1. GENERAL INFORMATION

The Company is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in property investment, property development, information technology business, provision of financial information and related services, and design, marketing, manufacture and trading of consumer electronic products. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements.

2. BASIS OF PREPARATION

As at 31 March 2003, the Group had net current liabilities of HK$493,316,000. Notwithstanding this, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year. Proposed financing arrangements include, but are not limited to, the following:

– The Group is currently negotiating with its bankers and a creditor to extend and re-schedule the repayment terms of certain bank loans and borrowing which are either overdue for payment at the balance sheet date or would be due for repayment in the coming year. The Group is also in the course of discussion with some of its bankers to apply for additional credit facilities. The directors anticipate that the Group will be able to maintain the existing credit facilities and obtain additional credit facilities from its bankers.

– The Group is currently seeking potential buyers for certain of its properties. As part of the Group's strategic plan, the Group intends to divest these properties and thereby to obtain additional cash resources for repayment of its overdue indebtedness and/or to provide additional working capital.

– As more fully disclosed in note 44(a) to the financial statements, the Company and Mr. Yu Pun Hoi ("Mr. Yu"), a director and substantial shareholder of the Company, have agreed to extend the period within which Mr. Yu may require, pursuant to a previous agreement entered into between the Company and Mr. Yu, the Company to issue convertible notes of up to an additional principal amount of HK$200 million to any investor(s), Mr. Yu or one or more of his associates by another six months which would expire on 31 December 2003 or such further period as may be agreed between the Company and Mr. Yu. The net proceeds of the additional issue of such convertible notes will be used as working capital of the Group.

The directors believe that the aforementioned financial plans will be successful and the principal bankers will continue to support the Group. Having regard to the cash flow projections of the Group, which are based on the key assumptions that these measures will be successful, the directors are of the opinion that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group be unable to generate sufficient cash flows and/or secure the support of its bankers and creditor, the Group might not be able to continue in business as a going concern. Accordingly, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements on pages 22 to 100 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and investments in securities.

(a) Adoption of new/revised SSAPs

In the current year, the Group has adopted, for the first time, the following revised or new SSAPs.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11(Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

Adoption of these revised or new SSAPs has led to a number of changes in the Group's accounting policies. In addition, the revised or new SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. The adoption of these revised or new SSAPs has resulted in the following changes to the Group's accounting polices that have affected the amounts reported for the current and prior years.

SSAP 1 (Revised) – Presentation of financial statements

In adopting SSAP 1 (Revised), the Group is required to present a statement of changes in equity instead of a statement of recognised gains and losses. Comparative amounts have been restated to achieve a consistent presentation.

SSAP 11 (Revised) – Foreign currency translation

SSAP 11 is revised to eliminate the option to translate the income statement of a foreign enterprise at the closing rate when preparing consolidated financial statements. The income statement of a foreign enterprise is now required to be translated at the average rate for the period. Although this is a change in accounting policy, the translation of the income statements of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the results of the Group for the current and prior periods.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Adoption of new/revised SSAPs (Continued)

SSAP 15 (Revised) – Cash flow statements

In adopting SSAP 15 (Revised), the Group requires a cash flow statement to report cash flows during the period classified by operating, investing and financing activities only. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, demand deposits, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Comparative amounts have been restated to achieve a consistent presentation.

SSAP 33 – Discontinuing operations

SSAP 33 prescribes the basis for reporting information about discontinuing operations and has resulted in certain additional disclosures, which are included in note 7 to the financial statements.

SSAP 34 – Employee benefits

Employee entitlements

In adopting SSAP 34, employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Under SSAP 34, the cost of providing retirement benefits under the defined benefit retirement scheme is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses which exceed 10% of the greater of the present value of the defined benefit obligations and the fair value of the plan assets are amortised over the expected average remaining working lives of the employees participating in the scheme.

The adoption of SSAP 34 has not had any material impact on the prior year's financial statements and no prior year adjustment is required.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. All material inter-company transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sales and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement.

The financial statements also include the Group's share of post-acquisition results and reserves of its associates and jointly controlled entities.

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

(c) Subsidiaries

Subsidiaries are those enterprises in which the Company controls more than half of the voting power, or holds more than half of the issued share capital, or controls the composition of the board of directors.

In the Company's balance sheet, subsidiaries are carried at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's interests in associates are stated at its share of net assets of the associates. The Company's investments in associates are stated at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received or receivable at the balance sheet date.

An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interests in jointly controlled entities are recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

(f) Goodwill/Negative goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired.

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 for a period of not exceeding twenty years.

On disposal of subsidiaries or associates, 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 the relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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 an acquisition represents the excess of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair value of the non-monetary assets acquired, is recognised as income on a systematic basis over the remaining weighted average useful life of those acquired depreciable/amortisable assets. Negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

(i) Depreciation and amortisation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	2% to 5% or over the lease terms, whichever is shorter
Leasehold improvements, furniture, fixtures and equipment	10% to 33$^1/_3$%
Motor vehicles and pleasure yacht	10% to 33$^1/_3$%

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

(ii) Measurement bases

Property, plant and equipment other than investment properties are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Advantage has been taken of the transitional relief provided by SSAP 17 “Property, plant and equipment” issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of the Group’s land and buildings which had been carried at revalued amounts prior to 19 March 1993, and accordingly no further revaluation of such land and buildings is carried out. Prior to 19 March 1993, the surplus arising on the revaluation of these assets was credited to the property revaluation reserve grouped under general reserves.

Surplus arising on revaluation of property, plant and equipment other than investment properties is credited to asset revaluation reserve grouped under general reserves. A decrease in net carrying amount arising on revaluation is charged to the income statement to the extent that this exceeds the surplus, if any, held in asset revaluation reserve relating to the previous revaluation of the same item of assets. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits/accumulated losses.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant, furniture and fixtures and operating equipment which are collectively used in the operations of the hotel. Hotel properties are stated at their estimated open market value on the basis of annual professional valuations performed at the end of each financial year.

No depreciation is provided on hotel properties or on their integral fixed plant, furniture and fixtures and operating equipment. Expenditure on repairs and improvements of furniture and fixtures and renovation works is dealt with in the income statement in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits beyond the originally assessed standard of performance, the expenditure is capitalised as part of the carrying value of the hotel properties.

Hotel properties are valued annually by external professional valuers. The valuations are on an open market value basis related to individual properties. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the asset revaluation reserve grouped under general reserves; a revaluation decrease is first offset against any related revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same portfolio of assets and thereafter are charged to operating profit. A revaluation increase is recognised as income to the extent that it reverses revaluation decrease previously recognised as an expense.

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods longer than 20 years are not depreciated and stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment property revaluation reserve grouped under general reserves; decreases are first offset against increases on earlier valuations on a portfolio basis and thereafter are charged to operating profit. A revaluation increase is recognised as income to the extent that it reverses revaluation decrease previously recognised as an expense.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining periods of the leases.

Upon disposal, the revaluation surpluses relating to the investment properties disposed of are released from the investment property revaluation reserve and charged to the income statement.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Properties under development

Properties under development are stated at their estimated open market value on the basis of annual professional valuations performed at the end of each financial year. No depreciation and amortisation is provided on properties under development.

(k) Investments

Investment securities are securities which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated in the balance sheet at cost less impairment losses. Provisions are made when the fair value of such securities has declined below the carrying amounts, unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the income statement.

All other securities, whether held for trading or otherwise, are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise.

Dividend income from investments in securities is accounted for to the extent of amounts received and receivable up to and as at the balance sheet date.

(l) Property development projects

Interests in property development projects are included under other investments and stated at cost, which comprises development costs contributed towards the projects and other incidental costs, less impairment losses, if any. The results of the projects are recognised in the financial statements to the extent of distributions received.

(m) Land held for development

Land held for development is stated at cost less impairment losses. No depreciation and amortisation is provided on land held for development. Cost includes acquisition costs, development costs, borrowing costs capitalised in accordance with the Group's accounting policies and other direct costs attributable to the development.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Product development costs

Costs incurred on projects in developing new products, including the respective cost of acquiring the rights to technical know-how for the production of the relevant new products, are capitalised and deferred only when the project is clearly defined, the costs are separately identifiable and there is reasonable certainty that the project is technically feasible and the outcome will be of commercial value. Product development costs which do not meet these criteria are expensed when incurred.

Product development costs are amortised, using the straight line method, over their estimated commercial lives of not more than three years commencing in the year when the product is put into commercial use. When the circumstances which have justified the deferral of the costs no longer apply, or are considered doubtful, the costs, to the extent to which they are considered to be irrecoverable, will be written off immediately to the income statement.

(o) Proprietary software

Costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised on a straight line basis over a period of five years.

Costs incurred in order to restore or maintain the future economic benefits that an enterprise can expect from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using the weighted average method and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of production and the estimated costs necessary to make the sale.

(q) Convertible notes

Convertible notes are stated at the aggregate amount of proceeds received from the issue. The direct issuing costs are taken to the income statement in the year of issue. In the event that the notes are converted, the amount recognised in respect of the shares issued upon conversion is the principal amount at which the liability of the notes is stated as at the date of conversion.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Leases

(i) Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the lessee. Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the leases. The corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the income statement over the periods of the leases so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged or credited to the income statement on a straight line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(s) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the balance sheets of subsidiaries, associates and jointly controlled entities expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date and their income statements are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movements in exchange reserve.

(t) Deferred tax/Future tax benefits

Deferred tax is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Employee benefits

(i) Employee entitlements

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) Retirement benefits scheme

The Group operates several staff retirement schemes for employees in Hong Kong, The People's Republic of China (the "PRC") and the Republic of Philippines ("Philippines"), comprising a defined benefit pension scheme, defined contribution pension schemes and a Mandatory Provident Fund ("MPF") scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant Group companies.

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 13% to 22% of basic salary of their employees and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% on their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,000.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Employee benefits (Continued)

(ii) Retirement benefits scheme (Continued)

The Group's contribution to the defined benefit retirement scheme (the "DB Scheme") for their employees in Philippines are made based on the periodic recommendations of independent qualified actuaries. Pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plan. The pension obligation is measured as the present value of the estimated future cash outflows and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high corporate bonds that have maturity dates approximate the terms of the Group's obligations.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating the plan. Otherwise, the actuarial gain or loss is not recognised.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that benefits vest immediately, the expense is recognised immediately in the income statement.

When the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The assets of the scheme are held separately from those of the Group, in separate trustee administrated funds.

(iii) Equity compensation benefits

The Group has a share option scheme which is part of the remuneration policy with rewards determined based upon the performance of the Group and individual employees. When options are granted, no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Borrowing costs

Borrowing costs are charged to the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition and development of properties or land which necessarily take a substantial period of time to complete.

(w) Cash and cash equivalents

Cash comprises cash on hand and deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(x) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation reserve under that SSAP.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(x) Impairment (Continued)

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(y) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

(z) 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.

(aa) Recognition of revenue

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:

– for 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;

– for rendering of services, when services are provided;

– for royalty income, on an accrual basis in accordance with the substance of the relevant agreement;

– for interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

– for rental income, on a straight-line basis over the lease terms.

4. TURNOVER AND OTHER REVENUE

		2003 HK$'000	2002 HK$'000
(a)	**Turnover:**		
	Continuing operations		
	Information technology business	**159,575**	128,832
	Provision of financial information and related services	**42,262**	11,029
	Royalty income	**28,302**	27,777
	Property investment	**2,883**	3,259
	Hotel operations	**35,472**	13,409
	Online education services	**2,760**	–
	Provision of electronic manufacturing services	**36,544**	64,648
	Sales of consumer electronic products	**64,032**	147,104
	Sales of securities	**17,219**	68,280
		389,049	464,338
	Discontinued operations		
	Sales of telecommunication products	**–**	3,586
		389,049	467,924
(b)	**Other revenue:**		
	Write back of impairment losses on a property development project (note 17(d))	**–**	59,298
	Interest income	**3,691**	7,229
	Gain on disposal of proprietary software	**13,606**	–
	Gain on disposal of other investment	**1,735**	–
	Gain on waiver of amount due to a creditor	**–**	4,989
	Negative goodwill recognised as income	**18,158**	10,566
	Surplus on revaluation of properties under development	**6,645**	–
	Sundry income	**440**	7,249
		44,275	89,331
	Total revenue	**433,324**	557,255

The Group's telecommunication business segment was discontinued with effect from September 2001 and accordingly, the manufacture and trading operations in telecommunication products of the Group were treated as discontinued operations.

5. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the 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 other business segments.

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

Summary details of the business segments are as follows:

(a) Provision of financial information and related services

(b) Information technology business

(c) Consumer packaged electronics

(d) Electronic manufacturing services

(e) Property development

(f) Sales of securities

(g) Hotel operations

(h) Property investment

(i) Online education services

(j) The corporate and other segments comprise operations other than those as specified above

(k) Telecommunication products

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.

There were no inter-segment sales and transfers between segments (2002: NIL).

5. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2003:

	Continuing operations										Discontinued operations		
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Electronic manufacturing services	Property development	Sales of securities	Hotel operations	Property investment	Online education services	Other segments	Telecom-munication products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue													
Sales to external customers	70,564	159,575	64,032	36,544	–	17,219	35,472	2,883	2,760	–	–	–	**389,049**
Segment results	26,561	12,163	(15,618)	(5,617)	(21,893)	(549)	(1,516)	(11,417)	(6,254)	(482)	–	–	**(24,622)**
Interest and sundry income													**4,131**
Gain on disposal of a jointly controlled entity			3,403										**3,403**
Gain/(Loss) on disposal of subsidiaries			26,723		(16,525)								**10,198**
Gain on disposal of other investments		1,735											**1,735**
Gain on disposals of property development projects					117,778								**117,778**
Unallocated corporate expenses													**(55,202)**
Profit from operations													**57,421**
Finance costs													**(41,161)**
Liabilities waived by a director		30,000											**30,000**
Share of results of associates					(374)					(358)		374	**(358)**
Profit before taxation													**45,902**
Taxation													**(6,488)**
Profit before minority interests													**39,414**
Minority interests													**(25,569)**
Profit attributable to shareholders													**13,845**

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2003 (Continued):

	Continuing operations										Discontinued operations		
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Electronic manufacturing services	Property development	Sales of securities	Hotel operations	Property investment	Online education services	Other segments	Telecom-munication products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	446,215	110,653	39,371	118,033	4,313,465	445	501,290	152,884	6,202		395		**5,688,953**
Unallocated assets													**240,220**
Interest in associates					209,223		(765)			(7,480)		(209,223)	**(8,245)**
Total assets													**5,920,928**
Segment liabilities	(8,822)	(34,638)	(12,484)	(8,693)	(490,076)	(10,625)	(81,381)	(2,016)	(662)		(2,357)		**(651,754)**
Unallocated liabilities													**(1,574,792)**
Total liabilities													**(2,226,546)**
Other information													
Capital expenditure	433	10,740	1,807	26	72,621	–	233,124	–	147	28,147	–	–	**347,045**
Depreciation and amortisation	29,714	10,619	6,518	5,378	15,791	–	5,411	94	898	2,919	–	–	**77,342**
Negative goodwill recognised as income	–	–	–	–	18,158	–	–	–	–	–	–	–	**18,158**

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2002:

	Continuing operations										Discontinued operations		
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Electronic manufacturing services	Property development	Sales of securities	Hotel operations	Property investment	Online education services	Other segments	Telecom-munication products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue													
Sales to external customers	38,806	128,832	147,104	64,648	–	68,280	13,409	3,259	–	–	3,586	–	**467,924**
Segment results	(3,150)	11,925	(40,493)	(2,473)	(19,395)	(9,699)	(664)	1,342	(3,207)	–	(7,001)	–	**(72,815)**
Other revenue													**89,331**
Gain on deemed partial disposal of a subsidiary			13,663	6,004							333		**20,000**
Unallocated corporate expenses													**(98,007)**
Loss from operations													**(61,491)**
Liabilities waived by unsecured creditors			81,350								8,429		**89,779**
Loan waived by a minority shareholder													**25,000**
Finance costs													**(47,619)**
Share of results of associates					(403)					(441)		403	**(441)**
Profit before taxation													**5,228**
Taxation													**(5,333)**
Loss before minority interests													**(105)**
Minority interests													**(32,383)**
Loss attributable to shareholders													**(32,488)**

For the year ended 31 March 2003

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 March 2002 (Continued):

	Continuing operations										Discontinued operations		
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Electronic manufacturing services	Property development	Sales of securities	Hotel operations	Property investment	Online education services	Other segments	Telecom-munication products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	412,129	82,923	44,597	95,069	4,116,241	1,767	354,278	100,318	8,972	28,269	401		**5,244,964**
Unallocated assets													**190,188**
Interest in a jointly controlled entity													**89**
Interest in associates					209,597					(7,426)		(209,597)	**(7,426)**
Total assets													**5,427,815**
Segment liabilities	(4,851)	(13,379)	(20,556)	(13,359)	(691,153)	(45,379)	(40,590)	(940)	(1,131)	(73,803)	(2,357)	93,093	**(814,405)**
Unallocated liabilities													**(1,019,862)**
Total liabilities													**(1,834,267)**
Other information													
Capital expenditure	405,011	12,195	13,269	928	3,045,999	–	19,324	102	–	–	–	–	**3,496,828**
Depreciation and amortisation	19,533	8,140	13,350	6,942	12,768	–	3,756	76	1,032	3,892	176	–	**69,665**
Negative goodwill recognised as income	–	–	–	–	10,566	–	–	–	–	–	–	–	**10,566**

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following tables present revenue, certain assets and capital expenditure information for the Group's geographical segments.

	Europe		United Kingdom/ North America		Hong Kong		PRC, other than Hong Kong		Philippines		Others		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue														
Sales to external customers	**3,104**	31,261	**12,922**	77,954	**89,602**	71,078	**255,124**	181,508	**22,850**	–	**5,447**	106,123	**389,049**	467,924
Other segment information														
Segment assets	**–**	–	**5,011**	10,966	**261,960**	298,322	**5,265,366**	5,118,527	**388,591**	–	**–**	–	**5,920,928**	5,427,815
Capital expenditure	**–**	–	**70**	252	**1,737**	52,474	**83,971**	3,444,102	**233,120**	–	**28,147**	–	**347,045**	3,496,828

6(a). GAIN ON DEEMED PARTIAL DISPOSAL OF A SUBSIDIARY

Pursuant to a share placement agreement dated 31 July 2001, 20,000,000 shares of HK$1.00 each in Team Industrial Company Limited ("TIC"), a then wholly-owned subsidiary of South Sea Holding Company Limited ("South Sea"), a subsidiary of the Company, were allotted and issued to Pacific Gloria Limited, an independent third party, at a cash consideration of HK$20,000,000. The shares issued represented 35% of the enlarged share capital and rank pari passu with the then existing shares of TIC. This transaction resulted in a gain on deemed partial disposal of a subsidiary of HK$20,000,000 for the year ended 31 March 2002.

6(b). LIABILITIES WAIVED BY A DIRECTOR

On 31 March 2003, the Group was informed by Mr. Yu in writing that Mr. Yu agreed to reimburse certain advertising and promotional expenses incurred by the Group for the current and previous years to the extent of HK$30,000,000 by waiving an amount equal to HK$30,000,000 due to him by the Group unconditionally. This gave rise to a gain of HK$30,000,000 which has been recognised in the consolidated income statement.

6(c). LIABILITIES WAIVED BY UNSECURED CREDITORS

During the year ended 31 March 2002, the Group entered into a Scheme of Arrangement with the unsecured creditors of Team Concept Manufacturing Limited ("TCM"), a then wholly-owned subsidiary of South Sea, pursuant to which the Group's liabilities due to these unsecured creditors were discharged by the following:

- payment of cash totalling approximately HK$116,000;
- issue by South Sea of 106,531,974 shares of HK$0.10 each in the share capital of South Sea, credited as fully paid at par; and
- issue by South Sea of convertible debentures of an aggregate amount of HK$10,653,000 in value.

The Scheme of Arrangement, details of which are set out in a circular issued by TCM dated 13 June 2001 and an announcement issued by South Sea dated 5 October 2001, resulted in a total gain of approximately HK$89,779,000 in previous year.

6(d). LOAN WAIVED BY A MINORITY SHAREHOLDER

The loan was due to a minority shareholder of a subsidiary of the Company. On 25 March 2002, the Group was informed by the minority shareholder in writing that the minority shareholder agreed to waive the loan unconditionally. This gave rise to a gain of HK$25,000,000 which was recognised in the consolidated income statement in last year.

7. DISCONTINUED OPERATIONS

With effect from September 2001, the Group ceased its operations of manufacture and trading of telecommunication products.

The results from the operations of the telecommunication products included in the consolidated income statement are as follows:

	2003 **HK$'000**	2002 HK$'000
Turnover	–	3,586
Cost of sales	–	(6,727)
Gross profit	–	(3,141)
Other revenue	–	1,761
Gain on deemed partial disposal of a subsidiary	–	333
Engineering expenses	–	(156)
Administrative expenses	–	(4,972)
Other operating expenses	–	(409)
Loss from operations	–	(6,584)
Finance costs	–	(613)
Liabilities waived by unsecured creditors	–	8,429
Profit before taxation	–	1,232
Taxation	–	(10)
Profit attributable to shareholders	–	1,222

The net cash flows attributable to the business of telecommunication products included in the consolidated cash flow statement are as follows:

	2003 **HK$'000**	2002 HK$'000
Operating activities	**5**	8,111
Investing activities	–	–
Financing activities	–	–
Net cash inflows	**5**	8,111

8. PROFIT/(LOSS) FROM OPERATIONS

	2003 HK$'000	2002 HK$'000
Profit/(Loss) from operations is arrived at after charging:		
Auditors' remuneration	**3,262**	4,527
Depreciation:		
Owned property, plant and equipment	**29,691**	31,402
Leased property, plant and equipment	**61**	649
	29,752	32,051
Operating lease rentals on land and buildings	**15,750**	20,154
Staff costs (excluding directors' remuneration)	**125,728**	100,512
Redundancy cost	**554**	782
Retirement benefits contributions:		
Gross retirement benefit contributions	**3,815**	1,366
Less: forfeited contributions	**(467)**	(939)
Net retirement benefit contributions	**3,348**	427
Cost of provision of hotel services	**18,034**	6,801
Cost of provision of information technology business	**80,250**	40,155
Cost of provision of financial information and related services	**7,665**	4,222
Cost of provision of proprietary software	**1,603**	8,777
Cost of inventories sold – telecommunication products	**–**	6,727
Cost of inventories sold – consumer electronic products	**44,254**	131,121
Cost of provision of electronic manufacturing services	**31,755**	62,103
Cost of inventories sold – online education services	**1,586**	–
Cost of securities sold	**17,332**	77,368
Cost of sales and services provided	**202,479**	337,274
Deficit on revaluation of investment properties	**6,000**	4,500
Deficit on revaluation of hotel properties	**9,415**	8,448
Deficit on revaluation of properties under development	**–**	10,968
Impairment losses on land and buildings	**1,174**	–
Impairment losses on land held for development	**7,055**	6,172
Provision for bad and doubtful debts	**11,526**	19,679
Loss on disposal of property, plant and equipment	**12,668**	6,155
Underwriting fee	**–**	10,000
Amortisation of goodwill	**39,716**	27,399
Amortisation of product development costs	**3**	5,127
Amortisation of proprietary software	**7,871**	5,088
Write off of bad debts	**18,517**	–
Write off of product development costs	**–**	917

9. FINANCE COSTS

	2003	2002
	HK$'000	HK$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	**68,325**	29,350
– not wholly repayable within five years	**6,136**	4,187
Other loans, payables and convertible notes		
– wholly repayable within five years	**23,293**	26,083
Finance leases	**84**	156
	97,838	59,776
Less: Amounts directly attributable to land held for development capitalised	**(56,677)**	(12,157)
	41,161	47,619

10. TAXATION

The tax charge comprises:

	2003	2002
	HK$'000	HK$'000
Company and subsidiaries:		
Overseas – current income taxes	**6,488**	5,333

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit for the year. Overseas income taxes are provided in accordance with the legislations and tax rates prevailing in the respective overseas countries.

10. TAXATION (Continued)

The amount of estimated unprovided deferred tax (charge)/credit for the year is as follows:

	2003	2002
	HK$'000	HK$'000
Tax effect of timing differences attributable to:		
Accelerated depreciation allowances	**27**	(11)
Tax losses	**(7,748)**	51,871
	(7,721)	51,860

11. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit/(loss) attributable to shareholders, a loss of HK$154,867,000 (2002: HK$660,412,000) is dealt with in the financial statements of the Company.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on profit attributable to shareholders of HK$13,845,000 (2002: a loss of HK$32,488,000) and on the weighted average of 13,914,504,877 (2002: 9,158,340,492) ordinary shares in issue during the year.

Diluted earnings per share for both years ended 31 March 2003 and 2002 are not presented because the impact of the exercise of the share options and convertible notes is anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Properties under development HK$'000	Investment properties HK$'000	Land and buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles and pleasure yacht HK$'000	Total HK$'000
Cost or valuation							
At 1 April 2002	75,000	231,000	99,500	88,210	224,980	8,821	727,511
Additions	–	8,996	–	–	13,730	60	22,786
Acquisition of subsidiaries	235,040	–	–	–	304	–	235,344
Disposal of subsidiaries	–	–	–	–	(2,978)	–	(2,978)
(Deficit)/Surplus on revaluation charged to the consolidated income statement	(9,415)	6,645	(6,000)	–	–	–	(8,770)
Disposals	–	–	–	(23,783)	(64,560)	(428)	(88,771)
Exchange differences	(505)	4,359	–	–	2,355	60	6,269
At 31 March 2003	**300,120**	**251,000**	**93,500**	**64,427**	**173,831**	**8,513**	**891,391**
Accumulated depreciation and amortisation and impairment losses							
At 1 April 2002	–	–	–	16,634	156,925	7,366	180,925
Depreciation and amortisation charge for the year	–	–	–	1,839	27,502	411	29,752
Impairment losses charged to the consolidated income statement	–	–	–	1,174	–	–	1,174
Disposal of subsidiaries	–	–	–	–	(2,717)	–	(2,717)
Disposals	–	–	–	(4,521)	(55,560)	(428)	(60,509)
Exchange differences	–	–	–	–	1,644	41	1,685
At 31 March 2003	**–**	**–**	**–**	**15,126**	**127,794**	**7,390**	**150,310**
Net book value							
At 31 March 2003	**300,120**	**251,000**	**93,500**	**49,301**	**46,037**	**1,123**	**741,081**
At 31 March 2002	75,000	231,000	99,500	71,576	68,055	1,455	546,586

The analysis of the cost or valuation of the above assets is as follows:

	Hotel properties HK$'000	Properties under development HK$'000	Investment properties HK$'000	Land and buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles and pleasure yacht HK$'000	Total HK$'000
At cost	–	–	–	61,602	173,831	8,513	243,946
At professional valuation	300,120	251,000	93,500	2,825	–	–	647,445
At 31 March 2003	**300,120**	**251,000**	**93,500**	**64,427**	**173,831**	**8,513**	**891,391**

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 April 2002	1,920	674	2,594
Additions	2	–	2
At 31 March 2003	**1,922**	**674**	**2,596**
Accumulated depreciation			
At 1 April 2002	1,423	645	2,068
Charge for the year	287	27	314
At 31 March 2003	**1,710**	**672**	**2,382**
Net book value			
At 31 March 2003	**212**	**2**	**214**
At 31 March 2002	497	29	526

(a) The Group's hotel properties are situated in the PRC and the Philippines and held under long term leases. They were valued by DTZ Debenham Tie Leung Limited and Vigers Hong Kong Limited, independent professional valuers, at 31 March 2003 on an open market value basis and a fully operational hotel entity basis respectively. The total deficit of HK$9,415,000 arising from the revaluation of hotel properties, representing the shortfall of the revalued amounts below the carrying values of the hotel properties, has been charged to the consolidated income statement.

At 31 March 2003, all of the Group's hotel properties were pledged to secure banking facilities granted to the Group.

The Group's properties under development are situated in the PRC and held under long term leases. They were valued by DTZ Debenham Tie Leung Limited, independent professional valuers, at 31 March 2003 on an open market value basis. The surplus of HK$6,645,000 arising from the revaluation of properties under development, representing the excess of the revalued amounts over the carrying values of the properties under development, has been credited to the consolidated income statement.

At 31 March 2003, all of the Group's properties under development were pledged to secure banking facilities granted to the Group.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Particulars of the hotel properties and the properties under development are set out below:

Location	Uses
Beijing Golden Era Hotel ("Hotel") and the proposed extension ("Proposed Extension"), No. 1 Dong San Huan South Road, Chao Yang District, Beijing, the PRC	The Hotel is operated as a local class hotel and the Proposed Extension is under development

The hotel properties and the properties under development were originally owned by a PRC party and subsequently transferred to Beijing Golden Era Hotel Limited, a wholly-owned subsidiary of the Company (note 14). However, the legal titles of these properties have not yet been changed to the subsidiary as at the year end date.

The Land Use Rights Certificate of the land will be granted upon full settlement of the land premium payables amounting to HK$27,359,000 (2002: HK$26,852,000) as at 31 March 2003.

Location	Uses
Manila Pavilion Hotel (formerly Holiday Inn Manila), United Nations Avenue, Ermita, Metro Manila, Philippines	The hotel has complied with the requirements prescribed by the Department of Tourism of Philippines and has been granted a licence to operate as a "Standard Class" hotel

The site on which the hotel is situated containing an area of approximately 6,500 square metres is covered by Transfer of Title No. 184100 issued in favour of CIMA Realty Philippines, Inc. ("CIMAR"), an associate of the Group on 25 January 1989 by the Registry of Deeds for the City of Manila.

In January 1989, Acesite (Phils.) Hotel Corporation ("Acesite"), a subsidiary of the Company, listed on the Philippine Stock Exchange in the Philippines executed a Deed of Assignment with CIMAR assigning to the latter the right to purchase the land on which the Acesite's hotel building is situated, from Government Service Insurance System (GSIS) under certain conditions which would allow Acesite to leaseback the land.

Subsequently, CIMAR acquired and paid for the purchase price of the land to GSIS. On 17 January 1989, a contract of lease for the land was executed between Acesite and CIMAR for a period of ten years with an annual rental of about PHP1.3 million. Moreover, Acesite has the right to purchase the land from CIMAR and assign its rights to purchase the land to any third party at any time during the term of the lease. In May 1989, the contract was amended extending the period of the lease to twenty years and increasing the annual rental to about PHP6.1 million.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Group's investment properties are all situated in Hong Kong and are held under long term leases. They were valued by Vigers Hong Kong Limited, independent professional valuers, at 31 March 2003 on an open market existing use basis at HK$93,500,000. The deficit of HK$6,000,000 arising from the revaluation of investment properties, representing the shortfall of the revalued amounts below the carrying values of these properties, has been charged to the consolidated income statement.

At 31 March 2003, all of the Group's investment properties were pledged to secure banking facilities granted to the Group.

(c) Certain of the Group's land and buildings were valued by Vigers Hong Kong Limited, independent professional valuers, on an open market value basis as at 19 March 1993.

The cost or valuation of the Group's land and buildings comprise the following:

	Hong Kong	Outside Hong Kong	Total
	HK$'000	HK$'000	HK$'000
Medium term leasehold			
At cost	–	61,602	61,602
At 1993 professional valuation	2,825	–	2,825
	2,825	**61,602**	**64,427**

At 31 March 2003, all of the Group's land and buildings were pledged to secure banking facilities granted to the Group.

(d) The net book value of the property, plant and equipment of the Group held under finance leases amounted to HK$182,000 (2002: HK$938,000) as at 31 March 2003.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**650,788**	450,788
Less: Provision for impairment losses	**(531,794)**	(363,935)
	118,994	86,853
Amounts due from subsidiaries	**4,025,562**	3,859,890
Less: Provision for doubtful debts	**(1,048,818)**	(1,049,510)
	2,976,744	2,810,380
	3,095,738	2,897,233
Amounts due to subsidiaries	**154,542**	207,755

Included in the amounts due from subsidiaries are amounts of HK$145,000,000 (2002: HK$145,000,000) and HK$309,893,000 (2002: HK$276,339,000) which bear interest at 5% and 7% per annum respectively. Except for these, the balances with subsidiaries are unsecured, interest free and the Company has undertaken not to demand repayment within one year from 31 March 2003.

Certain amounts advanced to a subsidiary were pledged to secure the Group's credit facilities (note 39).

The amounts due to subsidiaries are unsecured, interest free and have no fixed repayment terms.

14. INTERESTS IN SUBSIDIARIES (Continued)

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

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Huckerbye Limited	British Virgin Islands/Hong Kong	US$1	100	–	Property investment
Linfield Properties Limited	British Virgin Islands	US$10,000	55	30	Investment holding
Rich Country Enterprises Limited	Hong Kong	HK$2	100	–	Property development
Sino-i.com (Shanghai) Limited ("Sino-i.com Shanghai") (note (d))	Hong Kong	HK$2	100	–	Investment holding
Airmount Limited	Hong Kong	HK$200	–	100	Property investment
Evallon Investment Limited	Hong Kong	HK$1,000,000	–	100	Investment holding
Ever Genius Development Limited	Hong Kong	HK$2	–	85	Investment in property development projects
Listar Properties Limited	British Virgin Islands	US$20,000,000	1	83.18	Investment holding

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Honest Link Development Limited ("Honest Link")	Hong Kong	HK$2	–	84.18	Investment holding
Guangzhou Dong Jin Xin Cheng Properties Co., Ltd ("Dong Jin") (note (a))	PRC	US$14,000,000	–	84.18	Property development
Oriental Rise Limited	Hong Kong	HK$2	–	100	Property investment
Oriental Team Development Limited	Hong Kong	HK$2	–	100	Property investment
Topwide Corporation	British Virgin Islands	US$1	100	–	Investment holding
Swift Gain International Inc.	British Virgin Islands	US$1	100	–	Investment holding
Mark Chain Limited	Hong Kong	HK$2	–	100	Investment holding
北京世華國際金融信息有限公司(「北京世華」) (note (b))	PRC	RMB130,000,000	–	80	Provision of financial information on the internet

For the year ended 31 March 2003

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Hampstead International Group Limited ("Hampstead") (note (b))	British Virgin Islands	US$1	–	100	Investment holding
CE Dongli Technology Company Limited (formerly深圳華企網信息產業發展有限公司and 深圳華企網實業發展有限公司) (「深圳華企網」) (note (b))	PRC	RMB100,000,000	–	76	Information technology business
Shenzhen Guonan Industrial Development Co., Ltd ("Shenzhen Guonan") (note (c))	PRC	RMB3,000,000	–	100	Investment holding
China Education Online Limited	Hong Kong	HK$2	–	100	Education portal
Dadi Entertainment Limited	Hong Kong	HK$2	–	100	Music broadcasting on the internet
Dadi Media Limited	Hong Kong	HK$2	100	–	Investment holding
Powerful Resources Limited	British Virgin Islands	US$1	–	100	Investment holding
China Enterprise ASP Limited	Hong Kong	HK$9,000,000	–	80	Investment holding
Seewaa (Hong Kong) Financial Information Company Limited	Hong Kong	HK$5,000,000	100	–	Provision for financial information on the internet

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
The Net Paper Limited	Hong Kong	HK$2	–	100	Internet newspaper
上海朗寧數碼投資有限公司 (「上海朗寧」) (notes (b) and (d))	PRC	US$30,000,000	–	100	Investment holding
Hancheers International Enterprise Limited ("Hancheers")	Hong Kong	HK$10,000	–	100	Investment holding
Rich King Inc.	British Virgin Islands	US$50,000	100	–	Investment holding
Beijing Chinese Dadi Distance Education Company Limited (note (e))	PRC	RMB10,154,174	–	80	Operation of an educational portal and provision of online distance learning education services
Beijing Golden Era Hotel Limited ("Golden Era Hotel") (note (f))	PRC	US$12,000,000	–	100	Hotel operation
Victorious Limited	British Virgin Islands	US$1	100	–	Investment holding
Robina Profits Limited	British Virgin Islands	US$1	100	–	Investment holding
Ko Tact Limited	British Virgin Islands	US$1	100	–	Investment holding

For the year ended 31 March 2003

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
South Sea Holding Company Limited ("South Sea", a Hong Kong listed company)	Bermuda	HK$299,318,041	–	67.71	Investment holding
South Sea Development (HK) Limited	Hong Kong	HK$2	–	67.71	Investment holding
Team Industrial Company Limited	Hong Kong	HK$57,143,000	–	44.01	Investment holding and provision of management services
Team Concepts Marketing Limited	Hong Kong	HK$500,000	–	44.01	Design and marketing of electronic educational products
Team Concepts Technologies Limited	Hong Kong	HK$20	–	44.01	Design and marketing of consumer electronic products
Dong Guan Team Concepts Electronics Limited (note (g))	PRC	HK$40,000,000	–	35.21	Manufacture of consumer electronic products
Team Concepts (UK) Limited	The United Kingdom	GBP100	–	44.01	Provision of marketing services

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Team Concepts Manufacturing Limited	Hong Kong	HK$500,000	–	44.01	Manufacture of consumer electronic products
Liu Wan Development (BVI) Company Limited ("Liu Wan (BVI)") (note (h))	British Virgin Islands	US$215,000,000	–	67.71	Investment holding
Liu Wan Investment Company Limited	Hong Kong	US$2	–	67.71	Investment holding
Shenzhen Liu Wan Industry Development Co., Ltd ("Shenzhen Liu Wan") (note (h))	PRC	RMB100,000,000	–	67.71	Investment holding and property development
Shenzhen Jin Yi Tian Industry Development Company Limited (formerly Shenzhen Jin Yi Tian Investment Company Limited) ("Shenzhen Jin Yi Tian") (note (i))	PRC	RMB18,000,000	–	67.71	Property development
South Port Development Limited	British Virgin Islands	US$100	100	–	Investment holding
First Foundation Limited	British Virgin Islands	US$10	100	–	Investment holding
Nickell International Limited	British Virgin Islands	US$1	–	100	Investment holding
Acesite Limited	British Virgin Islands	US$10	–	100	Investment holding

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Acesite (Phils) Hotel Corporation ("Acesite") (note (j))	Philippines	PHP99,852,308	–	77.67	Hotel operation

The above table lists the particulars of the subsidiaries of the Company which, in the opinion of the directors, principally affected the Group's 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.

Notes:

(a) Dong Jin was a cooperative joint venture established under a joint venture agreement between Honest Link and a PRC party. Dong Jin is engaged in the undertaking of a property project which involves the development of a land site measuring approximately 1,000 acres by area. Pursuant to the joint venture agreement, in respect of the profits derived from the first 150 acres of land comprised in the first phase of the property development project, the co-joint venture partner would be entitled to a fixed profit of RMB13,090,000 and thereafter all residual profit in excess of RMB13,090,000 would be attributable to Honest Link. For the profits arising on the remaining phases of the project, Honest Link and the co-joint venture partner were entitled to share the profits at a ratio of 70% and 30% respectively.

Pursuant to a supplementary agreement entered into between Honest Link and the co-joint venture partner on 24 November 1993 which superseded the above arrangement, the co-joint venture partner has waived all of its 30% interest including profit-sharing and controlling interests in Dong Jin from the date of incorporation of Dong Jin in return for a pre-emptive return of RMB87,271,030. Pursuant to a supplementary agreement dated 28 December 2000, the co-joint venture partner agreed to waive the pre-emptive return of RMB87,271,030. Since then Honest Link has attained 100% share in profits and controlling interests in Dong Jin.

(b) 北京世華 is an equity joint venture established on 12 October 1999 for a period of 20 years, of which 98.8% and 1.2% equity interest were owned by a PRC party and Hampstead respectively. Pursuant to an agreement dated 21 June 2001, 上海朗寧 acquired 78.8% equity interest in 北京世華 from the PRC party. As part of the corporate structural arrangement, 深圳華企網 holds the 80% equity interest in 北京世華 on trust for 上海朗寧, and as a result, 上海朗寧 effectively owns 80% interest in 北京世華.

(c) Shenzhen Guonan is an equity joint venture established for a period of 50 years commencing 28 April 1999 and in which the Group is entitled to 80% of its results. Pursuant to two agreements entered into between the Group and the PRC co-venturer on 15 June 1999 and 31 March 2000, the PRC co-venturer has agreed to waive its entitlement to 20% of the results in Shenzhen Guonan in return for a fixed annual fee of RMB10,000 and an undertaking from the Group to pay up RMB495,000 of the required capital contribution to Shenzhen Guonan to be fulfilled by the PRC co-venturer. In addition, the Group also has effective control over the composition of the board of directors of Shenzhen Guonan. Accordingly, Shenzhen Guonan was accounted for as a wholly-owned subsidiary of the Company.

(d) 上海朗寧 is an equity joint venture established on 4 April 2000 and has been approved by the government authority in Shanghai to operate for a period of 42 years up to 3 April 2042. Under a joint venture agreement entered into between a PRC party and Sino-i.com Shanghai which hold 40% and 60% equity interest in 上海朗寧 respectively, and under a deed of trust dated 1 April 2001 executed by the PRC party in favour of Sino-i.com Shanghai, Sino-i.com Shanghai is the beneficial owner of the 40% equity interest held by the PRC party, and as a result, Sino-i.com Shanghai effectively owns 100% equity interest in 上海朗寧.

(e) Beijing Chinese Dadi Distance Education Company Limited is an equity joint venture established in the PRC for a term of 20 years starting from 23 December 1999.

14. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(f) Golden Era Hotel was an equity joint venture established under a joint venture agreement between Hancheers and a PRC party. Golden Era Hotel is engaged in the operations of hotel and restaurants in the PRC. Pursuant to the joint venture agreement, Hancheers and the PRC party were required to contribute to the registered capital of Golden Era Hotel in the ratio of 49% and 51% respectively.

According to the business license issued by the Administration of Industry and Commerce Bureau on 18 October 1999, Golden Era Hotel was authorised to operate for a period of 30 years from 18 September 1998 to 17 September 2028.

Pursuant to an agreement dated 16 January 1999, Hancheers transferred its 19% capital contribution in Golden Era Hotel for nil consideration to the PRC party, reducing its equity interest in Golden Era Hotel from 49% to 30%.

According to a supplementary agreement dated 20 November 2000, Golden Era Hotel was changed from an equity joint venture to a cooperative joint venture. Under the supplementary agreement, Hancheers was required to contribute the entire registered capital of US$12,000,000 of Golden Era Hotel and was entitled to 70% share of the profits and losses, whilst the PRC party was entitled to the remaining 30% share of the profits and losses. In addition, the PRC party has agreed to contribute all its assets and liabilities (including the ownership of the hotel properties, its extension and other assets) to Golden Era Hotel.

Pursuant to an agreement dated 6 March 2001, the PRC party has waived all its profit sharing interest in Golden Era Hotel from the date of incorporation of Golden Era Hotel in return for a yearly payment of RMB10,000. As a result, Hancheers effectively owns 100% equity interest in Golden Era Hotel.

(g) Dong Guan Team Concepts Electronics Limited was established as a cooperative joint venture in the PRC for a term of 30 years commencing from 5 June 1992. Upon the expiry of the term of the joint venture, the land and buildings of the joint venture will be taken over by the PRC party while the remaining assets will be taken over by the Group. The Group's profit entitlement in the joint venture is 52% of the retained profits.

(h) Shenzhen Liu Wan was a cooperative joint venture established for a period of 50 years up to April 2049 under a joint venture agreement dated 28 March 2000 among Shenzhen Golden Era Industry Development Co., Ltd. ("Shenzhen Golden Era"), Liu Wan (BVI), Liu Wan Investment Company Limited (a subsidiary of Liu Wan (BVI)) and a PRC party. Pursuant to the agreement, Shenzhen Golden Era injected a land site in Shenzhen into Shenzhen Liu Wan in return for a 10% entitlement of profit sharing in Shenzhen Liu Wan. According to an agreement dated 30 April 2000, the PRC party transferred all of its 5% interest including the profit-sharing and control in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of RMB321,000,000. According to an agreement dated 10 August 2000, Shenzhen Golden Era transferred all its 10% profit-sharing interest in Shenzhen Liu Wan to Liu Wan (BVI) for a consideration of HK$500,000,000. As a result of the above, Liu Wan (BVI) directly and indirectly owns 100% equity interest in Shenzhen Liu Wan.

(i) Shenzhen Jin Yi Tian is a PRC enterprise established on 28 January 1997 for a period of 10 years up to 28 January 2007. Pursuant to an agreement dated 2 September 1999, Shenzhen Liu Wan and a PRC party acquired 90% and 10% respectively of the equity interest in Shenzhen Jin Yi Tian. Pursuant to an agreement dated 21 March 2001, the PRC party agreed to waive unconditionally its 10% equity interest in Shenzhen Jin Yi Tian and as a result, Shenzhen Liu Wan effectively owns 100% equity interest in Shenzhen Jin Yi Tian.

(j) Acesite is a company listed on the Philippine Stock Exchange in the Philippines. Acesite is engaged in the business of operating a hotel which used to operate under the trade name of Holiday Inn Manila. With effect from 1 March 2003, Holiday Inns (Phils.), Inc. ("Holiday Inn") decided to terminate its hotel management agreement with Acesite. As a result, Acesite assumed the management of the hotel operations and changed the hotel's trade name from Holiday Inn Manila to Manila Pavilion Hotel.

The holding company of Acesite is Acesite Limited, a company incorporated in the British Virgin Islands.

Acesite's 74,889,231 issued common shares (representing 75% of its total outstanding common shares) held by Acesite Limited were pledged in favour of Equitable PCI Bank, Inc. ("EPCIB") as security for loans granted by EPCIB to Genius Reward Company Limited, an associate of the Group. On 18 February 2003, EPCIB foreclosed the 74,889,231 common shares and sold them as a block sale in the Philippine Stock Exchange. Acesite Limited has contested the sale, stating that an earlier restructuring agreement was entered into with EPCIB on 15 January 2003 rendering both the foreclosure action and subsequent sale null and void. Details of the litigation are disclosed in note 41 to the financial statements.

15. INTERESTS IN ASSOCIATES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets	**563**	(633)	**–**	–
Amounts due from associates	**–**	–	**20,182**	19,794
Amounts due to associates	**(8,808)**	(6,793)	**–**	–
Less: Provision	**–**	–	**(3,150)**	(1,380)
	(8,245)	(7,426)	**17,032**	18,414

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the associates as at 31 March 2003 are as follows:

Name	**Country/Place of incorporation and operations**	**Percentage of equity attributable to the Group**	**Principal activity**
Genius Reward Company Limited	Hong Kong	50	Dormant
CIMA Realty Philippines, Inc.	Philippines	40	Property investment

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	**–**	–
Amount due from a jointly controlled entity	**–**	89
	–	89

The amount due from a jointly controlled entity represented trade receivable due from Juguetes Electronicos Avanzados S.L. (a former 50% owned jointly controlled entity of the Group) which was unsecured, interest-free and repayable on demand.

During the year, the Group disposed of its interest in the jointly controlled entity to a third party for a consideration of HK$3,492,000, resulting in a gain on disposal of HK$3,403,000.

17. OTHER INVESTMENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investment securities in the PRC, at cost	**1,523**	1,523	**1,523**	1,523
Consideration for acquisitions of investments (note (a))	**20,583**	13,808	**–**	–
Advances to prospective investee companies (note (a))	**46,246**	28,746	**–**	–
Deposit for acquisition of investments (note (b))	**100,000**	–	**–**	–
Options to acquire shares (note (c))	**120,000**	120,000	**–**	–
Club debenture, at cost	**324**	324	**324**	324
Interests in property development projects (note (d))	**–**	72,222	**–**	–
	288,676	236,623	**1,847**	1,847

Notes:

(a) The consideration for acquisitions of investments represents consideration paid for the acquisitions of interests in certain PRC companies. The Group has also made advances of HK$46,246,000 (2002: HK$28,746,000) to these prospective investee companies. As at 31 March 2003, the acquisitions have not yet been completed and pending for the official approval from the relevant governmental authorities.

(b) The amount represented the deposit paid for the acquisition of 100% equity interest in Yat Tai Resources Limited ("Yat Tai"), which is an investment holding company incorporated in the British Virgin Islands. The major asset of Yat Tai is a 95% interest in a PRC joint venture which is principally engaged in property investment and development. As at 31 March 2003, the acquisition has not yet been completed and pending for fulfilment of certain conditions.

(c) Options to acquire shares

Options to acquire shares (the "Option") were held by Powerful Resources Limited ("Powerful Resources"), a wholly-owned subsidiary of the Company, and were exercisable during the period from 15 October 2000 to 15 January 2001 for the acquisition from CITIC Guoan Group Company Limited ("CITIC Guoan") of 96 million shares (the "Option Shares") in CITIC Guoan Information Industry Company Limited ("Guoan Information"), representing 23.32% of the founders' share capital of Guoan Information. Guoan Information is a PRC company listed on the Shenzhen Stock Exchange and engaged in the provision of financial and securities information, the operation of cable network systems, satellite communication and mobile communication networks.

The total consideration payable upon exercise of the Option (the "Exercise Price") is RMB268.8 million (approximately HK$251 million) subject to adjustment upwards by an amount equivalent to the excess of the net asset value of the Option Shares as reflected in the latest audited financial statements of Guoan Information prior to the date of the actual transfer over the amount of RMB268.8 million. In this respect, Mr. Yu, the vendor of Powerful Resources, has undertaken amongst other things to hold himself fully liable to pay the Exercise Price in return for a consideration of HK$870 million payable by the Group for the acquisition of Powerful Resources. The consideration of HK$870 million is to be settled by the issue to Mr. Yu 1,450,000,000 new shares in the Company at HK$0.60 per share, out of which 200,000,000 shares were issued in a prior year upon completion of the Powerful Resources acquisition and the remaining 1,250,000,000 consideration shares will be issued upon the successful exercise of the Option.

17. OTHER INVESTMENTS (Continued)

Notes: (Continued)

(c) Options to acquire shares (Continued)

Because Guoan Information is a state-owned enterprise, the transfer of the Option Shares is subject to, amongst other things, approval of the relevant PRC Bureaus and the China Securities Regulatory Commission. As at 31 March 2003, the Option Shares have not been transferred subject to the approval of the relevant PRC Bureau and the China Securities Regulatory Commission. Pursuant to a written confirmation dated 15 October 2002, CITIC Guoan agreed to further extend the option share transfer period to 15 October 2003 without additional consideration. In this connection, Mr. Yu has undertaken to recompense the Group by paying a sum of HK$120 million (i.e. the equivalent of the cost of Option investment recognised by the Group) to the Group in the event that the Option turns out to be non-exercisable.

(d) Interests in property development projects

In a prior year, the Group acquired the beneficial interests, rights and obligations in property development projects undertaken by Nanjing Hanxi Real Estate Development Co., Ltd. ("Nanjing Hanxi"), a company wholly owned by King Corporation Limited (formerly CIM Company Limited)* ("King Corporation"). Interests in the property development projects represented the capital contribution and advances made for financing the project undertakings. Included in the interests in property development projects was a loan advance of HK$40,595,000 made to Nanjing Hanxi for the purpose of financing the construction cost of the project, which was unsecured, interest-free and repayable on demand.

Pursuant to an agreement dated 25 March 2002, King Corporation agreed to undertake all the liabilities and contingencies arising from the property development projects in Nanjing Hanxi. Accordingly, the provision of HK$59,298,000 made against the property development project in prior years has been written back during last year.

During the year, the interests in property development projects were disposed of to a third party for a total consideration of HK$190,000,000 resulting in a gain on disposal of approximately HK$117,778,000.

* King Corporation was a former substantial shareholder of the Company in which Mr. Yu held directorship/beneficial shareholdings during the year.

18. LAND HELD FOR DEVELOPMENT

		Group	
		2003	2002
	Notes	**HK$'000**	HK$'000
Land held in Hong Kong, at cost	(a)	**102,981**	102,981
Less: Impairment		**(44,193)**	(37,138)
		58,788	65,843
Land held in the PRC, at cost	(b)	**3,699,379**	3,628,130
		3,758,167	3,693,973
Interest capitalised in land held for development		**192,440**	135,763

18. LAND HELD FOR DEVELOPMENT (Continued)

Particulars of the land held for development are as follows:

(a) Land held in Hong Kong

Location	Interest attributable to the Group in percentage	Approximate floor area on completion (square metres)	Type of development
Nos 6, 8, 10 and 12 Leighton Road, Causeway Bay, Hong Kong	48.99	6,692	Commercial

At 31 March 2003, the land held in Hong Kong was pledged to secure general banking facilities granted to the Group.

(b) Land held in the PRC

Location	Approximate site area (acres)	Type of development
Guang Hua Gong Lu, Hua Du City, Guangdong Province, the PRC	920	Commercial and residential

The land is a vacant site. The Group has obtained the Land Use Rights Certificates from the PRC Government of Hua Du City, in respect of land with a total area of 229 acres under 70 years lease terms. The Land Use Rights Certificates of the remaining land with a total area of 691 acres would be granted upon full settlement of land premium payables. As at 31 March 2003, the Group had land premium payables in the amount of HK$110,668,000 (2002: HK$122,489,000).

At 31 March 2003, certain parts of the land were pledged to secure general banking facilities granted to the Group.

Location	Approximate site area (square metres)	Type of development
Liu Wan, Shekou, Shenzhen, the PRC (Lot No. K708-5, K708-2 and K708-3)	313,074	Shopping arcade/ residential/hotel/ recreational facilities

The land is a vacant site.

Pursuant to the Real Property Ownership Certificate, the land use rights of the land site Lot No. K708-5 with an area of approximately 220,691 square metres for a term of 70 years from 1 January 1996 to 1 January 2066 was vested in Shenzhen Liu Wan, a subsidiary of the Company.

The Land Use Right Certificate of the land site Lot No. K708-2 and K708-3 with an aggregate area of approximately 81,488 square metres will be granted upon full settlement of the land premium payables amounting to HK$163,606,000 (2002: HK$160,576,000) as at 31 March 2003.

In the prior year, Shenzhen Liu Wan and a third party entered into a cooperative agreement to develop the residential project in Liu Wan. Upon completion of the project, the third party will be entitled to 40% profit on the project. At 31 March 2003, the total deposit received from the third party for the project amounted to HK$28,695,000 (2002: HK$28,163,000) which is included under non-current liabilities in the consolidated balance sheet.

At 31 March 2003, the land Lot No. K708-5 was pledged to secure general banking facilities granted to the Group.

For the year ended 31 March 2003

19. INTANGIBLE ASSETS

Group

	Product development costs HK$'000	Proprietary software HK$'000	Negative goodwill HK$'000	Goodwill HK$'000	Total HK$'000
Cost/Gross amount					
At 1 April 2002	13,896	39,353	(363,151)	710,344	400,442
Acquisition of subsidiaries	–	–	(160)	139,227	139,067
Additions	120	–	–	–	120
Disposals	(13,838)	(39,353)	–	–	(53,191)
Disposal of a subsidiary	–	–	–	(3,723)	(3,723)
At 31 March 2003	**178**	**–**	**(363,311)**	**845,848**	**482,715**
(Accumulated amortisation)/ Accumulated amount recognised as income					
At 1 April 2002	(5,127)	(5,088)	10,566	(32,523)	(32,172)
Amortisation charge for the year	(3)	(7,871)	–	(39,716)	(47,590)
Amount recognised as income during the year	–	–	18,158	–	18,158
Disposals	5,127	12,959	–	–	18,086
Disposal of a subsidiary	–	–	–	170	170
At 31 March 2003	**(3)**	**–**	**28,724**	**(72,069)**	**(43,348)**
Carrying value					
At 31 March 2003	**175**	**–**	**(334,587)**	**773,779**	**439,367**
At 31 March 2002	8,769	34,265	(352,585)	677,821	368,270

Negative goodwill is recognised as income over a period of twenty years and negative goodwill recognised as income during the year is included in other revenue in the consolidated income statement.

20. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**816**	48,485
Work in progress	**760**	12,247
Finished goods	**9,947**	23,578
Goods in transit	**1,074**	12
	12,597	84,322
Less: Provision for slow-moving inventories	**(5,102)**	(53,659)
	7,495	30,663

All the above inventories, except for goods in transit, are stated at net realisable value.

21. SHORT TERM INVESTMENT

	Group	
	2003	2002
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**398**	1,649
Market value of listed investment	**398**	1,649

For the year ended 31 March 2003

22. TRADE AND OTHER RECEIVABLES

	Group	
	2003	2002
	HK$'000	HK$'000
Trade receivables, analysed according to aging:		
0-90 days	**61,713**	14,271
91-180 days	**75,476**	39,597
181-270 days	**4,003**	1,740
271-360 days	**2,177**	2,992
Over 360 days	**43,251**	24,553
Less: Provisions	**(21,124)**	(18,877)
	165,496	64,276
Prepayments, deposits and other receivables	**460,586**	208,365
Less: Provisions	**(9,667)**	(8,074)
	450,919	200,291
	616,415	264,567

For hotel operations, the normal credit period granted is 90 days. For sales of telecommunication and consumer electronic products, the majority of sales are entered into under letters of credit while the rest are entered into on credit terms ranging from 30 to 60 days. For operations of information technology business and provision of financial information and related services, the normal credit period granted ranges from 30 to 60 days. During the years 2002 and 2003, the Group encountered difficulties in collection of certain trade debts and appropriate provision has been made against certain bad and doubtful debts.

23. AMOUNTS DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

	1 April 2002 HK$'000	**31 March 2003** **HK$'000**	**Maximum amount outstanding during the year** **HK$'000**
Nanjing Hanxi Real Estate Development Co., Ltd.	29,828	**10,023**	**29,942**
Sitechasia (Beijing) Network Software Development Co., Ltd.	891	**1,082**	**1,082**
	30,719	**11,105**	

Mr. Yu, holds directorship and beneficial equity interests in these companies.

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

24. CASH AT BANKS AND IN HAND

Included in cash at banks and in hand is an aggregate amount of approximately HK$45,414,000 (2002: HK$243,681,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group	
	2003	2002
	HK$'000	HK$'000
Trade payables, analysed according to aging:		
0-90 days	**9,592**	8,926
91-180 days	**2,238**	5,618
181-270 days	**570**	2,458
271-360 days	**199**	269
Over 360 days	**3,910**	2,050
	16,509	19,321
Other payables and accruals	**354,011**	264,363
	370,520	283,684

Included in other payables and accruals are amounts of HK$10,625,000 (2002: HK$45,379,000) due to certain securities brokers and margin financiers which are secured by 3,702,521,867 (2002: 6,661,930,000) shares in South Sea (representing about 18.27% (2002: 32.87%) out of the Company's total 67.71% (2002: 67.71%) interest in South Sea). The amounts due bear interest at the rate of 8% to 10% per annum (2002: prime rate plus 2.625% to 4.005%).

26. AMOUNT DUE TO A DIRECTOR/AMOUNTS DUE TO SHAREHOLDERS

The amounts due to a director and shareholders are unsecured, interest-free and repayable on demand.

27. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due represents dividends payable to a minority shareholder of a subsidiary.

28. BANK AND OTHER BORROWINGS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts – secured	**271**	272	**–**	–
– unsecured	**–**	3,092	**–**	–
	271	3,364	**–**	–
Restructure loan (note (a))	**109,801**	116,183	**–**	–
Short-term bank loans				
– secured	**61,666**	231,350	**–**	–
– unsecured	**27,416**	58,966	**–**	13,899
	89,082	290,316	**–**	13,899
Long-term bank loans-secured:				
Due within one year	**167,838**	13,649	**–**	–
Due more than one year but not exceeding two years	**360,248**	10,131	**–**	–
Due more than two years but not exceeding five years	**108,913**	487,516	**–**	–
Due more than five years	**22,547**	35,120	**–**	–
	659,546	546,416	**–**	–
Obligations under finance leases:				
Due within one year	**195**	486	**–**	–
Due in the second year	**–**	34	**–**	–
	195	520	**–**	–
Other borrowings	**18,463**	7,291	**18,463**	7,291
Other payable (note 29)	**210,000**	210,000	**–**	–
Convertible notes (note 30)	**400,000**	–	**400,000**	–
	1,487,358	1,174,090	**418,463**	21,190
Less: Current portion due within one year included under current liabilities	**(485,849)**	(525,106)	**(18,463)**	(21,190)
Non-current portion included under non-current liabilities	**1,001,509**	648,984	**400,000**	–

28. BANK AND OTHER BORROWINGS (Continued)

The analysis of the borrowings is as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Wholly repayable within five years:				
Bank loans (note (b))	**772,497**	861,418	**–**	13,899
Bank overdrafts	**271**	3,364	**–**	–
Other borrowings	**18,463**	7,291	**18,463**	7,291
Other payable (note 29)	**210,000**	210,000	**–**	–
Convertible notes (note 30)	**400,000**	–	**400,000**	–
Obligations under finance leases	**195**	520	**–**	–
	1,401,426	1,082,593	**418,463**	21,190
Not wholly repayable within five years:				
Bank loans	**85,932**	91,497	**–**	–
	1,487,358	1,174,090	**418,463**	21,190

As at 31 March 2003, the Group technically breached the covenants of certain bank loans totalling HK$12,008,000 (2002: HK$42,574,000). These bank loans have been due for repayment and are included as part of the Group's current liabilities.

Notes:

(a) In the prior year, the Group entered into an agreement with one of its lending banks (the "Bank"), pursuant to which the repayment period for bank loans and overdrafts of approximately HK$116 million due to the Bank was extended. Under the agreement, the Group was allowed to consolidate all these bank loans and overdrafts into a restructure loan which should be repaid on or before 14 November 2006 while interest on these balances for the first thirty months after 1 May 2001 would be waived. Part of the restructure loan was repaid during the year following the disposal of certain land and buildings of the Group.

(b) During the year, certain post completion conditions attached to the bank loans of approximately HK$389 million granted by two bankers to Shenzhen Liu Wan have not been fulfilled. The Group and the bankers are in the course of negotiation for the bankers to waive the conditions. The directors are optimistic that the bankers will ultimately waive those conditions and will not make the loans become immediately due and repayable. On this basis, these loans continue to be shown as non-current liabilities in the consolidated balance sheet.

29. OTHER PAYABLE

On 18 September 2001, South Sea issued HK$210,000,000 5% convertible notes to Power Ocean Investments Limited ("Power Ocean"), an independent third party, for settlement of a loan of HK$210,000,000 under a loan agreement dated 30 August 2001. These convertible notes bore interest at 5% per annum and were originally due on 18 September 2002. However, the notes have not been converted into shares and remained outstanding as at 18 September 2002. Power Ocean has agreed in writing to extend the repayment date of the amount due to 31 December 2003. The amount is unsecured and bears interest at the rate of 9% per annum.

30. CONVERTIBLE NOTES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
1% convertible notes (note (a)):				
At 1 April	**–**	–	**–**	–
Issued during the year	**400,000**	–	**400,000**	–
At 31 March	**400,000**	**–**	**400,000**	**–**

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
3% convertible notes (note (b)):				
At 1 April	**–**	–	**–**	–
Issued during the year	**–**	1,000,000	**–**	1,000,000
Converted during the year	**–**	(1,000,000)	**–**	(1,000,000)
At 31 March	**–**	**–**	**–**	**–**

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-interest bearing convertible notes (note (c)):				
At 1 April	**–**	200,000	**–**	200,000
Settled during the year	**–**	(200,000)	**–**	(200,000)
At 31 March	**–**	**–**	**–**	**–**

30. CONVERTIBLE NOTES (Continued)

(a) 1% convertible notes

On 31 December 2002, the Company issued HK$200,000,000 convertible notes to Empire Gate Industrial Limited, an independent third party, for settlement of the consideration for the acquisition of South Port Development Limited and First Foundation Limited which, through their subsidiaries, Acesite Limited and Nickell International Limited respectively, indirectly hold a total of 77.67% interest in Acesite. These convertible notes bear interest at 1% per annum and are due on 31 December 2004. Each of the convertible notes carries the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. As at 31 March 2003, no notes have been converted into shares.

On the same date, the Company issued HK$180,000,000 and HK$20,000,000 convertible notes to Procare Group Limited and Ka Wah Five Arrows China Hong Kong Fund Limited, independent third parties. These convertible notes bear interest at 1% per annum and are due on 31 December 2004. Each of the convertible notes carries the right at any time commencing on the date of issue but before the due date to convert the whole or part of the outstanding principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. As at 31 March 2003, no notes have been converted into shares.

Procare Group Limited has undertaken in writing to make good any losses which Ever Genius Development Limited and South Sea Development (HK) Limited, subsidiaries of the Company, may suffer as a result of default in repayment by an independent third party of the amounts due to them, by giving the Company the right to offset the defaulted amount against the principal amount of the convertible notes of HK$180,000,000 held by it. Procare Group Limited has also agreed in writing not to convert the whole or part of the principal amounts of the convertible notes into ordinary shares of the Company unless and until the amounts due by the third party to Ever Genius Development Limited and South Sea Development (HK) Limited have been settled in full.

(b) 3% convertible notes

On 11 August 2001, convertible notes of HK$200,000,000, HK$220,000,000, HK$140,000,000, HK$70,000,000, and HK$70,000,000 were issued to Rosewood Assets Limited (note i), Pippen Limited (note ii), Staverley Assets Limited (note iii), Wealthy Forecast Profits Limited (a shareholder of the Company) and Ctradenet International Holdings Limited (a shareholder of the Company) respectively. These convertible notes were originally due on 11 August 2004 and bore interest at 3% per annum. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 28 August 2001, these convertible notes were fully converted into 7,000,000,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.10 per share.

30. CONVERTIBLE NOTES (Continued)

(b) 3% convertible notes (Continued)

On 30 October 2001, convertible note of HK$100,000,000 was issued to Macro Resources Limited, a company beneficially owned as to 60% by Mr. Yu and as to 40% by CITIC Guoan Group Company Limited (a substantial shareholder of the Company). The convertible note was originally due on 30 October 2004 and bore interest at 3% per annum. The convertible note carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 16 November 2001, the convertible note was fully converted into 1,000,000,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.10 per share.

On 12 November 2001, convertible notes of HK$50,000,000, HK$100,300,000 and HK$49,700,000 were issued to Ctradenet International Holdings Limited, Super Century Company Limited and Wealthy Forecast Profits Limited respectively. These convertible notes were originally due on 12 November 2004 and bore interest at 3% per annum. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 19 November 2001, these convertible notes were fully converted into 2,000,000,000 ordinary shares of HK$0.10 each at the conversion price of HK$0.10 per share.

(c) Non-interest bearing convertible notes

On 19 January 2001, the Company issued HK$200,000,000 convertible notes to Excellent Mission Developments Company Limited, an independent third party, for settlement of the consideration for the acquisition of Hancheers. These convertible notes were originally due on 1 July 2004 and would not bear any interest. Each of the convertible notes carried the right at any time commencing on 9 April 2001 but before 1 July 2004 to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.50 per share. The conversion price was subject to adjustment in certain circumstances. On 11 August 2001, the HK$200,000,000 convertible notes were fully settled with the proceeds arising from the issues of the various convertible notes stated in note (b) above.

Notes:

i. Rosewood Assets Ltd. is a company wholly-owned by Mr. Yu.

ii. Pippen Limited is a wholly-owned subsidiary of Actinna Development Limited, which is a company wholly-owned by Mr. Yu.

iii. Staverley Assets Limited is a wholly-owned subsidiary of Elstrong Limited, which is a company wholly-owned by CITIC Guoan Group Company Limited.

31. DEFERRED TAX

As at 31 March 2003, the amount of deferred tax liability is as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of timing differences attributable to accelerated depreciation allowances	**790**	790	**–**	–

As at 31 March 2003, the amount of estimated unprovided deferred tax assets is as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of timing differences attributable to:				
– accelerated depreciation allowances	**46**	19	**46**	19
– tax losses	**83,959**	91,707	**17,166**	17,195
	84,005	91,726	**17,212**	17,214

The revaluations of the Group's property, plant and equipment and investment properties do not constitute timing differences and consequently the amount of potential deferred tax thereon has not been quantified.

32. SHARE CAPITAL

	Number of ordinary shares of HK$0.50 each	Number of ordinary shares of HK$0.10 each	HK$'000
Authorised:			
At 1 April 2001	6,000,000,000	–	3,000,000
Reduction of nominal value (note (a))	(6,000,000,000)	6,000,000,000	(2,400,000)
Increase during the year (note (b))	–	24,000,000,000	2,400,000
At 31 March 2002, 1 April 2002 and **31 March 2003**	**–**	**30,000,000,000**	**3,000,000**
Issued and fully paid:			
At 1 April 2001	3,914,504,877	–	1,957,252
Reduction of nominal value (note (a))	(3,914,504,877)	3,914,504,877	(1,565,802)
Conversion of convertible notes (note 30(b))	–	10,000,000,000	1,000,000
At 31 March 2002, 1 April 2002 and **31 March 2003**	**–**	**13,914,504,877**	**1,391,450**

(a) Pursuant to a special resolution passed on 3 May 2001 and confirmed by an order of the High Court of Hong Kong made on 27 June 2001, the authorised share capital of the Company was reduced from HK$3,000,000,000 divided into 6,000,000,000 ordinary shares of HK$0.50 each to HK$600,000,000 divided into 6,000,000,000 ordinary shares of HK$0.10 each with effect on 10 July 2001. Trading of the new ordinary shares of HK$0.10 each commenced on 10 July 2001. The reduction was effected by cancelling paid-up capital to the extent of HK$0.40 upon each of the 3,914,504,877 ordinary shares in issue as at 6 April 2001 and any further ordinary shares issued prior to 27 June 2001. The entire credit of approximately HK$1,565,802,000 arising from the capital reduction was utilised to eliminate part of the accumulated losses of the Company as at 31 March 2001.

(b) By an ordinary resolution passed on 9 July 2001, the authorised share capital of the Company was increased from HK$600,000,000 to HK$3,000,000,000 by the creation of 24,000,000,000 new shares of HK$0.10 each. These new shares rank pari passu in all respects with the existing shares of the Company.

32. SHARE CAPITAL (Continued)

Share options

The Company's share options outstanding at 31 March 2003 are as follows:

Exercise period	Exercise price HK$	Number of shares issuable under the share options
1 November 2000 – 30 April 2003	0.50	3,000,000

In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange in 2001, the share option scheme adopted at an extraordinary general meeting held on 29 October 1999 (the "Old Scheme") was terminated upon the adoption of the share option scheme at the extraordinary general meeting of the Company held on 29 August 2002 (the "New Scheme") to allow wider classes of person or entity to be the participants and to contain more terms as are in compliance with the new requirements of Chapter 17 of the Listing Rules now in force. Therefore, no further options would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable in accordance with the Old Scheme.

Under the New Scheme, share options may be granted to the directors, employees of the Group and those who have contributed or will contribute to the Group to subscribe for shares in the Company at any time within ten years after its adoption at the discretion of the board of the directors of the Company. Details of the New Scheme were disclosed in the Company's circular dated 31 July 2002.

During the year, 6,924,000 share options granted to directors lapsed automatically on the expiry date and 13,486,000 share options granted to the employees lapsed upon resignation of the relevant employees.

The exercise in full of the outstanding share options would, under the capital structure of the Company as at 31 March 2003, result in the issue of 3,000,000 additional new shares of HK$0.10 each in the Company.

33. SHARE PREMIUM

	Group and Company	
	2003	2002
	HK$'000	HK$'000
At 31 March	**472,736**	472,736

34. RESERVES

	Capital redemption reserve HK$'000	General reserves HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
Group					
At 1 April 2001	2,258	131,897	(5,946)	(681,462)	(553,253)
Capital reduction (note 32(a))	–	–	–	1,565,802	1,565,802
Release upon disposal of subsidiaries	–	(3,811)	5,002	–	1,191
Arising from acquisition of additional interest in an associate	–	(161,494)	–	–	(161,494)
Exchange differences	–	–	(1,130)	–	(1,130)
Loss attributable to shareholders	–	–	–	(32,488)	(32,488)
At 31 March 2002 and at 1 April 2002	2,258	(33,408)	(2,074)	851,852	818,628
Exchange differences	–	–	14,060	–	14,060
Reserves attributable to minority shareholders	–	–	(2,416)	–	(2,416)
Profit attributable to shareholders	–	–	–	13,845	13,845
At 31 March 2003	**2,258**	**(33,408)**	**9,570**	**865,697**	**844,117**
The reserves are retained as follows:					
Company and subsidiaries	2,258	(33,408)	9,570	866,688	845,108
Associates	–	–	–	(991)	(991)
At 31 March 2003	**2,258**	**(33,408)**	**9,570**	**865,697**	**844,117**
Company and subsidiaries	2,258	(33,408)	(2,074)	852,485	819,261
Associates	–	–	–	(633)	(633)
At 31 March 2002	2,258	(33,408)	(2,074)	851,852	818,628

34. RESERVES (Continued)

	Capital redemption reserve HK$'000	General reserves HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
Company					
At 1 April 2001	2,258	79,579	–	(169,701)	(87,864)
Capital reduction (note 32(a))	–	–	–	1,565,802	1,565,802
Loss attributable to shareholders	–	–	–	(660,412)	(660,412)
At 31 March 2002 and at 1 April 2002	2,258	79,579	–	735,689	817,526
Loss attributable to shareholders	–	–	–	(154,867)	(154,867)
At 31 March 2003	**2,258**	**79,579**	**–**	**580,822**	**662,659**

The Group's general reserves includes capital reserves arising from acquisitions of subsidiaries in prior years, which represents the excess of the fair value of subsidiaries acquired over the consideration paid.

35. OPERATING LEASE COMMITMENTS

(a) At 31 March 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group Land and buildings		Company Land and buildings	
	2003 HK$'000	2002 HK$'000	**2003 HK$'000**	2002 HK$'000
Within one year	**13,408**	15,524	**–**	1,121
In the second to fifth years	**18,179**	20,488	**–**	–
After five years	**12,534**	11,526	**–**	–
	44,121	47,538	**–**	1,121

The Group leases a number of properties under operating leases. The leases run for an initial period of one to ten years, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of the leases includes any contingent rentals.

35. OPERATING LEASE COMMITMENTS (Continued)

(b) At 31 March 2003, the Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	Land and buildings	
	2003	2002
	HK$'000	HK$'000
Within one year	**24,823**	3,207
In the second to fifth years	**2,758**	6,387
After five years	**–**	5,216
	27,581	14,810

36. COMMITMENTS

(a) Capital commitments

	Group	
	2003	2002
	HK$'000	HK$'000
Contracted but not provided for	**84,690**	86,281

The capital commitments are mainly in respect of construction costs for certain property development projects undertaken in the PRC and acquisition of investments.

At 31 March 2003, the Company had no outstanding capital commitments.

(b) Other commitments

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Commitments in respect of capital contribution to subsidiaries in the PRC	**–**	–	**11,700**	11,625

37. DIRECTORS' REMUNERATION

Remuneration of the Company's directors 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:		
Executive directors	**–**	–
Non-executive directors	**–**	–
Independent non-executive directors	**40**	18
Other emoluments paid and payable to directors:		
Basic salaries, housing, other allowances and benefits in kind	**3,763**	3,919
Pension scheme contributions	**36**	36
	3,839	3,973

The emoluments of the directors fell within the following bands:

	Number of directors	
Emolument bands	**2003**	2002
NIL– HK$1,000,000	**7**	7
HK$1,000,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	1
	9	9

During the year, no options had been exercised by the directors.

No directors waived or agreed to waive any emoluments in respect of the year ended 31 March 2003 (2002: NIL).

37. DIRECTORS' REMUNERATION (Continued)

Five highest paid individuals

The five highest paid individuals of the Group for the year included two (2002: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2002: three) employees were as follows:

	2003 HK$'000	2002 HK$'000
Basic salaries and housing allowances	**2,563**	3,294
Pension scheme contributions	**19**	77
	2,582	3,371

The emoluments of these employees were within the following bands:

	Number of individuals	
Emolument bands	**2003**	2002
NIL– HK$1,000,000	**2**	1
HK$1,000,001 – HK$2,000,000	**1**	2
	3	3

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

38. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiaries	**–**	–	**250,080**	154,296
Associate	**8,669**	7,235	**8,669**	7,235
Former subsidiaries	**–**	118,249	**–**	118,249
A minority shareholder of a former subsidiary	**39,338**	33,957	**39,338**	33,957
Third party	**71,698**	37,037	**37,736**	37,037
	119,705	196,478	**335,823**	350,774

39. PLEDGE OF ASSETS

As at 31 March 2003, the Group's credit facilities were supported by the following:

(a) first legal charges on the Group's investment properties (note 13) with an aggregate net book value of HK$93,500,000 (2002: HK$99,500,000) and certain land and buildings located in Hong Kong (note 13) with an aggregate net book value of NIL (2002: HK$960,000);

(b) first legal charges on hotel properties located in the PRC and the Philippines and properties under development located in the PRC (note 13) with an aggregate net book value of HK$551,120,000 (2002: HK$306,000,000);

(c) fixed charges over land and buildings and other property, plant and equipment (note 13) with an aggregate net book value of HK$54,959,000 (2002: HK$93,492,000);

(d) charge over the land held for development with Land Lot No. K708-5 at Liu Wan and all proceeds from sales of that land held for development (note 18);

(e) charge over certain land held for development at Guang Hua Gong Lu, Hua Du City, Guangdong Province, the PRC (note 18);

(f) charge over land held for development in Hong Kong with carrying value of HK$58,788,000 (note 18);

(g) certain investment in and amount advance to a subsidiary with an aggregate balance of HK$178,291,000 (2002: HK$166,759,000) (note 14);

39. PLEDGE OF ASSETS (Continued)

(h) undertakings on the part of the Group for the assignment of rentals from the letting of certain investment properties, and proceeds from sales of certain investment properties;

(i) Pledge of 3,702,521,867 (2002: 6,661,930,000), 240,000,000 (2002: 240,000,000), 363,638,000 (2002: 363,638,000) and 15,265,220,133 (2002: NIL) shares in South Sea as securities to brokers, bankers, minority shareholder of a subsidiary and a lender respectively, the total of which represents about 96.57% out of 67.71% of total interest in South Sea held by the Company. The market value of such listed shares as at 31 March 2003 was about HK$195,714,000 (2002: HK$138,046,000).

(j) charge over the share capital of a wholly-owned subsidiary of the Company and shares in certain subsidiaries within the Group;

(k) floating charge over other assets of certain companies within the Group;

(l) unlimited personnel guarantee given by Mr. Yu; and

(m) corporate guarantees given by the former ultimate holding company and the former shareholders of South Sea.

40. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with certain related parties:

Financial transactions

Name of related party	Nature of transactions	2003 HK$'000	2002 HK$'000
Mr. Yu	Liabilities waived by Mr. Yu	**30,000**	–

Mr. Yu is a director and substantial shareholder of the Company.

40. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (Continued)

Financial support

(a) As at 31 March 2003, the Group's banking facilities were secured by the land of an associate, and corporate and personal guarantees executed by certain related parties of the Company.

(b) As at 31 March 2003, the banking facilities granted to Genius Reward Company Limited, an associate of the Group, were supported by corporate guarantees executed by the Company and pledge of certain listed shares of subsidiaries and certain unlisted shares of a subsidiary.

(c) As at 31 March 2003, the Group has given corporate guarantees in connection with credit facilities granted to Hollybush Corporation, a related company. The contingent liabilities arising therefrom amounted to HK$39,338,000 (2002: HK$33,957,000) and are included in note 38 to the financial statements.

Balances with related parties

As at 31 March 2003, the Group had receivables and payables due from and to certain related parties. These balances are mainly in respect of advances to/from these parties.

Details of the terms of the Company's balances due from and to its subsidiaries are set out in note 14 to the financial statements.

41. PENDING LITIGATIONS

(a) In prior years, Team Concepts Electronics Limited, a subsidiary of the Company, issued a proceeding against an European distributor, Stadlbaucer Marketing & Vertrieb GmbH ("SMV"), for outstanding accounts receivable of approximately US$0.8 million (HK$6.2 million). SMV has filed a counterclaim for a sum amounting to Austrian Schilling 2.5 million (HK$1.6 million) for alleged breach of exclusive distributorship contracts. Up to the date of approval of these financial statements, this court case is still in progress and no settlement has yet been received by the Group. The directors are of the opinion that this litigation is unlikely to result in any material loss to the Group and adequate provision has been made against any potential loss.

(b) Acesite's 74,889,231 issued common shares (representing 75% of its total outstanding common shares) held by Acesite Limited were pledged in favour of EPCIB as security for loans granted by EPCIB to Genius Reward Company Limited, an associate of the Group. On 18 February 2003, EPCIB foreclosed the 74,889,231 common shares and sold them as a block sale in the Philippine Stock Exchange. Acesite Limited has contested the sale, stating that an earlier restructuring agreement was entered into with EPCIB on 15 January 2003 rendering both the foreclosure action and subsequent sale null and void. This matter is currently the subject of a court case identified as Civil Case No. 03-187 with the Regional Trial Court of Makati City, Philippines. The directors and the legal advisers of the Company are of the view that the outcome of this case would be in favour of the Group.

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2003 HK$'000	2002 HK$'000
Net assets acquired:		
Property, plant and equipment	**235,344**	8,262
Land held for development	**–**	3,201,463
Interest in an associate	**(631)**	–
Inventories	**242**	642
Cash at banks and in hand	**11,939**	1,429
Amount due from ultimate holding company	**10,960**	–
Trade and other receivables	**11,778**	133,293
Tax recoverable	**177**	–
Trade payables, other payables and accruals	**(44,911)**	(12,800)
Defined benefit retirement obligation	**(5,121)**	–
Land premium payables	**–**	(160,912)
Deposit received	**–**	(27,685)
Provision for tax	**–**	(99)
Bank loans	**(111,202)**	(185,185)
Minority interests	**(47,360)**	(24,252)
	61,215	2,934,156
Goodwill/(Negative goodwill) arising on acquisition	**139,067**	(2,218)
	200,282	2,931,938
Satisfied by:		
Cash consideration	**282**	6
Decrease in shareholding in a subsidiary	**–**	755,278
Convertible notes issued as consideration	**200,000**	450,000
Decrease in interest in an associate	**–**	1,174,378
Decrease in long term investments	**–**	25,303
Decrease in other receivables	**–**	526,973
	200,282	2,931,938

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Acquisition of subsidiaries (Continued)

The analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003	2002
	HK$'000	HK$'000
Cash consideration	**(282)**	(6)
Cash at banks and in hand acquired	**11,939**	1,429
	11,657	1,423

(b) Disposal of subsidiaries

	2003	2002
	HK$'000	HK$'000
Net assets disposed of:		
Property, plant and equipment	**261**	–
Land held for development	**21,086**	–
Inventories	**1,753**	–
Trade and other receivables	**1,067**	1,005
Cash at banks and in hand	**901**	–
Trade payables, other payables and accruals	**(14,858)**	(605)
	10,210	400
Reserves released on disposal:		
Currency translation reserve	**–**	5,002
General reserve	**–**	(3,811)
Goodwill released on disposal	**3,553**	–
Gain/(Loss) on disposal of subsidiaries	**10,198**	(1,591)
	23,961	–
Satisfied by:		
Cash consideration	**8,204**	–
Consideration included in other receivables	**15,000**	–
Waiver of amount due to a creditor	**757**	–
	23,961	–

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries (Continued)

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

	2003	2002
	HK$'000	HK$'000
Cash consideration	**8,204**	–
Cash at banks and in hand disposed of	**(901)**	–
	7,303	–

(c) Major non-cash transactions

During the year, the following major non-cash transactions took place:

The acquisitions of South Port Development Limited and First Foundation Limited were satisfied by the issue of HK$200,000,000 1% convertible notes (note 30(a)).

The reimbursement of certain advertising and promotional expenses incurred by the Group by Mr. Yu was effected through his current account with the Group (note 6(b)).

The disposal of a subsidiary was satisfied by the waiver of an amount due to a creditor of HK$757,000.

43. RETIREMENT BENEFIT PLANS

Defined contribution retirement plans

The Group operates a MPF scheme and an OROS scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

Subsidiaries operating in the PRC are required to participate in a defined contribution retirement plan organised by relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$3,348,000 (2002: HK$427,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes. Contributions totalling HK$157,020 (2002: NIL) payable to defined contribution retirement plans at 31 March 2003 are included in other payables.

43. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit retirement plan

The Group operates a defined benefit retirement plan for all of its regular employees with at least five years of continuous service in Philippines. Under the plan, the employees are entitled to retirement benefit based on percentage of employees' final monthly salary for every year of continuous service. The obligation for the defined benefit retirement plan is provided with reference to the latest actuarial valuation.

The latest actuarial valuation was prepared as at 31 March 2003 by Feliciano F Miravite, Inc., a firm of qualified actuaries, using the projected unit credit method.

The amounts recognised in the consolidated income statement were as follows:

	Group 2003 HK$'000
Current service cost	250
Interest cost	304
Expected return on planned assets	(209)
Net actuarial losses recognised	49
Total, included in staff costs (note 8)	**394**

The total charge has been included in cost of sales and services and administration expenses for the year ended 31 March 2003.

The amounts recognised in the consolidated balance sheet were determined as follows:

	Group 2003 HK$'000
Present value of unfunded obligations	15,286
Fair value of planned assets	(10,926)
Liability as at 31 March	4,360
Current portion	(4,360)
Non-current portion	–

43. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit retirement plan (Continued)

Movements of the liability recognised in the consolidated balance sheet are as follows:

	Group 2003 HK$'000
At 1 April 2002	–
Acquisition of a subsidiary (note 42(a))	5,121
Total expenses as shown above	394
Contributions paid	(1,155)
At 31 March 2003	**4,360**

The principal actuarial assumptions used were as follows:

	2003
Discount rate	9%
Expected rate of return of plan assets	9%
Expected rate of future salary increases	7%
Expected average employee future service life	14.8 years

44. POST BALANCE SHEET EVENTS

(a) On 4 April 2002, the Company (as issuer) and Mr. Yu (as placing agent and underwriter) entered into an agreement, under which, amongst other things, Mr. Yu had a right, exercisable within the period up to 31 March 2003, to require the Company to issue the convertible notes of up to an additional principal amount of HK$200 million for subscription by the investors or by Mr. Yu or one or more of his associates. As announced by the Company on 28 March 2003, by mutual agreement between the Company and Mr. Yu, the exercise period of Mr. Yu's right was extended by a three months period which expired on 30 June 2003. On 30 June 2003, the Company and Mr. Yu entered into another agreement, under which both parties agreed to further extend the aforesaid three months period by another six months up to 31 December 2003 or any other period to be mutually agreed by both parties. The net proceeds of the issue of the convertible notes will be used for repayment of liabilities and as working capital of the Group. The extension of the exercise period of Mr. Yu's right will be subject to the approval of the independent shareholders at a general meeting of the Company to be convened.

(b) On 25 June 2003, convertible notes of HK$200 million were converted into 2,000,000,000 ordinary shares of HK$0.10 each at a conversion price of HK$0.10 per share by Empire Gate Industrial Limited.

(c) By a special resolution passed on 11 July 2003 and effective from 23 July 2003, the name of the Company was changed from Sino-i.com Limited to Sino-i Technology Limited.

(d) In July 2003, the Company has completed the acquisition of Yat Tai at a total consideration of HK$112 million. The deposit paid for such acquisition as at 31 March 2003, amounting HK$100 million, was included in other investments as disclosed in note 17 to the financial statements.

(e) In January 2003, China Enterprise ASP Limited and CE Dongli Technology Company Limited, subsidiaries of the Company, entered into several agreements with certain independent third parties, under which China Enterprise ASP Limited and CE Dongli Technology Company Limited agreed to acquire from those independent third parties 100% equity interest in 北京新網數據通信網絡有限公司, a company established in the PRC and principally engaged in domain name registration and virtual hosting service provider, manufacture and trading of computer software and computer network system and providing related technical enquiry services, at a total consideration of RMB21 million. The acquisition was subsequently completed in June 2003.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 22 to 100 were approved by the board of directors on 30 July 2003.