1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The financial statements on pages 31 to 109 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and investments in securities.

As at 31 December 2003, the Group had net current liabilities of HK$444,970,000. Notwithstanding this, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern. In the opinion of the directors, the Group will have sufficient working capital to continue its operations in the coming year, after taking into consideration the following:

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

(b) The Group is currently seeking potential buyers for certain of its properties. As part of the Group's strategic plan, the Group intends to divest these properties and thereby to obtain additional cash resources for repayment of its overdue indebtedness and/or to provide additional working capital. As at the date of approval of these financial statements, the Group has disposed of its land held for development in Hong Kong with an aggregate carrying value of approximately HK$76 million as at 31 December 2003 to an independent third party for a consideration of approximately HK$76 million (note 45(d)).

(c) Subsequent to the balance sheet date, the convertible notes with an amount of HK$180 million due for repayment in the coming year and the convertible notes with an amount of HK$200 million due for repayment on 31 December 2005 have been converted into ordinary shares of the Company (note 45 (b)).

(d) Subsequent to the balance date, the Group has disposed of one of its subsidiaries for a nominal consideration of RMB1 with the debts and liabilities of the subsidiary to the extent of approximately HK$106 million assumed by the purchasers (note 45(e)).

2. BASIS OF PREPARATION (continued)

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

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Adoption of a revised SSAP

In the current period, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In the previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional arrangements in SSAP 12 (Revised), the new accounting policy as detailed in note 3(n) below has been applied retrospectively. The adoption of SSAP 12 (Revised) has not resulted in any significant changes to the current and prior period's net assets and results and accordingly, no prior year adjustment is required.

(b) Basis of consolidation

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

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

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

(c) Subsidiaries

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

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

(d) Associates

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

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's interests in associates are stated at its share of net assets of the associates.

The Company's investments in associates are stated at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

(i) Depreciation and amortisation

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

Leasehold land	Over the lease terms
Buildings	2% to 5% or over the lease terms, whichever is shorter
Leasehold improvements, furniture, fixtures and equipment	10% to 33⅓%
Motor vehicles and pleasure yacht	10% to 33⅓%

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

(ii) Measurement bases

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Hotel properties

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

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

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

(g) Properties under development

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Investment properties (continued)

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

(i) Investments in securities

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

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

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

(j) Land held for development

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

(k) Product development costs

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Goodwill/Negative goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised from the date of initial recognition and on the straight line basis over its estimated useful life for a period of not exceeding twenty years.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and the relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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

Negative goodwill

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

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

(m) Inventories

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Income tax

Income tax for the period comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(o) Impairment

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Impairment (continued)

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment

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

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

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

(p) Leases

(i) Finance leases

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

(ii) Operating leases

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Foreign currencies

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

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

(r) Employee entitlements

(i) Employee entitlements

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

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

(ii) Retirement benefits scheme

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

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 15% to 22% of basic salary of their employees and there are no other further obligations to the Group.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Employee entitlements (continued)

(ii) Retirement benefits scheme (continued)

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

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

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

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

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

The assets of the scheme are held separately from those of the Group, being invested through insurance companies.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Employee entitlements (continued)

(iii) Equity compensation benefits

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

(s) Borrowing costs

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

(t) Cash and cash equivalents

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

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(u) Convertible notes

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

(v) Segment reporting

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

(w) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Recognition of revenue

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

– for sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

– for rendering of services, when services are provided;

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

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

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

4. TURNOVER AND OTHER REVENUE

		Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
(a)	**Turnover:**		
	Continuing operations		
	Information technology business	**211,004**	159,575
	Provision of financial information and related services	**18,009**	42,262
	Royalty income	**55,296**	28,302
	Property investment	**2,141**	2,883
	Hotel operations	**62,175**	35,472
	Distance learning and application services	**42,954**	2,760
	Sales of consumer packaged electronics products	**2,164**	64,032
	Sales of securities	**912**	17,219
		394,655	352,505
	Discontinuing operation		
	Electronics manufacturing services	**9,544**	36,544
		404,199	389,049
(b)	**Other revenue:**		
	Write back of impairment losses on land held for development	**17,391**	–
	Write back of other payables	**2,226**	–
	Interest income	**10,330**	3,691
	Gain on disposal of proprietary software	**–**	13,606
	Gain on disposal of other investment	**–**	1,735
	Negative goodwill recognised as income	**13,618**	18,158
	Provision of research services	**1,500**	–
	Surplus on revaluation of investment properties	**7,000**	–
	Surplus on revaluation of properties under development	**–**	6,645
	Surplus on revaluation of hotel properties	**9,000**	–
	Sundry income	**5,152**	440
		66,217	44,275
	Total revenue	**470,416**	433,324

The Group's operation of manufacture of consumer electronics products was discontinued with effect from December 2003 and accordingly, the electronics manufacturing services of the Group was treated as discontinuing operation.

5. SEGMENT INFORMATION

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

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

Summary details of the business segments are as follows:

(a) Provision of financial information and related services

(b) Information technology business

(c) Consumer packaged electronics

(d) Electronics manufacturing services

(e) Property development

(f) Sales of securities

(g) Hotel operation

(h) Property investment

(i) Distance learning and application services

(j) The corporate and other segment comprises operations other than those as specified above

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

There were no inter-segment sales and transfers between segments.

5. SEGMENT INFORMATION (continued)

(a) Business segments

The following table presents revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the period from 1 April 2003 to 31 December 2003:

	Continuing operations									Discontinuing operations			
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Property development	Sale of securities	Hotel operations	Property investment	Distance learning and application services	Other segments	Electronics manufacturing services	Telecom-munication products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue													
Sales to external customers	73,009	211,004	2,164	–	912	62,175	2,141	42,954	296	9,544	–	–	404,199
Segment results	34,929	47,242	(6,728)	(9,638)	118	(21,270)	22,083	34,525	(214)	(8,358)	–	–	92,689
Interest income													10,330
Gain on disposal of subsidiaries										40,388			40,388
Unallocated corporate expenses													(33,621)
Profit from operations													109,786
Finance costs													(35,192)
Interest waived by creditors													41,419
Share of results of associates				(550)		173			(297)			550	(124)
Profit before taxation													115,889
Taxation													(747)
Profit before minority interests													115,142
Minority interests													(34,171)
Profit for the period attributable to shareholders													80,971

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

The following table presents revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the period from 1 April 2003 to 31 December 2003 (continued):

	Continuing operations									Discontinuing operations			
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Property development	Sale of securities	Hotel operations	Property investment	Distance learning and application services	Other segments	Electronics manufacturing services	Telecom-munication products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	379,497	162,675	19,008	4,391,024	200	481,674	148,264	38,138	116,662	–	379	–	5,737,521
Unallocated assets													160,914
Interest in associates				208,673		(1,219)			8,263			(208,673)	7,044
Total assets													5,905,479
Segment liabilities	(13,174)	(67,436)	(12,134)	(342,156)	(7,593)	(59,423)	(4,863)	(439)	(4,520)	–	(3,009)	–	(514,747)
Unallocated liabilities													(1,393,401)
Total liabilities													(1,908,148)
Other information													
Capital expenditure	506	6,725	97	77,585	–	–	201	457	–	161	–	–	85,732
Depreciation and amortisation	16,188	12,070	549	12,061	–	7,752	57	708	823	3,474	–	–	53,682
Negative goodwill recognised as income	–	–	–	13,618	–	–	–	–	–	–	–	–	13,618
Impairment in goodwill	–	–	–	–	–	9,664	–	–	–	–	–	–	9,664
Reduction of goodwill due to recognition of deferred tax assets	–	–	–	–	–	13,327	–	–	–	–	–	–	13,327

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

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

	Continuing operations									Discontinuing operations			
	Provision of financial information and related services	Information technology business	Consumer packaged electronics	Property development	Sale of securities	Hotel operations	Property investment	Distance learning and application services	Other segments	Electronics manufacturing services	Telecom-munication products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue													
Sales to external customers	70,564	159,575	64,032	–	17,219	35,472	2,883	2,760	–	36,544	–	–	389,049
Segment results	26,561	12,163	(15,618)	(21,893)	(549)	(1,516)	(11,417)	(6,254)	(482)	(5,617)	–	–	(24,622)
Interest income													3,691
Gain on disposal of a jointly controlled entity			3,403										3,403
Gain/(loss) on disposal of subsidiaries			26,723	(16,525)									10,198
Gain on disposal of other investments		1,735											1,735
Gain on disposal of property development projects				117,778									117,778
Unallocated corporate expenses													(54,762)
Profit from operations													57,421
Finance costs													(41,161)
Liabilities waived by a director		30,000											30,000
Share of results of associates				(374)					(358)			374	(358)
Profit before taxation													45,902
Taxation													(6,488)
Profit before minority interests													39,414
Minority interests													(25,569)
Profit for the year attributable to shareholders													13,845

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

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

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

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue, certain assets and capital expenditure information for the Group's geographical segments for the period from 1 April 2003 to 31 December 2003.

	Europe, other than United Kingdom	United Kingdom/ North America	Hong Kong	PRC, other than Hong Kong	Philippines	Other	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue							
Sales to external customers	857	–	3,053	329,226	60,212	10,851	404,199
Other segment information							
Segment assets	27,834	–	248,904	5,254,875	373,866	–	5,905,479
Capital expenditure	–	–	16,336	69,396	–	–	85,732

The following table presents revenue, certain assets and capital expenditure information for the Group's geographical segments for the year ended 31 March 2003.

	Europe, other than United Kingdom	United Kingdom/ North America	Hong Kong	PRC, other than Hong Kong	Philippines	Other	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue							
Sales to external customers	3,104	12,922	89,602	255,124	22,850	5,447	389,049
Other segment information							
Segment assets	–	5,011	261,960	5,265,366	388,591	–	5,920,928
Capital expenditure	–	70	1,737	83,971	233,120	28,147	347,045

6(a). LIABILITIES WAIVED BY A DIRECTOR

On 31 March 2003, the Group was informed by Mr. Yu Pun Hoi ("Mr. Yu"), a director and substantial shareholder of the Company, in writing that Mr. Yu agreed to reimburse certain advertising and promotional expenses incurred by the Group for the previous years to the extent of HK$30,000,000 by waiving an amount equal to HK$30,000,000 due to him by the Group unconditionally. This gave rise to a gain of HK$30,000,000 which was recognised in the consolidated income statement for the year ended 31 March 2003.

6(b). INTEREST WAIVED BY CREDITORS

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Interest waived by		
– Power Ocean Investments Limited ("Power Ocean")	**30,137**	–
– third party creditors	**11,282**	–
	41,419	–

On 18 September 2001, a subsidiary of the Company issued HK$210,000,000 5% convertible notes to Power Ocean Investments Limited ("Power Ocean"), an independent third party, for settlement of a loan of HK$210,000,000 under a loan agreement dated 30 August 2001. These convertible notes had not been converted into shares by the original due date of 18 September 2002 and Power Ocean had agreed in writing to extend the repayment date to 31 December 2003. The amount due bore interest at the rate of 9% per annum and was classified as other payable and included in bank and other borrowings as at 31 March 2003.

On 31 December 2003, the principal amount of HK$210,000,000 has been settled by the Group and Power Ocean has agreed in writing to waive the aggregate interest accrued on the principal amount unconditionally. This gave rise to a gain of HK$30,137,000 which was dealt with in the consolidated income statement for the period.

7. DISCONTINUING OPERATIONS

With effect from December 2003, the Group ceased its operations of manufacture of electronics products after disposal of the relevant subsidiaries.

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

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Turnover	**11,323**	97,821
Cost of sales and services provided	**(18,744)**	(63,819)
Gross loss	**(7,421)**	34,002
Gain on disposal of property, plant and equipment	**2,609**	215
Write back of provision for amounts due from fellow subsidiaries	**123,642**	–
Other revenue	**3,960**	73
Administrative expenses	**(2,150)**	(24,195)
Other operating expenses	**(416)**	(43)
Gain/(loss) from operations	**120,224**	10,052
Finance costs	**(1,043)**	(1,449)
Profit/(loss) before taxation	**119,181**	8,603
Taxation	**–**	(40)
Profit/(loss) for the period/year	**119,181**	8,563

7. DISCONTINUING OPERATIONS (continued)

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

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Operating activities	**62,177**	(28,647)
Investing activities	**–**	–
Financing activities	**(195)**	–
	61,982	(28,647)

8. PROFIT FROM OPERATIONS

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Profit from operations is arrived at after charging:		
Auditors' remuneration	**3,189**	3,262
Exchange loss	**3,531**	–
Depreciation:		
Owned property, plant and equipment	**18,840**	29,691
Leased property, plant and equipment	**–**	61
	18,840	29,752
Operating lease rentals on land and buildings	**17,838**	15,750
Staff costs (excluding directors' remuneration)	**132,439**	125,728
Redundancy cost	**90**	554
Retirement benefits contributions:		
Gross retirement benefit contributions	**4,460**	3,815
Less: forfeited contributions	**(70)**	(467)
Net retirement benefit contributions	**4,390**	3,348
Cost of provision of hotel services	**36,864**	18,034
Cost of provision of information technology business	**82,613**	80,250
Cost of provision of financial information and related services	**4,557**	7,665
Cost of provision of proprietary software	**1,197**	1,603
Cost of inventories sold - consumer electronic products	**6,120**	44,254
Cost of provision of electronic manufacturing services	**15,087**	31,755
Cost of inventories sold - education materials	**4,463**	1,586
Cost of securities sold	**1,194**	17,332
Cost of sales and services provided	**152,095**	202,479
Deficit on revaluation of investment properties	**–**	6,000
Deficit on revaluation of hotel properties	**–**	9,415
Deficit on revaluation of properties under development	**12,598**	–
Impairment losses on land and buildings	**–**	1,174
Impairment losses on land held for development	**–**	7,055
Impairment losses on goodwill	**9,664**	–
Provision for bad and doubtful debts	**7,203**	11,526
Loss on disposal of property, plant and equipment	**1,594**	12,668
Amortisation of goodwill	**34,842**	39,716
Amortisation of product development costs	**–**	3
Amortisation of proprietary software	**–**	7,871
Reduction of goodwill due to recognition of deferred tax assets	**13,327**	–
Write off of bad debts	**–**	18,517
Write off of product development costs	**27**	–

9. FINANCE COSTS

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	**32,511**	68,325
– not wholly repayable within five years	**4,154**	6,136
Other borrowings, payable and convertible notes wholly repayable within five years	**43,949**	23,293
Finance leases	**–**	84
	80,614	97,838
Less: Amounts capitalised directly attributable to:		
– land held for development	**(40,214)**	(56,677)
– properties under development	**(5,208)**	–
	(45,422)	(56,677)
	35,192	41,161

10. TAXATION

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
The tax charge comprises:		
Company and subsidiaries:		
Current tax - Overseas		
– Current period	**16,651**	6,488
Deferred tax		
– Current period (note 31)	**(15,904)**	–
	747	6,488

10. TAXATION (continued)

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit subject to Hong Kong profits tax for the period/year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax expense can be reconciled to the profit per the consolidated income statement as follows:

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Profit before taxation	**116,013**	46,260
Share of loss of associate	**(124)**	(358)
	115,889	45,902
Tax calculated at the rates applicable to the jurisdiction concerned	**18,745**	2,240
Tax effect of expenses that are not deductible in determining taxable profit	**119,221**	50,735
Tax effect of non-taxable revenue	**(137,952)**	(47,862)
Tax effect of current year's tax losses not recognised	**739**	1,404
Tax effect of accelerated depreciation allowances not previously recognised	**(6)**	(29)
Actual tax expenses	**747**	6,488

In March 2003, the Hong Kong government announced an increase in the profits tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase has been taken into account in the preparation of the Group's 2003 financial statements.

11. PROFIT FOR THE PERIOD/YEAR ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit for the period/year attributable to shareholders, a profit of HK$126,219,000 (year ended 31 March 2003: a loss of HK$154,867,000) is dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$80,971,000 (year ended 31 March 2003: HK$13,845,000) and on the weighted average of 15,296,323,059 (year ended 31 March 2003: 13,914,504,877) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to shareholders for the period of HK$81,122,000 and the weighted average of 17,921,804,147 ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

The adjusted net profit attributable to shareholders is calculated based on the net profit attributable to shareholders for the period of HK$80,971,000 plus the dilution in the results of interests payable of HK$151,000 on the convertibles notes.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 15,296,323,059 ordinary share in issue during the period plus the weighted average of 2,625,481,088 ordinary shares deemed to be issued at no consideration as if all the Company's convertible notes had been converted.

Diluted earnings per share for the year ended 31 March 2003 was not presented because the impact of the exercise of the share options and convertible notes was anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Properties under development HK$'000	Investment properties HK$'000	Land and buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles and pleasure yacht HK$'000	Total HK$'000
Cost or valuation							
At 1 April 2003	300,120	251,000	93,500	64,427	173,831	8,513	891,391
Additions	–	15,606	–	–	8,839	213	24,658
Acquisition of subsidiaries	–	–	–	–	7,463	–	7,463
Disposal of subsidiaries	–	–	–	(61,602)	(48,403)	(1,202)	(111,207)
(Deficit)/Surplus on revaluation charged/credited to the consolidated income statement	9,000	(12,598)	7,000	–	–	–	3,402
Disposals	–	–	(23,500)	(2,825)	(3,229)	–	(29,554)
Exchange differences	(9,120)	(8)	–	–	–	–	(9,128)
At 31 December 2003	**300,000**	**254,000**	**77,000**	**–**	**138,501**	**7,524**	**777,025**
Accumulated depreciation and amortisation and impairment losses							
At 1 April 2003	–	–	–	15,126	127,794	7,390	150,310
Depreciation and amortisation charge for the period	–	–	–	868	17,613	359	18,840
Disposal of subsidiaries	–	–	–	(14,375)	(46,599)	(1,202)	(62,176)
Disposals	–	–	–	(1,619)	(2,743)	–	(4,362)
At 31 December 2003	**–**	**–**	**–**	**–**	**96,065**	**6,547**	**102,612**
Net book value							
At 31 December 2003	**300,000**	**254,000**	**77,000**	**–**	**42,436**	**977**	**674,413**
At 31 March 2003	300,120	251,000	93,500	49,301	46,037	1,123	741,081
The analysis of the cost or valuation of the above assets is as follows:							
At cost	–	–	–	–	138,501	7,524	146,025
At professional valuation	300,000	254,000	77,000	–	–	–	631,000
At 31 December 2003	**300,000**	**254,000**	**77,000**	**–**	**138,501**	**7,524**	**777,025**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 April 2003	1,922	674	2,596
Additions	453	–	453
At 31 December 2003	**2,375**	**674**	**3,049**
Accumulated depreciation			
At 1 April 2003	1,710	672	2,382
Charge for the period	171	–	171
At 31 December 2003	**1,881**	**672**	**2,553**
Net book value			
At 31 December 2003	**494**	**2**	**496**
At 31 March 2003	212	2	214

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

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

The Group's properties under development are situated in the PRC and held under long term leases. They were valued by DTZ Debenham Tie Leung Limited, independent professional valuers, at 31 December 2003 on an open market value basis. The deficit of HK$12,598,000 (year ended 31 March 2003: the surplus of HK$6,645,000) arising from the revaluation of properties under development, representing the shortfall/excess of the revalued amounts below/over the carrying values of the properties under development, has been charged/credited to the consolidated income statement.

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Particulars of the hotel properties and the properties under development held by the Group as at 31 December 2003 are set out below:

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

The hotel properties and the properties under development were originally owned by a PRC party and subsequently transferred to Beijing Golden Era Hotel Limited, a wholly-owned subsidiary of the Company (note 14). The Group has obtained the Land Use Rights Certificate of the land for the properties under development which was granted following the settlement of the relevant land premium during the period.

The Land Use Rights Certificate of the land for hotel properties will be granted upon full settlement of the land premium payables of HK$10,800,000.

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

The registered owner of the hotel building is Acesite (Phils.) Hotel Corporation ("Acesite"), a subsidiary of the Company listed on the Philippine Stock Exchange in Philippines.

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

In January 1989, Acesite executed a Deed of Assignment with CIMAR assigning to the latter the right to purchase the land on which the Acesite's hotel building is situated from Government Service Insurance System (GSIS) under certain conditions which would allow Acesite to leaseback the land.

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) The Group's investment properties are all situated in Hong Kong and are held under long term leases. They were valued by Vigers Hong Kong Limited, independent professional valuers, at 31 December 2003 on an open market existing use basis at HK$77,000,000 (31 March 2003: HK$93,500,000). The surplus of HK$7,000,000 (year ended 31 March 2003: the deficit of HK$6,000,000) arising from the revaluation of investment properties, representing the excess/shortfall of the revalued amounts over/below the carrying values of these properties, has been credited/charged to the consolidated income statement.

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

(c) The net book value of the property, plant and equipment of the Group held under finance leases amounted to Nil (31 March 2003: HK$243,000) as at 31 December 2003.

14. INTERESTS IN SUBSIDIARIES

	Company	
	31 December 2003	31 March 2003
	HK$'000	HK$'000
Unlisted shares, at cost	**628,788**	650,788
Less: Provision for impairment losses	**(531,794)**	(531,794)
	96,994	118,994
Amounts due from subsidiaries	**4,243,484**	4,025,562
Less: Provision for doubtful debts	**(1,048,818)**	(1,048,818)
	3,194,666	2,976,744
	3,291,660	3,095,738
Amounts due to subsidiaries	**2,330**	154,542

During the period, the Company made advances to certain subsidiaries to finance their operating requirements.

Included in the amounts due from subsidiaries are amounts of HK$210,000,000 (31 March 2003: Nil), HK$145,000,000 (31 March 2003: HK$145,000,000) and HK$332,686,000 (31 March 2003: HK$309,893,000) which bear interest at 1%, 5% and 7% per annum respectively. Except for these, the balances with subsidiaries are unsecured, interest free and the Company has undertaken not to demand repayment of the balances within one year from 31 December 2003.

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

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

14. INTERESTS IN SUBSIDIARIES (continued)

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

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

For the period from 1 April 2003 to 31 December 2003

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Honest Link Development Limited (“Honest Link”)	Hong Kong	HK$2	–	84.18	Investment holding
Guangzhou Dong Jin Xin Cheng Properties Co., Ltd (“Dong Jin”) (note (a))	PRC	US$14,000,000	–	84.18	Property development
Oriental Rise Limited	Hong Kong	HK$2	–	100	Property investment
Oriental Team Development Limited	Hong Kong	HK$2	–	100	Property investment
Union Key Limited	Hong Kong	HK$2	–	100	Investment holding
Topwide Corporation	British Virgin Islands	US$1	100	–	Investment holding
Swift Gain International Inc.	British Virgin Islands	US$1	100	–	Investment holding
Mark Chain Limited	Hong Kong	HK$2	–	100	Investment holding
北京世華國際金融信息有限公司(「北京世華」) (note (b))	PRC	RMB 130,000,000	–	80	Provision of financial information on the internet

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
CE Dongli Technology Company Limited ("CE Dongli")	PRC	RMB 148,570,000	–	80 (31 March 2003: 76)	Information technology business
深圳國南數碼信息有限公司 (formerly Shenzhen Guonan Industrial Development Co., Ltd) ("Shenzhen Guonan") (note (c))	PRC	RMB3,000,000	–	100	Investment holding
China Education Online Limited	Hong Kong	HK$2	–	100	Education portal
Dadi Entertainment Limited	Hong Kong	HK$2	–	100	Music broadcasting on the internet
Dadi Media Limited	Hong Kong	HK$2	100	–	Investment holding
Powerful Resources Limited	British Virgin Islands	US$1	–	100	Investment holding
China Enterprise ASP Limited	Hong Kong	HK$9,000,000	–	100 (31 March 2003: 80)	Investment holding
北京新網科技發展有限公司	PRC	RMB10,000,000	–	80 (31 March 2003: Nil)	Information technology business
北京新網數碼信息技術有限公司	PRC	RMB10,000,000	–	80 (31 March 2003: Nil)	Information technology business
北京中商建明科技信息有限公司	PRC	RMB10,000,000	–	80 (31 March 2003: Nil)	Information technology business

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Shihua (Hong Kong) Financial Information Company Limited (formerly Seewaa (Hong Kong) Financial Information Company Limited)	Hong Kong	HK$5,000,000	100	–	Provision of financial information on the internet
The Net Paper Limited	Hong Kong	HK$2	–	100	Internet newspaper
上海朗寧數碼投資有限公司（「上海朗寧」）(notes (b) and (d))	PRC	US$30,000,000	–	100	Investment holding
Hancheers International Enterprise Limited (“Hancheers”)	Hong Kong	HK$10,000	–	100	Investment holding
Rich King Inc.	British Virgin Islands	US$50,000	100	–	Investment holding
Beijing Chinese Dadi Distance Education Company Limited (note (e))	PRC	RMB50,000,000	–	80	Operation of an educational portal and provision of online distance learning education services
Beijing Golden Era Hotel Limited (“Golden Era Hotel”) (note (f))	PRC	US$12,000,000	–	100	Hotel operation and investment holding
Victorious Limited	British Virgin Islands	US$1	100	–	Investment holding
Robina Profits Limited	British Virgin Islands	US$1	100	–	Investment holding

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Ko Tact Limited	British Virgin Islands	US$1	100	–	Investment holding
South Sea Holding Company Limited ("South Sea", a Hong Kong listed company)	Bermuda	HK$299,318,041	–	67.71	Investment holding
South Sea Development (HK) Limited	Hong Kong	HK$2	–	67.71	Investment holding
Team Industrial Company Limited	Hong Kong	HK$57,143,000	–	44.01	Investment holding and provision of management services
Team Concepts Marketing Limited	Hong Kong	HK$500,000	–	44.01	Design and marketing of electronic educational products
Team Concepts Technologies Limited	Hong Kong	HK$20	–	44.01	Design and marketing of consumer electronic products
Team Concepts (UK) Limited	The United Kingdom	GBP100	–	44.01	Provision of marketing services
Liu Wan Development (BVI) Company Limited ("Liu Wan (BVI)") (note (g))	British Virgin Islands	US$215,000,000	–	67.71	Investment holding

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Country/Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
Liu Wan Investment Company Limited	Hong Kong	US$2	–	67.71	Investment holding
Shenzhen Liu Wan Industry Development Co., Ltd (“Shenzhen Liu Wan”) (note (g))	PRC	RMB100,000,000	–	67.71	Investment holding and property investment
Shenzhen Jin Yi Tian Investment Company Limited (“Shenzhen Jin Yi Tian”) (note (h))	PRC	RMB18,000,000	–	67.71	Property investment
Sheen Grades Associates Limited	British Virgin Islands	US$1	–	67.71 (31 March 2003: Nil)	Management services to the group
South Port Development Limited	British Virgin Islands	US$100	100	–	Investment holding
First Foundation Limited	British Virgin Islands	US$10	100	–	Investment holding
Nickell International Limited	British Virgin Islands	US$1	–	100	Investment holding
Acesite Limited	British Virgin Islands	US$10	–	100	Investment holding
Acesite (Phils) Hotel Corporation (note (i))	Philippines	PHP99,852,308	–	77.67	Hotel operation
深圳市融杰投資有限公司	PRC	RMB40,000,000	–	67.71	Investment holding
Cosmos Decade Developments Limited	British Virgin Islands	US$1	–	100 (31 March 2003: Nil)	Provision of online distance learning education services

14. INTERESTS IN SUBSIDIARIES (continued)

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

Notes

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

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

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

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

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

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

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

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

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

14. INTERESTS IN SUBSIDIARIES (continued)

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

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

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

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

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

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

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

15. INTERESTS IN ASSOCIATES

	Group		Company	
	31 December 2003	31 March 2003	**31 December 2003**	31 March 2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets	**16,477**	563	**–**	–
Amounts due from associates	**–**	–	**20,185**	20,182
Amounts due to associates	**(9,433)**	(8,808)	**–**	–
Less: Provision	**–**	–	**(3,150)**	(3,150)
	7,044	(8,245)	**17,035**	17,032

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

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

Name	**Country/Place of incorporation and operations**	**Percentage of equity attributable to the Group**	**Principal activity**
Genius Reward Company Limited	Hong Kong	50	Inactive
CIMA Realty Philippines, Inc.	Philippines	40	Property investment
Easy-Trade Technology Services Ltd	PRC	20	Leasing of POS machines and provision of information technology services

16. OTHER INVESTMENTS

	Group		Company	
	31 December 2003	31 March 2003	**31 December 2003**	31 March 2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investment securities in the PRC, at cost	**1,523**	1,523	**1,523**	1,523
Consideration for acquisition of investments (note (a))	**20,583**	20,583	**–**	–
Advances to prospective investee companies (note (a))	**53,417**	46,246	**–**	–
Deposit for acquisition of investments (note 22)	**75,472**	100,000	**–**	–
Options to acquire shares (note (b))	**–**	120,000	**–**	–
Club debenture, at cost	**324**	324	**324**	324
	151,319	288,676	**1,847**	1,847

Notes:

(a) Consideration for acquisition of investments

The consideration for acquisition of investments represents consideration paid for the acquisition of interests in certain PRC companies. The Group has also made advances of HK$53,417,000 (31 March 2003: HK$46,246,000) to these prospective investee companies. As at 31 December 2003, the acquisitions have not yet been completed. In this respect, Mr. Yu has undertaken amongst other things to hold himself fully responsible for any loss that the Group may suffer in case that the acquisitions cannot be completed for whatever reasons.

(b) Options to acquire shares

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

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

Because Guoan Information is a state-owned enterprise, the transfer of the Option Shares is subject to, amongst other things, approval of the relevant PRC bureaus and the China Securities Regulatory Commission. As at 31 March 2003, the Option Shares had not been transferred subject to the approval of the relevant PRC Bureau and the China Securities Regulatory Commission. Pursuant to a written confirmation dated 15 October 2003, CITIC Guoan agreed to further extend the option share transfer period to 31 December 2003 without additional consideration.

16. OTHER INVESTMENTS (continued)

On 8 December 2003, the Group was informed by CITIC Guoan that the Option Shares could not be transferred and the Option therefore became non-exercisable. Mr. Yu who has previously undertaken to recompense the Group in the event that the Option turned out to be non-exercisable, settled the sum of HK$120 million (i.e. the equivalent amount of the cost of the Option recognised by the Group) to the Group.

17. LAND HELD FOR DEVELOPMENT

	Notes	Group 31 December 2003 HK$'000	Group 31 March 2003 HK$'000
Land held in Hong Kong, at cost	(a)	**102,981**	102,981
Less: Provision for impairment losses		**(26,802)**	(44,193)
		76,179	58,788
Land held in the PRC, at cost	(b)	**3,760,824**	3,699,379
		3,837,003	3,758,167
Interest capitalised in land held for development		**232,654**	192,440

Particulars of the land held for development are as follows:

(a) Land held in Hong Kong

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

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

(b) Land held in the PRC

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

The land was a vacant site as at 31 December 2003.

17. LAND HELD FOR DEVELOPMENT (continued)

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

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

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

The land was a vacant site as at 31 December 2003.

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

The Land Use Right Certificate of the land site Lot Nos. K708-2 and K708-3 with an aggregate area of approximately 81,488 square metres will be granted upon full settlement of the land premium payables amounting to HK$163,606,000 (31 March 2003: HK$163,606,000).

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

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

18. INTANGIBLE ASSETS

	Group			
	Product development costs	**Negative goodwill**	**Goodwill**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Cost/Gross amount				
At 1 April 2003	178	(363,311)	845,848	482,715
Increase in shareholding in subsidiaries	–	–	15,962	15,962
Acquisition of subsidiaries	–	–	49,243	49,243
Impairment loss	–	–	(9,664)	(9,664)
Adjustment for adoption of SSAP 12	–	–	(14,028)	(14,028)
At 31 December 2003	**178**	**(363,311)**	**887,361**	**524,228**
(Accumulated amortisation)/Accumulated amount recognised as income				
At 1 April 2003	(3)	28,724	(72,069)	(43,348)
Amortisation charge for the period	–	–	(34,842)	(34,842)
Amount recognised as income for the period	–	13,618	–	13,618
Amount written off	(27)	–	–	(27)
Adjustment for adoption of SSAP 12	–	–	701	701
At 31 December 2003	**(30)**	**42,342**	**(106,210)**	**(63,898)**
Carrying value				
At 31 December 2003	**148**	**(320,969)**	**781,151**	**460,330**
At 31 March 2003	175	(334,587)	773,779	439,367

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

19. INVENTORIES

	Group	
	31 December 2003	31 March 2003
	HK$'000	HK$'000
Raw materials	–	816
Work in progress	–	760
Finished goods	**9,555**	9,947
Goods in transit	–	1,074
	9,555	12,597
Less: Provision for slow-moving inventories	**(5,109)**	(5,102)
	4,446	7,495

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

20. SHORT TERM INVESTMENT

	Group	
	31 December 2003	31 March 2003
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**145**	398
Market value of listed investment	**145**	398

21. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	Group	
	31 December 2003	31 March 2003
	HK$'000	HK$'000
Trade receivables analysed according to aging:		
0-90 days	**100,696**	61,713
91-180 days	**3,568**	75,476
181-270 days	**1,710**	4,003
271-360 days	**536**	2,177
Over 360 days	**24,312**	43,251
Less: Provisions	**(25,126)**	(21,124)
	105,696	165,496
Prepayments, deposits and other receivables (note 22(b))	**542,563**	460,586
Less: Provisions	**–**	(9,667)
	542,563	450,919
	648,259	616,415

For hotel operations, the normal credit period granted is 90 days. For sales of consumer electronic products, the majority of sales are entered into under letters of credit while the rest are entered into on credit terms ranging from 30 to 60 days. For operations of web sites and related services, the normal credit period granted ranges from 30 to 60 days.

During the period ended 31 December 2003 and the year ended 31 March 2003, the Group encountered difficulties in collection of certain trade debts and appropriate provision has been made against certain bad and doubtful debts.

22. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS

(a) As at 31 December 2003, included in other investments is an amount of RMB80,000,000 (equivalent to HK$75,472,000) which represented the deposit paid by a subsidiary of the Company for the acquisition of a 49% equity interest in 深圳市益田假日世界房地產開發有限公司(「益田假日世界」) which is an investment holding company incorporated in the PRC. 益田假日世界 holds the land use right on the land site Lot No.T308-0062 in Shenzhen with an area of approximately 22,837 square metres.

(b) The amount of HK$100,000,000 included in other investments as at 31 March 2003 represented the deposit paid for the acquisition of a 100% equity interest in Yat Tai Resources Limited ("Yat Tai"), which is an investment holding company incorporated in the British Virgin Islands. The major asset of Yat Tai is a 95% interest in a PRC joint venture which is principally engaged in property investment and development. The acquisition was completed in July 2003 for a total consideration of HK$112 million. According to an agreement dated 17 December 2003, the entire equity interest in Yat Tai was subsequently disposed of back to the vendor for a total consideration of HK$112 million. The disposal was completed on 31 December 2003. The consideration for the disposal of HK$112 million was included in other receivables and classified as current assets as at 31 December 2003.

23. AMOUNTS DUE FROM RELATED COMPANIES

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

Group

	Balance as at 31 March 2003 HK$'000	**Balance as at 31 December 2003 HK$'000**	Maximum amount outstanding during the period HK$'000
Nanjing Hanxi Real Estate Development Co., Ltd.	10,023	–	10,023
Sitechasia (Beijing) Network Software Development Co., Ltd.	1,082	–	1,082
	11,105	–	11,105

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

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

24. CASH AT BANKS AND IN HAND

Included in cash at banks and in hand is an aggregate amount of approximately HK$61,958,000 (31 March 2003: HK$45,414,000), representing Renminbi deposits placed with banks in the PRC by the Group.

Renminbi is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Trade payables analysed according to aging:		
0-90 days	**19,806**	9,592
91-180 days	**5,672**	2,238
181-270 days	**6,090**	570
271-360 days	**45**	199
Over 360 days	**2,434**	3,910
	34,047	16,509
Other payables and accruals	**301,602**	354,011
	335,649	370,520

Included in other payables and accruals are amounts of HK$7,593,000 (31 March 2003: HK$10,625,000) due to certain securities brokers and margin financiers which are secured by 3,992,521,867 (31 March 2003: 3,702,521,867) shares in South Sea (representing about 19.7% (31 March 2003: 18.27%) out of the Company's total 67.71% (31 March 2003: 67.71%) interest in South Sea). The amounts due bear interest at the rate of 8% to 10% per annum (year ended 31 March 2003: 8% to 10% per annum).

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

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

27. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

28. BANK AND OTHER BORROWINGS

	Group		Company	
	31 December 2003 HK$'000	31 March 2003 HK$'000	**31 December 2003 HK$'000**	31 March 2003 HK$'000
Bank overdrafts-secured	**271**	271	**–**	–
Restructure loan (note 29(a))	**–**	109,801	**–**	–
Short-term bank loans				
– secured	**61,792**	61,666	**–**	–
– unsecured	**27,416**	27,416	**–**	–
	89,208	89,082	**–**	–
Long-term bank loans-secured				
Due within one year	**185,658**	167,838	**–**	–
Due more than one year but not exceeding two years	**357,362**	360,248	**–**	–
Due more than two years but not exceeding five years	**54,342**	108,913	**–**	–
Due more than five years	**8,820**	22,547	**–**	–
	606,182	659,546	**–**	–
Obligations under finance leases due within one year	**–**	195	**–**	–
Other loan (note 29(a))	**45,794**	–	**–**	–
Other borrowings (note 29(b))	**39,469**	18,463	**39,469**	18,463
Other payable (note 6(b))	**–**	210,000	**–**	–
Convertible notes (note 30)				
Due within one year	**200,000**	–	**200,000**	–
Due more than one year but not exceeding two years	**200,000**	400,000	**200,000**	400,000
	400,000	400,000	**400,000**	400,000
	1,180,924	1,487,358	**439,469**	418,463
Less: Current portion due within one year included under current liabilities	**(514,606)**	(485,849)	**(239,469)**	(18,463)
Non-current portion included under non-current liabilities	**666,318**	1,001,509	**200,000**	400,000

28. BANK AND OTHER BORROWINGS (continued)

The analysis of the borrowings is as follows:

	Group		Company	
	31 December 2003 HK$'000	31 March 2003 HK$'000	**31 December 2003 HK$'000**	31 March 2003 HK$'000
Wholly repayable within five years				
Bank overdrafts	**271**	271	**–**	–
Bank loans	**686,570**	772,497	**–**	–
Other loan (note 29(a))	**45,794**	–	**–**	–
Other borrowings (note 29(b))	**39,469**	18,463	**39,469**	18,463
Other payable (note 6(b))	**–**	210,000	**–**	–
Convertible notes (note 30)	**400,000**	400,000	**400,000**	400,000
Obligations under finance leases	**–**	195	**–**	–
	1,172,104	1,401,426	**439,469**	418,463
Not wholly repayable within five years				
Bank loans	**8,820**	85,932	**–**	–
	1,180,924	1,487,358	**439,469**	418,463

As at 31 December 2003, the Group technically breached the covenants of certain bank and other loans totalling HK$47,695,000 (31 March 2003: HK$12,008,000). These bank and other loans have been due for repayment and are included as part of the Group's current liabilities.

Furthermore, certain post completion conditions attached to the bank loans of approximately HK$379 million granted by two banks to Shenzhen Liu Wan have not been fulfilled. The Group and the banks are in the course of negotiation for the banks to waive the conditions. The directors are optimistic that the bankers will ultimately waive those conditions and will not make the loans become immediately due and repayable. On this basis, these loans continue to be shown as non-current liabilities in the consolidated balance sheet.

29. OTHER LOAN AND BORROWINGS

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

On 27 October 2003, the remaining balance of the restructure loan was sold by the bank to Sincere Development Inc. ("Sincere"), an independent third party, with the same terms. The loan due to Sincere was therefore classified as other loan. The loan bears interest at 1% over the best lending rate per annum, compounded monthly and will be repaid on or before 14 November 2006. In addition, the Group has provided guarantees to the Bank for the payment obligations of the loan due by Sincere to the Bank as the results of its purchase of the restructure loan from the Bank. Such guarantees provided by the Group and remain outstanding at 31 December 2003 amounted to HK$105 million were included in the Group's contingent liabilities in note 38.

(b) Included in other borrowings as at 31 December 2003 is a loan of HK$30,000,000 granted to the Company by CITIC Capital Credit Limited, an associate of a substantial shareholder, which is secured by 15,265,220,133 shares in South Sea (representing about 75.3% out of the Company's total 67.71% interest in South Sea). The loan bears interest at prime rate plus 3% margin rate per annum.

Included in other borrowings as at 31 March 2003 was a loan of HK$10,000,000 granted to the Company by Jing Gang Properties Resources Development Company Limited, an independent third party, which was secured by 15,265,220,133 shares in South Sea (representing about 75.3% out of the Company's total 67.71% interest in South Sea). The loan bore interest at the rate of 27.6% per annum and was repaid on 2 May 2003.

30. CONVERTIBLE NOTES

	Group and Company	
	31 December 2003 HK$'000	31 March 2003 HK$'000
1% convertible notes (note (a))		
At 1 April	**400,000**	–
Issued during the period/year (note (b))	**200,000**	400,000
Converted during the period (note 32)	**(200,000)**	–
	400,000	400,000
Less: Current portion due within one year included under current liabilities	**(200,000)**	–
Non-current portion included under non-current liabilities	**200,000**	400,000

30. CONVERTIBLE NOTES (continued)

(a) 1% convertible notes

On 31 December 2002, the Company issued HK$200,000,000 convertible notes to Empire Gate Industrial Limited, an independent third party, for settlement of the consideration for the acquisition of South Port Development Limited and First Foundation Limited, which through two subsidiaries, Acesite Limited and Nickell International Limited, indirectly hold a total of 77.67% interest in Acesite (Phils) Hotel Corporation. These convertible notes bore interest at 1% per annum and were due on 31 December 2004. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances. On 25 June 2003, these convertible notes were fully converted into 2,000,000,000 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.10 per share.

On 31 December 2002, the Company issued HK$180,000,000 and HK$20,000,000 convertible notes to Procare Group Limited, an independent third party, and CITIC Capital Active Partner Fund Limited (formerly known as "The Ka Wah Five Arrows China Hong Kong Fund Limited"), an associate of a substantial shareholder, respectively. These convertible notes bear interest at 1% per annum and are due on 31 December 2004. Each of the convertible notes carries the right at any time commencing on the date of issue but before the due date to convert the whole or part of the outstanding principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price is subject to adjustment in certain circumstances. As at 31 December 2003, none of these notes have been converted into ordinary shares of the Company.

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

(b) On 31 December 2003, the Company issued HK$200,000,000 convertible notes to First Best Assets Limited, a company wholly owned by Mr. Yu. These convertible notes bear interest at 1% per annum and are due on 31 December 2005. Each of the convertible notes carries the right at any time commencing on the date of issue but before the due date to convert the whole or part of the outstanding principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price is subject to adjustment in certain circumstances. As at 31 December 2003, none of these notes have been converted into ordinary shares of the Company.

31. DEFERRED TAX

As at 31 December 2003, the amount of deferred tax assets recognised is as follows:

	Group		Company	
	31 December 2003 HK$'000	31 March 2003 HK$'000	**31 December 2003 HK$'000**	31 March 2003 HK$'000
Tax effect of unrealised foreign exchange loss due to adoption of SSAP 12	**15,904**	–	**–**	–
Exchange difference	**(848)**	–	**–**	–
	15,056	–	**–**	–
Less: Current portion included under current assets	**(3,166)**	–	**–**	–
Non-current portion included under non-current assets	**11,890**	–	**–**	–

As at 31 December 2003, the amount of deferred tax liabilities provided for is as follows:

	Group		Company	
	31 December 2003 HK$'000	31 March 2003 HK$'000	**31 December 2003 HK$'000**	31 March 2003 HK$'000
Tax effect of temporary differences attributable to accelerated depreciation allowances	**790**	790	**–**	–

As at 31 December 2003, the amount of unrecognised deferred tax assets is as follows:

	Group		Company	
	31 December 2003 HK$'000	31 March 2003 HK$'000	**31 December 2003 HK$'000**	31 March 2003 HK$'000
Tax effect of temporary differences attributable to:				
– accelerated depreciation allowances	**45**	51	**45**	51
– unused tax losses	**113,294**	112,555	**18,707**	18,775
	113,339	112,606	**18,752**	18,826

31. DEFERRED TAX (continued)

Deferred tax asset in respect of unused tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams. The tax losses will not expire under current tax legislation.

32. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	HK$'000
Authorised:		
At 1 April 2002, 31 March 2003 and		
31 December 2003	**30,000,000,000**	**3,000,000**
Issued and fully paid:		
At 1 April 2002 and at 31 March 2003	13,914,504,877	1,391,450
Conversion of convertible notes (note)	2,000,000,000	200,000
At 31 December 2003	**15,914,504,877**	**1,591,450**

Note:

On 31 December 2002, the Company issued HK$200,000,000 convertible notes to Empire Gate Industrial Limited, an independent third party, for settlement of the consideration for the acquisition of certain subsidiaries. These convertible notes bore interest at 1% per annum and were due on 31 December 2004. Each of the convertible notes carried the right at any time commencing on the date of issue but before the due date to convert the whole or part of the principal amounts of the notes into ordinary shares of the Company at a conversion price of HK$0.10 per share. The conversion price was subject to adjustment in certain circumstances.

On 25 June 2003, these convertible notes were fully converted into 2,000,000,000 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.10 per share.

Share options

The Company operates a share option scheme, further details of which are set out in the Report of the Directors on pages 23 to 25.

During the period, no (year ended 31 March 2003: 6,924,000) share options granted to the directors lapsed automatically on the expiry date and 3,000,000 (year ended 31 March 2003: 13,486,000) share options granted to the employees lapsed automatically on the expiry date.

During the period/year, there were no share options granted under the share option scheme operated by the Company.

As at 31 December 2003, there were no options outstanding under the share option scheme operated by the Company.

33. SHARE PREMIUM

	31 December 2003 HK$'000	31 March 2003 HK$'000
At 31 December/31 March	**472,736**	472,736

34. RESERVES

Group

	Capital redemption reserve HK$'000	**General reserve** HK$'000	**Exchange reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2002	2,258	(33,408)	(2,074)	851,852	818,628
Exchange differences	–	–	14,060	–	14,060
Reserves attributable to minority shareholders	–	–	(2,416)	–	(2,416)
Profit for the year attributable to shareholders	–	–	–	13,845	13,845
At 31 March 2003 and 1 April 2003	2,258	(33,408)	9,570	865,697	844,117
Exchange differences	–	–	(5,809)	–	(5,809)
Reserves attributable to minority shareholders	–	–	2,170	–	2,170
Released on disposal of subsidiaries	–	–	448	–	448
Profit for the period attributable to shareholders	–	–	–	80,971	80,971
At 31 December 2003	**2,258**	**(33,408)**	**6,379**	**946,668**	**921,897**
The reserves are retained as follows:					
Company and subsidiaries	2,258	(33,408)	6,379	947,783	923,012
Associates	–	–	–	(1,115)	(1,115)
At 31 December 2003	**2,258**	**(33,408)**	**6,379**	**946,668**	**921,897**
Company and subsidiaries	2,258	(33,408)	9,570	866,688	845,108
Associates	–	–	–	(991)	(991)
At 31 March 2003	2,258	(33,408)	9,570	865,697	844,117

34. RESERVES (continued)

Company

	Capital redemption reserve HK$'000	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2002	2,258	79,579	735,689	817,526
Loss for the year attributable to shareholders	–	–	(154,867)	(154,867)
At 31 March 2003 and 1 April 2003	2,258	79,579	580,822	662,659
Profit for the period attributable to shareholders	–	–	126,219	126,219
At 31 December 2003	**2,258**	**79,579**	**707,041**	**788,878**

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

Included in the Company's retained profits is an amount of approximately HK$231,582,000 (31 March 2003: approximately HK$326,711,000) which represents the balance of the special reserve arising from the Company's capital reduction effected in a prior year. According to the court order dated 21 June 2001 confirming the Company's capital reduction, the Company was required to credit a sum arising from the capital reduction to a special reserve which cannot be treated as realised profit as long as (a) the outstanding liabilities of the Company as at the effective date of the capital reduction (ie. the "Relevant Debts") are not fully discharged ; and (b) the persons to whom the Relevant Debts are due have not agreed otherwise.

35. OPERATING LEASE ARRANGEMENTS

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

	Land and buildings	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Within one year	**14,147**	13,408
In the second to fifth years	**22,038**	18,179
After five years	**9,925**	12,534
	46,110	44,121

35. OPERATING LEASE ARRANGEMENTS (continued)

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

At 31 December 2003 and 31 March 2003, the Company had no outstanding operating lease arrangements as a lessee.

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

	Land and buildings	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Within one year	**9,091**	24,823
In the second to fifth years	**1,824**	2,758
After five years	**462**	–
	11,377	27,581

At 31 December 2003 and 31 March 2003, the Company had no outstanding operating lease arrangements as a lessor.

36. COMMITMENTS

(a) Capital commitments

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Contracted but not provided for	**357,342**	84,690

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

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

36. COMMITMENTS (continued)

(b) Other commitments

At 31 December 2003 and 31 March 2003, the Group had no other commitments.

At 31 December 2003, the Company had commitments of HK$11,700,000 (31 March 2003: HK$11,700,000) in respect of capital contributions to subsidiaries in the PRC.

37. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Remuneration of the Company's directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Fees:		
Executive directors	**–**	–
Non-executive directors	**–**	–
Independent non-executive directors	**–**	40
Other emoluments paid and payable to directors:		
Basic salaries, housing, other allowances and benefits in kind	**2,745**	3,763
Pension scheme contributions	**27**	36
	2,772	3,839

The emoluments of the directors fell within the following bands:

Emolument bands	**Number of directors**	
	Period from 1 April 2003 to 31 December 2003	Year ended 31 March 2003
HK$Nil - HK$1,000,000	**7**	7
HK$1,000,001 - HK$2,000,000	**1**	2
	8	9

37. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (continued)

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

No directors waived or agreed to waive any emoluments in respect of the period/year ended 31 December 2003/31 March 2003.

Five highest paid individuals

The five highest paid individuals of the Group for the period included two (year ended 31 March 2003: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (year ended 31 March 2003: three) employees were as follows:

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Basic salaries and housing allowances	**2,342**	2,563
Pension scheme contributions	**9**	19
	2,351	2,582

The emoluments of these employees were within the following bands:

Emolument bands	**Number of individuals**	
	Period from 1 April 2003 to 31 December 2003	Year ended 31 March 2003
HK$Nil - HK$1,000,000	**3**	2
HK$1,000,001 - HK$2,000,000	**–**	1
	3	3

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

38. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	Group		Company	
	31 December 2003 HK$'000	31 March 2003 HK$'000	**31 December 2003 HK$'000**	31 March 2003 HK$'000
Subsidiaries	**–**	–	**168,292**	250,080
Associates	**20,060**	8,669	**8,480**	8,669
A minority shareholder of a subsidiary	**47,029**	39,338	**47,029**	39,338
Third parties	**173,925**	71,698	**77,736**	37,736
	241,014	119,705	**301,537**	335,823

39. CREDIT FACILITIES

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

(a) first legal charges on the Group's investment properties (note 13) with an aggregate net book value of HK$77,000,000 (31 March 2003: HK$93,500,000);

(b) first legal charges on the hotel properties located in the PRC and Philippines and properties under development located in the PRC (note 13) with an aggregate net book value of HK$554,000,000 (31 March 2003: HK$551,120,000);

(c) fixed charges over the land and buildings and other property, plant and equipment (note 13) with an aggregate net book value of HK$Nil (31 March 2003: HK$54,959,000);

(d) charge over the land held for development with Land Lot No. K708-5 at Liu Wan and all proceeds from sales of that land held for development (note 17);

(e) charge over certain land held for development at Guang Hua Gong Lu, Hua Du City, Guangdong Province, the PRC (note 17);

(f) charge over the land held for development in Hong Kong (note 17) with carrying value of approximately HK$76,179,000 (31 March 2003: HK$58,788,000);

(g) certain investment in and amount advanced to a subsidiary with a net balance of HK$178,314,000 (31 March 2003: HK$178,291,000) (note 14);

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

39. CREDIT FACILITIES (continued)

(i) pledge of 3,992,521,867 (31 March 2003: 3,702,521,867), 240,000,000 (31 March 2003: 240,000,000), 363,638,000 (31 March 2003: 363,638,000) and 15,265,220,133 (31 March 2003: 15,265,220,133) shares in South Sea as securities to brokers and margin financiers, bankers, a minority shareholder of a subsidiary and other borrowers respectively, the total of which represents about 98% out of 67.71% (31 March 2003: 96.57% out of 67.71%) of total interest in South Sea held by the Company. The market value of such listed shares as at 31 December 2003 was about HK$397,227,600 (31 March 2003: HK$195,714,000);

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

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

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

(m) pledge of bank deposits of HK$22,642,000 (31 March 2003: Nil).

40. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

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

Financial transactions

Name of related party	Nature of transactions	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Mr. Yu	Liabilities waived by Mr. Yu	–	30,000

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

Financial support

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

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

40. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (continued)

Balances with related parties

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

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

41. PENDING LITIGATIONS

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

(b) Acesite (Phils.) Hotel Corporation ("Acesite"), a subsidiary of the Company, is listed on the Philippine Stock Exchange in Philippines and its immediate holding company is Acesite Limited, a company incorporated in the British Virgin Islands.

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

This matter is currently the subject of a court case identified as Civil Case No. 03-187 with the Regional Trial Court of Makati City, Philippines. The directors and the legal advisers of the Company are of the view that the outcome of this case would be in favour of the Group.

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Net assets acquired:		
Property, plant and equipment	**7,463**	235,344
Interest in an associate	**16,038**	(631)
Inventories	–	242
Cash at banks and in hand	**5,621**	11,939
Amount due from ultimate holding company	–	10,960
Trade and other receivables	**11,642**	11,778
Tax recoverable	–	177
Trade payables, other payables and accruals	**(20,193)**	(44,911)
Retirement benefit obligation	–	(5,121)
Bank loans	–	(111,202)
Minority interests	–	(47,360)
	20,571	61,215
Goodwill arising on acquisition	**49,243**	139,067
	69,814	200,282
Satisfied by:		
Cash consideration	**55,662**	282
Convertible notes issued as consideration	–	200,000
Decrease in other payables	**1,887**	–
Decrease in amount due to a director	**12,265**	–
	69,814	200,282

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

(a) Acquisition of subsidiaries (continued)

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

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Cash consideration	**(55,662)**	(282)
Cash at banks and in hand acquired	**5,621**	11,939
	(50,041)	11,657

(b) Disposal of subsidiaries

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Net assets disposed of:		
Property, plant and equipment	**49,031**	261
Land held for development	**–**	21,086
Inventories	**1,118**	1,753
Trade and other receivables	**28,373**	1,067
Cash at banks and in hand	**362**	901
Trade payables, other payables and accruals	**(26,252)**	(14,858)
Provision for tax	**(54)**	–
Bank loans	**(23,364)**	–
	29,214	10,210
Reserves released on disposal:		
Exchange reserve	**448**	–
Goodwill released on disposal	**–**	3,553
Gain on disposal of subsidiaries	**40,388**	10,198
	70,050	23,961

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

(b) Disposal of subsidiaries (continued)

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Satisfied by:		
Cash consideration	–	8,204
Consideration receivable included in other receivables	**70,050**	15,000
Waiver of amount due to a creditor	–	757
	70,050	23,961

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

	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Cash consideration	–	8,204
Cash at banks and in hand	**(362)**	(901)
	(362)	7,303

(c) Major non-cash transactions

(i) The consideration of HK$70,050,000 for the disposal of subsidiaries during the period ended 31 December 2003 was included in other receivables. The disposal was also satisfied by the assignment of a subsidiary's receivable at a consideration of HK$1 to another subsidiary.

(ii) The proceeds of HK$2,500,000 from the disposal of certain property, plant and equipment during the period ended 31 December 2003 was included in other receivables.

(iii) The total consideration of HK$112,000,000 from the disposal of other investments during the period ended 31 December 2003 after netting off an amount due to the purchaser of HK$3,000,000 was included in other receivables (note 22(b)).

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

(c) Major non-cash transactions (continued)

(iv) The acquisitions of South Port Development Limited and Nickell International Limited during the year ended 31 March 2003 were satisfied by the issue of HK$200,000,000 1% convertible notes (note 30(a)).

(v) The reimbursement of certain advertising and promotional expenses incurred by the Group by Mr. Yu during the year ended 31 March 2003 was effected through his current account with the Group (note 6(a)).

(vi) The disposal of a subsidiary during the year ended 31 March 2003 was satisfied by the waiver of an amount due to a creditor of HK$757,000.

43. RETIREMENT BENEFIT PLANS

Defined contribution retirement plans

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

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

The total cost charged to the consolidated income statement of HK$4,390,000 (31 March 2003: HK$3,348,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

As at 31 December 2003 and 31 March 2003, no contributions due in respect of the reporting years had not been paid over to the schemes.

Defined benefit retirement plan

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

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

43. RETIREMENT BENEFIT PLANS (continued)

Defined benefit retirement plan (continued)

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

	Group	
	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Current service cost	**938**	250
Interest cost	**950**	304
Expected return on planned assets	**(550)**	(209)
Net actuarial losses recognised	**(746)**	49
Total included in staff costs	**592**	394

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

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

	Group	
	31 December 2003 HK$'000	31 March 2003 HK$'000
Present value of unfunded obligations	**14,639**	15,286
Fair value of planned assets	**(11,620)**	(10,926)
Liability as at 31 December/31 March	**3,019**	4,360
Current portion included under current liabilities	**(3,019)**	(4,360)
Non-current portion included under non-current liabilities	**–**	–

43. RETIREMENT BENEFIT PLANS (continued)

Defined benefit retirement plan (continued)

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

	Group	
	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
At 1 April	**4,360**	–
Acquisition of a subsidiary (note 42 (a))	**–**	5,121
Exchange difference	**(170)**	–
Total expenses- as shown above	**592**	394
Contributions paid	**(1,763)**	(1,155)
At 31 December/31 March	**3,019**	4,360

The principal actuarial assumptions used were as follows:

	Group	
	Period from 1 April 2003 to 31 December 2003 HK$'000	Year ended 31 March 2003 HK$'000
Discount rate	**9%**	9%
Expected rate of return of plan assets	**9%**	9%
Expected rate of future salary increases	**7%**	7%
Expected average employee future service life	**14.8 years**	14.8 years

44. CHANGE OF FINANCIAL YEAR END AND COMPARATIVE FIGURES

The Company changed its financial year end from 31 March to 31 December in order to coincide with the financial year end of its existing subsidiaries in the PRC. The financial statements in the current period cover a period of 9 months from 1 April 2003 to 31 December 2003 and therefore may not be comparable with the figures presented in the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes thereon for the prior year.

45. POST BALANCE SHEET EVENTS

(a) On 29 December 2003, the Company and South Sea jointly announced that Robina Profits Limited ("Robina"), a wholly owned subsidiary of the Company, and South Sea have entered into a subscription agreement relating to the subscription by Robina of the convertible loan notes to be issued by South Sea in an aggregate principal amount of HK$200,000,000 at a consideration of the same amount. The consideration of HK$200,000,000 payable by Robina for the convertible loan notes will be satisfied by way of partial set off against the loan amount of HK$210,000,000 advanced by the Company to South Sea on 31 December 2003 (note 14). The loan which bears interest at 1% per annum and fully repayable in one year period or such longer period as may be agreed between the Company and South Sea, was to finance South Sea's fully repayment of its outstanding debt payable to Power Ocean (note 6(b)).

The directors also proposed to implement the following:

– a capital reduction (the "Capital Reduction") which will involve

  (i) adjusting the nominal value of the existing ordinary shares of HK$0.10 each in the Company by cancelling paid up capital to the extent of HK$0.09 on each of the issued ordinary shares in the Company and reducing the nominal value of all issued and unissued ordinary shares in the Company from HK$0.10 to HK$0.01; and

  (ii) reducing the share premium account of the Company by an amount of HK$433,541,062.55; and

– a distribution (the "Distribution") which will involve applying the credit arising from the Capital Reduction to effect a distribution of substantially all of the shares in South Sea then held by the Company's wholly owned subsidiaries to the qualifying shareholders pro rata to their respective shareholding interests in the Company. The Distribution was proposed to be implemented on the basis of 15,756 shares in South Sea for every 10,000 shares in the Company held by the qualifying shareholders on a date to be fixed.

On 29 December 2003, South Sea and certain substantial shareholders of the Company (the "Vendors") also entered into a sale and purchase agreement, under which South Sea agreed to acquire, following the completion of the Distribution, from the Vendors a total of 12,515,795,316 shares in the Company at a consideration of approximately HK$976,334,000, representing a price of approximately HK$0.078 each. Half of the consideration of approximately HK$488,167,000 will be satisfied by 27,120,395,500 new shares of South Sea, and the remaining half of the consideration will be satisfied by cash to be paid on the date falling 60 months after the completion or any other later date to be mutually agreed by South Sea and the Vendors.

Subsequent to the balance sheet date, the above transactions (as more fully detailed in the circulars dated 23 March 2004 issued by the Company and South Sea) were approved by the respective shareholders of the Company and South Sea on 16 April 2004.

(b) On 5 January 2004 and 13 January 2004, the convertible notes of HK$200,000,000 due for repayment on 31 December 2005 and the convertible notes of HK$180,000,000 due for repayment in the coming year were converted into 2,000,000,000 and 1,800,000,000 ordinary shares of HK$0.10 each in the Company respectively at a conversion price of HK$0.10 per share.

45. POST BALANCE SHEET EVENTS (continued)

(c) On 21 April 2004, Shenzhen Liu Wan, a subsidiary of the Company, entered into a formal sale and purchase agreement to finalise the detailed terms of the preliminary agreement entered into on 16 December 2003 for the acquisition of the 49% equity interest in 益田假日世界 (as detailed in note 22(a)).

(d) Subsequent to the balance sheet date, the Group disposed of its land held for development situated in Hong Kong with an aggregate carrying value of approximately HK$76 million as at 31 December 2003 to an independent third party for a total consideration of approximately HK$76 million.

(e) On 24 January 2004, the Group entered into an agreement for the transfer of its shareholding in a subsidiary which holds the title of the Group's hotel property namely Beijing Golden Era Hotel at a nominal consideration of RMB1. Upon completion of the agreement, the purchasers shall own the Beijing Golden Era Hotel and take over certain debts and liabilities of the subsidiary including bank loans amounting to approximately HK$92 million, taxes payable by the subsidiary in a total sum of RMB3,000,000 and estimated land premium payables of RMB12,000,000. The Group also guaranteed to the purchasers that the above debts and liabilities of the subsidiary would not exceed RMB112,500,000, and the taxes payable together with the land premium payables would not exceed RMB15,000,000. Any exceeding amounts will be borne by the Group. The agreement for the transfer of the shareholding of the subsidiary was completed on 10 March 2004.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 31 to 109 were approved by the board of directors on 29 April 2004.