1. CORPORATE INFORMATION AND UPDATE

The principal activity of the Company is investment holding. The principal activities of the Group consisted of property development and investment, and investments in securities.

During the year, the Group also diversified into money lending operations.

The Group sustained a consolidated net loss from ordinary activities attributable to shareholders of approximately HK$29.3 million for the year ended 31 March 2003. As at 31 March 2003, the Group had net current liabilities of approximately HK$286 million and total borrowings of approximately HK$409 million, which were either repayable within one year, or on demand and which were classified as current liabilities.

In order to improve the Group's liquidity position and mitigate the Group's liabilities in respect of certain legal proceedings as further detailed in note 16(b) to the financial statements, subsequent to the balance sheet date, on 25 July 2003, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire interest in a subsidiary of the Company, Polywise Investments Limited ("Polywise"), for a cash consideration of HK$1 million (the "Disposal"). On the same date, the Group received the consideration and the Disposal was completed resulting in a gain on disposal of approximately HK$26 million. Upon the completion, the liquidity position of the Group has been significantly improved.

A summary of the condensed pro forma adjusted consolidated net assets as at 31 March 2003, based on the audited consolidated net assets of the Group at the same date and adjusted as if the completion of the Disposal had taken place at that date, is presented below.

	Audited consolidated net assets	**Assets and liabilities of Polywise**	**Consideration for the Disposal**	**Pro forma adjusted consolidated net assets**
	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS				
Interests in associates	352,116	(352,116)	—	—
Other non-current assets	50,226	—	—	50,226
	402,342			50,226
CURRENT ASSETS	135,797	(217)	1,000	136,580
CURRENT LIABILITIES	(422,157)	374,045	—	(48,112)
NET CURRENT ASSETS/(LIABILITIES)	(286,360)			88,468
	115,982			138,694

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

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

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

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

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. The significant reclassification resulting from the change in presentation are that tax paid, interest received and paid are now included in cash flows from operating activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits, however, additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 22 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with the 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, except for the periodic remeasurement of investment properties and certain investments in securities, as further explained below.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

SUBSIDIARIES

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

ASSOCIATES

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. However, if the Group's share of losses of an associate equals or exceeds the carrying amount of an investment, the Group ordinarily discontinues including its share of further losses. The investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses not recognised.

Where the audited financial statements of the associates are not coterminous with those of the Group, the share of results and reserves is arrived at based on the audited financial statements as at 31 December 2002 after making appropriate adjustments for significant transactions and events in the intervening period up to 31 March 2003 between the associates and the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOODWILL

Goodwill arising on acquisition of subsidiaries represents the excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

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

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

IMPAIRMENT OF ASSETS

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FIXED ASSETS AND DEPRECIATION

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of that asset.

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

Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

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

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm’s length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS IN SECURITIES

Investments in securities include investment securities, held-to-maturity securities and other investments.

Investment securities

Investment securities are listed and unlisted equity securities, which are intended to be held for a continuing strategic or long term purpose. Investment securities are included in the balance sheet at cost less any impairment losses, on an individual investment basis.

When impairments have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

Held-to-maturity securities

Held-to-maturity securities are investments in dated debt securities which the Group has the expressed intention and ability to hold to maturity, and are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any impairment losses which reflect their credit risk.

Other investments

Other investments in securities are securities which are not classified as investment securities nor as held-to-maturity securities, and are stated at their fair values at the balance sheet date on an individual investment basis.

The fair values of such listed securities are their quoted market prices at the balance sheet date whereas the fair values of such unlisted securities are estimated by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or professional valuation.

The gains or losses arising from changes in their respective fair values are credited or charged to the profit and loss account for the period in which they arise.

The profit and loss on disposal of investments in securities is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the investment.

PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of cost and net realisable value, which is determined by the directors with reference to the prevailing market prices, on an individual property basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

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

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

DEFERRED TAX

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

OPERATING LEASES

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

FOREIGN CURRENCIES

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

Prior to the adoption of the revised SSAP 11 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

EMPLOYEE BENEFITS

Retirement benefits scheme

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

Share option scheme

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

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) rental income, on a time proportion basis over the lease terms;

(ii) from the sale of equity and debt securities, on a trade-date basis;

(iii) dividend income, when the shareholder's right to receive payment has been established; and

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

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

4. SEGMENT INFORMATION

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

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

(i) the property development and investment segment comprises the development and sale of properties and the investment in commercial/industrial premises for their rental income potential;

(ii) the investments in securities segment engages in the purchase and sales of securities; and

(iii) the money lending segment engages in money lending operations in Hong Kong.

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

Intersegment transactions are conducted at mutually agreed terms.

4. SEGMENT INFORMATION (continued)

(a) BUSINESS SEGMENTS

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

GROUP

	Property development and investment		Investments in securities*		Money lending**		Elimination		Consolidated	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Segment revenue:										
Sales to external customers	**428**	5,035	**(1,063)**	—	**1,985**	—	**—**	—	**1,350**	5,035
Other revenue	**—**	—	**4,006**	—	**—**	—	**—**	—	**4,006**	—
Total	**428**	5,035	**2,943**	—	**1,985**	—	**—**	—	**5,356**	5,035
Segment results	**(3,157)**	3,634	**(6,695)**	(215,689)	**470**	—	**770**	—	**(8,612)**	(212,055)
Interest income and unallocated revenue/gains									**11,100**	22,689
Unallocated expenses									**(8,227)**	(16,757)
Loss from operating activities									**(5,739)**	(206,123)
Finance costs									**(23,538)**	(28,539)
Share of profits less losses of associates	**—**	(2,933)	**—**	—	**—**	—	**—**	—	**—**	(2,933)
Loss before tax									**(29,277)**	(237,595)
Tax									**(10)**	(478)
Net loss from ordinary activities attributable to shareholders									**(29,287)**	(238,073)

* Investments in securities is one of the Group's business segments and, accordingly, the Group's investments in securities and the corresponding income/expenses were included in the segment assets, segment revenue and results, respectively.

** Money lending is also one of the Group's business segments and, accordingly, the respective loans receivable and payable, and the corresponding interest income/expenses were included in the segment assets/liabilities, segment revenue and segment results, respectively.

4. SEGMENT INFORMATION (continued)

(a) BUSINESS SEGMENTS (continued)

GROUP

	Property development and investment		Investments in securities*		Money lending**		Elimination		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**33,180**	1,000	**80,020**	43,941	**62,355**	—	**—**	—	**175,555**	44,941
Unallocated assets									**362,584**	364,309
Total assets									**538,139**	409,250
Segment liabilities	**986**	3,580	**9,000**	510	**21,038**	—	**—**	—	**31,024**	4,090
Unallocated liabilities									**391,133**	378,284
Total liabilities									**422,157**	382,374
Other segment information:										
Depreciation - unallocated amounts									**947**	675
Other non-cash expenses	**5,684**	—	**9,584**	172,075	**—**	—	**—**	—	**15,268**	172,075
Unallocated amounts									**—**	1,904
									15,268	173,979
Capital expenditure	**25,074**	—	**—**	—	**—**	—	**—**	—	**25,074**	—
Unallocated amounts									**911**	1,724
									25,985	1,724

* Investments in securities is one of the Group's segments and, accordingly, the Group's investments in securities and the corresponding income/expenses were included in the segment assets, segment revenue and results, respectively.

** Money lending is one of the Group's segments and, accordingly, the respective loans receivable and payable, and the corresponding interest income/expenses were included in the segment assets/liabilities, segment revenue and segment results, respectively.

4. SEGMENT INFORMATION (continued)

(b) GEOGRAPHICAL SEGMENTS

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

GROUP

	Hong Kong		Mainland China		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**922**	—	**428**	5,035	**1,350**	5,035
Other revenue	**4,006**	4,386	**—**	5,304	**4,006**	9,690
	4,928	4,386	**428**	10,339	**5,356**	14,725
Other segment information:						
Segment assets	**165,235**	48,144	**20,571**	1,000	**185,806**	49,144
Capital expenditure	**911**	1,724	**25,074**	—	**25,985**	1,724

5. TURNOVER

Turnover represents the rental income, net of sales tax, received and receivable from investment properties; interest income earned from money lending operations; dividend income and interest income from investments in securities and the net gain/(loss) on sale of other investments, after brokerage fees, stamp duties and other related costs, during the year.

	GROUP	
	2003	2002
	HK$'000	HK$'000
Rental income	**428**	5,035
Interest income from money lending operations	**1,985**	—
Dividend income from listed securities	**1,665**	—
Interest income from unlisted debt securities	**379**	—
Loss on sale of other investments, net	**(3,107)**	—
	1,350	5,035

6. LOSS FROM OPERATING ACTIVITIES

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

	Notes	**2003**	2002
		HK$'000	HK$'000
Depreciation	13	**947**	675
Staff costs (excluding directors' remuneration *(note 8)*):			
Wages and salaries		**1,356**	1,621
Pension scheme contributions		**76**	59
Less: Forfeited contributions		**—**	—
Net employer pension contributions*		**76**	59
		1,432	1,680
Auditors' remuneration		**718**	700
Loss on disposal of fixed assets		**—**	96
Write-off of fixed assets		**—**	1,904
Minimum lease payments under operating lease in respect of land and buildings		**504**	1,043
Write-off of investment securities		**—**	6,000
Loss on disposal of listed other investments		**—**	43,409
Provisions against properties held for sale		**880**	—
Revaluation deficit of investment properties	14	**4,804**	—
Write back of provision for compensation loss		**(3,500)**	—
Gain on disposal of investment securities, net		**(4,006)**	—
Gain on disposal of subsidiaries, net	24(b)	**—**	(5,304)
Loan payable waived by a financial creditor		**—**	(4,322)
Gross rental income from properties held for sale		**—**	(5,035)
Less: Outgoings		**—**	252
Net rental income from properties held for sale		**—**	(4,783)
Gross and net rental income from investment properties		**(428)**	—
Interest income from an associate		**(10,481)**	(12,517)
Other interest income		**(243)**	(482)

* At 31 March 2003, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2002: Nil).

7. FINANCE COSTS

	GROUP	
	2003	2002
	HK$'000	HK$'000
Interest on:		
Other loans wholly repayable within five years	**24,410**	28,516
Finance lease	**—**	23
Total interest	**24,410**	28,539
Less: Interest expense classified as cost of sales	**(872)**	—
Total finance cost for the year	**23,538**	28,539

8. DIRECTORS' REMUNERATION

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

	GROUP	
	2003	2002
	HK$'000	HK$'000
Fees*	**253**	123
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**2,376**	1,644
Pension scheme contributions	**24**	21
	2,400	1,665
	2,653	1,788

* Fees included HK$240,000 (2002: HK$123,000) payable to the independent non-executive directors of the Company. There were no other emoluments payable to the independent non-executive directors during the year (2002: Nil).

8. DIRECTORS' REMUNERATION (continued)

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

	Number of directors	
	2003	2002
HK$		
Nil - 1,000,000	**4**	22
1,500,001 - 2,000,000	**1**	—
	5	22

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

During the year, no share options were granted to the directors in respect of their services to the Group.

In the prior year, 534,340,000 share options were granted to the directors in respect of their services to the Group. No value in respect of the above share options granted was charged to the consolidated profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2002: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining three (2002: two) non-director, highest paid employees are as follows:

	GROUP	
	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**877**	685
Pension scheme contributions	**31**	18
	908	703

The remuneration of three (2002: two) non-director, highest paid employees fell within the band of nil to HK$1,000,000 for the year ended 31 March 2003.

During the year, 13,460,000 share options were granted to one of the above three non-director, highest paid employees in respect of her services to the Group, further details of which are set out in note 22 to the financial statements. No value in respect of the above share options granted has been charged to the consolidated profit and loss account, or is otherwise included in the above five highest paid employees' remuneration disclosures.

10. TAX

	GROUP	
	2003	2002
	HK$'000	HK$'000
Company and subsidiaries:		
Hong Kong	**—**	—
Overseas	**10**	478
	10	478
Share of tax attributable to associates	**—**	—
Tax charge for the year	**10**	478

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2002: Nil).

Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on existing legislation, interpretations and practices in respect thereof.

At the balance sheet date, the Group and the Company had no material unprovided deferred tax liabilities (2002: Nil).

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

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company, was HK$15,090,000 (2002: HK$226,356,000).

12. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

Basic loss per share is calculated based on (i) the net loss from ordinary activities attributable to shareholders of HK$29,287,000 (2002: HK$238,073,000); and (ii) the weighted average number of 1,194,999,043 (2002: 78,779,817) ordinary shares in issue during the year.

(b) DILUTED LOSS PER SHARE

No diluted loss per share amount is presented for the two years ended 31 March 2003 as the effect of the Company's outstanding share options and warrants during these years were anti-dilutive.

13. FIXED ASSETS

GROUP

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At beginning of year	469	447	850	1,766
Additions	2	5	350	357
Acquisition of subsidiaries *(note 24(a))*	—	—	554	554
At 31 March 2003	471	452	1,754	2,677
Accumulated depreciation:				
At beginning of year	29	66	63	158
Provided during the year	95	85	767	947
At 31 March 2003	124	151	830	1,105
Net book value:				
At 31 March 2003	347	301	924	1,572
At 31 March 2002	440	381	787	1,608

14. INVESTMENT PROPERTIES

	GROUP
	HK$'000
Arising on acquisition of subsidiaries *(note 24(a))*	25,074
Revaluation deficit *(note 6)*	(4,804)
At 31 December, at valuation	20,270

All investment properties are situated in the mainland of the People's Republic of China ("Mainland China") and are held under medium term leases.

The Group's investment properties were revalued by independent professionally qualified valuers, Legend Surveyors Limited, on an open market basis, based on their existing use, at 31 March 2003. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 26 to the financial statements.

At 31 March 2003, an amount of HK$370,000 included in investment properties of the Group is in respect of leasehold properties situated in Mainland China for which the Real Estate Certificates are in the process of being obtained.

Further particulars of the Group's investment properties are included on pages 64 to 65.

15. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**555,459**	452,556
Amounts due to subsidiaries	**(4,272)**	(4,000)
	551,188	448,557
Provisions against amounts due from subsidiaries	**(427,927)**	(439,945)
	123,261	8,612

The balances with subsidiaries are unsecured and have no fixed terms of repayment. Certain of the balances bear interest at Hong Kong dollar prime rate (the "Prime Rate") per annum.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
B-Tech Limited	Hong Kong	HK$2	—	100	Investment holding
Brillant Crown Trading Limited	Hong Kong	HK$1,000,000	—	100	Holding of motor vehicles
Coupeville Limited	British Virgin Islands	US$1	100	—	Investment holding
Dollar Group Limited	British Virgin Islands	US$1	—	100	Investment holding
Double Smart Finance Limited	Hong Kong	HK$2	—	100	Money lending
Eastrade Alliance Limited*	British Virgin Islands	US$1	—	100	Investment holding

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Heritage Strategic Enterprises Limited	Hong Kong	HK$10,000	—	100	Provision of corporate services
Kingarm Company Limited*	Hong Kong	HK$2	—	100	Property investment
Mild City Limited*	Hong Kong	HK$2	—	100	Holding of a motor vehicle
Polywise Investments Limited	Hong Kong	HK$10,000	—	100	Investment holding
Power Global Limited	British Virgin Islands	US$1	100	—	Investment holding
Planner Ford Limited	Hong Kong	HK$2	—	100	Provision of corporate services
Prostar Hong Kong Limited	Hong Kong	HK$2	100	—	Provision of corporate services
Senstar Limited	Hong Kong	HK$2	—	100	Investment holding
Sun Year Enterprises Limited*	Hong Kong	HK$2	—	100	Property investment

* Being subsidiaries newly acquired during the year. Further details of the acquisition are included in note 24(a) to the financial statements.

Except for the following companies, all of the above subsidiaries operate in the place of their incorporation:

(i) Kingarm Company Limited and Sun Year Enterprises Limited which were incorporated in Hong Kong but operate in Mainland China; and

(ii) Dollar Group Limited which was incorporated in the British Virgin Islands but operates in Hong Kong.

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

16. INTERESTS IN ASSOCIATES

	GROUP	
	2003	2002
	HK$'000	HK$'000
Share of net assets other than goodwill	**—**	—
Loans to an associate	**352,116**	339,139
Amount due from an associate	**217**	217
	352,333	339,356
Portion classified as current assets	**(217)**	(217)
Non-current portion	**352,116**	339,139

The loans to the associate are unsecured, bear interest at rates ranging from 1.402% to 1.659% per annum above HIBOR (2002: 1.659% to 1.788% per annum above HIBOR) and are not repayable within one year.

The amount due from the associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associates, all of which are corporations, at the balance sheet date were as follows:

Company	**Place of incorporation/ registration and operations**	**Nominal value of issued and fully paid share capital/ and paid-up capital**	**Percentage of equity attributable to the Group 2003**	**Percentage of equity attributable to the Group** 2002	**Principal activities**
Guangzhou Chong Hing Property Development Company Limited ("Chong Hing") *(notes (a)&(b))*	People's Republic of China (the "PRC")	RMB170,000,000	**30**	30	Property development
Linktime International Development Limited ("Linktime") *(note (b))*	British Virgin Islands	Ordinary US$10	**30**	30	Inactive
Speed World Investment Limited ("Speed World") *(notes (a)&(b))*	Hong Kong	Ordinary HK$100	**30**	30	Investment holding

16. INTERESTS IN ASSOCIATES (continued)

All associates are indirectly held by the Company and were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The financial statements of the above associates have a financial year ending 31 December.

Notes

(a) A summary of the results and the net liabilities of Speed World, a material associate, and its subsidiary, Chong Hing, is as follows:

Results:

	Year ended 31 December	
	2002	2001
	HK$'000	HK$'000
Total income	**942**	248
Loss for the year	**(14,079)**	(74,818)

Net liabilities:

	31 December	
	2002	2001
	HK$'000	HK$'000
Non-current assets	**1,185,655**	1,081,541
Current assets	**89,032**	49,674
Current liabilities	**(1,401,748)**	(1,244,197)
	(127,061)	(112,982)

Speed World did not have any contingent liabilities as at 31 December 2002 (2001: Nil).

(b) The loans to and the amount due from the associate, Speed World, in aggregated amounting to approximately HK$352,333,000 (the "Loan Receivables") were made by Polywise Investments Limited ("Polywise", a wholly-owned subsidiary of the Company which held a 30% equity interest in Speed World and Linktime).

Included in the interest-bearing other borrowings of HK$408,878,000 (note 20) as at 31 March 2003 were other secured loans totalling approximately HK$374,045,000 (the "Loan Payables") due by Polywise to a financial creditor (the "Financial Creditor", a 60% shareholder of Speed World and Linktime). The Loan Payables are secured by way of a first legal charge over the shares in Speed World together with the assignment and transfer of all dividends or any other distributions deriving therefrom (the "Share Charges"); and a first charge over Polywise's undertaking, property assets and rights (the "Debenture").

16. INTERESTS IN ASSOCIATES (continued)

(b) (continued)

As Polywise originally obtained the Loan Payables to finance the Loan Receivables, in the opinion of the directors, funds for the repayment of the Loan Payables will mainly be met by the repayment of the Loan Receivables.

On 14 May 2002, a notice of demand for the repayment of the Loan Payables was received from the Financial Creditor. During the year, Polywise had negotiated with Speed World and the Financial Creditor regarding the settlement of the Loan Receivables and the Loan Payables.

In October 2002, Polywise received a writ (the "October Writ"), which was issued by the Financial Creditor and another 10% shareholder of Speed World (the "Shareholder"). The October Writ relates to a claim by the Financial Creditor and the Shareholder in relation to a shareholders agreement (the "Agreement") dated 16 February 1995 entered into between Polywise, the Financial Creditor and the Shareholder. In the October Writ, the Financial Creditor and the Shareholder claimed, amongst other things, a declaration of their entitlement to terminate the Agreement, an order for rectification of the Agreement, specific performance of the Agreement and consequential reliefs and costs. The specific performance of the Agreement included the request of Polywise to sell its shareholding in Speed World to other shareholders of Speed World at the fair value as agreed between the parties.

In January 2003, Polywise filed a petition (the "Petition") against Speed World, the Financial Creditor and the Shareholder in order to protect the Group's interests in Speed World. In the Petition, Polywise sought, amongst other things, an order:

(i) to wind-up Speed World; or alternatively

(ii) (a) for the Financial Creditor to buy Polywise's shares in Speed World at a price to be determined by an independent court-appointed expert; (b) compelling the Financial Creditor to comply with certain provisions of the Agreement; and (c) that Polywise to be allowed access to the books of record and accounts of Speed World.

In January 2003, Polywise filed another petition against Linktime, the Financial Creditor and the Shareholder in order to protect the Group's interests in Linktime. In the petition, Polywise sought, amongst other things, an order for the winding-up of Linktime.

Subsequent to the balance sheet date, on 7 June 2003, Polywise received a writ issued by the Financial Creditor (the "June Writ"). In the June Writ, the Financial Creditor claimed, amongst other things,

(i) the repayment of the Loan Payables;

(ii) a declaration that the security created by the Share Charges had become enforceable;

(iii) an order for Polywise to transfer all of its 30 ordinary shares in Speed World to the Financial Creditor;

16. INTERESTS IN ASSOCIATES (continued)

(b) (continued)

(iv) a declaration that the security created by the Debenture had become enforceable;

(v) a declaration that Polywise had been holding its undertaking, property assets and rights in trust for the Financial Creditor; and

(vi) interest, costs and any further or other relief.

As at the date of the approval of these financial statements, the legal proceedings in respect of the above cases are still in progress.

The Group, other than Polywise, has not provided any form of guarantee or undertaking on the Loan Payables. According to the legal advice, the Group, other than Polywise, has not assumed any liability of the Loan Payables claimed, and that there should be no recourse that the Financial Creditor may have against the Group, other than Polywise, should Polywise fail to repay to the Financial Creditor the Loan Payables claimed.

Subsequent to the balance sheet date, as further detailed in note 1 to the financial statements, the Group disposed of its entire interest in Polywise to an independent third party. As a result, all associates of the Group were subsequently disposed of.

17. INVESTMENTS IN SECURITIES

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment securities, at cost:				
Listed equity securities in Hong Kong	**—**	25,085	**—**	24,849
Other investments, at fair value:				
Listed equity securities in Hong Kong	**64,100**	—	**21,646**	—
Unlisted debt securities	**8,420**	—	**—**	—
Unlisted equity securities *(note a)*	**—**	—	**—**	—
	72,520	—	**21,646**	—
Held-to-maturity securities, at amortised cost:				
Unlisted debt securities	**7,500**	5,040	**—**	—
Total investments in securities	**80,020**	30,125	**21,646**	24,849
Less: Other investments classified as current assets, at fair value	**(51,636)**	—	**(18,812)**	—
Non-current portion	**28,384**	30,125	**2,834**	24,849
Market value of Hong Kong listed equity securities, 31 March	**64,100**	47,492	**21,646**	47,208

At the balance sheet date, the Group's and the Company's investments in securities with an aggregate carrying value of approximately HK$76,666,000 and HK$21,646,000, respectively, were pledged to certain margin finance providers to secure margin financing provided to the Group and the Company.

At the date of the approval of these financial statements, the market value of listed equity securities held by the Group and the Company at the balance sheet date was approximately HK$55,474,000 and HK$16,871,000, respectively.

17. INVESTMENTS IN SECURITIES (continued)

Note:

(a) Included in other investments of the Group as at 31 March 2002 and 2003 were investments in 20% or more of the equity interests in certain investees (the "Investees") with nil fair value. The Investees were not treated as associates, because in the opinion of the directors, the Investees were acquired and held with a view to the ultimate realisation of capital gain from the subsequent disposal.

Particulars of the Investees are as follows:

Company name	**Place of incorporation**	**Class of shares held**	**Percentage of equity interest attributable to the Group**	
			2003	2002
Green Choice Technology Limited	British Virgin Islands	Ordinary	**25**	25
PiLink International Limited	British Virgin Islands	Ordinary	**22**	22
World Class Technology Limited	British Virgin Islands	Ordinary	**20**	20

18. PROPERTIES HELD FOR SALE

The properties held for sale of the Group and the Company were stated at their net realisable value as at the balance sheet date.

19. LOANS RECEIVABLE

Loans receivable represent receivables arising from the money lending business of the Group, and are unsecured, repayable within twelve months and bear interest at rates ranging from 1.5% above the Prime Rate to 10% per annum. The grant of these loans is approved and monitored by the Company's executive directors in charge of the Group's money lending operations.

20. INTEREST-BEARING OTHER BORROWINGS

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other borrowings repayable within one year or on demand:				
Secured *(note 25)*	**387,878**	348,281	**7,482**	—
Unsecured	**21,000**	25,019	**—**	25,000
	408,878	373,300	**7,482**	25,000

The secured other loans carry floating interest rates calculated by reference to the Prime Rate. The interest rates thereon at the balance sheet date ranged from 7% to 10% per annum (2002: 7.13% to 10.13% per annum).

The unsecured other loans either carry fixed interest rates or floating interest rates calculated by reference to the Prime Rate. The interest rates thereon at the balance sheet date was 6.00% per annum (2002: ranged from 5.00% to 7.13% per annum).

21. SHARE CAPITAL

Shares

	2003	2002
	HK$'000	HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
1,556,665,445 (2002: 4,894,896,474) ordinary shares of HK$0.01 each	**15,567**	48,949

21. SHARE CAPITAL (continued)

Shares (continued)

A summary of movements of the Company's share capital was as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2001		20,527,334,747	205,273	1,339,156	1,544,429
Issue for acquisition of other investments	(a)	5,131,830,000	51,318	—	51,318
Capital reorganisation					
- Reduction of capital	(b)(i)	—	(230,932)	—	(230,932)
- Consolidation of shares	(b)(ii)	(23,093,248,273)	—	—	—
- Cancellation of share premium	(b)(iii)	—	—	(1,339,156)	(1,339,156)
Placement of new shares	(c) and (d)	2,328,980,000	23,290	14,553	37,843
Share issue expenses		—	—	(1,193)	(1,193)
At 31 March 2002 and 1 April 2002		4,894,896,474	48,949	13,360	62,309
Capital reorganisation					
- Reduction of capital	(e)(i)	—	(47,725)	—	(47,725)
- Consolidation of shares	(e)(ii)	(4,772,524,063)	—	—	—
- Rights Issue	(e)(iii)	1,223,724,110	12,237	90,556	102,793
Issue of new shares	(f) and (g)	210,568,924	2,106	16,913	19,019
Share issue expenses		—	—	(3,419)	(3,419)
At 31 March 2003		1,556,665,445	15,567	117,410	132,977

21. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(a) Pursuant to a share exchange agreement dated 23 March 2001, 5,131,830,000 new ordinary shares at a price of HK$0.01 each were allotted and issued to vLink Global Limited ("vLink") in exchange for 171,061,000 new ordinary shares of vLink at a price of HK$0.30 per share on 10 May 2001.

(b) On 18 September 2001, a special general meeting was convened and the shareholders approved the capital reorganisation of the Company as follows:

(i) Reduction of capital

The par value of all issued shares of the Company was reduced from HK$0.01 per share to HK$0.001 per share (the "Reduced Shares"). The credit arising from such reduction was credited to the contributed surplus of the Company.

(ii) Consolidation of shares

Every ten issued Reduced Shares of HK$0.001 each were consolidated into one ordinary share of HK$0.01.

(iii) Share premium cancellation

The share premium account of the Company was cancelled and the credit arising was credited to the contributed surplus of the Company, which then was used to partially offset against the accumulated losses of the Company, based on the accumulated losses of the Company as at 31 March 2001.

(c) Pursuant to two placement agreements dated 17 December 2001, 513,180,000 and 1,000,000,000 new ordinary shares of HK$0.01 each were allotted and issued for cash to independent third parties at a price of HK$0.018 per share on 31 December 2001 and 28 January 2002, respectively. The proceeds were used to provide additional working capital to the Group.

(d) Pursuant to a placing agreement dated 13 March 2002, 815,800,000 new ordinary shares of HK$0.01 each were allotted and issued for cash to independent third parties at a price of HK$0.013 per share on 25 March 2002. The proceeds were used to provide additional working capital to the Group.

(e) On 24 May 2002, a special general meeting was convened and the shareholders approved the capital reorganisation of the Company as follows:

(i) Reduction of capital

The par value of all issued shares of the Company was reduced from HK$0.01 per share to HK$0.00025 per share (the "Share"). The credit arising from such reduction has been credited to the contributed surplus of the Company.

(ii) Consolidation of shares

Every forty issued Share of HK$0.00025 each were consolidated into one ordinary share of HK$0.01 (the "Consolidated Share").

21. SHARE CAPITAL (continued)

Shares (continued)

(e) (continued)

(iii) Rights issue with bonus issue

1,223,724,110 ordinary shares (the "Rights Shares") were issued at a price of HK$0.084 each (being a premium of HK$0.074 per share) based on ten Rights Shares for every Consolidated Share with total cash proceeds of approximately HK$100 million, net of expenses (the "Rights Issue"); and

244,744,822 warrants (the "Warrants") were issued in the proportion of one warrant for every five Right Shares, which entitle the holders thereof to subscribe 244,744,822 Consolidated Shares in cash in an aggregate up to HK$22,027,034 at an initial subscription price of HK$0.09 per Consolidated Share, subject to adjustment, and exercisable from 25 June 2002 to 30 June 2003, both dates inclusive.

The Reduction of capital and the Consolidation of share were effective from 24 May 2002. The Rights Issue with bonus issue was completed in June 2002.

(f) During the year ended 31 March 2003, 197,108,924 Warrants were exercised and 197,108,924 ordinary shares of HK$0.01 each were allotted and issued at HK$0.09 each.

(g) On 5 July 2002, 13,460,000 ordinary shares of HK$0.01 each were allotted and issued to a share option holder at HK$0.095 each.

See note 30 for details of changes in the Company's share capital after the balance sheet date.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 22 to the financial statements.

Warrants

At the balance sheet date, the Company had 47,635,898 Warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 47,635,898 additional shares of HK$0.01 each and cash proceeds, before the related issue expenses, of approximately HK$4,287,000.

Subsequent to the balance sheet date, an additional 2,340,465 Warrants were exercised and the remaining 45,295,433 Warrants lapsed on 30 June 2003.

22. SHARE OPTION SCHEME

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

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including the independent non-executive directors, and other employees of the Group. The Scheme became effective on 10 October 1996 and was amended on 30 September 1997 and, unless otherwise cancelled or amended, will remain in force for ten years from 10 October 1996.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. 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 the Scheme exceeding 25% of the aggregate number of shares of the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date upon which the offer of the share options is accepted or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (ii) the nominal value of the Company's shares.

The Stock Exchange has introduced a number of changes to the Listing Rules on share option schemes. These new rules came into effect on 1 September 2001. An option granted shall be subject to the new changes which include, inter alia, the following:

(a) the maximum number of shares issuable under the share option to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;

(b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors; and

(c) the exercise price of the share options is determined by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of grant of the shares options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of the grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

22. SHARE OPTION SCHEME (continued)

The Company must adopt a new share option scheme in due course to comply with the requirements of the amended Listing Rules on share option schemes. Since 1 September 2001, certain options were granted to employees of the Group pursuant to the new requirements.

The following share options were outstanding under the Scheme during the year:

	Number of share options							Exercise price of share options**		Price of Company's shares at
Name or category of participant	At 1 April 2002 '000	Granted during the year '000	Cancelled during the year '000	Exercise during the year '000	At 31 March 2003 '000	Date of grant of share options*	Exercise period of share options	At date of grant of share options HK$	At 31 March 2002 HK$	grant date of options *** HK$
Ex-directors										
Li Man Leung	26,717	—	(26,717)	—	—	14-5-2001	15-5-2001 to 14-5-2011	0.010	0.100	0.018
Lai Hok Lim	26,717	—	(26,717)	—	—	14-5-2001	15-5-2001 to 14-5-2011	0.010	0.100	0.018
	53,434	—	(53,434)	—	—					
Other employees										
In aggregate	—	13,460	—	(13,460)#	—	3-7-2002	4-7-2002 to 3-7-2012	0.095	N/A	0.095
	53,434	13,460	(53,434)	(13,460)	—					

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day on which the options were granted.

The weighted average closing price of the Company's shares immediately before the date on which the share options were exercised: HK$0.095.

The 13,460,000 share options exercised during the year resulted in the issue of 13,460,000 ordinary shares of the Company and new share capital of HK$134,600 and share premium of HK$1,144,100 (before issue expenses), as detailed in note 21(g) to the financial statements.

23. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) COMPANY

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2001		1,339,156	1,038	123,294	(1,490,946)	(27,458)
Capital reorganisation						
- Reduction of capital	21(b)(i)	—	—	230,932	—	230,932
- Cancellation of share premium	21(b)(iii)	(1,339,156)	—	1,339,156	—	—
- Offsetting against accumulated losses	21(b)(iii)	—	—	(1,490,946)	1,490,946	—
Placement of new shares	21(c) & (d)	14,553	—	—	—	14,553
Share issue expenses		(1,193)	—	—	—	(1,193)
Net loss for the year		—	—	—	(226,356)	(226,356)
At 31 March 2002 and 1 April 2002		13,360	1,038	202,436	(226,356)	(9,522)
Capital reorganisation						
- Reduction of capital	21(e)(i)	—	—	47,725	—	47,725
- Rights Issue	21(e)(iii)	90,556	—	—	—	90,556
Issue of new shares	21(f) & (g)	16,913	—	—	—	16,913
Share issue expenses		(3,419)	—	—	—	(3,419)
Net loss for the year		—	—	—	(15,090)	(15,090)
At 31 March 2003		117,410	1,038	250,161	(241,446)	127,163

At 31 March 2003, the Company had no reserves available for distribution. Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account and capital redemption reserve may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is distributable to shareholders under certain circumstances, which the Company is currently unable to satisfy.

See note 30 for the changes to the Company's share premium account subsequent to the balance sheet date.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) ACQUISITION OF SUBSIDIARIES

	Notes	**2003**	2002
		HK$'000	HK$'000
Net assets acquired:			
Fixed assets	13	**554**	850
Investment properties	14	**25,074**	—
Prepayments, deposits and other receivables		**131**	—
Cash and bank balances		**2**	—
Other payables and accrued liabilities		**(1,018)**	—
Tax payable		**(189)**	—
		24,554	850
Satisfied by:			
Cash		**5,554**	850
Set-off against loans receivable		**19,000**	—
		24,554	850

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003	2002
	HK$'000	HK$'000
Cash consideration	**5,554**	850
Cash and bank balances acquired	**(2)**	—
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**5,552**	850

The subsidiaries acquired during the year contributed HK$428,000 to turnover and HK$4,910,000 to the consolidated loss before tax for the year.

The subsidiary acquired in the prior year had had no significant impact in respect of the Group's consolidated turnover or loss before tax for the year ended 31 March 2002.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) DISPOSAL OF SUBSIDIARIES

	2003 HK$'000	2002 HK$'000
Properties held for sale	—	50,000
Trade receivables, prepayments, deposits and other receivables	—	759
Trade payables, other payables and accrued liabilities	—	(10,667)
Interest-bearing bank and other borrowings	—	(29,500)
Amounts due to group companies	—	(53,534)
Net deficiency in assets disposed of	—	(42,942)
Amounts due from subsidiaries disposed of	—	53,534
Gain on disposal of subsidiaries, net *(note 6)*	—	5,304
Consideration	—	15,896
Satisfied by:		
Cash	—	15,896

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2003 HK$'000	2002 HK$'000
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	15,896

The subsidiaries disposed of in the prior year contributed HK$5,035,000 to the Group's turnover and a profit of HK$3,483,000 to the Group's loss before tax.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) MAJOR NON-CASH TRANSACTIONS

(i) During the year, the Group obtained further other loans of HK$2,496,000 (2002: HK$29,615,000) to finance an equivalent amount of the loans to an associate. The loans were directly advanced from the lender to the associate.

In addition to the above, the Group also accrued a total of HK$23,271,000 (2002: HK$25,223,000) interest expenses for the year for other loans and HK$10,481,000 (2002: HK$12,517,000) interest income for the year for the loans to an associate. These amounts were included in the respective loan accounts.

(ii) During the year, the Group settled the consideration for the acquisition of a subsidiary amounting to HK$19,000,000 by the offsetting of the Group's loan receivable with the same amount.

25. PLEDGES OF ASSETS

Details of the Group's and the Company's interest-bearing other borrowings, which are secured by the assets of the Group and the Company, are included in notes 16(b) and 17, respectively, to the financial statements.

26. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of one to two years. The terms of the lease generally also required the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	GROUP	
	2003	2002
	HK$'000	HK$'000
Within one year	**217**	—
In the second to fifth years, inclusive	**28**	—
	245	—

26. OPERATING LEASE ARRANGEMENTS (continued)

(b) AS LESSEE

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of three years.

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

	GROUP	
	2003	2002
	HK$'000	HK$'000
Within one year	**504**	605
In the second to fifth years, inclusive	**420**	1,108
	924	1,713

At the balance sheet date, the Company did not have any operating lease arrangements.

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26 to the financial statements, the Group and the Company had the following commitments at the balance sheet date:

(a) The Group entered into a conditional sale and purchase agreement with an independent third party on 23 December 2002 for the Group's acquisition of entire issued share capital of Newick Group Limited for a cash consideration of HK$8 million. Newick Group Limited engages in holding of properties in Hong Kong (the "HK Properties").

Subsequent to the balance sheet date, in June 2003, the acquisition was completed and the consideration was fully settled. The Group had been granted and subsequently fully ultilised a fixed instalment loan facility amounting to HK$3,150,000 to finance the acquisition. The loan is secured by the HK Properties, bears interest at 2.25% below the Prime Rate per annum and is repayable by 120 equal consecutive monthly instalments commencing from August 2003. The Company has provided a corporate guarantee for an amount of not less than HK$3,150,000 in favour of the banker.

27. COMMITMENTS (continued)

(b) On 10 February 2003, the Group entered into five sale and purchase agreements with the subsidiaries (the "Vendors") of China United International Holdings Limited ("China United", a company listed in Hong Kong) for the acquisition of certain investment properties in Hong Kong at an aggregate consideration of HK$125 million. As at the balance sheet date, a HK$12.5 million refundable deposit (the "Deposit") had been paid. The remaining balance will be settled upon completion by a cash consideration of HK$60 million, the issuance of 100,000,000 ordinary shares of the Company at HK$0.20 per share and the issuance of convertible bonds of the amount of HK$32.5 million, respectively, as detailed in a circular dated 24 February 2003. The convertible bonds will be unsecured, bear interest at 1.5% per annum and mature in five years from the date of issue. The convertible bonds will entitle the bondholders to convert into an ordinary share of the Company at a price of HK$0.20 each.

On 25 April 2003, a supplemental agreement was entered into to extend the completion date from on or before 28 April 2003 to 28 July 2003. In addition, the Deposit became interest bearing at 1% per annum commencing from 29 April 2003. On 12 May 2003, China United announced that it received a writ of summons from its mortgagee bank against the Vendors requesting the repayment of approximately HK$207 million due under certain mortgage loans with securities including charge on the above-mentioned properties. On 15 July 2003, the Group received a letter from the lawyer of China United requesting for the extension of the completion date.

On 21 July 2003, the Group replied to China United that the Group would not allow the extensions, and would seek for the refund of the Deposit in accordance with the agreement. Therefore, the Deposit became repayable on 28 July 2003.

Up to the date that these financial statements were approved and authorised for issue by the board of directors, no refund of the Deposit had been made.

28. CONTINGENT LIABILITIES

(a) In the prior year, the Company received a writ of summons from a contractor (the "Plaintiff"), for a sum of HK$124 million claimed for alleged substandard mechanical and electrical installation work completed by the Plaintiff and the supply of project management services under two head contracts in connection with a property development project in Guangzhou, the PRC. The subject head contracts were entered into between the Plaintiff and Guangzhou Dong-Jun Real Estate Interest Company Limited ("GZ Dong Jun", a then indirect wholly-owned subsidiary of the Company) but the Plaintiff claimed directly against the Company in reliance on two alleged guarantee letters given by the Company in favour of the Plaintiff.

The Hong Kong High Court ordered that all proceedings be stayed and the case was passed to Fushan, the PRC, for arbitration as this case was under its jurisdiction. The case was finalised on 30 November 1999 and the Fushan Arbitration Committee decided that GZ Dong Jun should pay the Plaintiff HK$12 million together with interest from 30 December 1999 until the date of actual payment at the interest rate of 0.04% per day to settle the outstanding construction costs (the "Decision").

28. CONTINGENT LIABILITIES (continued)

(a) (continued)

In May 2000, GZ Dong Jun appealed to the Guangdong Fushan City Intermediate People's Court (the "Fushan Intermediate Court") in respect of the Decision, which such appeal was rejected by the Fushan Intermediate Court.

On 31 July 2000, GZ Dong Jun was disposed of by the Group. Pursuant to a deed of indemnity dated 31 July 2000, Mr. Peng Xiongfa ("Mr. Peng", a then director of the Company) indemnified the Company for all damages, losses and liabilities arising from these proceedings.

On 10 January 2001, GZ Dong Jun appealed against the decision of the Fushan Intermediate Court to the Guangdong Province Higher People's Court (the "GD Higher Court").

On 3 April 2001, GZ Dong Jun also filed a separate application to the Guangzhou City Intermediate People's Court (the "GZ Intermediate Court") requesting for the termination of the execution of the Decision.

In July 2001, the GZ Intermediate Court decided that the enforcement of the Decision should be disallowed due to the improper procedure of the Fushan Arbitration Committee.

On 22 March 2001, the Plaintiff issued a summons to uplift the stay of proceedings imposed by the Hong Kong High Court.

On 28 September 2001, the above-mentioned stay of proceedings was removed according to an order of the Hong Kong High Court (the "Order").

On 9 January 2002, the Plaintiff obtained a default judgment of HK$12,004,800 plus interest (the "Default Judgment") issued by the Hong Kong High Court. By another order of the Hong Kong High Court dated 15 April 2002, the Default Judgment was set aside.

In August 2002, the GZ Intermediate Court set aside its previous decision in July 2001 of disallowing the enforcement of the Decision due the improper procedure of the GZ Intermediate Court.

In December 2002, GZ Dong Jun applied to the GZ Intermediate Court to confirm its previous decision in July 2001 of disallowing the enforcement of the Decision. However, no decision has been obtained up to the date of this report.

The legal proceedings in Hong Kong are still in process.

Based on advice of the Group's legal adviser, the directors are of the opinion that no provision for contingent liabilities is required as the Company has a reasonable chance in defending the Plaintiff's claim. The contingent liabilities arising therefrom, if any, are indemnified by Mr. Peng in any event.

28. CONTINGENT LIABILITIES (continued)

(b) Pursuant to the shareholders' agreements of certain other investments, the Group has agreed to provide corporate guarantees to secure certain investees' borrowing facilities as and when required. As at 31 March 2003 and the date of the approval of these financial statements, no borrowings have been drawn by the respective investees.

29. RELATED PARTY TRANSACTION

Interest income from an associate of the Group of HK$10,481,000 (2002: HK$12,517,000) arose from certain loans to the associate. Details of the loans to the associate at the balance sheet date are included in note 16 to the financial statements.

30. POST BALANCE SHEET EVENTS

In addition to the events disclosed in notes 1, 16(b), 17, 21 and 27(a) to the financial statements, subsequent to the balance sheet date, there were the following significant events:

(i) On 24 June 2003, the Company entered into two placing agreements (the "First Placing Agreement" and the "Second Placing Agreement"). Pursuant to the First Placing Agreement, 311,330,000 new ordinary shares of HK$0.01 each were allotted and issued for cash to independent third parties at a price of HK$0.10 per share on 24 July 2003. Immediately after the first placement, Dr. Ho Hung Sun, Stanley became one of the Company's substantial shareholders holding 5.01% of the Company's then issued share capital.

In addition, according to the Second Placing Agreement, another placement will take place no later than 23 September 2003 and will allot and issue not less than 373,640,000 and not more than 403,120,000 ordinary shares of the Company for cash to independent third parties at a price of HK$0.10 per share. The funds will be used to finance the Group's possible future investment in Macau. Up to the date of this report, no formal agreement in respect of the potential investment has been entered into by the Group.

(ii) On 25 June 2003, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in Kingarm Company Limited for a cash consideration of HK$17 million. The consideration was received and the disposal was completed on the same date resulting in a gain on disposal of approximately HK$2 million.

(iii) As announced, the directors of the Company proposed on 29 July 2003 that subject to, among others, (i) the approval by the shareholders of the Company at a special general meeting (the "SGM") to be convened on 26 September 2003 and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the corresponding securities, the Company will issue bonus warrants to the shareholders on the basis of one bonus warrant for every five existing shares held by the shareholders (other than overseas shareholders) on the record date. The subscription price of the bonus warrant will be HK$0.17 per share (subject to adjustments). The subscription period is one and a half year from the date of issue of the bonus warrants.

30. POST BALANCE SHEET EVENTS (continued)

(iv) As announced, the directors of the Company proposed on 29 July 2003 that subject to the approval by the shareholders at the SGM and the satisfaction of any necessary regulatory requirements, the amount standing to the credit of the share premium account of the Company at the date of the SGM will be cancelled and the credit arising therefrom will be applied to the contributed surplus of the Company which will then be utilised by the directors of the Company in accordance with the bye-laws of the Company and all applicable laws, including but not limited to the elimination of the accumulated losses of the Company amounted to HK$241,446,000 as at 31 March 2003.

31. COMPARATIVE AMOUNTS

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 July 2003.