long leases	61,300	83,430
Properties situated in Hong Kong held under medium-term leases	100	200
Properties situated in the PRC held under long leases	1,320	–
Properties situated in the PRC held under medium-term leases	11,466	–
	74,186	83,630

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Toll highway HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Motor vehicles and yachts HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st April, 2002	-	-	202	-	2,662	433	3,297
Acquisition of subsidiaries	227,829	3,517	-	974	-	-	232,320
Additions	3,303	-	1,918	283	3,533	225	9,262
Transfer to property held for sales	-	(645)	-	-	-	-	(645)
Disposals	-	-	(493)	(76)	(310)	(16)	(895)
At 31st March, 2003	231,132	2,872	1,627	1,181	5,885	642	243,339
DEPRECIATION AND AMORTISATION							
At 1st April, 2002	-	-	8	-	266	10	284
Provided for the year	1,128	176	391	109	857	168	2,829
Transfer to property held for sales	-	(18)	-	-	-	-	(18)
Eliminated on disposals	-	-	(67)	(12)	(47)	(2)	(128)
At 31st March, 2003	1,128	158	332	97	1,076	176	2,967
NET BOOK VALUES							
At 31st March, 2003	230,004	2,714	1,295	1,084	4,809	466	240,372
At 31st March, 2002	-	-	194	-	2,396	423	3,013

The Group's leasehold land and buildings are situated in the PRC held under long leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements	Furniture and fixtures	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY			
COST			
At 1st April, 2002	202	316	518
Additions	1,693	167	1,860
Disposals	(493)	(16)	(509)
At 31st March, 2003	1,402	467	1,869
DEPRECIATION AND AMORTISATION			
At 1st April, 2002	8	24	32
Provided for the year	376	80	456
Eliminated on disposals	(67)	(2)	(69)
At 31st March, 2003	317	102	419
NET BOOK VALUES			
At 31st March, 2003	1,085	365	1,450
At 31st March, 2002	194	292	486

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

14. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1st April, 2002	29,076
Arising on acquisitions during the year	41,535
	<u>70,611</u>
At 31st March, 2003	70,611
AMORTISATION AND IMPAIRMENT	
At 1st April, 2002	352
Charge for the year	9,069
Impairment loss recognised in the year	25,816
	<u>35,237</u>
At 31st March, 2003	35,237
NET BOOK VALUES	
At 31st March, 2003	35,374
At 31st March, 2002	<u>28,724</u>

During the year ended 31st March, 2002, Prosper City International Limited ("Prosper City") was acquired and is engaged in the trading of building materials and provision of renovation services. In light of the recent property market condition, Prosper City has suffered losses since acquisition. The directors are of the opinion that the respective net carrying amount of the goodwill amounting to approximately HK\$25,816,000 has been impaired and should not be carried forward in the financial statements. Accordingly, the amount has been recognised as an impairment loss and charged to the consolidated income statement.

The amortisation period adopted for goodwill ranged from 3 to 10 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost	–	–
Amounts due from subsidiaries less allowance	342,107	270,311
	342,107	270,311

The Company's cost of investments in the unlisted shares of its directly held subsidiaries is in aggregate less than HK\$1,000. The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts due from subsidiaries will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current assets.

Details of the Company's principal subsidiaries at 31st March, 2003 are set out in note 36.

The amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Share of net assets	15,807	10,266
Goodwill arising on acquisition	20,479	20,479
Accumulated amortization of goodwill	(711)	(711)
Impairment loss recognised on goodwill	(19,768)	(19,768)
	15,807	10,266
Amounts due from associates less allowances	9,566	9,563
	25,373	19,829

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

16. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31st March, 2002, the Group acquired a 30% interest in Dionysus Investments Limited ("Dionysus") and the goodwill arising on this acquisition was amortised over a period of 10 years. Amortisation charged in last year amounted to approximately HK\$711,000 had been included in the amount reported as share of results of associates in the consolidated income statement. Due to the uncertain outcome of legal proceedings against the main contractor of Dionysus' property development projects alleged by a jointly controlled entity of Dionysus, the property development projects were suspended. The directors are of the opinion that as inflow of economic benefits from the property development projects cannot be predicted with certainty, the goodwill should not be carried forward in the financial statements and was therefore written off to the income statement for the year ended 31st March, 2002.

The amounts due from associates are unsecured and non-interest bearing. In the opinion of the directors, the amounts due from associates will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current assets.

As at 31st March, 2003, the Group had interest in the following associates:

Name of associate	Place of incorporation/ establishment	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by subsidiaries %	Principal activity/ place of operation
Asia Standard Development Company Limited	Hong Kong	HK\$2	50	Investment holding/ Hong Kong
Era Winner Limited	Hong Kong	HK\$2	50	Property holding/ Hong Kong
Dionysus	British Virgin Islands ("B.V.I.")	US\$10	30	Investment holding and property investment and development/ Hong Kong
上海上策置業有限公司 ("上海上策") (Note)	PRC	RMB15,000,000	25.5	Property development/ PRC

Note: 上海上策 is a sino-foreign co-operative joint venture. The term of the joint venture is 10 years from 3rd December, 2002 to 2nd December, 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

17. INVESTMENTS IN SECURITIES

THE GROUP

	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Equity securities						
Listed						
– Hong Kong	–	–	89,591	116,570	89,591	116,570
– Overseas	–	–	5,366	6,417	5,366	6,417
	–	–	94,957	122,987	94,957	122,987
Unlisted						
– Hong Kong	42,500	42,000	–	–	42,500	42,000
– Overseas	35,892	–	–	–	35,892	–
	78,392	42,000	94,957	122,987	173,349	164,987
Debt securities						
Listed						
– Overseas	–	–	2,092	–	2,092	–
Unlisted						
– Hong Kong	–	–	1,500	25,550	1,500	25,550
	–	–	3,592	25,550	3,592	25,550
Total						
Listed						
– Hong Kong	–	–	89,591	116,570	89,591	116,570
– Overseas	–	–	7,458	6,417	7,458	6,417
Unlisted	78,392	42,000	1,500	25,550	79,892	67,550
	78,392	42,000	98,549	148,537	176,941	190,537
Market value of listed securities	–	–	97,049	122,987	97,049	122,987
Carrying amount analysed for reporting purposes as:						
Current	–	–	97,049	122,987	97,049	122,987
Non-current	78,392	42,000	1,500	25,550	79,892	67,550
	78,392	42,000	98,549	148,537	176,941	190,537

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

17. INVESTMENTS IN SECURITIES (Continued)

THE COMPANY

	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Non-current equity securities						
– Overseas	3,301	–	–	–	3,301	–

Details of the Group's investment in unlisted securities included above disclosed pursuant to section 129(1) of the Companies Ordinance are as follows:

Name of investee	Place of incorporation/ operations	Proportion of nominal value of issued share capital/registered capital held by the subsidiaries	Effective proportion of issued share capital/ registered capital held by the Group
Info Tech Group Limited	BVI/Hong Kong	25%	25%
上海南曉消防工程設備 有限公司	PRC/PRC	45%	22.95%
上海安民物業有限責任公司	PRC/PRC	40%	20.4%

The above companies are not regarded as associates of the Group because the Group has no significant influence over their affairs.

In light of recent economic conditions, the Group has recognised impairment losses with reference to the investees' financial performances or the valuations conducted by independent valuers. An impairment loss of approximately HK\$58,720,000 has been identified and charged to the consolidated income statement.

18. DEPOSIT PAID FOR ACQUISITION OF INVESTMENTS IN SECURITIES

The amount at 31st March, 2002 represented a deposit paid for acquisition of a 19% interest in Ariel Vision Limited ("Ariel Vision"). Ariel Vision is incorporated in the British Virgin Islands and is engaged in the software development, system integration and other information technology related projects. The acquisition was completed in April 2002 and accordingly, the deposit paid was transferred to investment securities classified under non-current assets in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

19. INVENTORIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Building materials	2,516	3,016
Properties held for sale	19,125	4,400
	21,641	7,416

Included in properties held for sale held by the Group amounting to HK\$2,100,000 (2002: HK\$4,400,000) were carried at net realisable value. The remaining inventories were carried at cost.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows a credit period normally ranging from 60 days to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Trade receivables		
Up to 30 days	4,988	1,367
31 to 90 days	3,462	2,742
91 day to 365 days	7,420	3,328
Over 365 days	2,780	1,054
	18,650	8,491
Amounts due from customers for renovation works (note a)	916	3,730
Amounts due from affiliates of a minority shareholder (note b)	51,614	–
Receivable in respect of the investment refund (note c)	30,000	–
Retentions receivable	1,066	581
Other receivables and prepayments	29,109	2,021
	131,355	14,823

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Note:

- (a) Amounts due from (to) customers for renovation works

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Contract costs incurred plus recognised profits less recognised losses	3,315	6,147
Less: Progress billings	(2,435)	(2,576)
	880	3,571
Represented by:		
Due from customers included in current assets	916	3,730
Due to customers included in current liabilities (note 21)	(36)	(159)
	880	3,571

- (b) The balance includes an amount of approximately HK\$27,844,000, which is unsecured, interest bearing at 3% per annum and repayable on or before 29th March, 2004. The remaining balances are unsecured, interest free and repayable on demand.
- (c) The receivable represents the refund of the payment for an investment in security which was cancelled in accordance with a subsequent cancellation agreement.

21. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade creditors at the balance sheet date:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade payables		
Up to 30 days	761	1,379
31 to 90 days	169	541
Over 90 days	1,519	1,210
	2,449	3,130
Amounts due to customers for contract work (note 20a)	36	159
Retention payables	479	116
Other payables and accruals	33,383	5,675
	36,347	9,080

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

22. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The borrowings comprise:				
Bank overdrafts	10,626	4,327	–	–
Import loans	1,557	2,523	–	–
Other bank borrowings	172,744	52,864	–	–
Other borrowings	113,900	120,296	105,000	105,000
	298,827	180,010	105,000	105,000
Analysed as:				
Secured	182,906	75,010	105,000	–
Unsecured	115,921	105,000	–	105,000
	298,827	180,010	105,000	105,000
The borrowings are repayable as follows:				
Within one year or on demand	271,682	180,010	105,000	105,000
More than one year, but not exceeding two years	292	–	–	–
More than two years but not exceeding five years	25,165	–	–	–
More than five years	1,688	–	–	–
	298,827	180,010	105,000	105,000
Less: Amount due within one year shown under current liabilities	(271,682)	(180,010)	(105,000)	(105,000)
Amount due after one year	27,145	–	–	–

Included in the other borrowings is an amount of HK\$105,000,000 advanced by Asean Resources Limited (“Asean”) and it bore interest at Hong Kong prime rate plus 1% and was originally unsecured and due for repayment in full in November 2002. In May 2002, Asean agreed to reschedule the repayment date until May 2003 and the amount would be secured by the entire issued share capital of a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

22. BANK AND OTHER BORROWINGS (Continued)

In May 2003, the Company entered into a supplemental agreement with Asean that the latter agreed to further extend the repayment date of the loan amount of HK\$105,000,000 and the respective accrued interest to November 2003. Accordingly, it is classified as a current liability.

23. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Value HK\$'000
Authorised:			
Ordinary shares of HK\$0.40 each at 1st April, 2001		3,000,000,000	1,200,000
Addition due to subdivision of shares into 40 ordinary shares of HK\$0.01 each		117,000,000,000	–
Ordinary share of HK\$0.01 each Consolidation of ordinary shares		120,000,000,000 (96,000,000,000)	1,200,000 –
Ordinary shares of HK\$0.05 each Cancellation of unissued ordinary shares		24,000,000,000 (21,000,000,000)	1,200,000 (1,050,000)
Ordinary shares of HK\$0.05 each at 31st March, 2002		3,000,000,000	150,000
Addition due to subdivision of shares into 5 ordinary shares of HK\$0.01 each	(b)	12,000,000,000	–
Ordinary share of HK\$0.01 each at 31st March, 2003		15,000,000,000	150,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

23. SHARE CAPITAL (Continued)

	<i>Notes</i>	Number of shares	Value HK\$'000
Issued and fully paid:			
Ordinary shares of HK\$0.40 each at 1st April, 2001		1,564,735,970	625,894
Adjustment of nominal value and consolidation of ordinary shares		(1,251,788,776)	(610,247)
		312,947,194	15,647
Issue of shares on private placement		62,000,000	3,100
Issue of shares on shares subscription		74,980,000	3,749
Ordinary shares of HK\$0.05 each at 31st March, 2002		449,927,194	22,496
Issue of shares on shares subscription before share subdivision	<i>(a)</i>	89,946,000	4,497
		539,873,194	26,993
Adjustment of nominal value and subdivision of shares into 5 ordinary shares of HK\$0.01 each	<i>(b)</i>	2,159,492,776	–
		2,699,365,970	26,993
Issue of shares on shares subscription	<i>(c)</i>	539,870,000	5,399
Issue of shares on private placement	<i>(d)</i>	292,210,000	2,922
Issue of shares on acquisition of a subsidiary	<i>(e)</i>	240,000,000	2,400
Ordinary shares of HK\$0.01 each at 31st March, 2003		3,771,445,970	37,714

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***23. SHARE CAPITAL** *(Continued)*

During the year, the following changes in the share capital of the Company took place:

- (a) On 10th April, 2002, a subscription agreement was entered into between the Company and the substantial shareholder of the Company, United Jumbo Limited ("United Jumbo") to subscribe for 89,946,000 new shares of HK\$0.05 each in the Company at a price of HK\$0.80 per share, representing a discount of 19.2% to the closing price of the Company's shares as quoted on the Stock Exchange on 10th April, 2002. On the same date, a placing agreement was entered into between United Jumbo and certain independent professional institutional investors to subscribe for 65,900,000 shares of HK\$0.05 each in the Company at a price of HK\$0.80 per share.

The net proceeds of approximately HK\$72.0 million would be used as the general working capital of the Group and used for the repayment of the Group's borrowings.

- (b) Pursuant to a special resolution passed by the shareholders in a special general meeting held on 24th April, 2002, the Company carried out a capital reorganisation by subdividing every issued and unissued share of HK\$0.05 each into five shares of HK\$0.01 each. Details of the capital reorganisation were set out in the Company's circular dated 8th April, 2002.
- (c) On 31st July, 2002, a subscription agreement was entered in between the Company and United Jumbo to subscribe for 539,870,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.218 per share, representing a discount of 9.9% to the closing price of the Company's share as quoted on the Stock Exchange on 31st July, 2002. On the same date, a placing agreement was entered into between United Jumbo and certain independent professional institutional investors to subscribe for 395,620,000 shares at price of HK\$0.218 per share. The net proceeds of approximately HK\$116.1 million would be used for general working capital of the Group.
- (d) On 7th October, 2002, a placing agreement was entered into between the Company and certain independent professional investors to subscribe for 292,210,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.25 per share, representing a discount of 3.8% to the closing price of the Company's share as quoted on the Stock Exchange on 7th October, 2002. The net proceeds of approximately HK\$71.9 million would be used to finance the acquisition as stated in note (e) and other potential investments.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***23. SHARE CAPITAL** *(Continued)*

- (e) On 27th December, 2002, the Company issued 240,000,000 shares of HK\$0.01 each to Mr. Li Jin Fang (“Mr. Li”) at a price of HK\$0.229, which is the closing price of the Company’s shares as quoted on the Stock Exchange on 27th December, 2002, as part of the consideration for the acquisition of 51% equity interest in Gold United International Industries Limited (“Gold United”). The remaining balance of the consideration including incidental cost of HK\$35,000,000 for this acquisition was settled by cash. Gold United is an investment holding company which holds 80% equity interest in 杭州恒運交通開發有限公司 (「杭州恒運」) which is a sino-foreign joint venture company established in the PRC and is engaged in the business of highway operation in the PRC.

The new shares issued during the year were issued under the general mandate and rank *pari passu* with the existing shares in all respects.

24. SHARE OPTION SCHEMES

The Company has adopted share option schemes to provide incentives to directors and eligible employees. Under these schemes, the board of directors of the Company may at its discretion offer to any executive and/or employee or consultants, including executive directors, of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the respective schemes.

Details of these schemes are as follows:

(a) The 2001 share option scheme

Pursuant to the share option scheme of the Company adopted on 9th April, 2001 (the “2001 Scheme”) which will expire on 8th April, 2011, the board of directors of the Company may at its discretion offer to any employee, including executive directors, of the Company and/or its subsidiaries options to subscribe for shares in the Company at a consideration of HK\$1 for each lot of share options granted. Options granted should be accepted within 14 days from the date of grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the Company’s shares and 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***24. SHARE OPTION SCHEMES** *(Continued)***(a) The 2001 share option scheme** *(Continued)*

At 31st March, 2002, the number of shares in respect of which options had been granted and remained outstanding under the 2001 Scheme was adjusted to 45,000,000 after the share consolidation of the Company, representing 2.0% of the shares of the Company in issue at that date. The exercise price of the share options was adjusted to HK\$0.220 from their initial exercise price of HK\$1.100. The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without a prior approval from the Company's shareholders.

No option may be granted to any one person which if exercised in full would result in the total number of shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25% of the number of shares issued and issuable under all the options which may be granted under the 2001 Scheme at the time it is proposed to grant the said option to that person.

An option may be exercised in accordance with the terms of the 2001 Scheme at any time after the date upon which the option is granted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2001 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the 2001 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2001 Scheme.

The 2001 Scheme was terminated pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 24th April, 2002. All outstanding share options granted under the 2001 Scheme were cancelled as at 31st March, 2003 and no share option was granted or exercised during the year under the 2001 Scheme.

(b) The 2002 share option scheme

On 24th April, 2002, the Company adopted a new share option scheme (the "2002 Scheme") which will expire on 23rd April, 2012, the board of directors of the Company may at its discretion offer to any employee, including executive directors, or consultants of the Company and/or its subsidiaries options to subscribe for shares in the Company at a consideration of HK\$1 for each lot of share options granted. Options granted should be accepted within 30 days from the date of grant.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***24. SHARE OPTION SCHEMES** *(Continued)***(b) The 2002 share option scheme** *(Continued)*

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, or (iii) the nominal value of the Company's shares.

At 31st March, 2003, the number of shares in respect of which options had been granted and remained outstanding under the 2002 scheme was 593,830,000 (2002: Nil), representing approximately 15.7% (2002: Nil) of the total number of share of the Company in issue at that day.

The exercise prices of the share options to the employees including executive directors or consultants of the Company and/or its subsidiaries during the year are HK\$0.298, HK\$0.225 and HK\$0.202 per share, respectively.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of shareholders' approval of the 2002 Scheme, without a prior approval from the Company's shareholders.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other schemes, must not, in aggregate, exceed 30% of the total number of shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the 2002 Scheme at any time after the date upon which the option is granted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme.

The maximum number of shares (issued and to be issued) in respect of which options may be granted to any eligible person in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue, unless a shareholders' approval has been obtained.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

24. SHARE OPTION SCHEMES (Continued)

The following table discloses details of the Company's share options held by directors, consultants and employees and movements in such holding during both years:

For the year ended 31st March, 2003	Option type	Date of grant	Exercise price per share HK\$	Outstanding at 1.4.2002	Number of share options			Outstanding at 31.3.2003
					Granted during the year	Cancelled during the year		
Category 1: Directors								
Dong Bo, Frederic	2002	2.5.2002	(Note iii)	0.298	-	16,778,000	-	16,778,000
Lau Man Tak	2002	2.5.2002	(Note iii)	0.298	-	26,990,000	-	26,990,000
					-	43,768,000	-	43,768,000

Category 2: Employees and consultants

2001	30.8.2001	(Note ii)	0.220	45,000,000	-	(45,000,000)	-
2002	2.5.2002	(Note iii)	0.298	-	226,162,000	-	226,162,000
2002	19.9.2002	(Note iii)	0.225	-	259,120,000	-	259,120,000
2002	9.12.2002	(Note iii)	0.202	-	64,780,000	-	64,780,000
				45,000,000	550,062,000	(45,000,000)	550,062,000
				45,000,000	593,830,000	(45,000,000)	593,830,000

For the year ended 31st March, 2002	Option type	Date of grant	Exercise price per share HK\$	Outstanding at 1.4.2001	Number of share options			Outstanding at 31.3.2002
					Granted during the year	Cancelled during the year		
Category 1: Former director								
Ma Wai Man, Catherine (Note i)	2001	30.8.2001	(Note ii)	0.220	-	45,000,000	(45,000,000)	-
Category 2: Employees								
	2001	30.8.2001	(Note ii)	0.220	-	142,250,000	(97,250,000)	45,000,000
					-	187,250,000	(142,250,000)	45,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

24. SHARE OPTION SCHEMES (Continued)

Notes:

- (i) On 26th October, 2001, Ma Wai Man, Catherine resigned as an executive director of the Company and the share options granted were surrendered voluntarily on the same date.
- (ii) The options under the 2001 scheme were granted by the Company on 30th August, 2001 at an exercise price of HK\$0.220 per share, after adjusting the nominal value of the shares of the Company during the year ended 31st March, 2002 and subject to further adjustments, and were exercisable from 30th August, 2001 to 8th April, 2011. In April 2002, all the outstanding options granted under the 2001 scheme were cancelled.
- (iii) The closing prices of the Company's shares immediately before 2nd May, 2002, 19th September, 2002 and 9th December, 2002, the dates of grant of the options, were HK\$0.290, HK\$0.220 and HK\$0.201, respectively.

Total consideration received during the year for taking up the options granted under the 2002 Scheme is amounted to HK\$13 (2002: Nil).

No charge is recognized in the income statement in respect of the value of options granted during the year.

25. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY						
At 1st April, 2001	50,395	13,878	222,794	-	(723,608)	(436,541)
Cancellation of issued shares (note 23)	-	-	610,247	-	-	610,247
Cancellation of share premium account (note 23)	(48,000)	-	48,000	-	-	-
Issue of shares	106,339	-	-	-	-	106,339
Shares issue expenses	(2,482)	-	-	-	-	(2,482)
Loss for the year	-	-	-	-	(93,819)	(93,819)
At 31st March, 2002	106,252	13,878	881,041	-	(817,427)	183,744
Issue of shares	302,443	-	-	-	-	302,443
Issue of warrants	-	-	-	26,992	-	26,992
Shares and warrants issue expenses	(2,711)	-	-	(273)	-	(2,984)
Loss for the year	-	-	-	-	(232,141)	(232,141)
At 31st March, 2003	405,984	13,878	881,041	26,719	(1,049,568)	278,054

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***25. RESERVES (Continued)**

On 8th May, 2002, the Company entered into a warrant placing agreement with a placing agent in relation to the private placing of warrants ("Warrants") of the Company, at an warrant issue price of HK\$0.05 per unit of subscription rights attached to the Warrants. Each of the Warrants conferred rights to the registered holders to subscribe for one new ordinary shares of HK\$0.05 each in the Company at an initial subscription price of HK\$0.36 per share, subject to further adjustment, exercisable at any time up to 8th July, 2003. On 26th June, 2002, the initial subscription price was revised to HK\$0.22 per share. The warrants are in registered form giving the registered holders the right to subscribe up to HK\$118,764,800 in aggregate for shares equivalent to the aggregate subscription price for a total of 539,840,000 shares on the basis of an adjusted subscription price of HK\$0.22 per share. No warrants were exercised during the year and all the warrants expired on 8th July, 2003.

The net proceeds from the placing of Warrants of approximately HK\$26.7 million would be used for the general working capital of the Group, reduction of the liabilities of the Group or investments in potential investment projects as the directors think appropriate.

The contributed surplus of the Company represents:

- (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganization; and
- (ii) the cancellation of an amount of HK\$48,000,000 from the share premium account of the Company and the credit of an amount of HK\$610,247,000 so cancelled under the capital reorganization set out in the Company's circular dated 10th March, 2001.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company had no reserves available for distribution to shareholders at 31st March, 2003. At 31st March, 2002, the Company's reserves available for distribution to shareholders was approximately HK\$63,614,000 which represented the aggregate of contributed surplus of approximately HK\$881,041,000 net off accumulated loss of approximately HK\$817,427,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

26. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 51% issued share capital of Shanghai Hualong Construction Stock Co., Ltd. ("Shanghai Hualong Construction") (上海華龍建設股份有限公司), Gold United, New Plaza International Limited and Sharpower Limited for considerations of approximately HK\$44,176,000, HK\$89,960,000, HK\$2,600,000 and HK\$2,400,000 respectively. These acquisitions have been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisitions was HK\$41,535,000.

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets acquired:		
Investment properties	5,000	–
Property, plant and equipment	232,320	203
Interest in a property project	19,615	–
Investments in securities	18,911	–
Inventories	14,104	3,320
Trade and other receivables and prepayments	84,391	13,392
Bank balances and cash	42,557	5
Trade and other payables	(41,137)	(6,419)
Amount due to minority shareholders	(7,392)	(1,782)
Taxation payable	(4,283)	(777)
Bank borrowings, excluding bank overdrafts	(140,566)	(600)
Bank overdrafts	–	(5,530)
Minority interests	(125,919)	(888)
	97,601	924
Goodwill arising on acquisition of subsidiaries	41,535	29,076
	139,136	30,000
Satisfied by:		
Cash	84,176	30,000
Issue of shares	54,960	–
	139,136	30,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

26. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflow arising on acquisition:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cash consideration paid	(84,176)	(30,000)
Bank balances and cash acquired	42,557	5
Bank overdrafts acquired	–	(5,530)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(41,619)	(35,525)

The subsidiaries acquired during the year contributed approximately HK\$16,580,000 (2002: HK\$8,856,000) to the Group's turnover and approximately HK\$9,840,000 (2002: HK\$90,000) to the Group's loss from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

27. DISPOSAL OF SUBSIDIARIES

As referred to note 9 for the year ended 31st March, 2002, the Group discontinued its publishing of newspaper, magazine and advertising service businesses and software development business at the time of disposal of its subsidiaries, Actiwater and Kavix in July 2001 and January 2002. The net assets of Actiwater and Kavix at the date of disposals were included as follows. For the year ended 31st March, 2003, the Group disposed a subsidiary, Somerset Profit Limited ("Somerset"). The net assets of Somerset at the date of disposals were included as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets disposed of:		
Publishing right	–	67,216
Property, plant and equipment	–	100,986
Investments in securities	25,550	–
Inventories	–	1,258
Trade and other receivables and prepayments	–	32,708
Pledged bank deposits	–	10,000
Bank balances and cash	–	29,989
Bank overdrafts	–	(61)
Trade and other payables	–	(19,393)
Bank borrowings	–	(73,563)
Amount due to a related party	–	(18,239)
Amount due to former ultimate holding company	–	(28,684)
Minority interests	–	(852)
	25,550	101,365
Attributable goodwill	–	52,602
Exchange reserve realised	–	496
	25,550	154,463
Loss on disposal of discontinuing operations	–	(45,405)
(Loss) Gain on disposal of subsidiaries	(3,550)	1,145
Total consideration	22,000	110,203
Satisfied by:		
Cash	22,000	110,203

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***27. DISPOSAL OF SUBSIDIARIES** *(Continued)*

Net cash inflow arising on disposal:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cash consideration	22,000	110,203
Bank balances and cash disposed of	–	(29,989)
Bank overdrafts disposed of	–	61
Net cash inflow arising on disposal	22,000	80,275

The subsidiary disposed of during the year ended 31st March, 2003 did not contribute to turnover and loss from operations for the Group. The subsidiaries disposed of during the year ended 31st March, 2002 contributed approximately HK\$66,418,000 to the Group's turnover and loss of approximately HK\$45,968,000 to the Group's loss from operations.

28. MAJOR NON-CASH TRANSACTIONS

The major non-cash transactions entered into by the Group during the year are as follows:

- (a) Allotment and issue of shares at a consideration of approximately HK\$54,960,000 as part of the consideration for the acquisition of a subsidiary;
- (b) Receivable of approximately HK\$10,166,000 settled by a transfer of an investment property to the Group at a fair value of HK\$10,166,000; and
- (c) Accumulated fund contributed by the Group of approximately HK\$27,844,000 converted into an interest bearing loan at the same amount.

For the year ended 31st March, 2002, the Group had no major non-cash transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

29. UNRECOGNISED DEFERRED TAXATION

The major components of the deferred taxation assets (liabilities) at the balance sheet date of the Group not recognised in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:				
Unutilised tax losses	57,740	40,736	32,907	25,695
Difference between depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	(1,115)	(850)	(44)	(42)
	56,625	39,886	32,863	25,653

The deferred tax asset has not been recognised in the financial statements as it is not certain that the benefits will be realised in the foreseeable future.

The major components of the unrecognised deferred taxation credit (charge) of the Group for the year are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:		
Tax losses arising	14,640	10,671
Excess of depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	(265)	(52)
Disposal of subsidiaries	–	(17,341)
	14,375	(6,722)

Deferred taxation has not been provided for the accumulated surplus arising on the revaluation of investment properties as profits arising on future disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

30. CONTINGENT LIABILITIES

At 31st March, 2003, the Company had given corporate guarantees to banks and a securities broker in respect of credit facilities utilised by the subsidiaries to an extent of approximately HK\$53,096,000 (2002: HK\$53,767,000).

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

31. CAPITAL COMMITMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Capital commitments contracted for but not provided in the financial statements:		
For acquisition of a subsidiary	–	43,850
For acquisition of investments in securities	–	10,000
	–	53,850

The Company had no significant capital commitments at the balance sheet date.

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Minimum lease payments paid under operating leases in respect of premises during the year	3,294	3,431

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	3,369	844
In the second to fifth year inclusive	2,961	715
	6,330	1,559

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated and fixed for an average term of two to three years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

32. OPERATING LEASE ARRANGEMENTS *(Continued)***The Group as lessor**

The investment property is expected to generate rental yields of 4% on an ongoing basis and have committed tenant for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	3,040	3,840
In the second to fifth year inclusive	–	3,040
	3,040	6,880

The Company had no outstanding commitments under non-cancellable operating leases at the balance sheet date.

33. PLEDGE OF ASSETS

At the balance sheet date, the net book value of the Group's assets which were pledged to secured credit and margin facilities granted by banks and brokers to the Group are as follows:

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Investment properties	58,500	80,000
Investment in securities	68,654	48,335
Bank deposits	6,028	2,002
	133,182	130,337

At 31st March, 2003, the entire issued share capital of a wholly-owned subsidiary was also pledged to Asean to secure the Company's borrowings of HK\$105,000,000.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***34. RETIREMENT BENEFITS SCHEME**

The Group operates 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 Scheme 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 at 5% of relevant payroll costs to the scheme, which contribution is matched by employees. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

35. RELATED PARTY DISCLOSURES

During the year ended 31st March, 2003, the Group had no significant related party transactions.

During the year ended 31st March, 2002, the Group had the following related party transactions as follows:

- (a) In November 2000, the Group entered into a lease agreement with an ex-director, Mr. Chan Boon Ho, Peter ("Mr. Chan"), under which an investment property of the Group was leased to Mr. Chan for a period of three years commencing 17th November, 2000 for a monthly rental of HK\$320,000 exclusive of rates and management fee. The rental income received by the Group during the year ended 31st March, 2002 amounted to HK\$3,840,000. The rental was negotiated by reference to prevailing market rates.
- (b) During the year ended 31st March, 2002, certain operating expenses of the Group amounted to approximately HK\$2.0 million were paid by the former substantial shareholder of the Company, Capital Strategic Investment Limited, on behalf of the Group. The amount was unsecured, interest free and was fully reimbursed during the year ended 31st March, 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

35. RELATED PARTY DISCLOSURES (Continued)

- (c) During the year ended 31st March, 2002, Mr. Chan advanced an aggregate amount of approximately HK\$18,239,000 to certain non-wholly owned subsidiaries. The advances were unsecured, interest bearing at Hong Kong prime rate plus 2% and were repayable within one year after drawdown. The advances were disposed of upon the disposal of the respective subsidiaries during the last year. The interest expenses incurred during the year ended 31st March, 2002 amounted to approximately HK\$605,000.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2003 are as follows:

Name of subsidiary	Place of incorporation/ registration	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital	Effective proportion of issued capital	Principal activities
			held by the Company [#] / subsidiaries	held by the Group	
			%	%	
All Grand Limited	Hong Kong	HK\$2	100	100	Property investment
Chip Plus Development Incorporated	B.V.I.	US\$1	100 [#]	100	Investment holding
Fairtop Limited	B.V.I.	US\$1	100	100	Investment holding
Flow Success Company Limited	Hong Kong	HK\$2	100	100	Property holding
Full Champion Financial Limited	B.V.I.	US\$3	100 [#]	100	Investment holding
Glad & Nice Limited	Hong Kong	HK\$2	100	100	Property holding
Gold United International Industries Limited	Hong Kong	HK\$10,000	51	51	Investment holding
Greenham Development Limited	Hong Kong	HK\$2	100	100	Property holding
Honorary Company Limited	B.V.I.	US\$1	100	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company [#] / subsidiaries	Effective proportion of issued capital held by the Group	Principal activities
			%	%	
Huey Tai Holdings Limited	Hong Kong	HK\$2	100 #	100	Investment holding
Kingdom Hall Limited	B.V.I.	US\$1	100 #	100	Investment holding
Kingdom Wealthy Limited	Hong Kong	HK\$2	100 #	100	Property holding
Longerich Investments Limited	B.V.I.	US\$1	100 #	100	Investment holding
New Plaza International Limited	Hong Kong	HK\$2	100 #	100	Property holding
New Team Limited	B.V.I.	US\$1	100	100	Investment holding
Prosper City International Limited	Hong Kong	HK\$100	51	51	Trading of building materials and provision of renovation service
Shangahi Hualong Construction	PRC	US\$11,080,000	51	51	Property development and sales
Sharpower Limited	Hong Kong	HK\$2	100 #	100	Property holding
Smart Century International Limited	Hong Kong	HK\$2	100 #	100	Investment holding
South Gater Limited	Hong Kong	HK\$2	100	100	Property holding
Super Target Limited	B.V.I.	US\$1	100 #	100	Investment holding
View Century Limited	B.V.I.	US\$1	100 #	100	Investment holding
Weth Development Limited	Hong Kong	HK\$2	100	100	Investment holding
杭州恒運	PRC	RMB3,745,000	80	40.8	Operation of highway

Note: Shanghai Hualong Construction and 杭州恒運 are sino-foreign joint ventures established in the PRC.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st March, 2003***36. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(Continued)*

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

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

37. SEGMENTAL INFORMATION**Business segments**

For management purpose, the Group is currently organised into five major operating divisions – property development and sales, property rental, securities trading and investment, trading of building materials and renovation service income and operation of toll highway.

These division are the basis on which the Group reports its primary segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

37. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

2003

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003							
REVENUE							
External sales	205,446	35,474	10,741	5,754	3,889	-	261,304
Segment results	(137,964)	(849)	(4,775)	1,027	(3,447)	-	(146,008)
Unallocated other operating income							416
Amortisation of goodwill arising on acquisition of subsidiaries	-	(2,908)	(5,796)	(365)	-	-	(9,069)
Impairment loss on goodwill arising on acquisition of subsidiaries	-	(25,816)	-	-	-	-	(25,816)
Unallocated corporate expenses							(24,566)
Loss from operations							(205,043)
Finance costs							(16,014)
Loss on disposal of a subsidiary	(3,550)	-	-	-	-	-	(3,550)
Share of results of associates	-	-	(33)	-	84	-	51
Loss before taxation							(224,556)
Taxation							(139)
Loss before minority interests							(224,695)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

37. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

2003 (Continued)

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
BALANCE SHEET							
AT 31ST MARCH, 2003							
ASSETS							
Segment assets	189,971	16,531	156,819	249,434	64,474	-	677,229
Interest in associates	17,874	-	7,075	-	424	-	25,373
Unallocated corporate assets							96,624
Consolidated total assets							799,226
LIABILITIES							
Segment liabilities	15	3,941	16,197	24,379	645	-	45,177
Unallocated corporate liabilities							310,341
Consolidated total liabilities							355,518
OTHER INFORMATION							
Capital additions	14,582	41	41,170	231,855	9,792	5,393	302,833
Depreciation and amortization	364	2,994	6,062	1,148	17	1,313	11,898
Impairment loss on investment in securities	58,720	-	-	-	-	-	58,720
Net unrealised holding losses on other investments	45,539	-	-	-	-	-	45,539
Deficit on revaluation of investment properties	-	-	-	-	6,879	-	6,879

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

37. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

2002

	Continuing operations			Discontinuing operations				Consolidated HK\$'000
	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Property rental HK\$'000	Securities trading and investment HK\$'000	Publishing of newspaper and magazine and advertising income HK\$'000	Software development HK\$'000	Unallocated HK\$'000	
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002								
REVENUE								
External sales	8,856	-	3,847	29,376	37,940	9	-	80,028
Segment results	(90)	-	3,402	(18,130)	(28,752)	(14,306)	-	(57,876)
Unallocated other operating income								4,707
Amortisation of goodwill arising on acquisition of a subsidiary	(352)	-	-	-	-	-	-	(352)
Unallocated corporate expenses								(25,664)
Loss from operations								(79,185)
Finance costs								(7,774)
Amortisation of goodwill arising on acquisition of an associate	-	(711)	-	-	-	-	-	(711)
Impairment loss on goodwill on acquisition of an associate	-	(19,768)	-	-	-	-	-	(19,768)
Loss on disposal of discontinuing operations	-	-	-	-	(5,058)	(40,347)	-	(45,405)
Gain on disposal of subsidiaries								1,145
Share of results of associates	-	(9,229)	107	-	-	-	(2)	(9,124)
Loss before minority interests								(160,822)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

37. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

2002 (Continued)

	Continuing operations			Discontinuing operations				Consolidated HK\$'000
	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Property rental HK\$'000	Securities trading and investment HK\$'000	Publishing of newspaper and magazine and advertising income HK\$'000	Software development HK\$'000	Unallocated HK\$'000	
BALANCE SHEET								
AT 31ST MARCH, 2002								
ASSETS								
Segment assets	16,090	7,836	80,256	208,437	-	-	-	312,619
Interest in associates	-	16,214	3,615	-	-	-	-	19,829
Unallocated corporate assets								83,124
Consolidated total assets								415,572
LIABILITIES								
Segment liabilities	5,909	-	645	-	-	-	-	6,554
Unallocated corporate liabilities								184,347
Consolidated total liabilities								190,901
OTHER INFORMATION								
Capital additions	29,284	-	-	-	2,343	267	3,770	35,664
Depreciation and amortization	356	-	-	-	4,642	1,045	367	6,410

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003

37. SEGMENTAL INFORMATION (Continued)

Geographical segments

All of the Group's operations are principally located in Hong Kong and the PRC except that the software development division, which was discontinued in the year ended 31st March, 2002, was located in the North America. Group administration is carried out in Hong Kong.

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

	Sales revenue by geographical market	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	244,060	80,019
The PRC	17,244	–
North America	–	9
	261,304	80,028

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

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment and intangible assets	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	327,281	409,155	24,565	35,664
The PRC	471,945	–	278,268	–
North America	–	6,417	–	–
	799,226	415,572	302,833	35,664