NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

1. CORPORATE INFORMATION

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") but such listing has been suspended since 16 February 2001.

The Group is principally engaged in investment holding, property investment in Hong Kong and hotel operation in PRC.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Going concern

As at 31 March 2003, the Group had net liabilities of approximately HK$496 million and incurred a loss of approximately HK$75 million for the year.

The Group and the Company have been unable to meet most of the scheduled loan instalments and interest payments to its bankers since August 1999 and all of their banking facilities have been frozen. During the year ended 31 March 2003, certain of the mortgaged properties of the Group have been put under receivership, enforced and sold by creditor banks or taken possession by the mortgagees.

The Company received a winding-up petition on 15 January 2003 issued by one of the creditor banks. Pursuant to an Order of the Court made on 15 January 2003, Messrs. Cosimo Borrelli and Fan Wai Kuen of RSM Nelson Wheeler Corporate Advisory Services Limited were appointed joint and several provisional liquidators ("the Provisional Liquidators") of the Company. The main role of the Provisional Liquidators is to preserve the assets and the current operations of the Group while facilitating a restructuring of its debts and financial affairs.

On 25 April 2003, the Company, the Provisional Liquidators and an investor (the "Investor") together with the Company's substantial shareholder, Sino Earn Holdings Limited ("Sino Earn") and a company related to Sino Earn, Jian Xing Finance Limited ("Jian Xing") entered into a restructuring agreement (the "Restructuring Agreement"), as further detailed in note 33(a) to the financial statements.

A resumption proposal for the Company based on the terms of the Restructuring Agreement was submitted to the Stock Exchange on 29 April 2003. The Listing Committee of the Stock Exchange has conditionally approved the said resumption proposal of the Company on 13 May 2003, subject to the fulfillment of certain conditions imposed prior to the resumption of trading of the Company's securities on the Stock Exchange.

As at the date of approval of these financial statements, the Provisional Liquidators consider that the Restructuring Agreement can be completed in accordance with its terms. On this basis, the Provisional Liquidators consider that it is appropriate to prepare the financial statements on a going concern basis. Accordingly, the financial statements do not include any adjustments that would result if the aforementioned Restructuring Agreement cannot be completed.

If the going concern basis were not to be appropriate, adjustments would have to be made to reclassify non-current assets as current assets, to restate the assets to their recoverable amounts and to provide for any further liabilities which might arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

(b) Exclusion of companies from consolidation and inclusion of interest in subsidiaries back to the Group

The Company, jointly with its two wholly-owned subsidiaries, Kiu Sun Investment Company, Limited ("Kiu Sun") and Smart Truth International Limited ("Smart Truth") issued a writ of summons on 23 March 2000 (as amended by an amended writ of summons dated 29 March 2000) against Mr HUNG To and Good Fortune Resources Limited ("Good Fortune") for (i) a declaration that the Company, Kiu Sun and Smart Truth are entitled to rescind an acquisition agreement dated 17 July 1998 (the "Agreement"), (ii) an order that Mr HUNG To to indemnify the Company, Kiu Sun and Smart Truth for losses as a result of breaches of the Agreement and warranties thereof, and (iii) damages and other compensation. The writ of summons against Mr HUNG To, a then minority shareholder of both Skycheer Development Limited ("Skycheer") and Yan Hei Limited ("Yan Hei"), was to, amongst other things, rescind the Agreement. Under the Agreement, the Group would have (i) purchased from Mr HUNG To a 60% equity interest in Skycheer, the principal asset of which was the 100% interest in Xiamen Hong Du Park Hotel ("Hong Du") in the PRC; (ii) transferred to Mr HUNG To's nominee, Good Fortune, the Group's 40% equity interest in Yan Hei, the principal asset of which was the 100% interest in Xiamen South East Asia Hotel Company, Limited ("Xiamen Plaza") in the PRC; and (iii) allotted to Mr HUNG To 54,408,959 shares in the capital of the Company. The Company claimed that Mr HUNG To was in breach of the Agreement and sought to rescind it as (i) he allegedly entered into various contracts on behalf of Skycheer and Hong Du to borrow HK$152,490,602 (equivalent to RMB162,250,000) before and/or after entering into the Agreement, without disclosing such borrowings to the Company or its board of directors; and (ii) the development of Hong Du had not been completed nor all necessary operating licenses obtained in accordance with the timetable set out in the Agreement.

On 23 February 2001, the Group was granted a Court Order for rescission (the "Rescission Order") of the Agreement in relation to the Group's acquisition of a 60% equity interest in Skycheer, which owns 100% equity interest in Hong Du which was partially settled by the transfer of the Group's 40% equity interest in Yan Hei, which owns 100% equity interest in Xiamen Plaza. As a result of the Rescission Order, Skycheer and Hong Du would not be 60% owned by the Group and the said 40% equity interest in Yan Hei and its subsidiary, Xiamen Plaza, would be included as wholly owned subsidiaries of the Group.

The Group's consolidated financial statements for the years ended 31 March 2002 and 2003 were prepared on the aforementioned basis although the Group has not yet formally transferred the said 40% equity interest in Yan Hei back to Group.

According to a legal opinion obtained by the Company in May 2001, there might be practical difficulties in the execution of the Rescission Order. No provision has been made in the financial statements for any loss or expenses that might arise from the practical difficulties in the execution, or any possible counterclaim in relation to the Rescission Order as it is considered impractical to estimate such amount.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

(c) Classification of liabilities

As the Group has been in default in payment on schedule of most of its borrowings, the amounts become immediately due and repayable. No attempt has been made to classify the liabilities of the Company and of the Group into non-current or current terms as the settlement of borrowings will be dependent on the successful completion of the Restructuring Agreement.

(d) Qualified representation by the Provisional Liquidators

The Provisional Liquidators were appointed on 15 January 2003 and do not have the same detailed knowledge of the financial affairs of the Group as the directors of the Company would have particularly relating to transactions entered into by the Group prior to their appointment. The Provisional Liquidators have made enquiries of the directors of the Company and reviewed such books and records of the Group as were made available to them. The Provisional Liquidators have not been able to give an unqualified representation as to the completeness and accuracy, of the recording of the transactions entered into by the Group prior to their appointment and also as to whether the financial statements present a true and fair view of the Group's operations for the year ended 31 March 2003 and its financial status as at 31 March 2003.

(e) Measurement basis

The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of certain investment properties as further explained in note 4(h) below.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA") which became effective for the current year. The new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies:

SSAP 1 (Revised) "Presentation of financial statements"

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 19 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) "Foreign currency translation"

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 15 (Revised) "Cash flow statements"

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, the definition of cash equivalents for the purpose of the cash flow statement has been revised. Further details of these changes are included in the accounting policy for "Cash equivalents" in note 4(r) to the financial statements.

SSAP 34 "Employee benefits"

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has had no effect on the financial statements. Further details of which are included in the accounting policy for "Employee benefits" in note 4(p) to the financial statements.

4. ACCOUNTING POLICIES

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Statement of compliance

These financial statements have been prepared in accordance with SSAPs and Interpretations issued by the HKSA, accounting principles generally accepted in Hong Kong, the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, except that (i) net current liabilities have not been disclosed in the balance sheets, and (ii) no attempt has been made to classify the liabilities of the Company and of the Group into non-current or current terms as more fully explained in note 2(c) to the financial statements.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its identifiable assets and liabilities together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement.

Minority interests represent that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, and/or by the Company.

4. ACCOUNTING POLICIES (continued)

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses, unless the subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case it is stated at fair value with changes in fair value recognised in the income statement as they arise.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Jointly controlled entities

A jointly controlled entity is an entity which through contractual arrangements is subject to joint control by the Group and other parties, and none of the participating parties has unilateral control over the entity.

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision for impairment losses. Such provision is determined and made for each jointly controlled entity individually.

The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(e) Associates

An associate is an entity, not being a subsidiary or jointly controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management.

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

In the Company's balance sheet, investments in associates are stated at cost less provision for impairment losses. Such provision is determined and made for each associate individually.

The results of associates are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

4. ACCOUNTING POLICIES (continued)

(f) Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, jointly controlled entity or associate at the date of acquisition.

(i) Prior to 1 January 2001

The capital reserve as at 1 April 2001 represented the net balance of goodwill and negative goodwill arising from acquisitions of subsidiaries, jointly controlled entities and associates prior to 1 January 2001. However, the Company did not maintain sufficient accounting records to track the amount of the goodwill and negative goodwill written off to the reserves. Having taken into consideration the carrying value of the assets of the Company's subsidiaries, jointly controlled entities and associates and the substantial losses incurred by them, the management is of the view that all goodwill should have been impaired prior to the implementation of SSAP 30 and SSAP 31 and that such losses should have been written off to the consolidated income statement for the year ended 31 March 2002. At the same time, the negative goodwill should have been released to the consolidated income statement to cover the losses incurred.

Accordingly, a prior year adjustment in restating the net balance of the goodwill and negative goodwill has been made to the financial statements for the year ended 31 March 2002.

(ii) After 1 January 2001

Negative goodwill arising on acquisitions on or after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on acquisition of a jointly controlled entity or associate is deducted from the carrying value of that jointly controlled entity or associate. Negative goodwill arising on acquisitions of subsidiaries is presented separately in the balance sheet as a deduction from assets.

4. ACCOUNTING POLICIES (continued)

(g) Revenue recognition

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

(i) Rental income under operating leases is recognised in the period on a straight-line basis over the term of the lease;

(ii) Sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;

(iii) Revenue from hotel operations is recognised in the period when the services are provided; and

(iv) Interest income is recognised on a time-apportioned basis on the principal outstanding and at the rates applicable.

(h) 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 greater than twenty years are valued at intervals of not more than three years by an independent valuer; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are based on an open market value basis. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are firstly set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited.

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

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

4. ACCOUNTING POLICIES (continued)

(i) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of the hotel, and are stated at cost less impairment loss.

Hotel properties with remaining lease of less than twenty years are depreciated on a straight-line basis over the remaining unexpired period of the lease.

(j) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation of other fixed assets is calculated to write off their costs on the reducing balance method over their expected useful lives to the Group at a principal annual rate of 20%.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(k) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. A reversal of an impairment loss is recognised as income immediately.

(l) Inventories

Inventories consisting of food, beverage and hotel supplies, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation.

4. ACCOUNTING POLICIES (continued)

(m) Deferred taxation

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

(n) Translation of foreign currencies

Transactions in foreign currencies are translated at rates of exchange ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with in the income statement.

The balance sheet of subsidiary expressed in foreign currencies is translated at the rates of exchange ruling at the balance sheet date whilst its income statement is translated at an average rate. In prior year, their income statement was translated at closing rate prior to the adoption of revised SSAP 11. Exchange differences arising are dealt with as a movement in exchange fluctuation reserve.

(o) Operating leases

Rentals payable and receivable under operating leases are charged or credited to the income statement on a straight-line basis over the lease terms.

(p) Employee benefits

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year.

The Group operates a defined contribution staff retirement scheme. The Group's contributions under the scheme are charged to the income statement as incurred. The amount of the Group's contributions is based on a specified percentage of the basic salaries of employees and forfeited contributions in respect of unvested benefits of staff leavers are used to reduce the Group's contributions. The assets of the scheme are held separately from those of the Group.

(q) Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

4. ACCOUNTING POLICIES (continued)

(r) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of change in value, having a short maturity of generally within three months of maturity when acquired. For the purpose of the cash flow statement, cash equivalents would also include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. The revised SSAP 15 has resulted in short term bank loan repayable within three months from the date of the advance no longer qualified as cash equivalents.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(t) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, a provision is recognised.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence and non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segments), or in providing products or services within a particular economic environment (geographical segments), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

4. ACCOUNTING POLICIES (continued)

(u) Segment reporting (continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financing expenses and minority interests.

5. TURNOVER, REVENUE AND SEGMENT INFORMATION

Turnover and revenue are analysed as follows:

	2003 HK$	2002 HK$
Turnover		
Gross rental income from investment properties	**2,131,605**	6,873,973
Revenue from hotel operation of Xiamen Plaza	**17,026,723**	20,568,436
	19,158,328	27,442,409
Other revenue		
Bank interest income	**222**	7,563
Others	**229,163**	438,063
	229,385	445,626
Total revenue	**19,387,713**	27,888,035

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group comprises the following main business segments:

Property investment
– The rental of investment properties

Hotel operation
– The rendering of hotel accommodation services

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

5. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property investment		Hotel operation		Unallocated		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Revenue from external customers	**2,131,605**	6,873,973	**17,026,723**	20,568,436	**-**	-	**19,158,328**	27,442,409
Other revenue from external customers	**-**	-	**-**	-	**229,385**	445,626	**229,385**	445,626
Total	**2,131,605**	6,873,973	**17,026,723**	20,568,436	**229,385**	445,626	**19,387,713**	27,888,035
Segment results	**1,748,454**	5,304,641	**(9,998,335)**	(11,452,083)	**-**	-	**(8,249,881)**	(6,147,442)
Unallocated corporate expenses							**(11,895,201)**	(94,194,872)
Loss from operations							**(20,145,082)**	(100,342,314)
Finance costs							**(55,293,968)**	(67,552,162)
Share of results of jointly controlled entities							**-**	(6,715,082)
Share of results of associates	**131,616**	131,741	**-**	-	**128,325**	109,978	**259,941**	241,719
Loss from ordinary activities before taxation							**(75,179,109)**	(174,367,839)
Taxation	**(26,434)**	(28,589)	**-**	-	**(23,676)**	(1,301,421)	**(50,110)**	(1,330,010)
Loss from ordinary activities after taxation							**(75,229,219)**	(175,697,849)
Minority interests							**-**	-
Net loss attributable to the shareholders							**(75,229,219)**	(175,697,849)

No inter-segment sales and transfers were transacted during the current and prior years.

5. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property investment		Hotel operation		Unallocated		Consolidated	
	2003 HK$	2002 HK$	**2003 HK$**	2002 HK$	**2003 HK$**	2002 HK$	**2003 HK$**	2002 HK$
Assets								
Segment assets	**14,972,939**	163,404,389	**112,016,638**	136,217,057	**–**	–	**126,989,577**	299,621,446
Investments in associates	**8,050,614**	12,812,099	**–**	–	**3,727,367**	3,622,718	**11,777,981**	16,434,817
Investments in jointly controlled entities	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated assets	**–**	–	**–**	–	**335**	354	**335**	354
Total assets							**138,767,893**	316,056,617
Liabilities								
Segment liabilities	**(14,224,573)**	(18,580,618)	**(15,038,505)**	(12,175,625)	**(592,364,808)**	(691,105,068)	**(621,627,886)**	(721,861,311)
Unallocated liabilities							**(13,065,860)**	(12,058,727)
Total liabilities							**(634,693,746)**	(733,920,038)
Other segment information								
Capital expenditure	**–**	19,998	**1,159,010**	289,470	**–**	–		
Depreciation	**58,538**	131,789	**11,234,410**	12,155,708	**–**	235,483		
Deficit on revaluation of investment property	**1,610,000**	27,290,000	**–**	–	**–**	–		
Provision for impairment loss on hotel properties	**–**	–	**12,500,000**	–	**–**	–		

(b) Geographical segments

The following table presents revenue, profit/(loss) and certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		PRC	
	2003 HK$	2002 HK$	**2003 HK$**	2002 HK$
Segment revenue:				
Revenue from external customers	**2,131,605**	6,873,973	**17,026,723**	20,568,436
Segment results	**1,748,454**	5,304,641	**(9,998,335)**	(11,452,083)
Other segment information:				
Segment assets	**26,751,255**	179,839,560	**112,016,638**	136,217,057
Capital expenditure	**–**	19,998	**1,159,010**	289,470
Depreciation	**58,538**	363,554	**11,234,410**	12,159,426

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2003

6. WRITE BACK OF/(PROVISION FOR) DOUBTFUL DEBTS

	2003 HK$	2002 HK$
Write back of/(provision for) doubtful debts due from:		
– jointly controlled entities	**10,360,818**	(19,035,338)
– others	**(1,369,655)**	(2,482,018)
	8,991,163	(21,517,356)

7. LOSS FROM OPERATIONS

	2003 HK$	2002 HK$
The loss from operations is stated after crediting and charging the following:		
Gross rental income from investment properties	**2,131,605**	6,873,973
Less: Outgoings	**(383,151)**	(1,569,332)
Net rental income from investment properties	**1,748,454**	5,304,641
Depreciation:		
– hotel properties	**9,462,552**	9,462,552
– owned fixed assets	**2,409,130**	3,060,428
– over-provision in prior years	**(578,734)**	–
Operating lease rentals in respect of land and buildings	**–**	23,541
Auditors' remuneration	**250,000**	280,000
Management fee to Sino Earn	**307,350**	409,800
Loss on disposal of other fixed assets	**218,470**	55,280
Net exchange loss/(gain)	**816,576**	(168,878)
Retirement benefits costs	**38,440**	47,070

8. FINANCE COSTS

	2003 HK$	2002 HK$
Interest on bank loans and overdrafts		
– wholly repayable within five years	**31,324,455**	43,933,462
Interest on other borrowings		
– wholly repayable within five years	**23,969,513**	23,618,700
	55,293,968	67,552,162

9. TAXATION

Taxation in the consolidated income statement comprises:

	2003	2002
	HK$	HK$
Under-provisions of Hong Kong profits tax in prior years	**–**	1,295,689
Share of taxation attributable to associates	**50,110**	34,321
	50,110	1,330,010

(a) No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries did not have any assessable profits for the year (2002: HK$Nil).

(b) No provision for PRC income tax has been made as there were no assessable profits for the subsidiary operating in the PRC during the year (2002: HK$Nil).

(c) No provision for deferred taxation has been made as the Group and the Company have no material potential liabilities arising on timing differences (2002: HK$Nil).

(d) Details on unprovided deferred tax assets relating to tax losses are not disclosed as the information is not available. However, it is not probable that such losses can be utilised in the foreseeable future.

10. NET LOSS ATTRIBUTABLE TO THE SHAREHOLDERS

Included in the consolidated net loss attributable to the shareholders of HK$75,229,219 (2002: HK$175,697,849) is a loss of HK$104,672,908 (2002: HK$212,273,675), including dividends from an associate of HK$2,000,000 (2002: HK$118,000), which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the consolidated net loss attributable to the shareholders for the year of HK$75,229,219 (2002: HK$175,697,849) and 1,074,328,367 (2002: 1,074,328,367) shares in issue during the year.

(b) Diluted

Diluted loss per share has not been presented as there were no potential dilutive share options in existence during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2003 HK$	2002 HK$
Fees:		
Executive directors	–	–
Independent non-executive directors	–	320,000
	–	320,000
Other emoluments for executive directors:		
– basic salaries, housing allowances, other allowances and benefits in kind	211,994	1,566,732
Provident fund contributions	7,000	18,000
	218,994	1,584,732
Total emoluments	218,994	1,904,732

The emoluments of the directors fell within the following bands:

	Number of directors	
Emolument bands	2003	2002
From HK$Nil to HK$1,000,000	11	12
From HK$1,000,001 to HK$1,500,000	–	1
	11	13

No directors waived any emoluments and no emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

(b) Five highest paid employees

Two (2002: three) of the five highest paid employees are directors whose emoluments are reflected in the directors' emoluments above. Details of the aggregate emoluments of the remaining three (2002: two) highest paid non-director individuals are as follows:

	2003 HK$	2002 HK$
Basic salaries, housing allowances, other allowances and benefits in kind	1,007,836	707,200
Provident fund contributions	31,440	20,920
	1,039,276	728,120

The emoluments of each of these three (2002: two) individuals fell within the band from HK$Nil to HK$1,000,000.

13. FIXED ASSETS

	Group							
	Investment properties *(note (a))* HK$	Hotel properties *(note (c))* HK$	Plant and machinery HK$	Furniture and fixtures HK$	Leasehold improvements HK$	Motor vehicles HK$	Computer and office equipment HK$	Total HK$
Cost or valuation								
Brought forward								
At cost	–	179,000,000	5,649,677	8,749,880	6,450,308	2,102,396	534,940	202,487,201
At professional valuation	138,100,000	–	–	–	–	–	–	138,100,000
	138,100,000	179,000,000	5,649,677	8,749,880	6,450,308	2,102,396	534,940	340,587,201
Additions	–	–	–	126,229	1,032,781	–	–	1,159,010
Exchange difference	–	–	(15,118)	(23,007)	(16,737)	(5,625)	–	(60,487)
Disposals *(note (b))*	(124,600,000)	–	(6,823)	(10,515)	(367,166)	–	–	(124,984,504)
Revaluation deficit charged to income statement	(1,610,000)	–	–	–	–	–	–	(1,610,000)
	11,890,000	179,000,000	5,627,736	8,842,587	7,099,186	2,096,771	534,940	215,091,220
Carried forward								
At cost	–	179,000,000	5,627,736	8,842,587	7,099,186	2,096,771	534,940	203,201,220
At professional valuation	11,890,000	–	–	–	–	–	–	11,890,000
	11,890,000	179,000,000	5,627,736	8,842,587	7,099,186	2,096,771	534,940	215,091,220
Accumulated depreciation/impairment								
Brought forward	–	49,678,401	5,626,140	7,248,687	4,398,330	1,887,024	324,976	69,163,558
Exchange difference	–	–	(15,055)	(19,120)	–	(5,049)	–	(39,224)
Adjustment for over–provision in prior years	–	–	(578,734)	–	–	–	–	(578,734)
Charge for the year	–	9,462,552	246,260	901,257	1,210,971	8,649	41,993	11,871,682
Impairment *(note(d))*	–	12,500,000	–	–	–	–	–	12,500,000
Disposals	–	–	(6,482)	(9,552)	(150,000)	–	–	(166,034)
Carried forward	–	71,640,953	5,272,129	8,121,272	5,459,301	1,890,624	366,969	92,751,248
Net book value								
At 31 March 2003	11,890,000	107,359,047	355,607	721,315	1,639,885	206,147	167,971	122,339,972
At 31 March 2002	138,100,000	129,321,599	23,537	1,501,193	2,051,978	215,372	209,964	271,423,643

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

13. FIXED ASSETS (continued)

	Company				
	Investment properties *(note (a))*	Furniture and fixtures	Leasehold improve–ments	Computer and office equipment	Total
	HK$	HK$	HK$	HK$	HK$
Cost or valuation					
Brought forward					
At cost	–	134,600	45,500	505,640	685,740
At professional valuation	13,500,000	–	–	–	13,500,000
	13,500,000	134,600	45,500	505,640	14,185,740
Revaluation deficit charged to income statement	(1,610,000)	–	–	–	(1,610,000)
	11,890,000	134,600	45,500	505,640	12,575,740
Carried forward					
At cost	–	134,600	45,500	505,640	685,740
At professional valuation	11,890,000	–	–	–	11,890,000
	11,890,000	134,600	45,500	505,640	12,575,740
Accumulated depreciation					
Brought forward	–	91,548	11,527	304,557	407,632
Charge for the year	–	8,610	6,794	40,217	55,621
Carried forward	–	100,158	18,321	344,774	463,253
Net book value					
At 31 March 2003	11,890,000	34,442	27,179	160,866	12,112,487
At 31 March 2002	13,500,000	43,052	33,973	201,083	13,778,108

13. FIXED ASSETS (continued)

(a) All investment properties of the Group are held under medium term leases in Hong Kong.

The investment properties of the Group were revalued on an open market value basis as at 31 March 2003 by Knight Frank (2002: Knight Frank), an independent firm of professional valuers. The revaluation deficit of HK$1,610,000 (2002: HK$27,290,000) has been charged to the income statement.

(b) The net gain on disposal of charged investment properties amounting to HK$2,023,664 as shown in the consolidated income statement arose from the enforcement of the mortgages on certain investment properties of the Group by the banks during the year. The aggregate consideration of the disposals amounted to HK$128,219,004 was obtained with reference to land search documents. These proceeds were not classified as the Group's turnover during the year due to the circumstances of their disposals. Proceeds on disposal of the charged investment properties were applied by the relevant banks for direct settlement of outstanding loans and interest due and other relevant outgoings of the transactions. Purchase and sale agreements and statements from banks regarding the disposals have not been made available to the Group. The estimated outgoings incurred on the disposals amounted to HK$1,595,340, and the aggregate carrying value of the investment properties immediately before their disposals was HK$124,600,000.

(c) The hotel properties are situated in the PRC and are held under short term leases. The building ownership certificate for the hotel properties has not been obtained. According to the Company, the joint venture partner will continue to grant the Group the right to use the land until the expiry of the term of lease on 11 December 2015.

(d) The carrying value of the hotel properties stated in the financial statements was reviewed and the recoverable amount was considered to be the net selling price. As such, the carrying value stated was based on an open market value valuation made by an independent firm of professional valuers. A shortfall of HK$12,500,000 between the carrying value and fair value has been charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

14. SUBSIDIARIES

	2003 HK$	2002 HK$
Unlisted shares, at cost	**28,069,474**	28,069,474
Less: Provision for impairment losses	**(28,069,474)**	(28,069,474)
	–	–
Loans to subsidiaries	**258,822,508**	274,088,497
Less: Provision for doubtful amounts	**(258,822,508)**	(181,870,577)
	–	92,217,920
	–	92,217,920

Particulars of subsidiaries at 31 March 2003 are as follows:

Name of subsidiary	Place of incorporation and principal place of operations	Effective percentage holding 2003 %	Effective percentage holding 2002 %	Issued and fully paid share/registered capital	Principal activities
Direct subsidiaries:					
Clarson Hotel Management Limited	Hong Kong	**100**	100	Ordinary HK$300,000	Inactive
Eastborough Enterprises Limited	Hong Kong	**100**	100	Ordinary HK$600,000	Investment holding
Eastern Associated Investment Company, Limited	Hong Kong	**100**	100	Ordinary HK$1,000,000	Investment holding
Everlink Development Limited	Hong Kong	**100**	100	Ordinary HK$10,000	Inactive
Fujian Group Nominees Limited	Hong Kong	**100**	100	Ordinary HK$2	Nominee
Honest Bright International Limited	Hong Kong	**100**	100	Ordinary HK$2	Inactive
Kai Loong Land Investment Company, Limited	Hong Kong	**100**	100	Ordinary HK$415,000	Inactive

14. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and principal place of operations	Effective percentage holding 2003 %	Effective percentage holding 2002 %	Issued and fully paid share/ registered capital	Principal activities
Direct subsidiaries: (continued)					
Kiu Sun Investment Company, Limited	Hong Kong	**100**	100	Ordinary HK$1,000,000	Investment holding
Ming Chuen Construction Company, Limited	Hong Kong	**100**	100	Ordinary HK$100,000	Investment holding
Panew International Limited *(note (c))*	Hong Kong	**100**	100	Ordinary HK$2	Inactive
Real Wide Limited *(note (d))*	Hong Kong	**55**	55	Ordinary HK$10,000	Inactive
Richlite Investment Limited	Hong Kong	**100**	100	Ordinary HK$2	Inactive
Silver Cone Worldwide Limited	British Virgin Islands	**100**	100	Ordinary US$1	Investment holding
Sino Bless International Limited	Hong Kong	**100**	100	Ordinary HK$2	Inactive
Smart Stride Investment Limited	Hong Kong	**100**	100	Ordinary HK$2	Inactive
Smart Truth International Limited	Hong Kong	**100**	100	Ordinary HK$10,000	Inactive
Triplenic Realty Limited	Hong Kong	**75**	75	Ordinary HK$1,000,000	Investment holding
Wealth Cosmos Limited	Hong Kong	**100**	100	Ordinary HK$2	Inactive
Yan Hei Limited *(note (e))*	Hong Kong	**100**	100	Ordinary HK$10,000 and Non-voting deferred HK$10,000	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

14. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and principal place of operations	Effective percentage holding 2003 %	2002 %	Issued and fully paid share/ registered capital	Principal activities
Indirect subsidiaries:					
Billion Lion Limited	Hong Kong	**75**	75	Ordinary HK$2	Inactive
Gold Silver Limited	Hong Kong	**100**	100	Ordinary HK$10,000	Inactive
Link Smart Investment Limited	Hong Kong	**100**	100	Ordinary HK$2	Inactive
Sheen Sharp Limited	Hong Kong	**100**	100	Ordinary HK$2	Inactive
Texway Industries Limited	Hong Kong	**100**	100	Ordinary HK$2	Inactive
Xiamen South East Asia Hotel Company, Limited *(notes (a)&(b))*	PRC	**100**	100	Registered capital US$5,000,000	Hotel operation

As further explained in note 2(b) to the financial statements, Skycheer Development Limited and Xiamen Hong Du Park Hotel would not be owned by the Group upon granting of the Rescission Order and accordingly these subsidiaries were excluded from consolidation with effect from the year ended 31 March 2001. No further financial information of these companies can be disclosed as the Group is no longer in a position to access to such information.

Notes:

(a) This subsidiary has a financial year-end of 31 December. Its financial year cannot be co-terminous with that of the Company for the reason of its need to comply with the regulations of the PRC. The financial statements of this subsidiary for the year ended 31 December 2002 have been audited by Pan-China (Xiamen) Certified Public Accountants. The annual results, year-end assets and liabilities of this subsidiary for the year ended 31 March 2003, have been consolidated based on the audited financial statements for the year ended 31 December 2002 and the unaudited management accounts for the three months ended 31 March 2003.

(b) 40% of the Group's interests in this subsidiary are pledged in favour of a bank for a loan granted to the subsidiary as referred to in notes 20(a)(i) and 28(d) to the financial statements.

(c) The Group's interests in the issued share capital of this subsidiary are pledged in favour of Sino Earn to secure loan facilities granted to the Company as referred to in note 20(b)(iii) to the financial statements.

(d) The Group's interests in the issued share capital of this subsidiary are pledged, together with the Group's investment properties with a carrying value of HK$1,340,000, in favour of a third party for a loan granted to the Company as referred to in note 20(b)(vi) to the financial statements.

(e) 60% of the Group's interests in the issued share capital of this subsidiary are pledged, among other securities, in favour of Jian Xing to secure loan facilities granted to the Company as referred to in note 20(b)(iv) to the financial statements. The release of the charged share is subject to the successful completion of the Restructuring Agreement as referred to in note 33(a) to the financial statements.

15. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2003	2002	**2003**	2002
	HK$	HK$	**HK$**	HK$
Unlisted shares, at cost	**–**	–	**5,005,000**	5,005,000
Less: Provision for impairment losses	**–**	–	**(5,005,000)**	(5,005,000)
	–	–	**–**	–
Share of net assets other than goodwill	**–**	–	**–**	–
	–	–	**–**	–
Loan to a jointly controlled entity *(note (a))*	**96,868,810**	113,192,865	**96,868,810**	113,192,865
Less: Provision for doubtful amounts	**(96,868,810)**	(105,488,695)	**(96,868,810)**	(105,488,695)
	–	7,704,170	**–**	7,704,170
Less: Amounts repayable on demand classified as current assets	**–**	(7,704,170)	**–**	(7,704,170)
	–	–	**–**	–
	–	–	**–**	–

Movements of the Group's and the Company's obligation to a jointly controlled entity during the year are as follows:

	Group	Company
	HK$	HK$
Balance at 1 April 2002	16,740,933	16,740,933
Written back during the year	(1,740,933)	(1,740,933)
Balance at 31 March 2003 *(note (b))*	**15,000,000**	**15,000,000**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

15. JOINTLY CONTROLLED ENTITIES (continued)

Notes:

(a) The loan due from a jointly controlled entity is unsecured, bearing interest at 12% per annum and repayable on demand. No accrual has been made for interest receivable for the current and previous years as provision for doubtful amounts had been made. The Company's interest in this loan has been subordinated to a joint venture partner in first priority and to Sino Earn in second priority for loan facilities granted as referred to in notes 20(b)(v) and 20(b)(iii) respectively to the financial statements. During the year, this loan was partially repaid by the jointly controlled entity to a joint venture partner in accordance with the subordination agreement.

(b) The obligation to a jointly controlled entity was provided based on the net exposure of the Group and of the Company on the outstanding bank loan and loan from a joint venture partner on balance drawn down by the jointly controlled entity. Such obligation to a jointly controlled entity is limited to the extent of HK$15,000,000 pursuant to the banking facility granted from the bank. Any excess of accrued interest and/or penalty over the guaranteed amount is beyond the Group's obligation. During the year, another jointly controlled entity has repaid the debts resulting in reduction in obligation to this jointly controlled entity.

Particulars of jointly controlled entities at 31 March 2003 are as follows:

Name of jointly controlled entity	Place of incorporation and principal place of operations	Effective percentage holding 2003 %	2002 %	Issued and fully paid share/ registered capital	Principal activities
Asian Eagle Limited *(note (i))*	Hong Kong	**50**	35	Ordinary HK$10,000	Property development
MT Finance Limited	Hong Kong	**50**	50	Ordinary HK$10,000,000	Money lending
Westly Limited *(note (ii))*	Hong Kong	**50**	50	Ordinary HK$10,000	Investment holding

Notes:

(i) The Company indirectly holds the interest in this jointly controlled entity.

(ii) The Company's interest in the issued share capital of Westly Limited ("Westly") was the subject of a first share charge in favour of the joint venture partner, to secure loan granted to the Company as referred to in note 20(b)(v) to the financial statements, and a mortgage in favour of the joint venture partner, to secure loans granted to Westly ("Westly Charge"), and is under second share charge, among other securities, in favour of Sino Earn to secure loans granted to the Company as referred to in note 20(b)(iii) to the financial statements. During the year, the Company has fully repaid the debts owing to the joint venture partner and accordingly, first share charge was released.

16. ASSOCIATES

	Group 2003 HK$	Group 2002 HK$	Company 2003 HK$	Company 2002 HK$
Unlisted shares, at cost	–	–	6,475,051	6,475,051
Less: Provision for impairment losses	–	–	(1,899,999)	(1,899,999)
	–	–	4,575,052	4,575,052
Share of net assets other than goodwill	11,127,981	15,784,817	–	–
	11,127,981	15,784,817	4,575,052	4,575,052
Amounts due from associates	658,500	658,500	658,500	658,500
Less: Provision for doubtful amounts	(8,500)	(8,500)	(8,500)	(8,500)
	11,777,981	16,434,817	5,225,052	5,225,052

The amounts due from associates are unsecured, interest-free and repayable on demand.

Particulars of associates at 31 March 2003 are as follows:

Name of associate	Place of incorporation and principal place of operations	Effective percentage holding 2003 %	Effective percentage holding 2002 %	Issued and fully paid share/ registered capital	Principal activities
Austin Land Investment Limited	Hong Kong	46.82	46.82	Ordinary HK$6,300,000	Provision of building management services
Ealing Court Limited *(note (a))*	Hong Kong	33.33	33.33	Ordinary HK$6,000,000	Property investment
Ming Sun Contractors Limited	Hong Kong	49.50	49.50	Ordinary HK$1,000,000	Inactive
Sherrin Property Investment Limited *(note (a))*	Hong Kong	33.33	33.33	Ordinary HK$3	Property investment

Note:

(a) The Company's interests in the issued share capital of these associates are pledged, among other securities, in favour of Sino Earn for loan facilities granted to the Company as referred to in note 20(b)(iii) to the financial statements. The release of the charged shares is subject to the successful completion of the Restructuring Agreement as referred to in note 33(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

17. AMOUNT DUE FROM A RELATED COMPANY

The amount due from Hungexpress Investment Limited was unsecured, non-interest bearing and with no fixed terms of repayment. This debt was fully repaid during the year.

18. ACCOUNTS RECEIVABLE, UTILITY DEPOSITS AND PREPAYMENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$	HK$	**HK$**	HK$
Accounts receivable (net of provisions for bad and doubtful debts), with aging analysis				
Current to 6 months	**904,223**	458,484	**7,638**	21,248
Over 6 months	**74,187**	730,610	**5,984**	5,931
	978,410	1,189,094	**13,622**	27,179
Utility deposits and prepayments	**667,221**	884,691	**361,933**	148,042
	1,645,631	2,073,785	**375,555**	175,221

19. INVENTORIES

	Group	
	2003	2002
	HK$	HK$
At cost	**973,154**	1,190,013
Less: Provision for obsolete inventories	**(473,389)**	–
At net realisable value	**499,765**	1,190,013

Inventories of HK$499,765 (2002: Nil) are carried at net realised value.

20. BANK AND OTHER BORROWINGS

	Group		Company	
	2003	2002	**2003**	2002
	HK$	HK$	**HK$**	HK$
Bank loans and overdrafts *(note (a))*	**281,160,985**	358,277,001	**72,965,580**	71,749,081
Other borrowings *(note (b))*	**203,529,462**	212,116,576	**203,529,462**	212,116,576
	484,690,447	570,393,577	**276,495,042**	283,865,657

20. BANK AND OTHER BORROWINGS (continued)

Notes:

(a)(i) Bank loans and overdrafts are analysed as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$	HK$	**HK$**	HK$
Secured				
– bank loans	**32,388,765**	268,336,922	**–**	52,811,610
– overdrafts	**–**	83,189,398	**–**	16,439,369
Unsecured				
– bank loans	**186,851,906**	6,750,681	**55,310,216**	2,498,102
– overdrafts	**61,920,314**	–	**17,655,364**	–
	281,160,985	358,277,001	**72,965,580**	71,749,081

(a)(ii) All bank loans and overdrafts are repayable on demand or within one year.

As the Group defaulted on its scheduled payment of most of its bank loans, all banking facilities of the Group became immediately due and repayable.

(b)(i) Other borrowings are analysed as follows:

		Group		Company	
		2003	2002	**2003**	2002
	Note	**HK$**	HK$	**HK$**	HK$
Secured					
– loans from a shareholder	(b)(iii)	**145,632,024**	145,288,265	**145,632,024**	145,288,265
– loan from a related company	(b)(iv)	**42,000,000**	42,000,000	**42,000,000**	42,000,000
– loan from a joint venture partner	(b)(v)	**–**	7,420,000	**–**	7,420,000
– loan from a third party	(b)(vi)	**3,526,551**	3,526,551	**3,526,551**	3,526,551
Unsecured					
– amount due to a related company	(b)(vii)	**73,632**	73,632	**73,632**	73,632
– loan from a former jointly controlled entity	(b)(viii)	**–**	3,899,550	**–**	3,899,550
– loans from associates	(b)(ix)	**5,208,630**	6,908,630	**5,208,630**	6,908,630
– loans from third parties	(b)(x)	**7,088,625**	2,999,948	**7,088,625**	2,999,948
		203,529,462	212,116,576	**203,529,462**	212,116,576

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

20. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(b)(ii) All other borrowings are repayable on demand or within one year.

(b)(iii) Secured loans from a shareholder

The loan facilities granted by Sino Earn are secured and bearing interest at 10.5% per annum plus default interest at 1.5% per annum; HK$70,000,000 has been due for repayment since 31 January 2000 and the remaining balance has been due for repayment since 30 June 2001.

(b)(iv) Secured loan from a related company

The loan facility granted by Jian Xing has been due for repayment since 1 April 2000 and is secured and bearing interest at 10.5% per annum plus default interest at 1.5% per annum. Jian Xing is a company related to Sino Earn.

(b)(v) Secured loan from a joint venture partner

The loan facility granted by a joint venture partner was secured and bearing interest at prime rate plus 3.5% per annum with default interest chargeable at 3% per annum. The loan was repaid directly from a jointly controlled entity to the joint venture partner in accordance with the loan agreement.

(b)(vi) Secured loan from a third party

The loan from a third party is secured by certain investment properties of the Company with a carrying value of HK$1,340,000 as at 31 March 2003, and is bearing interest at 12% per annum. The loan has been due for repayment since 30 September 2001.

(b)(vii) Amount due to a related company

The amount due to a related company, Fushan Holdings Limited ("Fushan"), is unsecured, non-interest bearing and with no fixed terms of repayment.

(b)(viii) Unsecured loan from a former jointly controlled entity

The loan from a former jointly controlled entity was unsecured, non-interest bearing and with no fixed terms of repayment. The loan was fully repaid during the year.

(b)(ix) Unsecured loans from associates

The loans are unsecured, non-interest bearing and with no fixed terms of repayment.

(b)(x) Unsecured loans from third parties

These comprise a loan of HK$6,799,085 which is unsecured, bearing interest at prime rate plus 3% per annum and repayable on demand, and a loan of HK$289,540 which is unsecured, non-interest bearing and with no fixed terms of repayment.

21. ACCOUNTS PAYABLE, ACCRUED CHARGES AND TENANTS' DEPOSITS

	Group		Company	
	2003	2002	**2003**	2002
	HK$	HK$	**HK$**	HK$
Accounts payable with aging analysis				
Current to 6 months	**3,102,787**	9,098,584	**1,575,732**	2,172,506
Over 6 months	**21,148,208**	16,989,644	**7,967,527**	6,427,580
	24,250,995	26,088,228	**9,543,259**	8,600,086
Accrued charges and tenants' deposits	**5,012,083**	4,668,015	**1,495,881**	1,439,047
	29,263,078	30,756,243	**11,039,140**	10,039,133

22. UNCLAIMED DIVIDENDS

In accordance with article 156 of the Company's Articles of Association, all dividends unclaimed for six years after having been declared may be forfeited by the directors and shall revert to the Company. Unclaimed dividends in an aggregate amount of HK$81,573 (2002: HK$Nil) shall be forfeited by the Company within one year from 31 March 2003.

23. MINORITY INTERESTS

(a) Minority interests comprise accumulated net losses borne by minority shareholders of the non-wholly-owned subsidiaries of the Group, less provision made for doubtful amounts receivable from minority shareholders.

(b) Loans from minority shareholders

	Group	
	2003	2002
	HK$	HK$
Loans from a minority shareholder to Real Wide Limited *(note (b)(i))*	**3,739,396**	3,739,396
Loans from a minority shareholder to Triplenic Realty Limited *(note (b)(ii))*	**498,320**	498,320
	4,237,716	4,237,716

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

23. MINORITY INTERESTS (continued)

Notes:

(b)(i) Loans to Real Wide Limited ("Real Wide") from Fushan, being a minority shareholder which owned 45% equity interest in Real Wide, are unsecured, non-interest bearing and with no fixed terms of repayment.

(b)(ii) Loans to Triplenic Realty Limited ("Triplenic Realty") from Mr FU Ngai Man Raymond ("Mr FU"), being a minority shareholder who owned 25% equity interest in Triplenic Realty, are unsecured, non-interest bearing and with no fixed terms of repayment. Mr FU is a director both of Triplenic Realty and its wholly-owned subsidiary, Billion Lion Limited.

24. SHARE CAPITAL

	2003		2002	
	Number of shares	**HK$**	Number of shares	HK$
Authorised:				
Ordinary shares of HK$0.125 each	**4,000,000,000**	**500,000,000**	4,000,000,000	500,000,000
Issued and fully paid:				
Ordinary shares of HK$0.125 each	**1,074,328,367**	**134,291,046**	1,074,328,367	134,291,046

25. SHARE OPTIONS

On 22 January 1997, the Company approved a share option scheme under which the directors may, at their discretion, invite any employee or executive directors of the Company and the Group to take up options to subscribe for shares in the capital of the Company at any time during the ten years from the date of offer. The subscription price of the Company's shares shall be referred to the average closing price of the Company's shares as quoted on the Stock Exchange for five dealing days immediately preceding the offer date. The maximum number of shares on which options may be granted may not exceed 10% of the ordinary share capital of the Company in issue from time to time.

No options of the Company were being granted during the year or outstanding as at 31 March 2003.

26. RESERVES

(a) Group

Details of changes in reserves of the Group are set out in the consolidated statements of changes in equity on page 19.

Notes:

(i) The exchange fluctuation reserve and revaluation reserve have been set up and dealt with in accordance with the accounting policies adopted for translation of foreign currencies (note 4(n)) and revaluation of investment properties (note 4(h)).

(ii) Accumulated losses of HK$1,133,849,495 (2002: HK$1,058,620,276) included amounts of losses of HK$149,009,834 (2002: HK$149,009,834) attributable to jointly controlled entities and profits of HK$2,915,597 (2002: HK$2,705,766) attributable to associates.

26. RESERVES (continued)

(b) Company

	Share premium *Note (i)* HK$	Capital reserve *Note (ii)* HK$	Accumulated losses HK$	Total HK$
At 1 April 2001	498,358,945	10,000,000	(844,945,769)	(336,586,824)
Unclaimed dividends written back	–	–	539,364	539,364
Loss for the year	–	–	(212,273,675)	(212,273,675)
At 31 March 2002 and at 1 April 2002	498,358,945	10,000,000	(1,056,680,080)	(548,321,135)
Loss for the year	–	–	(104,672,908)	(104,672,908)
At 31 March 2003	498,358,945	10,000,000	(1,161,352,988)	(652,994,043)

Notes:

(i) The application of share premium is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) Pursuant to the Directors' meeting in prior years, the capital reserve of the Company was being set aside for general purpose.

(iii) At 31 March 2003, no distributable reserves of the Company was available for distribution as dividends (2002: HK$Nil).

27. MAJOR NON-CASH FLOW TRANSACTIONS

(a) During the year, an amount due from a related company and loan from a former jointly controlled entity of HK$15,294,388 and HK$3,899,550 respectively were offset against each other and net receivable of HK$11,394,838 was used for repayment of debts and accrued interests owed to Sino Earn.

(b) An associate declared an interim dividend of HK$6,000,000 during the year and the Group's entitlement of HK$2,000,000 is utilized to partially offset against the loan from the associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

28. LITIGATION AND CONTINGENT LIABILITIES

(a) As at 31 March 2003, the Group and the Company had contingent liabilities not provided for in the financial statements as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$	HK$	**HK$**	HK$
Guarantees of loans of jointly controlled entities	**–**	7,259,067	**–**	7,259,067
Guarantees of bank loans and overdrafts of subsidiaries	**–**	–	**340,042,183**	340,042,183
	–	7,259,067	**340,042,183**	347,301,250

(b) A writ of summons was lodged by two former directors against the Company, demanding unpaid salaries, severance pay and entitled long service payments of HK$5,722,581. The Company has served a counterclaim of HK$6,581,892 for damages as a result of the unauthorised actions performed by these former directors without the knowledge and authority of the Company. A provision of HK$1,111,358 has been made in the financial statements in respect of the said unpaid salaries.

(c) According to a memorandum of understanding (the "MOU") entered into between the Company and certain potential investors on 29 May 2002 in relation to the possible restructuring of the Group, one of the potential investors is eligible to receive consultancy service fee of HK$6,000,000 for the services provided in respect of (i) the negotiation with the financial creditors of the Group for the terms of the debt restructuring agreement; (ii) the daily operation of the Group; and (iii) dealing with the legal proceedings in relation to the Group in these connections. The Company disputes any such liability as the potential investor concerned has not fulfilled the conditions set out in the MOU.

(d) Pursuant to a claim lodged by a bank against the Company's subsidiaries, Yan Hei and Xiamen Plaza in which the bank has obtained a judgment dated 17 June 2002 from Xiamen Arbitration Committee (the "Judgment") in enforcing the repayment of the loan of RMB30 million plus interest thereon within 10 days from the judgment date and the right to share and/or to realize 40% of Yan Hei's investments in Xiamen Plaza secured thereto for settlement of the outstanding liabilities due to the bank. No action has so far been taken by the bank in enforcing the Judgment. According to the Company, the loan together with interest accrued thereon amounting to HK$37,204,373 provided in the financial statements is sufficient and no additional provision is required. The Company has lodged an appeal to the Court in Xiamen on 3 December 2002 to overturn the Judgment. However, it is uncertain, at this state, as to the outcome of the appeal.

28. LITIGATION AND CONTINGENT LIABILITIES (continued)

(e) On 26 August 2002, an Arbitration Committee in the PRC delivered a judgment requiring Yan Hei, to pay the agreed guaranteed distributable profits of US$580,000 for the years 1998 to 2000 together with the accrued interests and surcharge to a joint venture partner of Xiamen Plaza. The Group is in the course of finalizing the terms of settlement of the guaranteed distributable profits up to the year ended 31 December 2002 including the continual use of the land for the operation of the hotel. A provision of HK$6,529,946 (i.e. US$840,000) has been made in the financial statements for the guaranteed distributable profits up to the balance sheet date. The Provisional Liquidators consider that the said provision is sufficient and no additional provision is required.

(f) As at 31 March 2003, judgment debts have been obtained by the Inland Revenue Department against two subsidiaries for outstanding profits tax payable. A provision for the profits tax payable together with the surcharges has been made in the financial statements.

(g) As detailed in note 2(b) to the financial statements, there might be practical difficulties in the execution of the Rescission Order. No provision has been made in the Group's financial statements for any loss or expenses that might arise from the practical difficulties, or any possible counterclaim in relation to the Rescission Order as it is considered impractical to estimate such amount.

29. PLEDGE OF ASSETS

Bank loans of HK$Nil (2002: HK$235,743,630) and bank overdrafts of HK$Nil (2002: HK$83,189,398) as at 31 March 2003 are secured by the Group's investment properties with carrying value amounting to HK$Nil (2002: HK$124,600,000). Bank loan of HK$28,266,154 (2002: HK$28,341,993) is secured by the Group's 40% interests in Xiamen Plaza.

The Group's investment properties with a carrying value of HK$10,250,000 as at 31 March 2003 (2002: HK$11,400,000) are secured, among other securities, in favour of Sino Earn for loan facilities granted to the Company amounting to HK$145,632,024 (2002: HK$145,288,265) as referred in note 20(b)(iii) to the financial statements.

The Group's investment properties with a carrying value of HK$1,340,000 as at 31 March 2003 (2002: HK$1,600,000) are secured, among other securities, in favour of a third party for a loan granted to the Company amounting to HK$3,526,551 (2002: HK$3,526,551) as referred in note 20(b)(vi) to the financial statements.

30. OPERATING LEASE COMMITMENTS

At 31 March 2003, the Group and the Company had no lease payments under non-cancellable operating leases in respect of land and buildings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

31. OPERATING LEASE ARRANGEMENTS

The Group and the Company entered into non-cancellable operating lease arrangements with the tenants and the terms of the leases range from one to four years.

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

	Group		Company	
	2003	2002	**2003**	2002
	HK$	HK$	**HK$**	HK$
Within one year	**928,700**	1,513,541	**928,700**	988,400
In the second to fifth years inclusive	**774,516**	1,628,516	**774,516**	1,628,516
	1,703,216	3,142,057	**1,703,216**	2,616,916

32. RELATED PARTY TRANSACTIONS

On 12 December 2000, the Company entered into an office management fee agreement with Sino Earn, pursuant to which the Company shares the existing office premises and utilities with Sino Earn at an irrevocable monthly fee of HK$34,150 for the period from 10 January 2001 to 9 January 2003. A total fee of HK$307,350 (2002: HK$409,800) was charged by Sino Earn during the year.

The above transactions was carried out on normal commercial terms and conditions no more favourable than those available to other parties.

Particulars of the Company's and the Group's accounts with subsidiaries, jointly controlled entities, associates and related parties together with the respective terms of repayment are set out in notes 14,15,16,17 and 20(b) to the financial statements.

33. POST BALANCE SHEET EVENTS

(a) On 25 April 2003, the Company, the Provisional Liquidators, the Investor, Sino Earn and Jian Xing entered into a formal and legally binding Restructuring Agreement for the (i) reorganisation of the share capital of the Company; (ii) compromise of all the indebtedness and liabilities of the Company in accordance with the terms of the Restructuring Agreement and a scheme of arrangement between the Company (except the indebtedness owed to the Investor for the purpose of the Proposal Restructuring) and its creditors excluding Sino Earn and Jian Xing which agree to discharge all claims against the Group and release all charges except for the Westly Charge; and (iii) subscription of new shares to be issued by the Company to the Investor in cash, which will lead to a change in control of the Company, and the Investor will apply to the Securities and Futures Commission for the Whitewash Waiver.

(b) A resumption proposal for the Company based on the terms of the Restructuring Agreement was submitted to the Stock Exchange on 29 April 2003. The Listing Committee of the Stock Exchange has conditionally approved the said resumption proposal of the Company on 13 May 2003, subject to the fulfillment of certain conditions imposed prior to the resumption of trading of the Company's securities on the Stock Exchange.

34. COMPARATIVES

The comparatives presented in the financial statements have been derived from the financial statements for the year ended 31 March 2002 which were audited by another certified public accountants, whose report dated 27 September 2002 was qualified in respect of a number of audit scope limitations and fundamental uncertainties.

As further explained in notes 3 and 4(f) to the financial statements, due to the adoption of certain new and revised SSAPs for the current year and the implementation of SSAP 30 "Business Combination" and SSAP 31 "Impairment of Assets" in 2002, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements.

35. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Provisional Liquidators on 4 September 2003.