

# Notes to the Accounts

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## 1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal place of business of the Company is located at Rooms 2804-5, 28th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

During the year, the Group was involved in the following principal activities:

- general trading
- property investments and management
- corporate investment and financial services

In the opinion of the directors, Perfect View Development Limited (“Perfect View”), a company incorporated with limited liability under the laws of the British Virgin Islands, became the ultimate holding company of the Company on 16th December 2002, being the completion date of the Restructuring Agreement as mentioned in note 2 below.

## 2. BASIS OF PRESENTATION

### Debt and capital restructuring

On 8th May 2002, the debt and capital restructuring agreements (the “Debt Restructuring”) were entered into among the Company, its major creditor (the holder of promissory notes) and Perfect View. Pursuant to the terms of the restructuring agreement (the “Restructuring Agreement”), the Debt Restructuring involved the following principal steps and was completed on 16th December 2002:

#### (a) Capital restructuring

- (i) the nominal value of each of the issued shares of the Company was reduced from HK\$0.025 to HK\$0.00025 and the credit balance of HK\$104,508,453 arising from the capital reduction was applied to write off part of the brought forward accumulated losses of the Company. Each of the unissued shares was sub-divided into 100 shares of HK\$0.00025 each;
- (ii) every 200 shares of HK\$0.00025 each, following the capital reduction mentioned in (i) above, was consolidated into one share of HK\$0.05 each; and
- (iii) the authorised share capital was increased from HK\$165,491,547 to HK\$300,000,000 divided into 4,000 million new ordinary shares of HK\$0.05 each and 100,000,000 convertible preference shares of HK\$1 each.

#### (b) Subscription

A subscription for 1,152 million new ordinary shares in the Company by Perfect View for a cash consideration of HK\$48 million and capitalisation of a loan of HK\$9.6 million which were advanced by Perfect View during the implementation of the Debt Restructuring, representing approximately 95% of the enlarged issued share capital of the Company upon completion of the Debt Restructuring.

## Notes to the Accounts *(Continued)*

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### 2. BASIS OF PRESENTATION *(Continued)*

#### Debt and capital restructuring *(Continued)*

##### (c) *Debt restructuring*

The indebtedness of the Company of approximately HK\$724 million was compromised under two schemes of arrangement between the Company and its creditors and discharged upon the settlements to the creditors as follows, on a pro-rata basis:

- (i) the cash payment of HK\$48 million;
- (ii) the issue and allotment by the Company of 40 million new shares to the scheme administrator for the benefit of the creditors; and
- (iii) a distribution of 40% of the net proceeds from disposal of the Group's unencumbered assets.

##### (d) *Convertible notes*

Convertible notes of HK\$20 million were issued by the Company upon completion of Restructuring Agreement, the proceeds of which were issued to provide necessary working capital of the Company after restructuring, details of the convertible notes are included in note 25 to the accounts.

### 3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accounts are set out as below:

#### (a) **Basis of preparation**

The accounts have been prepared under the historical cost convention.

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

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

The effect of adopting these new/revised standards is set out as below:

- (1) SSAP 1 (revised): Presentation of financial statements

The requirement for presenting a statement of recognised gains and losses has been changed to presenting a statement of changes in equity.

## Notes to the Accounts *(Continued)*

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### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (a) Basis of preparation *(Continued)*

##### (2) SSAP 15 (revised): Cash flow statements

The presentation and classification of items in the cash flow statement have been changed due to the adoption of the requirements of SSAP15 (revised). As a result, cash flows during the year in respect of the operating, investing and financing activities have been reclassified. Cash outflow from taxation paid of approximately HK\$105,000 (2002: HK\$129,000) has been reclassified as operating cash flow while cash inflow from interest income of approximately HK\$2,000 (2002: HK\$346,000) has been reclassified as investing activities. In 2002, cash outflows from dividends paid of HK\$380,000 and interest paid of HK\$17,464,000 have been reclassified as financing cash flow. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

##### (3) SSAP 11 (revised): Foreign currency translation

The adoption of the revised SSAP 11 has no material effect on the accounts for the current and prior years.

##### (4) SSAP 34: Employee benefits

###### (i) *Bonus plans*

Provision for bonus plans due wholly within twelve months after the balance sheet date is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

###### (ii) *Accumulating compensated absences (unused paid annual leave)*

Employee entitlements to paid annual leave are recognised when they accrue to employees. Under SSAP34 "Employee benefits", a provision is made for the estimated liability for "Accumulating compensated absences" (unused paid annual leave) which can be carried forward indefinitely as a result of services rendered by employees up to the balance sheet date. However, the amount of unused annual leave entitlements of the staff of the Group as at 30th April 2002 and 2003 is not accrued as the directors opined that the amount would not be material to the Group's accounts for the current and prior years.

###### (iii) *Retirement benefit costs*

The Group's contributions to a defined contribution retirement scheme are expensed as incurred. The Group's employer contributions vest fully with employees when contributed into the Mandatory Provident Fund Scheme.

## Notes to the Accounts *(Continued)*

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### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (a) Basis of preparation *(Continued)*

##### (4) SSAP 34: Employee benefits *(Continued)*

##### *(iv) Share option scheme*

When the Group grants qualifying employees options to acquire shares to the Company, the options can be exercised at a price and under certain conditions as indicated in note 26(c) to the accounts and no employee benefit cost or obligation is recognised at that time. When the options are exercised, equity is increased by the amount of the proceeds received (net of any transaction costs).

#### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries for the year ended made up to 30th April 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

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

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

#### (c) Subsidiaries

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

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

#### (d) Goodwill/negative goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair values of the Group's share of the net assets of the acquired subsidiaries, jointly controlled entities or associates at the date of acquisition.

Negative goodwill arising on consolidation represents the excess of the fair values of the Group's share of the net assets of the acquired subsidiaries, jointly controlled entities or associates at the date of acquisition over the cost of acquisition.

## Notes to the Accounts *(Continued)*

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### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (d) Goodwill/negative goodwill *(Continued)*

Previously, goodwill/negative goodwill arising on consolidation/acquisition of subsidiaries, jointly controlled entities or associates is eliminated against reserves/taken to reserves in the year of acquisition. In accordance with SSAP 30 which is effective for accounting period beginning on or after 1st January 2001, goodwill arising from acquisitions occurring on or after 1st January 2001 is capitalised and is amortised to the profit and loss account on a straight line basis over its estimated useful life not exceeding 20 years, while for acquisitions after 1st January 2001 negative goodwill is presented separately as a deduction from assets and is released as income to the profit and loss account on a straight line basis over its estimated useful life not exceeding 20 years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account.

The Group has taken advantage of the transitional provisions of SSAP 30 by not restating negative goodwill previously taken to reserves in which it arises. The directors consider that the negative goodwill totalling HK\$41,796,000 (note 27) which was quantified and recognised in prior periods will be credited to the profit and loss account at the time of disposal of the relevant jointly controlled entities by the Group.

Upon the disposal of an interest in a subsidiary, a jointly controlled entity or an associate, the attributable negative goodwill, or amount of purchased goodwill, which had previously been eliminated against reserves and had not previously been charged to the profit and loss account, is credited or charged to the profit and loss account to determine the gains or losses on sale of investments.

#### (e) Associates

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

The Group's share of the post-acquisition results and reserves of associates as reported in their accounts which are made up to dates between 31st December and 30th April is included in the consolidated profit and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets of the associates and also goodwill or negative goodwill on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

## Notes to the Accounts *(Continued)*

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### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (f) Jointly controlled entities

A jointly controlled entity 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 share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entities.

In the Company's balance sheet, interests in jointly controlled entities are treated as long term investments and are stated at cost less any provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

#### (g) Fixed assets

##### (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 greater than 20 years are annually valued by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve; decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

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

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

##### (ii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Other fixed assets are depreciated at rates sufficient to write off their costs less any accumulated impairment losses over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Other properties	2 – 2½%
Furniture, fixtures and equipment	15%
Plant and machinery	10 – 15%
Motor vehicles	25%

## Notes to the Accounts *(Continued)*

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### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (g) Fixed assets *(Continued)*

##### (iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to accumulated losses and is shown as a movement in reserves.

#### (h) Investments in securities

##### (i) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

##### (ii) Short term listed investments

Short term listed investments are carried at fair value. At each balance sheet date the net unrealised gains or losses arising from the changes in fair value of the investments are recognised in the profit and loss account.

#### (i) Other asset

Other asset represents club debenture which is stated at cost less any provision for impairment loss.

#### (j) Deferred taxation

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

## Notes to the Accounts *(Continued)*

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### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (k) Operating leases

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

#### (l) Translation of foreign currencies

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

The balance sheet of subsidiaries, jointly controlled entities and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at the weighted average rate. Exchange differences are dealt with as a movement in reserves.

#### (m) Revenue recognition

##### (i) Sale of goods

Income from the sale of goods is recognised upon delivery of goods to customers.

##### (ii) Operating lease rental income

Operating lease rental income is recognised on a straight line basis over the period of the lease.

##### (iii) Interest income

Interest income is recognised when there is no uncertainty as to the ultimate collection on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

##### (iv) Rendering of services

Income arising from provision of management, consultancy and financial services is recognised when the relevant services are rendered.

##### (v) Revenue from sales of short term listed investments

Income arising from sales of short term listed investments is recognised on the completion of transfer of risks and rewards of ownership of the investments to the transferee and the legal title being passed.



## Notes to the Accounts *(Continued)*

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### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (n) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### (o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the controls of the Group. It can also be a present obligation arising from past events that are 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 accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

#### (p) Turnover

Turnover represents property investment and management consultancy revenues, the net amounts received and receivable for goods sold and revenues from sales of listed investments and provision of financial services.

#### (q) Segment reporting

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

The Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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 loans, borrowings, corporate and financing expenses.

## Notes to the Accounts *(Continued)*

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### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. 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.

#### (s) Related parties

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

### 4. TURNOVER, REVENUE AND SEGMENT INFORMATION

During the year, the Group has been principally engaged in the business of securities dealing, property investments and property management. Revenues recognised during the year are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
TURNOVER		
Property investment and management consultancy	1,599	5,672
Corporate investment and financial services	19,197	15,417
	<u>20,796</u>	<u>21,089</u>
OTHER REVENUES		
Interest income on bank deposits	–	48
Other interest income	2	127
Gain on disposal of fixed assets	72	640
Overprovision on accounts receivable	2,110	–
Other income	34	1,089
	<u>2,218</u>	<u>1,904</u>
Total turnover and revenues	<u><u>23,014</u></u>	<u><u>22,993</u></u>

#### Business and geographical segments

The segment information set out below is based on the requirements of SSAP 26 "segment reporting".

#### Business segments

The following operations are the basis on which the Group reports its primary segment information. There are no sales or other transactions between the business segments.

## Notes to the Accounts *(Continued)*

### 4. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Business segments *(Continued)*

	Property investment and management consultancy <i>HK\$'000</i>	Corporate investment and financial services <i>HK\$'000</i>	Group 2003 <i>HK\$'000</i>
Turnover	1,599	19,197	20,796
Segment results	(3,343)	(2,898)	(6,241)
Gain on deconsolidation and disposal of subsidiaries			132,780
Loss on changes in fair values of short term listed investments			(22,838)
Gain on debt restructuring			664,419
Unallocated costs less revenue			(82,436)
			685,684
Share of profits less losses of jointly controlled entities			(4,561)
Profit before taxation			681,123
Taxation			(5)
<b>Profit attributable to shareholders</b>			<b>681,118</b>
Segment assets	5,636	22,710	28,346
Unallocated assets			20,343
<b>Total assets</b>			<b>48,689</b>
Segment liabilities	(5,583)	(8,522)	(14,105)
Unallocated liabilities			(28,267)
<b>Total liabilities</b>			<b>(42,372)</b>
Capital expenditure	51	–	51
Depreciation	12	1	13

## Notes to the Accounts *(Continued)*

### 4. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Business segments *(Continued)*

	Property investment and management consultancy <i>HK\$'000</i>	Corporate investment and financial services <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Turnover	5,672	15,417	21,089
Segment results	62	(70,846)	(70,784)
Loss on changes in fair values of short term listed investments			(62,705)
Unallocated costs less revenue			(37,938)
			(171,427)
Share of profits less losses of jointly controlled entities			(8,373)
Loss before taxation			(179,800)
Taxation			(167)
			(179,967)
Minority interests			269
<b>Loss attributable to shareholders</b>			<b>(179,698)</b>
Segment assets	20,015	35,371	55,386
Unallocated assets			60,541
<b>Total assets</b>			<b>115,927</b>
Segment liabilities	(23,950)	(649,491)	(673,441)
Unallocated liabilities			(176,000)
<b>Total liabilities</b>			<b>(849,441)</b>
Capital expenditure	79	19	98
Depreciation	158	11	169

## Notes to the Accounts *(Continued)*

### 4. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

#### Geographical segments

The Group's operations are located in Hong Kong and other Asia-Pacific countries.

The following table provides an analysis of the Group's turnover by geographical markets, in respective origin of the goods/services:

	Turnover by Geographical markets	
	2003 HK\$'000	2002 HK\$'000
Hong Kong and the People's Republic of China	20,447	18,422
Other Asia-Pacific countries	349	2,667
	<u>20,796</u>	<u>21,089</u>

The following is an analysis of the carrying amount of segment assets, and capital expenditure, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong and the People's Republic of China	32,388	35,692	51	19
Other Asia-Pacific countries	–	19,319	–	79
	<u>32,388</u>	<u>55,011</u>	<u>51</u>	<u>98</u>
Jointly controlled entities	<u>16,301</u>	<u>60,916</u>		
	<u>48,689</u>	<u>115,927</u>		

### 5. GAIN ON DECONSOLIDATION AND DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Gain on disposal of subsidiaries	90,620	–
Gain on deconsolidation of subsidiaries <i>(Note a)</i>	42,160	–
	<u>132,780</u>	<u>–</u>

*Note a.* As detailed in note 19 to the accounts, the Company's directors are of the opinion that the investments in certain subsidiaries are held with a view to subsequent disposal in the near future after completion of restructuring and the Company is no longer in a position to provide any further finance to these companies. Accordingly, these subsidiaries are deconsolidated from the Group's accounts from 31st December 2002 resulting in a gain on deconsolidation of HK\$42,160,000.

## Notes to the Accounts *(Continued)*

### 6. GAIN ON DEBT RESTRUCTURING

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Waiver of indebtedness	676,062	–
Restructuring and scheme costs	<u>(11,643)</u>	<u>–</u>
	<u>664,419</u>	<u>–</u>

The waiver of indebtedness of HK\$676,062,000 represented the short term loans, promissory notes, accounts payable discharged and waived by the scheme creditors on the closing date under the Restructuring Agreement.

### 7. OPERATING PROFIT/(LOSS) FOR THE YEAR

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Operating profit/(loss) of the Group for the year is stated after crediting and charging the following:		
<b>Crediting</b>		
Interest income	2	175
Gain on disposal of fixed assets	72	640
Overprovision on accounts receivable	<u>2,110</u>	<u>–</u>
<b>Charging</b>		
Staff costs (including directors' emoluments):		
Salaries, allowances and benefits in kind	2,157	14,753
Retirement benefit scheme contributions (net)	<u>48</u>	<u>(376)</u>
	2,205	14,377
Depreciation	13	161
Auditors' remuneration	283	440
Provision for impairment losses on interests in associates	–	4,450
Provision for impairment loss on other asset	550	–
Provision for impairment losses on jointly controlled entities	50,000	–
Provision on accounts receivable	–	865
Impairment loss recognised in respect of goodwill arising on the acquisition of a subsidiary	–	111
Operating leases on land and buildings	<u>1,608</u>	<u>4,217</u>

## Notes to the Accounts *(Continued)*

### 8. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank loans and overdrafts		
– wholly repayable within five years	4,392	9,262
Interest on other short term loans	27,865	65,068
Interest on convertible notes	148	–
	<u>32,405</u>	<u>74,330</u>

Pursuant to the schemes of arrangement, the liabilities in respect of interest expenses of approximately HK\$30,970,000 on bank loans, overdrafts and other short term loans were fully discharged on the closing date of restructuring. The amount discharged has been included in the calculation of gain on debt restructuring as shown in note 6 to the accounts.

### 9. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	–	–
	<u>–</u>	<u>–</u>
Salaries, housing, other allowances and benefits in kind	400	474
Retirement benefit costs	8	6
	<u>408</u>	<u>480</u>

The remuneration of the directors fell within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	<u>2</u>	<u>1</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: Nil).

## Notes to the Accounts *(Continued)*

### 9. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

#### Five highest paid employees

Included above is two (2002: one) executive directors whose emoluments were among five highest paid individuals in the Group.

Details of the emoluments paid to three individuals who are not directors (2002: four), but whose emoluments were among the five highest in the Group are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,501	2,769
Retirement benefit scheme contributions	35	84
	<u>1,536</u>	<u>2,853</u>

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2003	2002
Nil to HK\$1,000,000	<u>3</u>	<u>4</u>

### 10. TAXATION

No provision for Hong Kong profits tax has been made in the accounts (2002: 16%), as the Group has no estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Company and subsidiaries:		
Hong Kong profits tax		
– current year	–	38
– overprovision for prior years	(4)	–
Overseas taxation	9	129
	<u>5</u>	<u>167</u>

### 11. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$561,152,000 (2002: a loss of HK\$603,107,000).



## Notes to the Accounts *(Continued)*

### 12. DIVIDENDS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
<b>Preference dividends</b>		
Payable of HK\$0.075 per share on 2,549,990 shares (2002: HK\$0.151 on 2,549,990 shares)	191	385
Payable of HK\$0.149 per share on 1,949,990 shares (2002: HK\$0.149 on 2,549,990 shares)	<u>291</u>	<u>380</u>
	<u><u>482</u></u>	<u><u>765</u></u>

### 13. EARNINGS/(LOSS) PER SHARE

The basic earnings per share is calculated based on the profit attributable to shareholders after preference dividends of HK\$680,636,000 (2002: loss of HK\$180,463,000) and the weighted average of 475,182,202 (2002: 19,774,263 ordinary shares in issue after adjusted for share consolidation on 16th December 2002) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the following data:

	2003 <i>HK\$'000</i>
<b>Earnings</b>	
Net profit for the year retained	680,636
Saving on deemed conversion of:	
– preference shares	482
– convertible notes	<u>148</u>
	<u><u>681,266</u></u>
<b>Number of shares</b>	
Weighted average number of ordinary shares for the purpose of basic earnings per share	475,182,202
Effect of dilutive potential ordinary shares:	
– preference shares	243,748,750
– convertible notes	<u>400,000,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>1,118,930,952</u></u>

The diluted loss per share for the year ended 30th April 2002 has not been shown as the potential shares arising from the conversion of the Company's convertible preference shares would decrease the loss per share of the Group for that year and is regarded as anti-dilutive.

## Notes to the Accounts (Continued)

### 14. FIXED ASSETS

#### Group

	Investment properties HK\$'000	Other properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1st May 2002	18,421	1,096	2	9	5,159	24,687
Additions	-	-	51	-	-	51
Deconsolidation and disposal of subsidiaries	(18,421)	-	(2)	(9)	(3,537)	(21,969)
Disposals	-	(1,096)	-	-	(1,622)	(2,718)
At 30th April 2003	-	-	51	-	-	51
Accumulated depreciation						
At 1st May 2002	-	198	1	7	5,095	5,301
Charge for the year	-	9	3	1	-	13
Deconsolidation and disposal of subsidiaries	-	-	(1)	(8)	(3,537)	(3,546)
Disposals	-	(207)	-	-	(1,558)	(1,765)
At 30th April 2003	-	-	3	-	-	3
Net book value						
At 30th April 2003	-	-	48	-	-	48
At 30th April 2002	18,421	898	1	2	64	19,386

The Group's interests in investment properties and other properties at their net book values are analysed as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Outside Hong Kong, held on		
- freehold	-	898
- leases over 50 years	-	18,421
	-	19,319

At 30th April 2002, the investment properties with a total net book value of approximately HK\$18,421,000 had been pledged to secure banking facilities granted to the Group.

## Notes to the Accounts *(Continued)*

### 14. FIXED ASSETS *(Continued)*

Company	Furniture, fixtures, and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1st May 2002	–	302	302
Additions	51	–	51
Disposals	–	(302)	(302)
	<u>51</u>	<u>–</u>	<u>51</u>
At 30th April 2003	51	–	51
Accumulated depreciation			
At 1st May 2002	–	302	302
Charge for the year	3	–	3
Disposals	–	(302)	(302)
	<u>3</u>	<u>–</u>	<u>3</u>
At 30th April 2003	3	–	3
Net book value			
At 30th April 2003	<u>48</u>	<u>–</u>	<u>48</u>
At 30th April 2002	<u>–</u>	<u>–</u>	<u>–</u>

### 15. SUBSIDIARIES

	Company	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost	7,098	111,953
Amounts due from subsidiaries	<u>294,226</u>	<u>1,201,605</u>
Provision for impairment losses	<u>301,324</u> (274,659)	<u>1,313,558</u> (1,066,678)
Amounts due to subsidiaries	<u>26,665</u> (571)	<u>246,880</u> (651,674)
	<u>26,094</u>	<u>(404,794)</u>

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of the principal subsidiaries as at 30th April 2003, which materially affected the Group's results or assets, are set out in note 35 to the accounts.

## Notes to the Accounts *(Continued)*

### 16. ASSOCIATES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Share of net assets	3,318	3,154
Amounts due from associates	–	1,296
	<u>3,318</u>	<u>4,450</u>
Provision for impairment losses	(3,318)	(4,450)
	–	–
Amounts due to associates	–	(375)
	<u>–</u>	<u>(375)</u>

Details of an associate as at 30th April 2003 are set out in note 36 to the accounts.

### 17. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Share of net liabilities	(69,990)	(65,429)	–	–
Amounts due from jointly controlled entities	136,311	126,419	16,301	70,048
Amounts due to jointly controlled entities	(20)	(74)	–	–
Provision for impairment losses	(50,000)	–	–	–
	<u>16,301</u>	<u>60,916</u>	<u>16,301</u>	<u>70,048</u>

- (a) The amounts due from/(to) jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.
- (b) Details of the jointly controlled entities as at 30th April 2003, which materially affected the Group's results or assets, are set out in note 37 to the accounts.
- (c) Pursuant to the notice of appointment of receiver and manager issued on 19th June 2002, certain major operations of jointly controlled entities were under receivership. In the opinion of the directors, the final outcome of the receivership is still uncertain and the financial effect to the Group cannot be estimated at this moment.

## Notes to the Accounts *(Continued)*

### 18. INVESTMENT SECURITY

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted equity security, at cost	–	38,000
Provision for impairment loss	–	(38,000)
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

### 19. SUBSIDIARIES NOT CONSOLIDATED

	Group and Company	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost	<u>–</u>	<u>–</u>
Amounts due from subsidiaries not consolidated	<u>700</u>	<u>–</u>

As disclosed in note 5 to the accounts, the consolidated accounts of the Group have not included the results of the following subsidiaries with effect from 31st December 2002, being the date of deconsolidation, and the investments in these companies are accounted for as short term unlisted investments in accordance with SSAP 24 "Accounting for Investments in Securities" and shown under the current assets of the Group and the Company.

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net liabilities of subsidiaries not consolidated at the date of deconsolidation	<u>42,160</u>	<u>–</u>
Profit for the period from 1st May 2002 to the date of deconsolidation	<u>391,209</u>	<u>–</u>

## Notes to the Accounts *(Continued)*

### 19. SUBSIDIARIES NOT CONSOLIDATED *(Continued)*

Details of the subsidiaries not consolidated as at 30th April 2003 are shown as follows:

Company	Place of incorporation/ operation	Attributable percentage of shares held		Class of shares held	Principal activities
		Directly	Indirectly		
Tem Fat Hing Fung Capital Limited	Hong Kong	–	100	Ordinary	Securities investment
Temfat Management Consultants Limited	Hong Kong	–	100	Ordinary	Dormant
Hing Fung Investments Limited	Hong Kong	–	100	Ordinary	Investment holding
Temfat Capital Limited	Hong Kong	–	100	Ordinary	Dormant
Temfat Investments (Holdings) Limited	British Virgin Islands	100	–	Ordinary	Investment holding

### 20. SHORT TERM LISTED INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Equity securities at market value – listed in Hong Kong	<u>22,710</u>	<u>27,747</u>

As at 30th April 2003, all of the above listed investments were pledged to financial creditors to secure general facilities granted to the Group.

As at 30th April 2003, the carrying amounts of interest in the following listed investment exceeded 10% of the total assets of the Group.

Name	Place of incorporation	Principal activity	Percentage of interest held
Rexcapital Financial Holdings Limited	Bermuda	Investment holding	4.83

## Notes to the Accounts *(Continued)*

### 21. LOAN, TRADE AND OTHER RECEIVABLES

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	–	569
Other receivables	3,718	322
	<u>3,718</u>	<u>891</u>

The ageing analysis of trade debtors is as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 3 months	–	151
Over 3 months	–	418
	<u>–</u>	<u>569</u>

### 22. TEMPORARY DEPOSITS, ACCOUNTS PAYABLE AND ACCRUALS

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	8,512	720
Temporary deposits, accruals and other payables	13,378	230,051
	<u>21,890</u>	<u>230,771</u>

The ageing analysis of trade creditors is as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 3 months	8,512	140
Over 3 months	–	580
	<u>8,512</u>	<u>720</u>

### 23. PROMISSORY NOTES

The promissory notes, bearing interest at 8% per annum, were partly settled and discharged according to the schemes of arrangement with effect from the closing date under the restructuring agreement. On the same date, the holder of promissory notes had also withdrawn the petition made by him on 25th May 2001 for the winding-up of the Company in consideration of completion of the restructuring agreement.

## Notes to the Accounts *(Continued)*

### 24. SHORT TERM LOANS

	Group		Company	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Secured:				
Other loans	–	51,000	–	–
Short term bank loans and overdrafts	–	111,031	–	104,233
Unsecured:				
Other loans	–	67,908	–	67,908
	<u>–</u>	<u>229,939</u>	<u>–</u>	<u>172,141</u>

### 25. CONVERTIBLE NOTES

	Group and Company	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
At beginning of the year	–	–
Issued and allotted on 16th December 2002	<u>20,000</u>	–
At end of the year	<u>20,000</u>	<u>–</u>

On 21st October 2002, the Company entered into a subscription agreement with an investor for the issue of convertible notes to him. The convertible notes in an aggregate principal amount of HK\$20,000,000 due on 16th December 2005, being the third anniversary of the date of the issue, were issued and allotted by the Company on 16th December 2002. The convertible notes bear interest at the rate of 2% per annum payable semi-annually in arrears. The whole of the principal amount of each convertible note of HK\$1,000,000 is convertible into ordinary shares of the Company at the option of the holder of convertible notes at the conversion price, being the lower of the fixed conversion price of HK\$0.05 per share subject to the adjustment or the floating conversion price as defined in the subscription agreement.

The holder of convertible notes also has the right at any time to require the Company to redeem the whole or part of the outstanding amount of the convertible notes at 125% of the face value of the outstanding amount, together with interest accrued on the condition that the closing price per ordinary share of the Company falls below 35% of the fixed conversion price for a period of 15 consecutive trading days following the date of issue of the convertible notes.

Proceeds from subscription of convertible notes were used to provide working capital of the Company to finance the operating overheads of the Company and to revitalise the operations of the Company following the completion of restructuring.



## Notes to the Accounts *(Continued)*

### 26. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
6% convertible cumulative redeemable preference shares of HK\$1 each at 30th April 2002 and 30th April 2003	<u>100,000,000</u>	<u>100,000</u>
Ordinary shares of HK\$0.025 each at 30th April 2002	6,800,000,000	170,000
Capital reduction	–	(104,508)
Share subdivision	255,166,189,641	–
Share consolidation	(260,656,358,692)	–
Increase during the year	<u>2,690,169,051</u>	<u>134,508</u>
Ordinary shares of HK\$0.05 each at 30th April 2003	<u>4,000,000,000</u>	<u>200,000</u>
Total at 30th April 2003		<u>300,000</u>
Total at 30th April 2002		<u>270,000</u>
<b>Issued and fully paid:</b>		
6% convertible cumulative redeemable preference shares of HK\$1 each at 30th April 2002	2,549,990	2,550
Conversion of preference shares	<u>(600,000)</u>	<u>(600)</u>
6% convertible cumulative redeemable preference shares of HK\$1 each at 30th April 2003	<u>1,949,990</u>	<u>1,950</u>
Ordinary shares of HK\$0.025 each at 30th April 2002	4,222,563,741	105,564
Capital reduction	–	(104,508)
Share consolidation	(4,201,450,922)	–
Issue of shares	1,152,000,000	57,600
Issue of shares to the scheme administrator	40,000,000	2,000
Issue of shares upon conversion of preference shares	<u>75,000,000</u>	<u>3,750</u>
Ordinary shares of HK\$0.05 each at 30th April 2003	<u>1,288,112,819</u>	<u>64,406</u>
Total at 30th April 2003		<u>66,356</u>
Total at 30th April 2002		<u>108,114</u>

## Notes to the Accounts *(Continued)*

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### 26. SHARE CAPITAL *(Continued)*

#### (a) Preference shares

A holder of the convertible preference shares is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK\$5 per share to be paid half-yearly on 30th June and 31st December in each year.

A holder of the convertible preference shares may convert his shares held at any time into ordinary shares at the conversion price. On 16th December 2002, the conversion price of convertible preference share was adjusted from HK\$0.588 to HK\$0.04 per each ordinary share on the basis of the change in the nominal value of each ordinary share from HK\$0.025 to HK\$0.05 each upon completion of capital restructuring. The adjustment to the conversion price resulted in creation of a convertible preference share reserve by reducing the share premium account of HK\$3,187,000 (note 27) upon completion of the restructuring agreement.

The convertible preference shares may be redeemed by the shareholders at any time after 30th June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the convertible preference shares at any time at the notional value of the convertible preference shares if the average of the closing prices of the Company's ordinary share quoted on the Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

#### (b) During the year, the movements in ordinary share capital were as follows:

- (i) Pursuant to a resolution passed at a special general meeting held on 27th November 2002, the following capital restructuring of the Company was approved and effective on 16th December 2002.
  - The nominal value of each issued ordinary share of the Company was reduced from HK\$0.025 to HK\$0.00025 each by the cancellation of HK\$0.02475 paid up thereon.
  - Each of unissued ordinary shares of HK\$0.025 each was subdivided into 100 unissued ordinary shares of HK\$0.00025 each.
  - Every 200 ordinary shares of HK\$0.00025 each was consolidated into one new ordinary share of HK\$0.05 each.
  - Thereafter the authorised share capital of the Company was increased to HK\$300,000,000 by the creation of 2,690,169,051 new ordinary shares of HK\$0.05 each.

## Notes to the Accounts *(Continued)*

### 26. SHARE CAPITAL *(Continued)*

(b) During the year, the movements in ordinary share capital were as follows: *(Continued)*

(ii) Issue of shares

On 16th December 2002, 1,152 million ordinary shares of HK\$0.05 each were issued at the par value to Perfect View in accordance with the Debt Restructuring. The proceeds of HK\$48 million were then used to establish the scheme funds to compromise the indebtedness of the Company through the schemes of arrangement. Details of which are shown in note 2(b) to the accounts.

On the same date, 40 million ordinary shares of HK\$0.05 each were issued, and credited as fully paid, at the par value to the scheme administrator for the benefit of the creditors. Details of which are shown in note 2(c) to the accounts.

(iii) Issue of ordinary shares upon conversion of preference shares at the conversion price of HK\$0.04 took place as follows:

Date of conversion	No. of preference shares of HK\$1 each converted	No. of new ordinary shares of HK\$0.05 each issued upon conversion
14th February 2003	247,700	30,962,500
17th February 2003	40,000	5,000,000
25th February 2003	60,000	7,500,000
28th February 2003	76,000	9,500,000
4th March 2003	42,300	5,287,500
14th March 2003	114,000	14,250,000
20th March 2003	20,000	2,500,000
	<u>600,000</u>	<u>75,000,000</u>

Upon completion of the above conversion, convertible preference share reserve is reduced by an aggregate amount of HK\$750,000 (note 27) on the basis that the conversion price of preference share of HK\$0.04 is lower than the nominal value of each ordinary share of HK\$0.05 each. Furthermore, the issue of ordinary shares upon conversion reduced the share premium account by an aggregate amount of HK\$2,400,000 (note 27).

(iv) All of the above new shares rank pari passu with the existing shares in all respects.

## Notes to the Accounts (Continued)

### 26. SHARE CAPITAL (Continued)

#### (c) Share options

Under the share option scheme of the Company approved by the shareholders in the annual general meeting held on 27th October 1998, the Board may, at their discretion invite any full-time employees, including full-time executive directors, of the Group to take up options to subscribe for ordinary shares of the Company subject to the terms and conditions stipulated in the scheme. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued capital of the Company. As the Stock Exchange has amended Chapter 17 of the Listing Rules which came into effect on 1st September 2001, no further options may be granted under the scheme unless its terms comply with the newly amended provision of Chapter 17 of the Listing Rules. In this connection, the directors proposed to terminate the scheme and adoption of a new share option scheme at the forthcoming annual general meeting of the Company.

No options under the existing share option scheme were granted or exercised during the year and no options were outstanding as at 30th April 2003.

### 27. RESERVES

#### Group

	Share premium HK\$'000	Negative goodwill HK\$'000	Convertible Capital redemption reserve HK\$'000	Convertible preference share reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st May 2002	671,761	41,796	2,241	-	(38,880)	(1,518,546)	(841,628)
Capital reduction against share capital	-	-	-	-	-	104,508	104,508
Exchange translation differences	-	-	-	-	117	-	117
Realisation of exchange reserve upon disposal of subsidiaries	-	-	-	-	(522)	-	(522)
Transfer to convertible preference share reserve (note 26(a))	(3,187)	-	-	3,187	-	-	-
Premium on conversion of preference shares (note 26 (b)(iii))	(2,400)	-	-	(750)	-	-	(3,150)
Profit for the year	-	-	-	-	-	681,118	681,118
Dividends	-	-	-	-	-	(482)	(482)
At 30th April 2003	<u>666,174</u>	<u>41,796</u>	<u>2,241</u>	<u>2,437</u>	<u>(39,285)</u>	<u>(733,402)</u>	<u>(60,039)</u>
Retained by:							
Company and subsidiaries	666,174	-	2,241	2,437	4,572	(634,513)	40,911
Jointly controlled entities	-	41,796	-	-	(43,857)	(98,889)	(100,950)
At 30th April 2003	<u>666,174</u>	<u>41,796</u>	<u>2,241</u>	<u>2,437</u>	<u>(39,285)</u>	<u>(733,402)</u>	<u>(60,039)</u>

## Notes to the Accounts *(Continued)*

### 27. RESERVES *(Continued)*

#### Group *(Continued)*

	Share premium <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st May 2001	669,303	41,796	2,239	(38,834)	(1,338,081)	(663,577)
Issue of ordinary shares	2,471	-	-	-	-	2,471
Exchange translation differences	-	-	-	(46)	-	(46)
Share issue expenses	(5)	-	-	-	-	(5)
Premium on redemption of preference shares	(8)	-	-	-	-	(8)
Transfer on redemption of preference shares	-	-	2	-	(2)	-
Loss for the year	-	-	-	-	(179,698)	(179,698)
Dividends	-	-	-	-	(765)	(765)
	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,880)</u>	<u>(1,518,546)</u>	<u>(841,628)</u>
At 30th April 2002	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,880)</u>	<u>(1,518,546)</u>	<u>(841,628)</u>
Retained by:						
Company and subsidiaries	671,761	-	2,241	4,977	(1,424,218)	(745,239)
Jointly controlled entities	-	41,796	-	(43,857)	(94,328)	(96,389)
	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,880)</u>	<u>(1,518,546)</u>	<u>(841,628)</u>
At 30th April 2002	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,880)</u>	<u>(1,518,546)</u>	<u>(841,628)</u>

## Notes to the Accounts (Continued)

### 27. RESERVES (Continued)

#### Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Convertible preference share reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st May 2001	669,303	2,239	–	(775,551)	(104,009)
Issue of ordinary shares	2,471	–	–	–	2,471
Share issue expenses	(5)	–	–	–	(5)
Premium on redemption of preference shares	(8)	–	–	–	(8)
Transfer on redemption of preference shares	–	2	–	(2)	–
Loss for the year	–	–	–	(603,107)	(603,107)
Dividends	–	–	–	(765)	(765)
	<u>669,303</u>	<u>2,239</u>	<u>–</u>	<u>(775,551)</u>	<u>(104,009)</u>
At 30th April 2002	671,761	2,241	–	(1,379,425)	(705,423)
Capital reduction against share capital	–	–	–	104,508	104,508
Transfer to convertible preference share reserve (note 26(a))	(3,187)	–	3,187	–	–
Premium on conversion of preference shares (note 26 (b)(iii))	(2,400)	–	(750)	–	(3,150)
Profit for the year	–	–	–	561,152	561,152
Dividends	–	–	–	(482)	(482)
	<u>666,174</u>	<u>2,241</u>	<u>2,437</u>	<u>(714,247)</u>	<u>(43,395)</u>
At 30th April 2003	<u>666,174</u>	<u>2,241</u>	<u>2,437</u>	<u>(714,247)</u>	<u>(43,395)</u>

At the balance sheet date, the Company had no reserves available for distribution to shareholders (2002: Nil).

### 28. DEFERRED TAXATION

No provision for deferred taxation has been made as the effect of all timing differences is insignificant (2002: Nil).

The principal component of an unrecognised deferred tax asset is as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax losses	<u>13,624</u>	<u>69,505</u>	<u>8,535</u>	<u>52,399</u>

The effect of the change in the corporate profits tax rate from 16% to 17.5%, effective for the 2003/04 fiscal year, increases the unrecognised deferred tax asset of the Group and the Company by HK\$1,168,000 and HK\$731,000 respectively.

## Notes to the Accounts *(Continued)*

### 29. CONTINGENT LIABILITIES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Guarantees have been given in respect of banking facilities of RM250,000,000 available to jointly controlled entities (an amount of HK\$160,155,000 was utilised as at 30th April 2002)	–	160,155
Others	–	3,000
	<u>–</u>	<u>163,155</u>
	<u>–</u>	<u>163,155</u>
	Company	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Guarantees have been given in respect of banking facilities made available to:		
– subsidiaries	–	67,407
– jointly controlled entities	–	160,155
Guarantees in respect of certain obligations made available to:		
– a subsidiary	–	54,765
	<u>–</u>	<u>282,327</u>
	<u>–</u>	<u>282,327</u>

- (1) Upon completion of restructuring, all guarantees given by the Company in prior years were released according to the schemes of arrangement.
- (2) At 30th April 2003, the Company entered into a letter of guarantee with a financial creditor to provide unlimited corporate guarantee to a wholly-owned subsidiary, Sino Forward International Limited, to secure general facilities granted to it. At the balance sheet date, there was nil balance due to the financial creditor by Sino Forward International Limited (2002: Nil).

### 30. COMMITMENTS UNDER OPERATING LEASES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
At 30th April 2003, the Group's future minimum lease payments under non-cancellable operating leases are payable as follows:		
Land and buildings		
– within one year	348	3,000
– after one and within five years	–	3,000
	<u>348</u>	<u>6,000</u>
	<u>348</u>	<u>6,000</u>

The Group leases an office premises under operating lease. The lease runs for an initial period of one year commencing from 1st March 2003. The lease does not include any contingent rentals.

## Notes to the Accounts *(Continued)*

### 31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Deconsolidation and disposal of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net liabilities deconsolidated and disposed of :		
Fixed assets	18,423	–
Associates	(375)	–
Short term listed investments	2,521	–
Other assets	1,200	–
Loan, trade and other receivable	2,091	–
Prepayments and deposits	25	–
Cash and bank balances	452	–
Temporary deposits, accounts payable and accruals	(89,957)	–
Amounts due to directors	(3,131)	–
Taxation payable	(27,403)	–
Short term bank and other loans	(39,947)	–
Net balance due from the Group	3,849	–
Net balance due to the Group	(6)	–
	<u>(132,258)</u>	<u>–</u>
Realisation of exchange reserve upon disposal of subsidiaries	(522)	–
	<u>(132,780)</u>	<u>–</u>
Gain on deconsolidation and disposal of subsidiaries	132,780	–
	<u>–</u>	<u>–</u>
Satisfied by:		
Cash consideration*	–	–
	<u>–</u>	<u>–</u>
Analysis of the net outflow of cash and cash equivalents in respect of deconsolidation and disposal of subsidiaries:		
Cash and bank balances	452	–
	<u>452</u>	<u>–</u>

The subsidiaries deconsolidated and disposed of during the year contributed turnover of approximately HK\$2,749,000 (2002: Nil) and profit after taxation of approximately HK\$376,688,000.

The subsidiaries deconsolidated and disposed of during the year repaid a net amount of approximately HK\$18,802,000 for financing activities and made no significant impact on the Group's cash flows for operating and investing activities.



## Notes to the Accounts *(Continued)*

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

#### (b) Major non-cash transactions

Pursuant to the schemes of arrangement, the Company issued new shares to the scheme administrator for distributions to the scheme creditors in full satisfaction and discharge of the scheme debts as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Liabilities discharged:		
Short term bank and other loans	155,394	–
Bank overdraft	24,308	–
Temporary deposits, accounts payable, accruals	156,467	–
Amounts due to directors	191	–
Dividend payable	792	–
Promissory notes	340,910	–
	<u>678,062</u>	<u>–</u>
Representing:		
Shares issued to the scheme administrator	2,000	–
Waiver of indebtedness	676,062	–
	<u>678,062</u>	<u>–</u>

#### (c) Purchase of a subsidiary

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets acquired		
Fixed asset	–	3
Inventory	–	30
Accounts receivable	–	552
Prepayments and deposits	–	2
Bank balance	–	20
Accounts payable and accrued expenses	–	(1,274)
Minority interest	–	223
	<u>–</u>	<u>(444)</u>
Goodwill	–	111
	<u>–</u>	<u>(333)</u>
Satisfied by:		
Cash consideration*	–	–
Reclassified from an associate	–	(333)
	<u>–</u>	<u>(333)</u>
Analysis of the net inflow of cash and cash equivalents in respect of purchase of a subsidiary:		
Bank balance acquired	–	20
	<u>–</u>	<u>20</u>

\* The cash consideration is HK\$1

## Notes to the Accounts *(Continued)*

### 32. LITIGATION

In 2002, the Company has been involved in a material litigation in respect of allegation made by a promissory note holder for the outstanding amount payable of HK\$357,175,000 together with the interest accrual of approximately HK\$41,033,000 thereon and petition was made by that promissory note holder for the winding up of the Company. Upon completion of restructuring, the holder of promissory notes has withdrawn the petition and the amount due to it was compromised under the schemes of arrangement.

### 33. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Details of the Group's significant transactions with the following related parties during the year, together with balances with them as at 30th April 2003, are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Investee companies:		
Rental expenses	1,419	3,997
Balances due from the Group	–	4,300
	<u>          </u>	<u>          </u>
Associates:		
Interest income	–	–
Management fee income	–	40
Balances due from the Group	–	375
Balances due to the Group	–	1,296
Provisions	–	(1,296)
	<u>          </u>	<u>          </u>
Jointly controlled entities:		
Consultancy fee	200	2,400
Balances due from the Group	20	74
Balances due to the Group	136,311	126,419
Provisions	(50,000)	–
	<u>          </u>	<u>          </u>
Shareholders and its subsidiaries:		
Consultancy fee paid	–	5,712
	<u>          </u>	<u>          </u>

It is opined that the above transactions were entered into on normal commercial terms. The balances are unsecured, interest free and with no fixed repayment term.

## Notes to the Accounts *(Continued)*

### 34. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions at 5% of relevant payroll costs to the scheme, which contribution is matched by employees. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the profit and loss account represent contributions payable to the fund by the Group at rates specified in the rules of the scheme.

No forfeited contribution is available to reduce the contribution payable in the future years.

Contributions totalling HK\$33,193 (2002: HK\$43,964) were payable to the funds at the year end and are included in accounts payable.

### 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company	Place of incorporation/ operation	Issued and paid up capital	Attributable percentage of shares held		Class of shares held	Principal activities
			Directly	Indirectly		
Great Shanghai Investments (Holdings) Limited	Hong Kong	HK\$2	-	100	Ordinary	Property investments
Sino Forward International Limited	Hong Kong	HK\$2	-	100	Ordinary	Securities trading
Vast Profits Limited	British Virgin Islands	US\$3	66.7	-	Ordinary	Investment holding
Peniston Developments Limited	British Virgin Islands/ Hong Kong	US\$1	-	100	Ordinary	Investment holding
Shanghai Pride Holdings Ltd.	British Virgin Islands	US\$1	100	-	Ordinary	Investment holding
Shinemax Group Ltd.	British Virgin Islands	US\$1	100	-	Ordinary	Investment holding
Tem Fat Hing Fung (Malaysia) Sdn. Bhd.	Malaysia	RM2,500,000	100	-	Ordinary	Investment holding and provision of management services
Tong Neng Group Limited	Hong Kong	HK\$2	-	100	Ordinary	Investment holding

## Notes to the Accounts *(Continued)*

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### 36. PARTICULARS OF AN ASSOCIATE

<b>Company</b>	<b>Place of incorporation/ operation</b>	<b>Principal activity</b>	<b>Attributable equity interest</b>
First Alliance Assets Management Limited	Malaysia	Property development	33%

### 37. PARTICULARS OF JOINTLY CONTROLLED ENTITIES

<b>Company</b>	<b>Place of incorporation/ operation</b>	<b>Principal activities</b>	<b>Attributable equity interest</b>
Yetcome Investments Limited	British Virgin Islands	Investment holding	33%
T & T Properties Sdn. Bhd.	Malaysia	Property development	33%
Prizevest Sdn. Bhd.	Malaysia	Property development	23%
Top Priority Sdn. Bhd.	Malaysia	Property development	23%
Victec Enterprise Sdn. Bhd.	Malaysia	Property development	23%

### 38. COMPARATIVE FIGURES

In the current year, the Company has adopted the new/revised SSAPs, as mentioned in note 3(a) to the accounts for the first time. The presentation in the current year's accounts has been modified in order to conform with the requirements of these standards. Comparative amounts have been restated in order to achieve a consistent presentation.

### 39. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the board of directors on 13th September 2003.