



31 March 2003

1. CORPORATE INFORMATION AND CORPORATE UPDATES

During the year, the principal activities of the Group consisted of investment holding, securities dealing and broking, financing, general import and export trading and property development and investment.

As stated in the Company's announcement dated 3 June 2003, pursuant to a notice dated 20 March 2003, the Securities and Futures Commission (the "SFC") is conducting an inquiry into certain matters of the Group under Section 29A of the former Securities and Futures Commission Ordinance. The directors consider that the inquiry is at its preliminary stage and the direction of such inquiry is currently unknown and unpredictable. However, the directors are not aware of any matters that might affect the preparation of these financial statements which have been prepared after due consideration, including the enquiries made of them by the SFC and other regulators including The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As previously stated in the Company's announcement dated 3 June 2003, although the directors anticipate that some of the directors' time will be occupied to address the inquiries, the directors do not expect that the operations of the Group will be severely affected. The financial statements do not include any adjustments that might result from any findings of this inquiry.

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 these SSAPs are summarised as follows:

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



31 March 2003

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

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 are now translated into Hong Kong dollars at the weighted average exchange rate for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.

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. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. Further details of these changes that have resulted from them are included in the accounting policies for "Foreign currencies" in note 3 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. Disclosures are now required in respect of the Company's share option scheme, as detailed in note 31 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.



31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the 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, long term investments and short term investments, 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.

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

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.

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.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the 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 of five years.



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

Goodwill *(Continued)*

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

Negative goodwill

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

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

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 negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

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.



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

Impairment of assets *(Continued)*

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.

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 asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided so as to write off the cost of each asset over its estimated useful life. The principal annual rates and bases used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2.5% on the straight-line basis
Leasehold improvements	25% on the reducing balance basis
Furniture, fixtures and equipment	15% on the reducing balance basis
Motor vehicles	20% on the reducing balance basis

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.



31 March 2003

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

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. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Properties under development/held for redevelopment

Properties under development/held for redevelopment are stated at cost less impairment losses. Cost includes the acquisition cost of the properties and all costs attributable to such development/redevelopment.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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.



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

Joint venture arrangement

Where an investment is made by means of joint venture structures which do not result in the Group having joint control with the other venturer, or any control nor significant influence over the joint venture, the investment in such joint venture is accounted for as a long term investment which is stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided to write off the cost in proportion to the expected return over the life of the joint venture.

Long term investments

Long term non-trading investments in equity securities intended to be held for an identified long term purpose are stated at cost less impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline has occurred, the carrying amount of each investment is reduced to fair value unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the profit and loss account.

Other long term investments are investments in listed equity securities and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is arrived at on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less further costs expected to be incurred to completion and disposal.



31 March 2003

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

Cash and cash equivalents

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

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Deferred tax

Deferred tax is provided, under 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.

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, in the period in which the services are rendered;
- (c) from the sale of properties, on the exchange of legally binding sale and purchase agreements;
- (d) from securities dealing and trading, on the transaction dates when the relevant contract notes are exchanged;
- (e) commission and brokerage income on securities dealing, on the trade date basis;
- (f) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;
- (g) rental income, on the straight-line basis over the lease terms; and
- (h) dividends, when the shareholders' right to receive payment has been established.



31 March 2003

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

Foreign currencies

Foreign currency transactions during the year 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 denominated in foreign currencies are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries 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 arising on consolidation are dealt with in the exchange fluctuation reserve.

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

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. These changes have 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 Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the 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.



31 March 2003

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

Employee benefits (Continued)

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Share options 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.



31 March 2003

4. SEGMENT INFORMATION

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

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

- (a) the general import and export trading segment mainly engages in the trading of garment and garment-related goods;
- (b) the securities dealing and broking segment provides underwriting, trading and broking services mainly on marketable securities;
- (c) the financing segment engages in money lending;
- (d) the property development and investment segment engages in property development and the sale and letting of properties;
- (e) the strategic investment segment engages in investments for an identified long term purpose;
- (f) the corporate segment comprises corporate income and expense items; and
- (g) the others segment comprises which principally trading of securities and web site operations.

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.

The strategic investments segment was separately presented in the current year to comprise the Group's investments for identified long term purposes, whereas these investments were classified as unallocated assets in the prior year. In the opinion of the directors, this presentation better reflects the Group's segment information. The comparative amounts have been reclassified to conform with the current year's presentation.



NOTES TO FINANCIAL STATEMENTS

31 March 2003

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	General import and export trading		Securities dealing and broking		Financing		Property development and investment		Strategic investments		Corporate		Others		Eliminations		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	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	104,942	101,450	6,091	9,445	7,898	11,624	206	265	-	-	-	-	-	-	-	-	119,137	122,784
Other revenue	1,585	2,344	5,172	5,551	547	55	10	-	1,779	12,421	208	5,737	1,633	13,000	-	-	10,934	39,108
Inter-segment sales	-	-	7,486	2,077	358	579	720	720	-	-	20,703	24,033	-	-	(29,267)	(27,409)	-	-
Total revenue	106,527	103,794	18,749	17,073	8,803	12,258	936	985	1,779	12,421	20,911	29,770	1,633	13,000	(29,267)	(27,409)	130,071	161,892
Segment results	(2,578)	(8,717)	(9,772)	7,770	(65,679)	(228)	(16,083)	(882)	(185,687)	(158,753)	(22,146)	(16,468)	(16,383)	(18,578)	-	-	(318,328)	(195,856)
Interest and dividend income and unallocated gains																	37,736	45,195
Loss from operating activities																	(280,592)	(150,661)
Finance costs																	(11,284)	(13,088)
Share of losses of associates																	-	(2,760)
Loss before tax																	(291,876)	(166,509)
Tax																	1,765	(5,782)
Loss before minority interests																	(290,111)	(172,291)
Minority interests																	21,689	21,708
Net loss attributable to shareholders																	(268,422)	(150,583)
Segment assets	23,660	15,082	52,700	37,999	37,332	106,064	72,522	85,379	451,639	546,922	12,620	18,280	4,461	64,479	-	-	654,934	874,205
Unallocated assets																	20,709	116,279
Total assets																	675,643	990,484
Segment liabilities	80,932	89,513	26,574	33,779	87,699	49,041	99,217	87,579	310,563	341,155	57,382	26,821	172,506	327,949	(746,293)	(878,058)	88,580	77,779
Unallocated liabilities																	284,771	351,416
Total liabilities																	373,351	429,195
Other segment information:																		
Depreciation	106	2,073	387	718	-	-	1,128	-	90	-	393	-	-	-	-	-	2,104	2,791
Amortisation	-	-	-	-	-	-	-	-	68,752	70,010	-	-	2,000	4,675	-	-	70,752	74,685
Impairment loss recognised in the profit and loss account	-	-	-	-	-	-	7,000	-	118,905	86,664	-	4,000	-	-	-	-	125,905	90,664
Other non-cash expenses/(income)	61	585	11,502	-	65,760	10,515	6,724	300	(53)	-	1,623	-	15,144	37,403	-	-	100,761	48,803
Capital expenditure	572	135	57	135	-	-	-	-	2	133	1,140	322	-	476	-	-	1,771	1,201



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		Europe		North America		Others		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	2003 HK\$'000	2002 HK\$'000
Segment revenue:												
Sales to external customers	44,132	46,538	42	-	68,475	70,015	3,065	5,989	3,423	242	119,137	122,784
Other segment information:												
Segment assets	208,792	524,111	466,851	464,774	-	1,599	-	-	-	-	675,643	990,484
Capital expenditure	1,631	1,142	-	-	140	59	-	-	-	-	1,771	1,201



31 March 2003

5. TURNOVER, OTHER REVENUE AND GAINS

	Group	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Invoiced value of goods sold, net of returns and allowances	104,942	101,450
Commission and brokerage income from securities dealing	6,091	9,445
Interest income from the financing business	7,898	11,624
Gross rental income	206	265
	119,137	122,784
Other revenue		
Interest income	374	2,363
Dividend income from listed investments	52	163
Dividend income from an unlisted investment	37,310	40,466
Other income	9,310	15,890
	47,046	58,882
Gains		
Negative goodwill recognised as income	1,624	2,164
Gain on partial disposal of a subsidiary	–	13,000
Gain on deemed disposal of an associate	–	6,816
Gain on partial disposal of an associate	–	3,441
	1,624	25,421
	48,670	84,303



31 March 2003

6. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

		Group	
	Notes	2003 HK\$'000	2002 HK\$'000
Depreciation	13	2,104	2,791
Staff costs (including directors' remuneration, <i>note 8</i>):			
Wages and salaries		20,321	19,651
Pension scheme contributions		508	566
Less: Forfeited contributions*		(358)	(361)
Net pension contributions		150	205
		<u>20,471</u>	<u>19,856</u>
Auditors' remuneration		1,300	980
Minimum lease payments under operating leases for land and buildings		1,746	2,174
Exchange losses, net		194	763
Loss on disposal of subsidiaries	33(a)	702	–
Other expenses:			
Revaluation deficit of investment properties	15	2,720	300
Unrealised holding losses on listed investments		10,025	37,403
Net realised holding losses on listed investments		7,317	3,336
Amortisation of goodwill	14	2,242	6,175
Loss on disposal of investment properties		2,000	–
Loss on disposal of fixed assets		2,761	–
Impairment loss of properties held for re-development		7,000	–
Impairment loss of goodwill		–	4,000
		<u>34,065</u>	<u>51,214</u>
Gross and net rental income		<u>(206)</u>	<u>(265)</u>

* There were no forfeited contributions available at the balance sheet date to reduce contributions in future years (2002: Nil).



31 March 2003

7. FINANCE COSTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable:		
Within five years	10,292	13,044
Over five years	856	–
Interest charges for hire purchase contracts	136	44
	11,284	13,088

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	100	100
Salaries, allowances and benefits in kind		
– executive directors	7,979	4,074
Pension scheme contributions - executive directors	181	168
	8,260	4,342

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

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$3,500,001 – HK\$4,000,000	1	–
	8	6



31 March 2003

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' remuneration *(Continued)*

Other than the fees disclosed above, there were no other emoluments payable to the independent non-executive directors during the year (2002: Nil).

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

(b) Five highest paid employees

The five highest paid employees during the year included five (2002: four) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining one non-director, highest paid employee in the prior year are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and benefits in kind	–	975
Pension scheme contributions	–	25
	<u>–</u>	<u>1,000</u>

The remuneration of the non-director, highest paid employee in the prior year fell within the band of nil to HK\$1,000,000.

9. TAX

	2003 HK\$'000	2002 HK\$'000
Group:		
Hong Kong	1,676	5,782
Overprovision in prior year	(3,441)	–
	<u>(1,765)</u>	<u>5,782</u>
Tax charge/(credit) for the year		

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year.

At the balance sheet date, the Group had an unrecognised deferred tax asset of approximately HK\$47,656,000 (2002: HK\$47,757,000) principally in respect of tax losses carried forward.

There were no unprovided deferred tax liabilities at the balance sheet date (2002: Nil).



31 March 2003

10. 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\$264,736,000 (2002: HK\$139,673,000).

11. DIVIDEND IN SPECIE

On 30 July 2003, the directors proposed a final dividend for the year ended 31 March 2003 to be satisfied by the distribution of one share of each of Inworld Group Limited, Riverhill Holdings Limited and Rainbow International Holdings Limited for every 50 shares of the Company held on 26 September 2003.

On the basis of 1,677,048,018 issued shares of the Company at the date of approval of these financial statements, 33,540,960 shares of each of the above investments (the "Distribution Shares") will be distributed. The net carrying value of the Distribution Shares at the balances sheet date was approximately HK\$1,690,000.

As disclosed in the Company's announcement dated 3 June 2003, the Company had omitted to comply with the disclosure and/or shareholders' approval requirements of the Listing Rules in respect of various transactions in prior years (the "Transactions") certain of which related to the above investments. The directors propose a special general meeting be convened to ratify the Transactions as detailed in the aforesaid announcement.

The proposed final dividend will be conditional on the Transactions being ratified at the special general meeting on or before 26 September 2003.

12. LOSS PER SHARE

The calculation of loss per share is based on the net loss attributable to shareholders of HK\$268,422,000 (2002: HK\$150,583,000) and the weighted average of 1,576,741,084 (2002: 1,020,829,578) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2003 and 2002 have not been disclosed, as the options and warrants outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.



31 March 2003

13. FIXED ASSETS

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Group					
Cost:					
At beginning of year	9,754	2,879	8,151	4,170	24,954
Additions	–	624	545	2,182	3,351
Disposals	(3,758)	(427)	(383)	(570)	(5,138)
Disposal of subsidiaries	(996)	–	(2,408)	(378)	(3,782)
At 31 March 2003	5,000	3,076	5,905	5,404	19,385
Accumulated depreciation:					
At beginning of year	1,001	2,453	4,031	1,485	8,970
Provided for the year	199	129	1,168	608	2,104
Disposals	(448)	(79)	(5)	(49)	(581)
Disposal of subsidiaries	(155)	–	(1,654)	(240)	(2,049)
At 31 March 2003	597	2,503	3,540	1,804	8,444
Net book value:					
At 31 March 2003	4,403	573	2,365	3,600	10,941
At 31 March 2002	8,753	426	4,120	2,685	15,984

The leasehold land and buildings are held outside Hong Kong under the following lease terms:

	HK\$'000
Long term leases	3,939
Medium term leases	1,061
	<u>5,000</u>

The aggregate net book value of assets held under hire purchase contracts included in the total amount of motor vehicles at 31 March 2003, amounted to HK\$2,856,000 (2002: HK\$1,789,000).



31 March 2003

14. GOODWILL

	Group	
	Goodwill HK\$'000	Negative goodwill HK\$'000
Cost:		
At beginning of year	89,763	(10,821)
Additional acquisition of interest in an existing subsidiary	2,921	–
Disposal of subsidiaries	(80,489)	–
At 31 March 2003	12,195	(10,821)
Accumulated amortisation and impairment/ (accumulated amount recognised as income):		
At beginning of year	81,771	(4,328)
Amortisation provided during the year	2,242	–
Amount recognised as income during the year	–	(1,624)
Disposal of subsidiaries	(74,497)	–
At 31 March 2003	9,516	(5,952)
Net book value:		
At 31 March 2003	2,679	(4,869)
At 31 March 2002	7,992	(6,493)



31 March 2003

15. INVESTMENT PROPERTIES

	Group	
	2003 HK\$'000	2002 HK\$'000
At beginning of year	30,300	30,600
Disposals	(10,000)	–
Revaluation deficit	(2,720)	(300)
	17,580	30,300
Analysis by lease term and geographical location:		
Leasehold properties situated in Hong Kong held under:		
Long term leases	2,600	12,700
Medium term leases	11,000	13,000
Leasehold properties situated outside Hong Kong held under long term leases	3,980	4,600
	17,580	30,300

The investment properties were valued by Chesterton Petty Limited, independent professionally qualified property valuers, on an open market, existing use basis at 31 March 2003. Certain of the above properties at a valuation of HK\$13.6 million were pledged to secure banking facilities granted to the Group, as detailed in note 29 to the financial statements.

Subsequent to the balance sheet date, the investment properties located outside Hong Kong at a carrying value of HK\$3,980,000 were disposed of at carrying value, further details of which are set out in note 16 to the financial statements.

16. PROPERTIES UNDER DEVELOPMENT

The properties under development represent costs incurred by the Group, net of provisions, in relation to the development of the City-in-City Project which involves the development of bungalows, a commercial complex and other residential buildings in Zhongshan, the People's Republic of China (the "PRC").

In September 1992, the Group, through its agent, entered into a co-operative agreement with Zhongshan Shi Huancheng Construction Development Corporation ("Zhongshan Corporation") for the purpose of jointly developing the land where the City-in-City Project is located (the "Land"). Pursuant to the terms of the co-operative agreement, Zhongshan Corporation was to contribute the Land and the Group would finance the costs of construction in respect of the Land and pay Zhongshan Corporation a fee of RMB10,000,000 (approximately HK\$9,346,000).



31 March 2003

16. PROPERTIES UNDER DEVELOPMENT *(Continued)*

The costs of the properties under development include the above-mentioned fee of RMB10,000,000 (approximately HK\$9,346,000) payable to Zhongshan Corporation, 50% of which was paid in 1994. The balance of RMB5,000,000 (approximately HK\$4,673,000) has been included in the financial statements as accounts payable under current liabilities.

The bungalows were all sold in previous years. The amount at the balance sheet date represents the cost in relation to the development of a commercial complex and other residential buildings, net of a provision for impairment in value at the amount of HK\$5,447,000. In the previous years, deposits received by the Group on the pre-sale of the commercial complex amounted to HK\$14,624,000 as recorded under "Deposits received" in the consolidated balance sheet.

Subsequent to the balance sheet date, on 16 May 2003, the Group entered into an agreement (the "Termination Agreement") with Zhongshan Corporation to terminate the co-operative agreement for the City-in-City Project. Pursuant to the Termination Agreement, the Group will return the properties under development with a carrying value of HK\$14,624,000 to Zhongshan Corporation in full settlement for the above-mentioned deposits received of HK\$14,624,000. In addition, the Group will transfer certain investment properties in Mainland China with a carrying value of HK\$3,980,000 (see note 15) to Zhongshan Corporation in full settlement for the aforesaid land cost payable of RMB5,000,000.

No significant gain or loss was resulted from the Termination Agreement.

17. PROPERTIES HELD FOR REDEVELOPMENT

	2003 HK\$'000	Group 2002 HK\$'000
Cost	94,643	94,643
Less: Provision for impairment	(61,643)	(54,643)
	33,000	40,000

The properties held for redevelopment are situated in Hong Kong, held under medium term leases and are pledged to secure banking facilities granted to the Group, as further detailed in note 29 to the financial statements.



31 March 2003

18. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	4,100	54,936
Less: Provision for impairment	(4,100)	(54,936)
	—	—
Due from a subsidiary	562,551	1,255,526
Less: Provision against an amount due from a subsidiary	(260,688)	(698,401)
	301,863	557,125
	301,863	557,125

The balance with the subsidiary is unsecured, interest-free and has no fixed terms of repayment, except for an outstanding balance of approximately HK\$562,551,000 (2002: HK\$291,521,000) as at 31 March 2003 which bears interest at 2% (2002: 1%) per annum.

Particulars of the principal subsidiaries at 31 March 2003 are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Styland Enterprises Limited	Hong Kong	HK\$2	100	—	Investment holding
Styland (International) Limited	Hong Kong	HK\$100,000	—	100	Securities trading
Kalomex (International) Limited	Hong Kong	HK\$2,000,000	—	100	General trading
Thunderbolt Property Corp.	British Virgin Islands/ Hong Kong	HK\$8	100	—	Investment holding



31 March 2003

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Devonia Development Limited	Hong Kong	HK\$10,000	–	100	Property development
Styland (Development) Limited	Hong Kong	HK\$4	–	100	Property development
Ever-Long Securities Company Limited	Hong Kong	HK\$100,000,000	–	100	Securities broking and provision of financing services
Ever-Long Finance Limited	Hong Kong	HK\$22,500,000	–	100	Provision of financing services
Kippton Limited ("Kippton")	Hong Kong	HK\$10,000	–	86.8	Investment holding
Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da")	Hong Kong	HK\$204,082	–	45*	Investment holding

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.

* *Sheng Da is a subsidiary of Kippton, a 86.8% indirectly owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of control.*



19. INTEREST IN A JOINT VENTURE

	Group	
	2003	2002
	HK\$'000	HK\$'000
Unlisted investments, at cost	551,837	551,837
Less: Accumulated amortisation	<u>(176,984)</u>	<u>(108,474)</u>
	374,853	443,363
Due to the joint venture	<u>(2,386)</u>	<u>(3,810)</u>
	<u>372,467</u>	<u>439,553</u>

Investment in a joint venture represents the investment in a Sino-foreign co-operative joint venture, Wuhan Dongseng Highway Building Development Company Limited ("Dong Seng"). The principal activity of Dong Seng is the development and operations of a section of National Highway 318 as a toll expressway in the PRC for a tenure of 19.5 years commencing from 10 November 1995, including 1.5 years of construction and development period and an operational period of 18 years.

Pursuant to the joint venture agreement, the Group cannot control or exercise significant influence over Dong Seng and is only entitled to profit distribution throughout the operational period of 18 years. Upon expiry of the joint venture, the toll expressway will be returned to the joint venture partner. Accordingly, the investment in Dong Seng is stated at cost and amortised over the operational period of 18 years.

The investment in Dong Seng is pledged to secure a bank loan granted to the Group, as further detailed in note 29 to the financial statements.

The amount due to Dong Seng is unsecured, interest-free and has no fixed terms of repayment.



31 March 2003

20. LONG TERM INVESTMENTS AND RELATED ADVANCE

	2003 HK\$'000	Group 2002 HK\$'000
Long term non-trading investments		
Listed equity investments in Hong Kong, at cost	158,390	156,269
Less: Provision for impairment	(151,805)	(91,762)
	<u>6,585</u>	<u>64,507</u>
Unlisted equity investments, at cost	138,264	61,562
Less: Provision for impairment	(80,362)	(21,500)
	<u>57,902</u>	<u>40,062</u>
Advance to an investee company	–	2,800
	<u>64,487</u>	<u>107,369</u>
Other long term investments		
Listed equity investments in Hong Kong, at market value	1,322	9,255
	<u>65,809</u>	<u>116,624</u>

Particulars of the principal investments are as follows:

Company	Place of incorporation	Class of shares held	Percentage of equity attributable to the Group
Riverhill Holdings Limited	Cayman Islands	Ordinary	28
Inworld Group Limited	Cayman Islands	Ordinary	32
Well Pacific Investments Limited ("Well Pacific")	British Virgin Islands	Ordinary	22
Seven Perfect Investment Co., Limited ("Seven Perfect")	British Virgin Islands	Ordinary	20
World Mark Investment Limited ("World Mark")	British Virgin Islands	Ordinary	40



31 March 2003

20. LONG TERM INVESTMENTS AND RELATED ADVANCE (Continued)

In the opinion of the directors, the Group is not in a position to exercise significant influence over the above companies and, accordingly, such investments are treated as long term investments and not as associates.

Included in long term investments at 31 March 2003 is the investment in Well Pacific of HK\$25,662,000 (2002: HK\$40,062,000), which is stated at its fair value after an impairment provision of HK\$35,900,000, of which HK\$21,500,000 was provided in the year ended 31 March 2002 and HK\$14,400,000 was provided in the current year. The provision was estimated by the directors based on the financial information of Well Pacific and its subsidiaries at 31 March 2002. Because of certain disputes with the management of Well Pacific, the directors have not been able to obtain any more recent financial information to assess the fair value of this investment, nor to ascertain the ownership by Well Pacific in two operating subsidiaries in Mainland China.

During the year, the Group acquired the investment in Seven Perfect for a cash consideration of HK\$31 million from an independent third party. The purchase consideration was determined with reference to a professional valuation which was prepared based on the net present value of the then expected future cash flows to be generated by Seven Perfect.

The advance to an investee company was unsecured, interest-bearing at prevailing market rates and was repaid during the year.

The market value of the long term non-trading listed equity investments which are stated at cost less impairment losses at the balance sheet date, was approximately HK\$32,917,000.

21. INVENTORIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Raw materials	2,455	3,776
Finished goods	1,688	5,320
	4,143	9,096

No inventories were carried at net realisable value as at 31 March 2003 (2002: Nil).



22. LOANS RECEIVABLE

An aged analysis of loans receivable is as follows:

	2003 HK\$'000	Group 2002 HK\$'000
Within 6 months	36,336	53,425
6 to 12 months	49,518	54,065
Over 1 year	102,192	41,897
	<u>188,046</u>	<u>149,387</u>
Provision for doubtful debts	(116,028)	(43,385)
	<u>72,018</u>	<u>106,002</u>
Securities dealing and broking business:		
Amounts receivable from margin clients	39,954	41,494
Financing business:		
Secured loans	22,167	8,164
Unsecured loans	9,897	56,344
	<u>72,018</u>	<u>106,002</u>

Loans receivable arise from the Group's financing business and bear interest at the prevailing market rates.

Secured loans are secured by marketable securities with market value of HK\$45,050,000 at 31 March 2003. Certain of the marketable securities have been pledged to secure bank loans granted to the Group as further detailed in note 29 to the financial statements.



31 March 2003

23. ACCOUNTS RECEIVABLE

	Group	
	2003 HK\$'000	2002 HK\$'000
Balances in relation to:		
Securities dealing and broking	4,777	7,853
General trading and others	8,856	5,817
	13,633	13,670
 An aged analysis of the Group's accounts receivable is as follows:		
Within 6 months	13,355	13,715
6 to 12 months	189	683
Over 1 year	4,218	3,625
	17,762	18,023
Provision for doubtful debts	(4,129)	(4,353)
	13,633	13,670

Trading terms with general trading customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 to 60 days of issuance, except for certain well-established customers, where the terms are extended to 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

24. SHORT TERM INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Listed equity investments in Hong Kong, at market value	1,287	12,579



31 March 2003

25. CLIENT TRUST BANK ACCOUNTS

Client trust bank accounts represent clients' trust monies kept in the trust bank accounts of a subsidiary engaged in the securities dealing business. The application of amounts maintained in such trust bank accounts is prescribed in the Securities Ordinance.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	18,445	31,382	384	56
Time deposits	5,000	48,049	–	–
	<u>23,445</u>	<u>79,431</u>	<u>384</u>	<u>56</u>

27. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED EXPENSES

	Group	
	2003 HK\$'000	2002 HK\$'000
Balances in relation to:		
Securities dealing and broking	24,565	22,418
General trading and others	24,391	40,737
	<u>48,956</u>	<u>63,155</u>

An aged analysis of the Group's trade payables is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within 6 months	18,630	22,847
6 to 12 months	2,583	5,493
Over 1 year	4,366	1,487
Trade payables	<u>25,579</u>	<u>29,827</u>
Other payables and accrued expenses	<u>23,377</u>	<u>33,328</u>
	<u>48,956</u>	<u>63,155</u>



31 March 2003

28. HIRE PURCHASE PAYABLES

The Group leases certain of its motor vehicles for business use. These leases are classified as hire purchase contracts and have remaining lease terms ranging from one to five years.

At 31 March 2003, the total future minimum lease payments under hire purchase contracts and their present values were as follows:

Group	Minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Present value of minimum lease payments
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable:				
Within one year	801	418	681	334
In the second year	767	288	687	255
In the third to fifth years, inclusive	1,093	582	1,048	541
Total minimum hire purchase payments	2,661	1,288	2,416	1,130
Less: Future hire purchase charges	(245)	(158)		
Hire purchase payables	2,416	1,130		
Portion classified as current liabilities	(681)	(334)		
Long term portion	1,735	796		



31 March 2003

29. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loans, secured	143,963	136,545
Bank overdrafts, secured	6,215	–
	<u>150,178</u>	<u>136,545</u>
Other borrowings, secured	–	21,193
Total bank loans and other borrowings	150,178	157,738
Portion classified as current liabilities	(71,900)	(59,648)
Long term portion	<u>78,278</u>	<u>98,090</u>
Bank loans and overdrafts are repayable:		
Within one year	71,900	38,455
In the second year	30,475	29,065
In the third to fifth years, inclusive	34,598	59,234
Beyond five years	13,205	9,791
	<u>150,178</u>	<u>136,545</u>
Other borrowings are repayable:		
Within one year	–	21,193
	<u>–</u>	<u>21,193</u>

The Group's bank loans and overdrafts are secured by:

- (i) margin clients' listed securities under the securities dealing and broking business;
- (ii) marketable securities of secured loan borrowers under the financing business;
- (iii) certain of the Group's investment properties and properties held for redevelopment situated in Hong Kong;
- (iv) certain of the Group's time deposits; and
- (v) investment in a joint venture.



31 March 2003

29. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS *(Continued)*

A bank loan of HK\$25 million classified as current liabilities at 31 March 2003 was originally repayable within one year. Subsequent to the balance sheet date, on 28 July 2003, the maturity date of the loan was extended to 31 July 2004.

Certain bank loans are denominated in RMB and the repayment of which will be satisfied by the dividend income in RMB from an unlisted investment (note 5).

30. SHARE CAPITAL

Shares

	2003 HK\$'000	2002 HK\$'000
<i>Authorised:</i>		
200,000,000,000 ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>2,000,000</u>
<i>Issued and fully paid:</i>		
1,633,398,618 (2002: 1,496,398,618) ordinary shares of HK\$0.01 each	<u>16,334</u>	<u>14,964</u>

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

	Number of shares in issue	Share capital HK\$'000
At 1 April 2001	359,365,368	3,594
Bonus issue	124,696,447	1,247
Warrants exercised	14,765,223	147
Rights issue	<u>997,571,580</u>	<u>9,976</u>
At 31 March 2002 and 1 April 2002	1,496,398,618	14,964
Placement of shares <i>(note)</i>	100,000,000	1,000
Share options exercised	<u>37,000,000</u>	<u>370</u>
At 31 March 2003	<u>1,633,398,618</u>	<u>16,334</u>

Note: 100,000,000 shares were placed to independent investors at the price of HK\$0.072 per subscription share, resulting in net proceeds of approximately HK\$7,020,000.



31 March 2003

30. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

As detailed in note 31 to the financial statements, subsequent to the balance sheet date, 43,649,400 ordinary shares were issued upon exercise of share options. The number of shares in issue at the date of approval of these financial statements was 1,677,048,018.

Warrants

The warrants outstanding in the prior year expired on 31 December 2001. There was no warrant outstanding during the year.

31. SHARE OPTION SCHEME

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. Under the Scheme which was approved and adopted in a special general meeting of the Company held on 23 August 2002, the directors may, within a period of 10 years, grant to directors and/or executives of the Group, non-transferrable options to subscribe for shares in the Company.

The maximum number of shares issuable under share options 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.

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.

The exercise price of the share options is determined by 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 share 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.



31 March 2003

31. SHARE OPTION SCHEME (Continued)

The following were the share option movements under the Scheme during the year:

Name or category of participant	Number of share options					Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's share***	
	At 1 April 2002	Granted during the year	Exercised during the year	Cancelled during the year	At 31 March 2003				At grant date of options HK\$	At exercise date of options HK\$
Directors										
Mr. Kenneth Chi Shing Cheung	13,289,061	-	-	(13,289,061)	-	21.4.99	21.4.99 – 20.4.02	0.25–1.00	0.026	-
Ms. Yvonne Han Yi Yeung	6,885,939	-	-	(6,885,939)	-	21.4.99	21.4.99 – 20.4.02	0.25–1.00	0.026	-
Other employees										
In aggregate	-	37,000,000	(37,000,000)	-	-	12.8.02	12.8.02 – 12.8.05	0.065	0.065	0.084
	<u>20,175,000</u>	<u>37,000,000</u>	<u>(37,000,000)</u>	<u>(20,175,000)</u>	<u>-</u>					

* These share options have no vesting 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 the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercises of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

The 37,000,000 share options exercised during the year resulted in the issue of 37,000,000 ordinary shares of the Company and new share capital of HK\$370,000 and share premium of HK\$2,035,000, as detailed in note 30 and 32 to the financial statements, respectively.

At the balance sheet date, the Company had no share options outstanding under the Scheme.



31 March 2003

31. SHARE OPTION SCHEME (Continued)

Subsequent to the balance sheet date, on 20 June 2003, a total of 116,398,400 share options were granted to certain employees of the Company in respect of their service to the Group in the forthcoming year. These share options have no vesting period and have an exercise price of HK\$0.0148 and an exercise period from 20 June 2003 to 20 June 2006. The price of the Company's shares at the date of grant was HK\$0.0148.

A total of 43,649,400 share options were exercised between 17 July 2003 and 25 July 2003, resulted in the issue of 43,649,400 ordinary shares of the Company and new capital of HK\$436,494 and share premium of HK\$209,517.

32. RESERVES

Group	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000
At beginning of year	2,105	6,040	571,147	604,573	(508,988)	(4)	674,873
Issue of shares upon exercise of warrants	5,453	-	-	-	-	-	5,453
Bonus issue of new shares	-	-	-	(1,247)	-	-	(1,247)
Issue of shares upon rights issue	19,951	-	-	-	-	-	19,951
Share issue expenses	(2,126)	-	-	-	-	-	(2,126)
Exchange realignment	-	-	-	-	-	4	4
Loss for the year	-	-	-	-	(150,583)	-	(150,583)
At 31 March 2002 and beginning of year	25,383	6,040	571,147	603,326	(659,571)	-	546,325
Issue of shares upon exercise of share options	2,035	-	-	-	-	-	2,035
Issue of new shares	6,200	-	-	-	-	-	6,200
Share issue expenses	(180)	-	-	-	-	-	(180)
Loss for the year	-	-	-	-	(268,422)	-	(268,422)
Proposed final dividend	-	-	-	(1,690)	-	-	(1,690)
At 31 March 2003	33,438	6,040	571,147	601,636	(927,993)	-	284,268



31 March 2003

32. RESERVES (Continued)

The Group's contributed surplus represents the excess value of the shares acquired over the nominal value of the Company's shares issued in exchange therefor during the Group reorganisation in November 1991 and the transfer from share premium account of HK\$600,000,000 in December 2000, less the transfer to the capital redemption reserve of HK\$6,040,000 in November 2000.

Company	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At beginning of year	2,105	6,040	571,147	622,809	(542,472)	659,629
Issue of shares upon exercise of warrants	5,452	–	–	–	–	5,452
Bonus issue of new shares	–	–	–	(1,247)	–	(1,247)
Issue of shares upon rights issue	19,951	–	–	–	–	19,951
Share issue expenses	(2,125)	–	–	–	–	(2,125)
Loss for the year	–	–	–	–	(139,673)	(139,673)
At 31 March 2002 and beginning of year	25,383	6,040	571,147	621,562	(682,145)	541,987
Issue of shares upon exercise of share options	2,035	–	–	–	–	2,035
Issue of new shares	6,200	–	–	–	–	6,200
Share issue expenses	(180)	–	–	–	–	(180)
Loss for the year	–	–	–	–	(264,736)	(264,736)
Proposed final dividend	–	–	–	(1,690)	–	(1,690)
At 31 March 2003	33,438	6,040	571,147	619,872	(946,881)	283,616

The Company's contributed surplus represents the difference between the fair value of the subsidiaries acquired pursuant to the Group reorganisation in November 1991 and the nominal value of the shares issued by the Company and the transfer from share premium account of HK\$600,000,000 in December 2000, less the transfer to the capital redemption reserve of HK\$6,040,000 in November 2000. Under the Companies Act 1981 of Bermuda (as amended) (the "Act"), the Company's contributed surplus is distributable to shareholders under certain circumstances.



31 March 2003

32. RESERVES *(Continued)*

Special capital reserve represents the amounts transferred from the Company's share capital upon adjustments of the nominal value of the Company's shares in prior years. Under the Act, the special capital reserve is distributable to shareholders under certain circumstances.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Fixed assets	1,733	—
Goodwill	5,992	—
Inventories	127	—
Prepayments, deposits and other receivables	319	—
Cash and bank balances	317	—
Accounts receivable	2,520	—
Accounts payable, other payables and accrued liabilities	(5,284)	—
	<u>5,724</u>	—
Loss on disposal	(702)	—
	<u>5,022</u>	—
Satisfied by:		
Cash	600	—
Long term investment	4,422	—
	<u>5,022</u>	—

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

Cash consideration	600	—
Cash and bank balances disposed of	(317)	—
	<u>283</u>	—
Net inflow of cash and cash equivalents In respect of the disposal of subsidiaries	<u>283</u>	—

The results of the subsidiaries disposed of had no significant impact on the Group's consolidated turnover or loss after tax for the year ended 31 March 2003.



31 March 2003

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that interest received and paid and taxes paid are now included in cash flows from operating activities and dividends received are now included in cash flows from investing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

(c) Major non-cash transactions

- (i) During the year, the Group entered into hire purchase contracts in respect of fixed assets with a total capital value at the inception of the leases of HK\$1,580,000 (2002: HK\$1,092,000).
- (ii) During the year, the Group acquired a long term investment at a consideration of HK\$41,140,000, of which HK\$9,137,000 was settled by cash and HK\$32,003,000 was offset against an other receivable.
- (iii) During the year, the Group disposed of an investment property at a consideration of HK\$8,000,000, of which HK\$800,000 was settled by cash and HK\$7,200,000 was recorded as an other receivable.



31 March 2003

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

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

	2003 HK\$'000	Group 2002 HK\$'000
Within one year	132	238
In the second to fifth years, inclusive	—	148
	<u>132</u>	<u>386</u>

No contingent rental receivable is recognised by the Group during the year (2002: Nil).

(b) As lessee

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

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

	2003 HK\$'000	Group 2002 HK\$'000
Within one year	1,135	738
In the second to fifth years, inclusive	598	6
	<u>1,733</u>	<u>744</u>

The Company had no commitments under operating leases at the balance sheet date (2002: Nil).



31 March 2003

35. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at the balance sheet date.

	2003 HK\$'000	Group 2002 HK\$'000
Authorised, but not contracted for:		
Properties held for redevelopment	9,000	9,000

The Company had no capital commitments at the balance sheet date (2002: Nil).

36. CONTINGENT LIABILITIES

As at 31 March 2003, the Company had contingent liabilities in respect of corporate guarantees of unlimited amount (2002: HK\$207,000,000) given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK\$28,499,000 (2002: HK\$4,267,000) had been utilised as at 31 March 2003.

37. 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 prior year adjustments have been made and comparative amounts have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 July 2003.