1. GENERAL

Business activities

During the year, the Group was engaged in the following activities:

- Trading
- Property investment
- Investment holding
- Cement manufacturing

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAPs"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, modified with respect to the measurement of investment properties, and other investments, as explained in the respective accounting policies below.

(b) Adoption of Statements of Standard Accounting Practice

During the current year, the Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants ("HKSA") which are effective for accounting periods commencing on or after 1 January 2002:

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

The significant changes in the Group's accounting policies resulting from the adoption of the new SSAPs are set out below.

i) SSAP 1 (revised) "Presentation of financial statements"

The main revision to SSAP 1 is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The consolidated statement of changes in equity for the current year and the comparative balances have been presented in accordance with this revised SSAP.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – continued

(b) Adoption of Statements of Standard Accounting Practice – continued

ii) SSAP 11 (revised) "Foreign currency translation"

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and financial statements. This revised SSAP has had no major impact on these financial statements.

iii) SSAP 15 (revised) "Cash flow statements"

The main revision to SSAP 15 is to classify cash flows during the period into operating, investing and financing activities. The consolidated cash flow statement for the current year and the comparative balances have been presented in accordance with the revised SSAP.

iv) SSAP 34 "Employee benefits"

SSAP 34 prescribes the accounting treatment and disclosure requirements for employee benefits. This SSAP has had no major impact on these financial statements.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are consolidated from their effective dates of acquisition to 31 March, or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

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

(d) Subsidiaries

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

Investments in subsidiaries are stated in the Company's balance sheet at cost less provision for impairment loss, if any, as determined by the directors. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – continued

(e) Associates

An associate is a company, not being a subsidiary, in which the Group holds a substantial long-term interest in the equity share capital and over which the Group is in a position to exercise significant management influence.

The consolidated profit and loss account includes the Group's share of results of associates for the year, and the consolidated balance sheet includes the Group's share of net assets of associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for impairment loss, if any, as determined by the directors.

(f) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

In respect of acquisitions of subsidiaries:

(i) before 1 April 2001, positive goodwill is eliminated against reserves; and

(ii) since 1 April 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in consolidated balance sheet at cost less accumulated amortisation and impairment loss, if any.

On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on the group reserves is included in the calculation of the profit or loss on disposal.

(g) Intangible assets

Intangible assets are capitalised and amortised over the minimum estimated useful life of the assets. Provision is made to the extent that the directors considered an impairment loss has taken place.

(h) Investment properties

Investment properties are those properties which are held for their investment potential, are income producing and are intended to be held on a long term basis. They are stated at their open market values on the basis of annual valuations. Any surplus or deficit on revaluation is taken to the investment properties revaluation reserve unless the total of this reserve is insufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the reserve is charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, the surplus is credited to the profit and loss account to the extent of the deficit previously charged.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – continued

(h) Investment properties – continued

The gain or loss on disposal of an investment property, representing the difference between the net sales proceeds and the carrying amount of the relevant asset, is recognised in the profit and loss account. Any revaluation reserve balance attributable to the relevant asset being sold is transferred to retained profits upon disposal of the asset.

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuations take into account the state of the buildings.

(i) Properties under development

Properties under development are investments in land and buildings under construction. The investments are stated at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development, less any impairment loss deemed necessary by the directors.

(j) Properties, plant and equipment

Properties, plant and equipment are stated at cost less accumulated depreciation. Leasehold land and buildings is depreciated over the period of the lease while other properties, plant and equipment are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land use right	2.86%
Leasehold land and buildings	1.67% to 3.60%
Plant and machinery	5% to 20%
Furniture, fixtures and computer equipment	10% to 20%
Motor vehicles	20%

Major costs incurred in restoring properties, plant and equipment to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of properties, plant and equipment are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have been discounted in determining the recoverable amount.

The gain or loss on disposal of properties, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – continued

(k) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– intangible assets
– properties, plant and equipment (other than properties carried at revalued amounts)
– investments in subsidiaries and associates

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(l) Inventories

Inventories are valued at the lower of cost, on the first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost includes direct materials, direct labour, sub-contracting charges and, where applicable, production overheads. Net realisable value is determined by reference to estimated selling prices less all further costs to be incurred in selling and distribution.

(m) Accounts receivable

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – continued

(n) Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(o) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event: it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

(q) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and title has passed.

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

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

Revenue from provision of services is recognised when the services are rendered.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES – continued

(s) Operating leases

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

(t) Retirement benefit costs

The Group's contributions for employees' retirement benefits are charged to the profit and loss account in the year in which such costs are incurred.

(u) Translation of foreign currencies

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

The financial statements of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(v) Related parties

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

3. GOING CONCERN BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. The Group's deficiency of net current assets amounting to HK$153,421,000 as at 31 March 2003. The Group's continuance in business as a going concern is dependent upon maintaining the necessary continuing financial support from the ultimate controlling shareholder and/or achieving future profitable operations in order to generate sufficient cash flow to meet its liabilities as they fall due. The ultimate controlling shareholder has agreed to provide continuing financial support to the Company to enable it to meet its liabilities as and when they fall due for at least one year from the date of these financial statements.

4. REVENUE AND TURNOVER AND SEGMENT INFORMATION

(a) Revenue and turnover

Turnover represents the aggregate of the net invoiced value of goods sold, rental income, interest income and estate management income but excludes intra-group transactions. Turnover is reconciled to total revenues as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Turnover		
Sale of goods	**103,301**	191,859
Gross rental income from investment properties	**4,432**	14,525
Estate management income	**644**	784
Interest income	**5**	154
	108,382	207,322
Other revenues		
Dividends	**–**	24
Sales commission income	**286**	848
Gain from settlement in respect of Heat Supply Project *(Note 13(c))*	**22,861**	–
Gain from forfeiture of payables	**8,087**	–
	31,234	872
Total revenues	**139,616**	208,194

4. REVENUE AND TURNOVER AND SEGMENT INFORMATION – continued

(b) Segment Information

By principal activities:

	Sale of goods		Property investment		Heating supply technical service		Investment holding		E-commerce		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue												
Total Revenue	**103,301**	191,859	**5,076**	15,309	**-**	–	**5**	154	**-**	–	**108,382**	207,322
Result												
Segment result	**8,107**	(49,313)	**4,028**	(154,027)	**-**	(70)	**(1,186)**	(56,988)	**-**	(8,195)	**10,949**	(268,593)
Unallocated corporate expenses											**(23,630)**	(34,087)
Gain from settlement in respect of Heat Supply Project											**22,861**	–
Amortisation of intangible assets											**-**	(13,000)
Written back/(provision for) impairment of intangible assets											**79,460**	(428,999)
Provision for CNCC Acquisition											**-**	(232,657)
Written back/(provision for) doubtful receivables											**2,583**	(391,248)
Share of results of associates											**-**	(6,980)
Finance costs											**(6,878)**	(14,072)
Loss before taxation											**85,345**	(1,389,636)
Taxation											**64**	(527)
Loss before minority interests											**85,409**	(1,390,163)
Assets												
Segment assets	**79,576**	34,869	**152,894**	296,588	**79,460**	–	**236,181**	224,206	**-**	–	**548,111**	555,663
Liabilities												
Segment liabilities	**(37,365)**	(58,133)	**(31,225)**	(30,874)	**-**	(84)	**(9,235)**	(2,100)	**(979)**	(979)	**(78,804)**	(92,170)
Unallocated liabilities											**(290,842)**	(347,673)
											(369,646)	(439,843)
Other information												
Capital expenditure	**3,234**	84	**53**	8	**-**	–	**59**	213	**-**	17	**3,346**	322
Depreciation	**7,150**	4,739	**151**	298	**-**	–	**363**	443	**-**	408	**7,664**	5,888
Non-cash expenses other than depreciation	**-**	61,005	**-**	164,271	**-**	428,999	**-**	602,780	**-**	344	**-**	1,257,399

4. REVENUE AND TURNOVER AND SEGMENT INFORMATION – continued

(b) Segment Information – continued

By geographical location:

	Hong Kong		Mainland China		Taiwan		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue								
Total revenue	**12,373**	46,552	**81,713**	120,089	**14,296**	40,681	**108,382**	207,322
Result								
Segment result	**1,751**	1,995	**12,169**	(272,896)	**(2,971)**	2,308	**10,949**	(268,593)
Unallocated corporate expenses							**(23,630)**	(34,087)
Gain from settlement in respect of Heat Supply Project							**22,861**	–
Amortisation of intangible assets							**–**	(13,000)
Written back/(provision for) impairment of intangible assets							**79,460**	(428,999)
Provision for CNCC Acquisition							**–**	(232,657)
Written back/(provision for) doubtful receivables							**2,583**	(391,248)
Share of results of associates							**–**	(6,980)
Finance costs							**(6,878)**	(14,072)
Profit/(loss) before taxation							**85,345**	(1,389,636)
Taxation							**64**	(527)
Profit/(loss) before minority interests							**85,409**	(1,390,163)
Assets								
Segment assets	**85,591**	359,041	**462,520**	192,097	**–**	4,525	**548,111**	555,663
Other information								
Bank overdrafts	**–**	(1,108)	**–**	(102)	**–**	–	**–**	(1,210)

5. DIVIDEND

No interim dividend was paid during the year (2002: nil) and the directors do not recommend the payment of a final dividend in respect of the year (2002: nil).

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The profit/(loss) from operating activities is arrived at:

	Group	
	2003	2002
	HK$'000	HK$'000
After charging:		
Amortisation of intangible assets	**–**	13,000
Auditors' remuneration:		
Current year provision	**976**	1,798
Prior year underprovision	**64**	392
Cost of inventories sold	**99,406**	165,182
Depreciation:		
Owned properties, plant and equipment	**5,072**	4,767
Leased properties, plant and equipment	**2,592**	1,121
Loss on disposal of investment properties	**1,698**	–
Loss on disposal of properties, plant and equipment	**–**	947
Operating lease rentals for land and buildings	**2,625**	3,884
Outgoings in respect of investment properties	**2,816**	5,654
Provision for doubtful receivables	**–**	391,248
Provision for inventories	**–**	11,329
Provision for loan to an associate	**256**	148
Provision for other investments in securities	**–**	283
Retirement benefit costs	**1,753**	2,276
Provision for unused annual leave (included in staff costs below)	**217**	–
Staff costs (including directors' emoluments)	**24,352**	25,448
After crediting:		
Exchange gains, net	**72**	943
Gain on disposal of other investments	**–**	59
Gain on disposal of properties, plant and equipment	**289**	–
Provision for doubtful receivables written back	**2,583**	–
Provision for inventories written back	**10,918**	–

7. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest and similar charges on:		
Bank loans and overdrafts wholly repayable within five years	**2,691**	7,392
Other loans	**4,187**	6,719
	6,878	14,111
Less: amount capitalised *(note 15)*	**–**	(39)
	6,878	14,072

8. TAXATION

Hong Kong profits tax is provided at 16% on the estimated assessable profits for the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing law, practice and interpretation thereof.

	Group	
	2003	2002
	HK$'000	HK$'000
Current year provision:		
Hong Kong	**–**	525
Outside Hong Kong	**–**	–
	–	525
Prior year over-provision:		
Hong Kong	**(64)**	–
Outside Hong Kong	**–**	–
	(64)	–
	(64)	525
Share of tax of associates	**–**	2
Tax (credit)/charge for the year	**(64)**	527

9. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK$14,619,000 (2002: HK$1,453,686,000).

10. EARNINGS /(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders of HK$93,079,000 (2002: loss of HK$1,395,038,000) and the weighted average of 1,501,669,626 (2002: 1,461,205,379 shares) in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders of HK$93,079,000 and on 1,501,669,626 shares which is the weighted average number of shares in issue during the year plus the weighted average of 303,811 shares deemed to be issued at no consideration if all outstanding options had been exercised.

The diluted loss per share for the year ended 2002 has not been shown as the exercise of options would have no dilutive effect on the basic loss per share.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Group	
	2003	2002
	HK$'000	HK$'000
Fees	**1,124**	1,042
Other emoluments	**4,140**	4,505
Contributions to retirement schemes	**23**	112
	5,287	5,659

Directors' fees include HK$228,000 (2002: HK$453,000) payable to independent non-executive directors during the year. No other emoluments (2002: HK$Nil) are payable to independent non-executive directors.

During the year, no share options were granted to directors under the Company's Share Option Scheme (2002: Nil). During the year, no share options had been exercised by the directors (2002: 6,500,000).

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

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

(a) Directors' emoluments – continued

Emoluments of the directors fell within the following bands:

	Group	
	2003	2002
	Number of directors	Number of directors
HK$Nil to HK$1,000,000	**15**	14
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	17	15

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three directors (2002: two) of the Company whose emoluments have been included in note 11(a) above. The emoluments of the remaining two (2002: three) individuals are as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Salaries and other benefits	**1,609**	3,476
Contributions to retirement schemes	**81**	174
	1,690	3,650

Emoluments of the highest paid individuals fell within the following bands:

	Group	
	2003	2002
	Number of individuals	Number of individuals
HK$Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	1
	2	3

12. RETIREMENT BENEFIT COSTS

Before 1 December 2000, the Group contributed to a defined contribution retirement scheme in Hong Kong. The scheme was converted to a Mandatory Provident Fund scheme ("MPF scheme") on 1 December 2000. Contributions by the Group to both the previous retirement scheme and the MPF scheme are calculated at 5% of employees' basic salaries. The assets of the two schemes were held separately from those of the Group in an independently administered fund.

The Group's subsidiaries in the PRC participate in defined contribution schemes managed by the PRC local governments. Contributions are made at 22% of the employees' basic salaries.

For the year ended 31 March 2003, contributions totalling HK$1,760,000 (2002: HK$2,276,000) were paid by the Group.

13. INTANGIBLE ASSETS

	Group
	2003
	HK$'000
Cost	
1 April 2002 and 31 March 2003	**519,999**
Accumulated amortisation	
1 April 2002	**519,999**
Impairment loss written back	**(79,460)**
31 March 2003	**440,539**
Net book value	
31 March 2003	**79,460**
31 March 2002	–

13. INTANGIBLE ASSETS – continued

(a) In 1998, the Group entered into an agreement with Trade Sense International Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of China Huatong Distribution & Industry Development Corp. ("China Huatong"), a state-owned enterprise incorporated in Beijing, the PRC under which the Group acquired a 75% interest in the issued share capital of Galaxy Gain Limited ("Galaxy"). Galaxy's wholly-owned subsidiary, Ocean-Land Heat Supply Limited ("Ocean-Land Heat"), was appointed under an agreement for the provision of technical services relating to the supply, installation and management of heating systems to Huatong Heat Energy Technique Company Limited ("Huatong Heat") in the Mainland China on an exclusive basis ("Heat Supply Project"). Huatong Heat was to pay Ocean-Land Heat an annual fee, calculated in accordance with the total areas of heating systems to be installed by Huatong Heat plus a 55% share of its net profit after tax, for a minimum period of 20 years. The principal asset acquired by the Group was effectively an intangible asset which represents the fair value of future distributions. The consideration for the acquisition was capitalised and amortised over the minimum useful life of the asset of 20 years.

Pursuant to guarantee letters provided by China Huatong, the holding company of Huatong Heat, the Group is entitled to receive minimum income of HK$25,000,000, HK$58,000,000, HK$35,000,000 and HK$40,000,000 for the first four years of the Heat Supply Project respectively, commencing from the year ended 31 March 1999. The Company received HK$118,000,000 from Huatong Group Holdings Limited and Proficient Company Limited for the three years ended 31 March 2002. It appears, however, that HK$114,000,000 relating thereto was paid out of the Group shortly after receipt.

(b) The guaranteed minimum income of HK$40,000,000 for the year ended 31 March 2002 in respect of the Heat Supply Project has not been received by the Group and the Board has decided not to recognise the guaranteed minimum income of HK$40,000,000 relating to the year ended 31 March 2002 for the sake of prudence. The Company received a letter dated 6 August 2002 from China Huatong which stated that it has not paid any "guaranteed income" to the Group and it was not capable to honour its commitment. Huatong Heat also alleged that Ocean-Land Heat had not honoured its obligations to provide technical services etc. under the agreement referred to in (a) above and hence, was not entitled to payment or share of profit under that agreement. On the basis of the available information, the Group decided to make a full provision in respect of the intangible asset to reduce its carrying value to zero for the year ended 31 March 2002.

(c) The Group commenced legal action in Beijing, China in November 2002 against Huatong Heat and China Huatong to recover the guaranteed minimum income of HK$40,000,000 for the year ended 31 March 2002 together with interest of HK$1,020,000.

Pursuant to a Set-off Agreement entered by the Group and China Huatong dated 31 March 2003, the Group agreed to set-off its claim for the outstanding guaranteed income from Heat Supply Project against the minority claims of China Huatong. A gain of HK$22,861,000 was recognised as a result of settlement of the minority claims.

13. INTANGIBLE ASSETS – continued

(d) There is evidence that leads to suggest that the acquisition of interest in Galaxy was not in the best interest of the Group. The Group is seeking legal advice on the claims for the damages which the Group has incurred or may incur as a result of or in connection with the acquisition of Galaxy ("Disputed Claims") and will take appropriate action to recover losses by way of legal proceedings or otherwise.

(e) On 8 April 2003, the Company announced that it had entered into the Settlement Agreement with, among other parties, Huatong Group pursuant to which, among other matters, the Company agreed, subject to the satisfaction of certain conditions, to reduce the amount claimed against the Huatong Group by HK$105,000,000 under the Disputed Claims, in consideration of China Huatong agreeing to (i) release and procure Huatong Heat to release Ocean-Land Heat from any claims which they may have under the Heat Supply Project; and (ii) procure Huatong Group Holdings Limited ("Hong Kong Huatong") to transfer its interest in Merry World Associates Limited ("Merry World") and assign the shareholder's loan due from Merry World to the Company at a consideration which was determined after arm's length negotiation, free from all encumbrances. The Settlement Agreement was approved by an ordinary resolution passed in an Extraordinary General Meeting held on 24 June 2003 ("EGM").

Hong Kong Huatong is the sole beneficial shareholder of Merry World and the sole beneficial owner of the entire unsecured and interest-free shareholder's loan due from Merry World which amounted to HK$93,623,000 as at 28 February 2003. The only asset of Merry World is a property in Guangzhou which has a book value of HK$105,000,000 as at 28 February 2003.

The net effect of the acquisition of Merry World amounted to a gain of HK$79,460,000 which is the aggregate of the net liabilities of Merry World as at 28 February 2003 in amount of HK$14,163,000 and the gain in net tangible assets due to assignment of the Merry World Debt as at 28 February 2003 in amount of HK$93,623,000 to the Group. On 24 June 2003, the Group treated the net book value of intangible assets being used to exchange for the net tangible assets (less the liabilities) from Merry World.

14. INVESTMENT PROPERTIES

	Group	
	2003	2002
	HK$'000	HK$'000
1 April 2002/2001	**230,521**	410,364
Disposals	**(89,600)**	–
Revaluation surplus/(deficit/impairment loss)	**5,894**	(180,559)
Exchange adjustments	**(247)**	716
31 March 2003/2002	**146,568**	230,521
Analysed by lease term and geographical location:		
Medium term leasehold properties situated in Hong Kong	**82,000**	150,500
Long term leasehold properties situated in Hong Kong	**–**	19,100
Long term leasehold properties situated outside Hong Kong	**64,568**	60,921
	146,568	230,521

The investment properties were revalued on the basis of their open market value at 31 March 2003 by S.H. Ng & Co., Ltd., an independent property valuer. Investment properties in Hong Kong and overseas with an aggregate carrying value of HK$82,000,000 and HK$3,928,000, respectively (2002: HK$169,600,000 and HK$3,929,000, respectively) have been pledged as securities for the Group's bank loans and facilities.

15. PROPERTY UNDER DEVELOPMENT

	Group	
	2003	2002
	HK$'000	HK$'000
1 April 2002/2001	**41,469**	40,683
Exchange adjustments	**–**	80
Interest capitalised *(note 7)*	**–**	39
Development costs incurred	**–**	667
31 March 2003/2002	**41,469**	41,469
Less: Provision for impairment loss	**(41,469)**	(41,469)
	–	–

15. PROPERTY UNDER DEVELOPMENT – continued

Property under development related to the Waterfront Project in Panyu, PRC. Due to the severe problems experienced by the Group, the directors decided to suspend the development of the project and to make full provision against all costs incurred up to 31 March 2002. There is no progress with respect to the property under development for the year ended 31 March 2003.

The property under development is held under a lease of over 50 years in the PRC. The land at a cost of HK$10,614,000 (2002: HK$10,614,000) has been pledged as security for the Group's bank loans and facilities.

16. PROPERTIES, PLANT AND EQUIPMENT

Group

	Land use rights HK$'000	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	**Total HK$'000**
Cost						
1 April 2002	2,058	80,181	78,126	16,680	10,336	**187,381**
Exchange adjustments	–	(157)	(165)	(6)	(15)	**(343)**
Additions	–	–	2,886	155	305	**3,346**
Disposals	–	–	–	(651)	(1,806)	**(2,457)**
31 March 2003	2,058	80,024	80,847	16,178	8,820	**187,927**
Accumulated depreciation						
1 April 2002	2,058	25,901	54,186	14,372	10,237	**106,754**
Exchange adjustments	–	(41)	(65)	(5)	(11)	**(122)**
Charge for the year	–	2,592	3,925	565	582	**7,664**
Impairment loss	–	–	–	(196)	(419)	**(615)**
On disposals	–	–	–	(598)	(1,569)	**(2,167)**
31 March 2003	2,058	28,452	58,046	14,138	8,820	**111,514**
Net book value						
31 March 2003	–	51,572	22,801	2,040	–	**76,413**
31 March 2002	–	54,280	23,940	2,308	99	80,627

The leasehold land and buildings are situated outside Hong Kong and are held under long leases. Certain leasehold land and buildings and plant and machinery with an aggregate net book value of HK$nil and HK$19,915,000, respectively (2002: HK$50,722,000 and HK$23,940,000, respectively) have been pledged as security for the Group's bank loans.

16. PROPERTIES, PLANT AND EQUIPMENT – continued

Company

	Furniture and equipment HK$'000
Cost	
1 April 2002 and 31 March 2003	**353**
Accumulated depreciation	
1 April 2002	**192**
Charge for the year	**29**
31 March 2003	**221**
Net book value	
31 March 2003	**132**
31 March 2002	161

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK$'000	2002 HK$'000
Unlisted shares, at cost	**1,001**	1,001
Less: Provision for impairment loss	**(1,000)**	(1,000)
	1	1
Due from subsidiaries	**1,786,612**	1,853,808
Less: Provision for doubtful receivables	**(1,615,519)**	(1,615,519)
	171,093	238,289
Due to subsidiaries	**(82,522)**	(119,549)
	88,572	118,741

Balances with subsidiaries are unsecured, interest-free and have no fixed terms for repayment.

17. INTERESTS IN SUBSIDIARIES – continued

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration	Total paid-up and issued ordinary share/ registered capital	Equity interest owned by the Group		Principal activities
			2003	2002	
			%	%	
Directly held:					
Asset Operation and Management Limited*	British Virgin Islands	1 ordinary share of US$1 each	**100**	100	Investment holding
Fenugreek International Limited*	British Virgin Islands	1 ordinary share of US$1 each	**100**	100	Investment holding
Galactic Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Investment holding
Ocean-Land (China Investments) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100**	100	Investment holding
Ocean-Land Sports Holding Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100**	100	Investment holding
Rich Access Limited*	British Virgin Islands	1 ordinary share of US$1 each	**100**	100	Investment holding
Indirectly held:					
Boxhill Limited*	British Virgin Islands	1 ordinary share of US$1 each	**100**	100	Investment holding
China-eDN.com Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	**70**	70	Trading

17. INTERESTS IN SUBSIDIARIES – continued

Company	Place of incorporation/ registration	Total paid-up and issued ordinary share/ registered capital	Equity interest owned by the Group 2003 %	Equity interest owned by the Group 2002 %	Principal activities
Indirectly held: (continued)					
Evolve Limited	Hong Kong	500 ordinary shares of HK$10 each	**100**	100	Property investment
Galawell Development Limited	Hong Kong	20,000 ordinary shares of HK$1 each	**88.24**	88.24	Investment holding
Galaxy Gain Limited*	British Virgin Islands	100 ordinary shares of US$1 each	**75**	75	Investment holding
Chengtong Trading (International) Limited (formerly, Hong Kong Car Park Limited)	Hong Kong	500,000 ordinary shares of HK$10 each	**100**	100	Property investment
Nardu Company Limited	Hong Kong	1,000,000 ordinary shares of HK$10 each	**45**	45	Investment holding
Ocean-Land Heat Supply Limited	Hong Kong	100 ordinary shares of HK$100 each	**75**	75	Provision of heat supply technical services in PRC
Ocean-Land Sports (H.K.) Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Trading
Panyu Lucky Rich Real-Estates Development Limited*	People's Republic of China	RMB30,000,000	**45**	45	Property development

17. INTERESTS IN SUBSIDIARIES – continued

Company	Place of incorporation/ registration	Total paid-up and issued ordinary share/ registered capital	Equity interest owned by the Group 2003 %	2002 %	Principal activities
Indirectly held: (continued)					
Price Sales Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100**	100	Investment holding
Sea-Land Mining Limited	Hong Kong	1,000,000 ordinary shares of HK$10 each	**100**	100	Investment holding
Shine Ocean Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Investment holding
Suzhou Nanda Cement Company Limited	People's Republic of China	RMB101,262,000	**71.03**	71.03	Manufacture of cement
Tat Yeung Investments Limited	Hong Kong	10,100 ordinary shares of HK$100 each and 10,100 non-voting deferred shares of HK$100 each	**100**	100	Investment holding
Winner Artificial Flowers Limited	Hong Kong	4,000 ordinary shares of HK$100 each	**100**	100	Property investment
World Asia Properties Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Property investment

* Subsidiaries not audited by Moore Stephens

The above table lists 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.

All principal subsidiaries operate in their respective places of incorporation/registration, except for those subsidiaries incorporated in the British Virgin Islands, the operation of which is in Hong Kong.

18. INTEREST IN AN ASSOCIATE

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets, including goodwill	**–**	–
Loan to and amount due from an associate	**194,408**	198,631
Less: Provision for doubtful receivable	**(920)**	(664)
	193,488	197,967

The loan to and amount due from an associate are unsecured, interest-free and have no fixed terms for repayment.

Particulars of the Group's associate at the balance sheet date are as follows:

Company	Class of shares held	Place of incorporation/ operation	Equity interest owned by the Group		Principal activities
			2003	2002	
Goodwill (Overseas) Limited	Ordinary	British Virgin Islands	**32%**	32%	Investment holding

Goodwill (Overseas) Limited has lent HK$593,000,000 to a company called Kingdom Land Investment & Development Co. Limited ("Kingdom Land"), which is incorporated in the Macau Special Administrative Region. Kingdom Land has a 95% interest in Shanghai Xing Tai Real Estate Development Incorporation Limited ("Xing Tai"), which is incorporated in the PRC. Xing Tai holds a 100% interest in Shanghai East Ocean Centre Phase II. The financial statements of Xing Tai have been audited by PRC auditors, whose report was unqualified. At 31 October 2002, the property was valued at US$92,800,000 (approximately HK$723,840,000) by American Appraisal Hongkong Limited.

The Group's investment in associate has been pledged to secure other loans of HK$15,000,000 (see also note 25).

On 28 January 2002, the Group disposed of its 35% interest in Success Project Investments Ltd., which holds a 52% interest in an investment company that owns Shilu International Shopping Centre in Suzhou, PRC, for HK$15,000,000. The Group had an option to repurchase the investment before the end of 2002 (subsequently extended to 17 April 2003) at HK$15,000,000, plus interest at 10% per annum thereon. On 17 April 2003, the Group exercised the option to repurchase the investment at a consideration of HK$16,866,000.

18. INTEREST IN AN ASSOCIATE – continued

Supplementary financial information relating to the Group's associate as required under SSAP 10 "Accounting for investments in associates" is as follows:

	2003 HK$'000	2002 HK$'000
Long term investments	**592,741**	614,265
Current assets		
Other current assets	**356**	726
Current liabilities		
Other accounts payable	**372**	561
Net current (liabilities)/assets	**(16)**	165
Non-current liabilities		
Shareholders' loans	**595,601**	616,505
Net liabilities	**(2,876)**	(2,075)
Group's share of net liabilities	**(920)**	(664)

In the Company's balance sheet, the loan to an associate of HK$332,000 (2002: HK$530,000) is interest-free and carries no fixed terms for repayment.

19. INVENTORIES

	Group	
	2003 HK$'000	2002 HK$'000
Raw materials	**6,655**	4,513
Work in progress	**1,409**	–
Finished goods	**3,777**	13,686
	11,841	18,199
Less: Provision	**(4,281)**	(15,199)
	7,560	3,000

At 31 March 2003, the amount of inventories carried at net realisable value amounted to HK$4,040,000 (2002: HK$3,000,000).

20. DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due from a minority shareholder of a subsidiary is unsecured, interest-free and there are no fixed terms for repayment.

21. TRADE AND OTHER RECEIVABLES

		Group	
		2003	2002
	Notes	**HK$'000**	HK$'000
Trade receivables	*(a)*	**10,673**	18,123
Prepayments and deposits	*(b)*	**1,966**	6,343
Other receivables	*(c)*	**1,094**	16,457
		13,733	40,923

(a) Trade receivables

The Group allows an average credit period of 30 days to its trade customers on open account credit terms. The ageing analysis of the trade receivables at 31 March 2003 is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Current	**6,667**	15,651
One to three months	**956**	1,696
Over three months	**3,050**	776
	10,673	18,123

(b) Prepayments and deposits

	Group	
	2003	2002
	HK$'000	HK$'000
Prepayments and deposits	**246,114**	239,000
Less: Provision	**(244,148)**	(232,657)
	1,966	6,343

21. TRADE AND OTHER RECEIVABLES – continued

(b) Prepayments and deposits – continued

Included in prepayments and deposits is a deposit of HK$200,000,000 (2002: HK$200,000,000) paid by the Company to Sharp Class International Limited ("Sharp Class"), a company incorporated in the British Virgin Islands, as collection agent, pursuant to the terms of a memorandum of understanding dated 28 February 2000 (the "MOU") made between the Company and China National Container Corporation ("CNCC"), an independent third party, incorporated in the PRC. As a result of the payment of this amount ("the earnest money"), the Company had the exclusive right to enter into negotiation with CNCC for the acquisition of a substantial stake in a logistics and distribution network joint venture in the PRC (the "CNCC Acquisition").

The completion of the CNCC Acquisition pursuant to the terms of an agreement dated 19 February 2001 was conditional upon fulfilment of certain conditions which include obtaining the approval from the relevant authorities and finalising of certain legal procedures in the PRC. The completion date of the acquisition was originally scheduled to take place on 2 May 2001 and it was extended six times until 31 March 2002. Since the conditions were not fulfilled by CNCC by 31 March 2002, the directors terminated the transaction on 2 April 2002 and demanded refund of the earnest money and the related interest at 7% per annum.

Also included in prepayments and deposits are interest receivable on the earnest money of HK$14,000,000 (2002: HK$14,000,000), a temporary advance of HK$13,000,000 (2002: HK$13,000,000) made to Epoch Development Holdings Limited (a related company of CNCC) and deferred expenses of HK$5,657,000 (2002: HK$5,657,000).

The Company has on 1 August 2002 received a letter from CNCC stating that it has not received the earnest money of HK$200,000,000 paid by the Group in March 2000 nor has CNCC authorised any person to receive such sum from the Group. After careful consideration, the directors decided to make a full provision of HK$232,657,000, including the earnest money of HK$200,000,000 paid to Sharp Class pursuant to the MOU, an advance of HK$13,000,000 to Epoch Development Holdings Limited, interest income accrued on the earnest money of HK$14,000,000 for the year ended 31 March 2001 and deferred expenses of HK$5,657,000.

Deloitte & Touche Corporate Finance Limited ("DTCF") submitted its limited review report dated 5 August 2002 on the CNCC Acquisition to the directors for review. The directors have instructed the legal advisers to the Group to take legal actions to recover the earnest money of HK$200,000,000 together with the interest accrued thereon and the advance of HK$13,000,000 to Epoch Development Holdings Limited.

21. TRADE AND OTHER RECEIVABLES – continued

(c) Other receivables

	Group	
	2003	2002
	HK$'000	HK$'000
Other receivables	**414,066**	407,705
Less: Provision	**(412,972)**	(391,248)
	1,094	16,457

Included in other receivables is a total sum of HK$358,445,000 (2002: HK$358,445,000) paid to Sharp Class (the "Receivable") out of the settlement in July 2001 of other receivables carried forward from 31 March 2001. In view of the lack of satisfactory documentation and adequate evidence to substantiate the nature, existence, substance and recoverability of the Receivable, the directors decided to make a full provision in respect of the Receivable in the financial statements in the year ended 31 March 2002. DTCF submitted its limited review report dated 5 August 2002 on the Receivable to the Company for review. On 7 September 2002, the Group commenced legal actions against Sharp Class and Mr. Lo Chu Kong, the former chief executive officer and one of the authorised bank signatories of China-eDN.com Limited, a 70% subsidiary of the Company, which made the payments totalling HK$308,445,000 to Sharp Class. On 4 November 2002, the Group also commenced legal actions against Sharp Class, Mr. Yuen Wai (the former Chairman of the Company) and Mr. Chung Ho (formerly an executive director of the Company) for the recovery of HK$50,000,000 advanced to Sharp Class.

22. CASH AND BANK BALANCES

Included in cash and bank balances is an equivalent amount of HK$10,799,000 (2002: HK$2,339,000) which represents cash and bank balances denominated in Reminbi. Reminbi is not a freely convertible currency.

23. LOAN FROM INTERMEDIATE CONTROLLING SHAREHOLDER

The loan from intermediate controlling shareholder is unsecured, interest-free and there are no fixed terms for repayment.

24. TRADE AND OTHER PAYABLES

	Group 2003 HK$'000	2002 HK$'000
Trade payables	**26,334**	26,557
Deposits received, other payables and accruals	**69,271**	86,671
	95,605	113,228

The ageing analysis of the trade payables at 31 March 2003 is as follows:

	Group 2003 HK$'000	2002 HK$'000
Current	**4,709**	6,114
One to three months	**2,394**	517
Over three months	**19,231**	19,926
	26,334	26,557

25. OTHER LOANS

	Group 2003 HK$'000	2002 HK$'000
Other loans are repayable as follows:		
Within one year	**26,327**	18,896
In the second to fifth years	**63,236**	51,111
	89,563	70,007
Current portion of other loans	**(26,327)**	(18,896)
	63,236	51,111

A loan of HK$15,000,000 is secured against the Group's investment in an associate and it carries interest at 10% per annum.

The remaining other loans are unsecured and interest-free, except for a loan of HK$3,600,000 which carries interest at 0.05% per day on a compound basis.

Included in other loans is an amount of HK$3,500,000 advanced from a related company, which is unsecured, interest-free and there are no fixed terms for repayment.

26. BANK LOANS, SECURED

	Group	
	2003	2002
	HK$'000	HK$'000
Bank loans are repayable as follows:		
Within one year	**63,769**	136,323
Current portion of bank loans	**(63,769)**	(136,323)
	–	–

For details of securities, please refer to notes 14, 15 and 16 to the financial statements.

27. DEFERRED TAX

The Group's net deferred tax liability/(asset) not recognised in the financial statements is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Accelerated capital allowances	**87**	360
Tax losses	**(24,748)**	(15,238)
	(24,661)	(14,878)

The revaluation of the Group's investment properties and land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

28. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

Loans from minority shareholders of subsidiaries are unsecured, interest-free and they are not repayable in the next twelve months.

29. SHARE CAPITAL

	Ordinary shares of HK$0.1 each	
	Number of shares	**Amount**
	'000	HK$'000
Authorised		
31 March 2003 and 31 March 2002	5,000,000	500,000
Issued and fully paid		
1 April 2002	1,463,705	146,370
Exercise of options	1,700	170
Issue of conversion shares	219,000	21,900
31 March 2003	1,684,405	**168,440**

(a) Increase in issued and paid-up capital

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

(i) On 12 June 2002, the subscription rights attaching to 1,700,000 share options were exercised at the subscription price of HK$0.1491 per share, resulting in the issue of 1,700,000 shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$253,000.

(ii) On 30 January 2003, the holder of mandatory convertible note converted its note into 219,000,000 shares in the Company.

All the shares issued by the Company during the year rank pari passu with the then existing shares in issue in all respects.

(b) Share options

The Company adopted a share option scheme (the "Scheme") at the Annual General Meeting held on 22 September 1998 under which the directors may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares issued upon exercise of options granted under the Scheme is not to exceed 10% of the share capital of the Company in issue from time to time (excluding the shares issued upon exercise of options granted pursuant to the Scheme). The Scheme remains in force for a period of ten years from 22 September 1998 to 21 September 2008 unless terminated earlier.

29. SHARE CAPITAL – continued

(b) Share options – continued

Pursuant to a resolution of the directors passed on 30 March 2001, share options entitling the holders to subscribe at the price of HK$0.1491 per share for 21,225,000 shares, 32,325,000 shares and 11,100,000 shares within the three years commencing from 1 July 2001, 1 October 2001 and 31 March 2002, respectively were granted under the Scheme. A total of 1,700,000 share options were exercised and 36,300,000 share options lapsed during the year. At 31 March 2003, a total of 3,100,000 share options were outstanding.

In accordance with the provisions of the Scheme, share options will lapse upon the grantee ceasing to be an employee (including a director) of the Company after one month following the date of such cessation.

The Company adopted a new share option scheme (the "New Scheme") at an Extraordinary General Meeting held on 24 June 2003 under which the directors may, at their discretion, grant options to eligible participants including any employee, executive or non-executive directors of the Group, any executives and employees of consultants, professional and other advisors to the Group, chief executive, substantial shareholder of the Company, associated companies of the Group, associates of director, chief executive and substantial shareholder of the Company, and employees of substantial shareholder. Subject to the requirements of the prevailing Listing Rules, the exercise price shall be such price determined by the board of directors at its discretion but subject to the requirements under the Listing Rules. The maximum entitlement of each participant under the scheme (including options to be granted to the directors, chief executive or substantial shareholder of the Company, or any of their respective associates) is equivalent to the maximum limit permitted under the prevailing Listing Rules. The New Scheme will remain in force for a period of 10 years from 24 June 2003 to 23 June 2013.

30. RESERVES

Group

	Investment properties revaluation reserve HK$'000	Exchange reserve HK$'000	General reserve HK$'000	Capital redemption reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Share premium HK$'000	**Total HK$'000**
31 March 2001	2,934	743	44,942	402	293,176	654,052	**996,249**
Loss attributable to shareholders	–	–	–	–	(1,395,038)	–	**(1,395,038)**
Issue of new shares upon exercise of options	–	–	–	–	–	336	**336**
Share issue expenses	–	–	–	–	–	(1)	**(1)**
Disposal of associates	–	(333)	–	–	–	–	**(333)**
Transfer	–	–	(44,942)	–	44,942	–	**–**
Deficit on revaluation	(2,934)	–	–	–	–	–	**(2,934)**
31 March 2002	–	410	–	402	(1,056,920)	654,387	**(401,721)**
Profit attributable to shareholders	–	–	–	–	93,079	–	**93,079**
Issue of new shares upon exercise of options	–	–	–	–	–	83	**83**
Share issue expenses	–	–	–	–	–	(30)	**(30)**
Issue of conversion shares	–	–	–	–	–	284,700	**284,700**
Exchange differences	–	(126)	–	–	–	–	**(126)**
31 March 2003	–	284	–	402	(963,841)	939,140	**(24,015)**

30. RESERVES – continued

Company

	General reserve HK$'000	Capital redemption reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Share premium account HK$'000	Total HK$'000
31 March 2001	44,942	402	409,851	654,052	**1,109,247**
Loss for the year	–	–	(1,453,686)	–	**(1,453,686)**
Issue of new shares upon exercise of options	–	–	–	336	**336**
Share issue expenses	–	–	–	(1)	**(1)**
Transfer	(44,942)	–	44,942	–	**–**
31 March 2002	–	402	(998,893)	654,387	**(344,104)**
Loss for the year	–	–	(14,619)	–	**(14,619)**
Issue of new shares upon exercise of options	–	–	–	83	**83**
Share issue expenses	–	–	–	(30)	**(30)**
Issue of conversion shares	–	–	–	284,700	**284,700**
31 March 2003	–	402	(1,013,512)	939,140	**(73,970)**

31. MANDATORY CONVERTIBLE NOTE

The mandatory convertible note ("Note") was redeemable at the Company's option at par value before its maturity. Any principal amount of the Note outstanding on maturity would be mandatorily converted into shares of the Company at a conversion rate of HK$1.40 per share. The Note dated 27 April 2001 was issued to United City Trading Limited ("Noteholder"). The maturity date of the Note was extended from 27 April 2001 to 27 April 2002 by an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 5 June 2001. At the time of the extension of the maturity date, the Company was advised that the Noteholder was wholly owned by Huatong Group Holdings Limited ("Hong Kong Huatong"). On 23 April 2002, Hong Kong Huatong brought to the notice of the Company that the ownership of the Noteholder was subject to dispute and demanded in writing on 26 April 2002 that the Company withheld allotting and issuing the conversion shares to the Noteholder, failing which the Company would be held responsible for Hong Kong Huatong's loss and damage. On 29 April 2002, however, the Noteholder instructed the Company to allot and issue the conversion shares to a third party. The Company withheld the allotment and issuance of the conversion shares pending resolution of such dispute. On 18 December 2002, the Company was informed that the dispute has been settled and Hong Kong Huatong now holds the 100% of the beneficial ownership of the Noteholder. The Company allotted and issued the Conversion Shares to the Noteholder on 30 January 2003.

32. CONTINGENT LIABILITIES

	Group	
	2003	2002
	HK$'000	HK$'000
Litigation	**4,844**	4,844

The litigation represents the maximum contingent liability of the Group estimated by the directors in respect of a claim lodged against a subsidiary of the Company. The directors, based on the advice of the Group's legal advisors, considered that the Group has a good defence against the alleged claim and accordingly did not make any provision for liabilities in respect of the claim for the year.

	Company	
	2003	2002
	HK$'000	HK$'000
Guarantees for bank facilities granted to:		
– subsidiaries	**141,750**	254,850
– an investee company	**24,960**	24,960
	166,710	279,810

At 31 March 2003, HK$41,658,000 (2002: HK$114,807,000) of the banking facilities were utilised by subsidiaries that were guaranteed by the Company.

33. COMMITMENTS

(a) Capital commitments

	Group	
	2003	2002
	HK$'000	HK$'000
Contracted but not provided for	**–**	–

33. COMMITMENTS – continued

(b) Operating lease commitments

At 31 March 2003, the Group had future minimum lease payments payable under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Operating leases which fall due:		
Within one year	**1,512**	3,886
In the second to fifth years inclusive	**–**	1,768
	1,512	5,654

(c) Operating leases arrangements

At 31 March 2003, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of land and buildings owned by the Group as lessor as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Operating leases which fall due:		
Within one year	**2,900**	4,255
In the second to fifth years inclusive	**1,489**	6,012
	4,389	10,267

34. SIGNIFICANT POST BALANCE SHEET EVENTS

(a) At an Extraordinary General Meeting held on 24 June 2003 ("EGM"), the name of the Company was changed from "China Logistics Group Limited" to "China Chengtong Development Group Limited" and approval from the Registrar of Companies of Hong Kong was formally given on 9 July 2003.

(b) At the EGM as mentioned in (a) above, the Settlement Agreement entered into by among other parties, the Company and China Huatong Distribution and Industry Development Corporation in respect of the claims arising from the acquisition of Galaxy Gain Limited by the Group and the Heat Supply Project was approved. For details of the Settlement Agreement, please refer to note 13 to the financial statements.

(c) On 17 April 2003, the Group exercised the repurchase option regarding its interest in Success Project Investments Ltd., which was disposed of on 28 January 2002, at a consideration of HK$16,866,000. For details of the repurchase, please refer to note 18 to the financial statements.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 July 2003.