

## Notes to the Financial Statements

*Year ended 31st March, 2004*

### 1. Principal Accounting Policies

These financial statements have been prepared in accordance with the Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

#### **Basis of preparation**

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March each year. All inter-company transactions and balances have been eliminated on consolidation.

The results of subsidiaries acquired and disposed of during the year are accounted for from the effective dates of acquisition or to the effective dates of disposal respectively.

#### **Goodwill on consolidation**

Positive goodwill arising on acquisitions of subsidiaries and associates represents the excess of the cost of the acquisition over the Group’s share of the fair value of the identifiable assets and liabilities acquired.

In respect of subsidiaries and associates acquired before 1st April, 2001, the related positive goodwill has been eliminated against reserves. For subsidiaries and associates acquired on or after 1st April, 2001, the related positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life not exceeding 20 years. Provision for impairment losses has been made against positive goodwill in accordance with SSAP 31 “Impairment of assets”.

### 1. Principal Accounting Policies (Continued)

#### **Goodwill on consolidation** *(Continued)*

Negative goodwill arising on acquisitions of subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. In respect of subsidiaries and associates acquired before 1st April, 2001, the related negative goodwill has been credited to capital reserve on consolidation. For subsidiaries and associates acquired on or after 1st April, 2001, 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, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill up to the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of depreciable non-monetary assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

On disposal of a subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement in Group reserves is included in the calculation of the profit or loss on disposal.

#### **Subsidiaries**

A subsidiary is an enterprise, in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body. Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

#### **Associates**

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the period, including any amortisation of positive or negative goodwill charged or credited during the period. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 1. Principal Accounting Policies (Continued)

#### **Associates** *(Continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

#### **Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long-term basis for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated in the balance sheet at their open market values on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess is charged to the income statement.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations will be credited to the income statement.

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuations take into account the state of each property at the date of valuation.

#### **Properties held for/under development**

Properties held for/under development with the intention for holding for long-term purposes when completed or no decision has yet been decided on their purposes are included in the balance sheet as non-current assets and stated at cost less impairment loss. Cost includes land cost, construction expenditure and other direct costs, including interest costs, attributable to the development of the properties.

The carrying amount of properties held for/under development is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount will be reduced to the recoverable amount. The amount of the reduction will be charged to the income statement.

### 1. Principal Accounting Policies (Continued)

#### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, construction expenditure and other direct costs, including interest costs, attributable to the development of the properties. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling the properties.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the asset and is recognised as an income or expense in the income statement.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Plant, machinery and moulds	10%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles and motor vessel	20%
Computer equipment	30%

#### Investments in securities

Investment securities held for an identified long-term purpose are stated at cost and subject to impairment review at each reporting date to reflect any diminution in their value, which is expected to be other than temporary. The amount of provisions is recognised as an expense in the period in which the decline occurs.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 1. Principal Accounting Policies (Continued)

#### **Investments in securities** *(Continued)*

Securities not classified as investment securities are classified as other investments, which are stated at fair value in the balance sheet. The unrealised holding gains and losses for other investments are included in the income statement.

The profit or loss on disposal of investment securities and other investments is accounted for in the period in which the disposal occurs as the difference between net sales proceeds and the carrying amount of the securities.

The transfer of securities between categories of investments are accounted for at their fair values. For a security transferred from the other investment category, the unrealised holding gain or loss, which has been recognised in the net profit or loss, is not reversed. For a security transferred into the other investment category, the unrealised holding gain or loss at the date of transfer is recognised in the net profit or loss immediately.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **Impairment losses**

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible and intangible assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

### 1. Principal Accounting Policies (Continued)

#### **Impairment losses** *(Continued)*

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

#### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

#### *Sale of properties*

Sale of properties is recognised upon the completion of sale and purchase contracts. When an equitable interest in a development property is transferred to the buyer before completion of construction work and development, turnover and profit are recognised with reference to the stage of completion of the development property.

#### *Sale of goods*

Sale of goods is recognised when goods are delivered and title has passed.

#### *Rental and property management fee income*

Rental and property management fee income under operating leases are recognised in the period in which the properties are let out and on the straight-line basis over the lease terms.

#### *Service income*

Service income is recognised in the period when services are rendered.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 1. Principal Accounting Policies (Continued)

#### **Revenue recognition** *(Continued)*

##### *Securities trading*

Proceeds from disposal of other investments are recognised on the transaction date when the relevant sale and purchase contract is entered into.

##### *Interest income*

Interest income is accrued on a time proportion basis on the principal outstanding and at the applicable interest rate.

##### *Dividend income*

Dividend income is recognised when the rights to receive payment have been established.

#### **Foreign currencies**

Transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the balance sheets of overseas subsidiaries denominated in currencies other than Hong Kong dollars are translated at the rates of exchange ruling at the balance sheet date while the income statement is translated at average rates for the year. All exchange differences arising on consolidation are dealt with in the exchange reserve.

#### **Taxation**

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements apart from certain limited exceptions. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax losses and credits can be utilised.

### 1. Principal Accounting Policies (Continued)

#### **Cash equivalents**

Cash equivalents in the consolidated cash flow statement represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

#### **Operating leases**

Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

#### **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.

#### **Defined contribution plans**

The obligations for contributions to defined contribution retirement schemes are recognised as expenses in the income statement as incurred. The assets of the schemes are held separately from those of the Group in independently administered funds.



## Notes to the Financial Statements

Year ended 31st March, 2004

### 2. Turnover and Revenue

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 15 to the financial statements.

Turnover and revenue recognised by category are analysed as follows:

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Sale of properties	1,122,430	1,681,982
Sale of goods	33,159,343	36,832,302
Rental and property management fee income	12,747,822	14,453,072
Service income	215,300	375,300
Securities trading	261,339	441,754
Interest income	2,564,385	4,215,755
Dividend income from unlisted preference shares	3,790,565	5,878,938
	<u>53,861,184</u>	<u>63,879,103</u>

### 3. Other Income

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Gain on disposal of property, plant and equipment	165,339	187,751
Net exchange gain	79,938	1,152,401
Overprovision for rental guarantee	116,477	–
Provision for doubtful debts written back	45,000	1,184,901
Sundry income	1,584,886	3,520,475
Gain on reclassification of other investments	2,982,497	–
	<u>4,974,137</u>	<u>6,045,528</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 4. Profit (Loss) from Ordinary Activities before Taxation

This is stated after charging (crediting):

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>(a) Finance costs</b>		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	5,740,025	8,336,977
Finance charges on obligations under finance leases	27,881	25,736
	<u>5,767,906</u>	<u>8,362,713</u>
	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>(b) Other items</b>		
Auditors' remuneration	500,000	500,000
Cost of inventories sold	28,147,292	29,369,205
Cost of properties held for sale	1,275,648	1,810,896
Amortisation of negative goodwill included in share of results of associates	(4,543,426)	(1,032,638)
Depreciation of property, plant and equipment	9,506,983	3,833,851
Included in other operating expenses:		
– Impairment loss on property, plant and equipment	–	334,224
– Impairment loss on interest in an associate	–	2,205,323
– Loss on disposal/write-off of property, plant and equipment	–	1,570,686
– Provision for rental guarantee	–	5,558,333
– Provision for construction costs undertaking	–	6,800,000
– Provision for doubtful debts, including provision for amounts due from associates of HK\$Nil (2003: HK\$1,331,016)	1,000,000	2,625,027
– Provision for inventories	–	1,274,650
Loss on deemed disposal of shares in an associate	–	186,393
Net realised and unrealised (gain) loss on other investments	(135,339)	398,174
Operating lease charges on premises	2,211,801	965,145
Gross rental income net of outgoings from operating leases on investment properties	(8,542,322)	(9,864,959)
Staff costs, including directors' emoluments:		
– Wages and salaries	15,363,912	16,090,723
– Contributions to pension schemes	755,502	790,296
	<u>15,363,912</u>	<u>16,090,723</u>
	<u>755,502</u>	<u>790,296</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 5. Directors' Remuneration

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

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Fees	110,000	110,000
Basic salaries, housing allowances, other allowances and other benefits in kind	4,920,000	5,541,040
Contributions to pension schemes	327,000	327,938
	<u>5,357,000</u>	<u>5,978,978</u>

The amounts disclosed above include directors' fee of HK\$35,000 (2003: HK\$35,000) and other emoluments of HK\$120,000 (2003: HK\$120,000) payable to independent non-executive directors.

Emoluments of the directors are within the following bands:

	<b>Number of directors</b>	
	<b>2004</b>	<b>2003</b>
HK\$Nil – HK\$1,000,000	4	5
HK\$1,000,001 – HK\$1,500,000	3	1
HK\$1,500,001 – HK\$2,000,000	–	2
	<u>          </u>	<u>          </u>

### 6. Individuals with Highest Emoluments

Among the 5 individuals with the highest emoluments, all (2003: all) are executive directors whose emoluments are disclosed in note 5.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 7. Taxation

Hong Kong Profits Tax has not been provided in the financial statements as the Company and its subsidiaries either have no assessable profits for the year or have unutilised tax losses to set off against current year's assessable profits. The Hong Kong Profits Tax charged for the year represents underprovision in prior years.

Overseas taxation has been provided on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
The charges comprise:		
Company and subsidiaries		
Hong Kong Profits Tax	17,704	–
The PRC enterprise income tax	25,779	177,808
	<u>43,483</u>	<u>177,808</u>
Share of associates' taxation	2,416,000	418,005
	<u>2,459,483</u>	<u>595,813</u>
The charges (credit) of share of associates' taxation comprise:		
– Current tax:		
Hong Kong Profits Tax	2,008,000	841,621
The PRC enterprise income tax	526,000	253,133
	<u>2,534,000</u>	<u>1,094,754</u>
– Under (Over) provision in prior years:		
Hong Kong Profits Tax	117,000	(35,607)
The PRC enterprise income tax	(78,000)	–
	<u>39,000</u>	<u>(35,607)</u>
– Deferred tax:		
Current year	(269,000)	(241,696)
Overprovision in prior years	–	(399,446)
Attributable to a change in tax rate	112,000	–
	<u>(157,000)</u>	<u>(641,142)</u>
	<u>2,416,000</u>	<u>418,005</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 7. Taxation (Continued)

The tax of the Group's profit (loss) from ordinary activities before taxation and share of results of associates ((a) below) and the tax of share of results of associates ((b) below) differ from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
(a) Tax charge of the Group		
Tax credit at the rate of 17.5% (2003: 16%)	(457,813)	(12,324,204)
Tax effect of expenses not deductible for tax purpose	2,503,503	15,157,752
Tax effect of revenue not taxable for tax purpose	(3,708,833)	(3,519,748)
Unrecognised deferred tax assets arising during the year	1,787,461	910,357
Utilisation of tax losses previously not recognised	(98,539)	(46,349)
Underprovision in prior years	17,704	–
	<u>43,483</u>	<u>177,808</u>
	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
(b) Share of associates' taxation		
Tax charge at the rate of 17.5% (2003: 16%)	4,429,774	1,673,835
Tax effect of expenses not deductible for tax purpose	386,850	346,875
Tax effect of revenue not taxable for tax purpose	(1,309,100)	(331,603)
Under (Over) provision in prior years	39,000	(382,032)
Tax effect of additional tax losses not recognised	–	255,067
Utilisation of tax losses previously not recognised	(65,000)	(62,346)
Effect of tax holidays granted to a PRC subsidiary	(79,000)	(50,597)
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	112,000	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,138,000)	(1,086,214)
Others	39,476	55,020
	<u>2,416,000</u>	<u>418,005</u>
Share of associates' taxation	<u>2,416,000</u>	<u>418,005</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 8. Net Profit (Loss) Attributable to Shareholders

The net profit (loss) attributable to shareholders includes a loss of HK\$88,562,837 (2003: HK\$8,063,999) which has been dealt with in the financial statements of the Company.

### 9. Dividends

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
<b>(a) Dividend attributable to the year</b>		
Final dividend proposed after balance sheet date at HK\$0.01 (2003: HK\$0.01) per share	<u>10,244,397</u>	<u>10,244,397</u>
<b>(b) Dividend attributable to the previous financial year, approved and paid during the year</b>		
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.01 (2003: HK\$0.01) per share	<u>10,244,397</u>	<u>10,244,397</u>

### 10. Earnings (Loss) Per Share

The calculation of basic earnings (loss) per share was based on the net profit attributable to shareholders of HK\$20,351,651 (2003: loss of HK\$66,828,046) and on the weighted average number of ordinary shares in issue of 1,024,439,690 (2003: 1,024,439,690).

Diluted earnings (loss) per share has not been presented because there was no potential dilutive share in issue as at both balance sheet dates.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 11. Prior Year Adjustment

With effect from 1st April, 2003, the Group has adopted the revised SSAP 12 “Income taxes”. In previous years, deferred tax liabilities were recognised in respect of timing differences except where those timing differences were not expected to reverse in the foreseeable future and deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. According to the revised SSAP 12, deferred tax liabilities should be provided in full using the balance sheet liability method, whereby deferred tax liabilities are 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 profits, with limited exceptions. For deferred tax assets, they are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Properties held for/under development (the “PUD”) of the Group have been included in the consolidated financial statements at their fair values as at the date of acquisition of the respective subsidiaries by the Group, which are higher than the carrying values in the books of the respective subsidiaries. The present intention of the Group is to fully develop all of the PUD and, on this basis, the statement of the PUD at their fair values constitutes a temporary difference for the PRC enterprise income tax purposes.

As a result of the adoption of the revised SSAP 12, a deferred tax liability of HK\$235,365,536 has been accounted for as a prior year adjustment and the minority interests, capital reserve on consolidation and retained profits as at 1st April, 2002 have been reduced by HK\$14,969,743, HK\$29,689,992 and HK\$190,705,801 respectively. Comparative information has been restated accordingly.

### 12. Investment Properties

	The Group	
	2004	2003
	HK\$	HK\$
<b>Valuation</b>		
At beginning of year	412,400,000	454,400,000
Revaluation surplus (deficit)	15,000,000	(42,000,000)
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<b>At balance sheet date</b>	<b>427,400,000</b>	<b>412,400,000</b>
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## Notes to the Financial Statements

Year ended 31st March, 2004

### 12. Investment Properties (Continued)

The carrying value of investment properties held by the Group at the balance sheet date comprises:

	The Group	
	2004	2003
	HK\$	HK\$
Long leases:		
In Hong Kong	425,000,000	410,000,000
Outside Hong Kong	2,400,000	2,400,000
	<u>427,400,000</u>	<u>412,400,000</u>

The investment properties situated in Hong Kong were revalued at the balance sheet date by Vigers Appraisal & Consulting Limited, independent Chartered Surveyors, on an open market value basis.

The investment properties situated outside Hong Kong were revalued at the balance sheet date by DTZ Debenham Tie Leung Limited, independent Chartered Surveyors, on an open market value basis.



## Notes to the Financial Statements

Year ended 31st March, 2004

### 13. Property, Plant and Equipment

#### The Group

	Plant, machinery and moulds <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles and motor vessel <i>HK\$</i>	Computer equipment <i>HK\$</i>	Total <i>HK\$</i>
<b>Cost</b>					
At beginning of year	18,637,175	6,233,504	40,701,305	4,846,074	70,418,058
Additions	840,426	5,023,819	1,356,434	138,427	7,359,106
Disposals	(1,193,334)	(156,075)	–	–	(1,349,409)
<b>At balance sheet date</b>	<b>18,284,267</b>	<b>11,101,248</b>	<b>42,057,739</b>	<b>4,984,501</b>	<b>76,427,755</b>
<b>Accumulated depreciation and impairment losses</b>					
At beginning of year	15,677,418	3,405,578	3,443,271	4,286,059	26,812,326
Charge for the year	558,635	546,592	8,133,910	267,846	9,506,983
Eliminated on disposals	(1,193,334)	(140,467)	–	–	(1,333,801)
<b>At balance sheet date</b>	<b>15,042,719</b>	<b>3,811,703</b>	<b>11,577,181</b>	<b>4,553,905</b>	<b>34,985,508</b>
<b>Net book value</b>					
<b>At balance sheet date</b>	<b>3,241,548</b>	<b>7,289,545</b>	<b>30,480,558</b>	<b>430,596</b>	<b>41,442,247</b>
At beginning of year	2,959,757	2,827,926	37,258,034	560,015	43,605,732

## Notes to the Financial Statements

Year ended 31st March, 2004

### 13. Property, Plant and Equipment (Continued)

#### The Company

	<b>Computer equipment</b>
	<i>HK\$</i>
<b>Cost</b>	
At beginning of year and <b>at balance sheet date</b>	85,920
<b>Accumulated depreciation</b>	
At beginning of year	31,570
Charge for the year	25,776
<b>At balance sheet date</b>	57,346
<b>Net book value</b>	
<b>At balance sheet date</b>	28,574
At beginning of year	54,350

### 14. Properties Held for/under Development

	<b>The Group</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Land and development costs	1,185,212,782	1,175,063,523

The movement of properties held for/under development during the year is as follows:

	<b>The Group</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Cost</b>		
At beginning of year	1,175,063,523	1,175,056,073
Development costs incurred	10,149,259	7,450
<b>At balance sheet date</b>	1,185,212,782	1,175,063,523

## Notes to the Financial Statements

Year ended 31st March, 2004

### 14. Properties Held for/under Development (Continued)

The properties held for/under development at the balance sheet date comprised:

	The Group	
	2004	2003
	HK\$	HK\$
Land outside Hong Kong:		
Long leases	983,080,439	972,931,180
Medium-term leases	202,132,343	202,132,343
	<u>1,185,212,782</u>	<u>1,175,063,523</u>

### 15. Interests in Subsidiaries

	The Company	
	2004	2003
	HK\$	HK\$
Unlisted shares, at cost	150,036,555	150,036,546
Provision for impairment loss	(15,000,000)	—
	<u>135,036,555</u>	<u>150,036,546</u>
Due from subsidiaries	1,769,107,900	1,744,561,565
Provision for doubtful debts	(255,000,000)	(170,000,000)
	<u>1,514,107,900</u>	<u>1,574,561,565</u>
	<u>1,649,144,455</u>	<u>1,724,598,111</u>

As at 31st March, 2004, the amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The balances as at 31st March, 2003 include HK\$1,358,400 which borne interest at Hong Kong prime rate and HK\$750,000 which borne interest at 3% over Hong Kong prime rate or 8% per annum, whichever was higher. The remaining balances as at 31st March, 2003 were unsecured, interest-free and had no fixed repayment terms.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 15. Interests in Subsidiaries (Continued)

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the following list contains only the subsidiaries which principally affect the assets of the Group at the balance sheet date and the Group's financial results for the year then ended.

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of equity held by the Company		Principal activities
			Directly	Indirectly	
China Cyberworld Limited	Hong Kong	HK\$2	100%	–	Investment holding
Chinaculture.com Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
Chuang's China Commercial Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Chuang's China Enterprises Limited	Hong Kong	HK\$91,662,193	100%	–	Securities trading and investment holding
Chuang's China Realty Limited	Bermuda/ Hong Kong	HK\$100,000	100%	–	Investment holding
Chuang's China Treasury Limited	Cayman Islands/ Hong Kong	US\$1	100%	–	Investment holding
Chuang's Development (China) Limited	Hong Kong	HK\$20	–	100%	Property development and investment
Chuang's Development (Dong Guan) Limited	Hong Kong	HK\$2	–	100%	Investment holding
Chuang's Information Technology Limited	Hong Kong	HK\$100	–	100%	Investment holding
Distinguished Properties Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding

## Notes to the Financial Statements

Year ended 31st March, 2004

### 15. Interests in Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of equity held by the Company		Principal activities
			Directly	Indirectly	
Double Wealthy Company Limited	Hong Kong	HK\$160	–	100%	Investment holding
Dragon Rich Investments Limited	Hong Kong	HK\$2	–	100%	Property investment
Gold Throne Finance Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
Guangzhou Panyu Chuang's Real Estate Development Company Limited	The PRC	RMB60,000,000	–	85%	Property development and investment
Internet PRO Limited	Hong Kong	HK\$1,568,634	–	56%	e-commerce solution provider
iPro Technology Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Koledo Company Limited	Hong Kong	HK\$400	–	100%	Property investment
On Profit Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Silver Chase Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Silver Dragon Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Success Gain Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Yuen Sang Hardware Company (1988) Limited	Hong Kong	HK\$1,000,000	–	100%	Manufacture and sale of watch components
Yuen Sang Watch and Clock Limited	Hong Kong	HK\$500,000	–	100%	Investment holding

## Notes to the Financial Statements

Year ended 31st March, 2004

### 16. Interests in Associates

	The Group	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Share of net assets of associates:		
Listed in Hong Kong	173,038,833	64,721,024
Unlisted	3,817,499	4,330,928
	<u>176,856,332</u>	<u>69,051,952</u>
Negative goodwill	(51,693,162)	(9,293,742)
	<u>125,163,170</u>	<u>59,758,210</u>
Provision for impairment loss	(2,205,323)	(2,205,323)
	<u>122,957,847</u>	<u>57,552,887</u>
Due from associates	2,358,829	2,358,829
Provision for doubtful debts	(2,358,829)	(2,358,829)
	<u>—</u>	<u>—</u>
	<u>122,957,847</u>	<u>57,552,887</u>
Market value of listed equity securities	<u>155,720,000</u>	<u>36,120,000</u>

The amounts due from associates include HK\$750,000 (2003: HK\$750,000) which is unsecured, interest-bearing at 3% over Hong Kong prime rate or 8% per annum, whichever is higher, and repayable in three years after the relevant date of each advance. The remaining balances are unsecured, interest-free and have no fixed repayment terms.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 16. Interests in Associates (Continued)

Movements of the negative goodwill during the year are as follows:

	<i>HK\$</i>
At beginning of year	
Cost	10,326,380
Accumulated amortisation	<u>(1,032,638)</u>
Opening carrying amount	9,293,742
Negative goodwill recognised during the year	46,942,846
Amortisation charges	<u>(4,543,426)</u>
<b>Closing carrying amount</b>	<b><u>51,693,162</u></b>
<b>At balance sheet date</b>	
Cost	57,269,226
Accumulated amortisation	<u>(5,576,064)</u>
<b>Closing carrying amount</b>	<b><u>51,693,162</u></b>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 16. Interests in Associates (Continued)

Particulars of the principal associates at the balance sheet date are as follows:

Name of associate	Form of business structure	Place of incorporation/operation	Issued and fully paid capital	Percentage of issued capital held by the Group	Principal activities
Fujian Sunshine Education Information Company Limited	Unlisted corporate entity	The PRC	RMB7,000,000	48%	Educational information system network development
Midas International Holdings Limited ("Midas")	Listed corporate entity	Cayman Islands/ Hong Kong	534,290,068 ordinary shares of HK\$0.1 each 164,166,668 non-voting preference shares of HK\$0.01 each	42.86%	Books printing and paper products printing and property investment
Shanghai Yuen Sang Watch and Clock Limited	Unlisted corporate entity	The PRC	US\$700,000	50%	Manufacture, assembling and sale of electronics watches
Treasure Auctioneer International Limited	Unlisted corporate entity	British Virgin Islands/ Hong Kong	US\$1,000,000	25%	Auction services



## Notes to the Financial Statements

Year ended 31st March, 2004

### 16. Interests in Associates (Continued)

Details of the operating results and financial position of Midas based on its audited financial statements are as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i> <i>(Restated)</i>
<b>Operating results for the year ended 31st December</b>		
Turnover	<u>675,237</u>	<u>574,090</u>
Profit from ordinary activities before taxation	<u>59,673</u>	<u>51,850</u>
<b>Financial position at 31st December</b>		
Total non-current assets	653,010	633,046
Total current assets	432,116	396,285
Total current liabilities	(295,675)	(286,104)
Total non-current liabilities	(177,113)	(109,052)
Minority interests	<u>(40,900)</u>	<u>(40,293)</u>
Shareholders' funds	571,438	593,882
Preference shares and related share premium	<u>(148,500)</u>	<u>(245,700)</u>
	<u>422,938</u>	<u>348,182</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 17. Interests in Investment Securities

	The Group	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
At cost less provision:		
Debt securities, unlisted	98,500,000	195,700,000
Equity securities, unlisted	1,018,001	1,018,001
Equity securities, listed	45,252,597	—
	<u>144,770,598</u>	<u>196,718,001</u>
Due from investee companies	<u>1,691,131</u>	<u>4,808,604</u>
	<u>146,461,729</u>	<u>201,526,605</u>
Market value of listed equity securities	<u>47,120,000</u>	<u>—</u>

Debt securities represent series A and B preference shares which were issued to the Group by its associate, Midas, on 14th December, 2001.

The series A and B preference shares are non-voting and the Group is entitled to a fixed preferential dividend payable semi-annually at a rate of 2.5% per annum on the issue price of HK\$0.6 of each preference share. During the year, the Group earned dividend income of HK\$3,790,565 (2003: HK\$5,878,938) on these preference shares. Each of the series A preference shares is convertible into two ordinary shares in Midas of HK\$0.1 each (“Conversion Shares”) at the option of the Group at any time during the five years’ period from the date of issue of the preference shares. The Conversion Shares shall, when issued, rank pari passu in all respects with the then existing ordinary shares of Midas. The series B preference shares have no option of conversion to ordinary shares of Midas and are redeemable by Midas at any time up to the fifth anniversary from the date of issue at their outstanding subscription amount together with any unpaid dividend in cash.

During the year, the Group entered into a concession agreement (the “Concession Agreement”) with Midas pursuant to which the Group converted the remaining 72,000,000 series A preference shares into 144,000,000 Conversion Shares on 4th July, 2003. In addition, the Group agreed to waive the dividend on the series A preference shares from January to June 2003. Upon conversion, the Group’s interests in Midas increased from 21.52% to 42.67% and a negative goodwill of HK\$46,810,488 has arisen.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 17. Interests in Investment Securities (Continued)

Pursuant to the terms of the Concession Agreement, Midas also redeemed 6,666,667 series B preference shares at HK\$1 and declared a special dividend of HK\$0.012 per ordinary share of Midas (“Midas Shares”) payable to holders of Midas Shares, other than the holder of the 144,000,000 Conversion Shares.

In addition, Midas had redeemed 83,333,332 series B preference shares at HK\$0.6 each by cash. After the transactions and at the balance sheet date, all series A preference shares were converted and the Group still held 164,166,668 series B preference shares in Midas.

### 18. Other Investments

	The Group	
	2004	2003
	HK\$	HK\$
At market value:		
Equity securities, listed in Hong Kong	—	3,746,850

### 19. Inventories

	The Group	
	2004	2003
	HK\$	HK\$
Raw materials	2,552,510	1,887,557
Work-in-progress	1,808,048	859,652
Finished goods	111,726	468,685
	<u>4,472,284</u>	<u>3,215,894</u>

All inventories, excluding those fully provided for with nil carrying value, are carried at cost.

### 20. Properties held for Sale

At the balance sheet date, all the properties held for sale are stated at cost.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 21. Trade and Other Receivables

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
<b>Trade receivables</b>	14,849,520	15,533,708	–	–
<b>Other receivables</b>				
Deposits, prepayments and other debtors	6,513,039	8,277,785	117,610	352,386
	<u>21,362,559</u>	<u>23,811,493</u>	<u>117,610</u>	<u>352,386</u>

The Group allows credit period ranging from 30 days to 90 days. The ageing analysis of the trade receivables at the balance sheet date is as follows:

	The Group	
	2004	2003
	HK\$	HK\$
0 – 30 days	3,392,378	3,579,916
31 – 60 days	1,443,305	1,174,331
61 – 90 days	572,101	1,375,228
Over 90 days	9,441,736	9,404,233
	<u>14,849,520</u>	<u>15,533,708</u>

### 22. Bank Balances and Cash

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Bank balances and cash	9,830,932	8,106,441	144,085	715,788
Fixed deposits	174,389,998	200,678,385	149,530,185	175,725,114
	<u>184,220,930</u>	<u>208,784,826</u>	<u>149,674,270</u>	<u>176,440,902</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 23. Trade and Other Payables

	The Group		The Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
<b>Trade payables</b>	3,142,744	2,421,946	–	–
<b>Other payables</b>				
Accrued charges and other creditors	21,058,910	19,761,371	311,401	384,378
Deposits received and rental in advance	4,291,186	4,817,615	–	–
	<u>25,350,096</u>	<u>24,578,986</u>	<u>311,401</u>	<u>384,378</u>
	<u>28,492,840</u>	<u>27,000,932</u>	<u>311,401</u>	<u>384,378</u>

The ageing analysis of the trade payables as at the balance sheet date is as follows:

	The Group	
	2004	2003
	HK\$	HK\$
0 – 30 days	1,925,565	1,690,196
31 – 60 days	965,362	548,600
61 – 90 days	193,184	125,954
Over 90 days	58,633	57,196
	<u>3,142,744</u>	<u>2,421,946</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 24. Interest-bearing Borrowings

	<b>The Group</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Secured bank loan, wholly repayable within five years	245,000,000	250,000,000
Obligations under finance leases	–	142,809
	<u>245,000,000</u>	<u>250,142,809</u>
Current portion	6,000,000	5,131,824
Non-current portion	239,000,000	245,010,985
	<u>245,000,000</u>	<u>250,142,809</u>

The bank loan is secured by all assets of a subsidiary, including investment properties with carrying amount of HK\$425,000,000 (2003: HK\$410,000,000), corporate guarantee provided by the ultimate holding company and shares of a subsidiary. The maturity of the bank loan is as follows:

	<b>The Group</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Within one year	6,000,000	5,000,000
After one year but within two years	6,000,000	6,000,000
After two years but within five years	233,000,000	239,000,000
	<u>245,000,000</u>	<u>250,000,000</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 25. Provisions

#### The Group

	Undertakings in respect of		
	Rental	Construction	The PRC tax
	income	cost	liability of
	HK\$	HK\$	Midas
			HK\$
At beginning of year	3,618,333	2,419,750	30,994,000
Amount paid	(3,501,856)	–	–
Overprovision	(116,477)	–	–
	<hr/>	<hr/>	<hr/>
<b>At balance sheet date</b>	–	2,419,750	30,994,000
<i>Less:</i> Amount included in current			
liabilities	–	(2,419,750)	–
	<hr/>	<hr/>	<hr/>
Non-current portion	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### The Company

	Undertakings in
	respect of
	rental income
	HK\$
At beginning of year	3,618,333
Amount paid	(3,501,856)
Overprovision	(116,477)
	<hr/>
<b>At balance sheet date</b>	<hr/> <hr/>

During the year ended 31st March, 2002, the Group had given an undertaking in favour of Midas that in the event the annual rental income of certain of the investment properties acquired by Midas for each of the two years after 14th December, 2001 shall be less than HK\$3,880,000, the Group would indemnify Midas for an amount of the shortfall on a dollar for dollar basis. The undertaking period had been expired on 13th December, 2003.

### 25. Provisions (Continued)

In addition, the Group had undertaken in favour of Midas to bear 51% share of all the construction costs from 14th December, 2001 up to the completion of the construction works of the property under development sold to Midas in the year ended 31st March, 2002. Construction works of the property had been completed in October 2002. As at date of these financial statements, final settlement amounts of certain construction contracts are still under negotiation. Had the negotiation been settled in favour of the construction companies, the provision for construction cost should have been increased by approximately HK\$3,000,000 (2003: HK\$3,000,000). However, in the opinion of the directors, such liability is unlikely to crystallise and thus no provision is necessary.

The Group had also executed a deed of indemnity dated 14th December, 2001 in favour of Midas pursuant to which the Group agreed to bear that portion of the PRC land appreciation and enterprise income taxes, that may arise upon subsequent disposal of the properties by Midas, attributable to the excess of the consideration paid by Midas over the carrying value of the properties. Timing of realisation cannot be estimated as the management has no information on the timing of disposal of the properties.

The provision for the undertakings represents management's best estimate of the Group's liabilities in relation to the above mentioned arrangements.



## Notes to the Financial Statements

Year ended 31st March, 2004

### 26. Deferred Taxation

#### Recognised deferred tax (assets) liabilities

	Assets		Liabilities	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Fair value adjustment of PUD upon business combination (Note 11)	–	–	235,365,536	235,365,536
Accelerated depreciation allowances	–	–	3,040,888	2,076,674
Tax losses	(3,040,888)	(2,076,674)	–	–
Deferred tax (assets) liabilities	(3,040,888)	(2,076,674)	238,406,424	237,442,210
Offset deferred tax assets and liabilities	3,040,888	2,076,674	(3,040,888)	(2,076,674)
<b>Net deferred tax liabilities</b>	<b>–</b>	<b>–</b>	<b>235,365,536</b>	<b>235,365,536</b>

#### Unrecognised deferred tax assets

The Group has not recognised deferred tax asset of HK\$48 million (2003: HK\$46 million) arising from unused tax losses of approximately HK\$274 million (2003: HK\$262 million) incurred by Hong Kong subsidiaries. Although the tax losses do not expire under current tax legislation, deferred tax asset has not been recognised due to uncertainty of its recoverability.

### 27. Minority Interests

	The Group	
	2004	2003
	HK\$	HK\$
		(Restated)
Equity interests	79,109,768	79,223,982
Due to minority shareholders	6,075,129	6,075,129
	<u>85,184,897</u>	<u>85,299,111</u>

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

## Notes to the Financial Statements

Year ended 31st March, 2004

### 28. Issued Capital

	2004		2003	
	No. of shares	HK\$	No. of shares	HK\$
<i>Authorised:</i>				
At beginning of year and <b>at balance sheet date,</b> at HK\$0.05 (2003: HK\$0.05) each	<u>18,000,000,000</u>	<u>900,000,000</u>	<u>18,000,000,000</u>	<u>900,000,000</u>
<i>Issued and fully paid:</i>				
At beginning of year and <b>at balance sheet date</b>	<u>1,024,439,690</u>	<u>51,221,985</u>	<u>1,024,439,690</u>	<u>51,221,985</u>

### 29. Share Options

Pursuant to the annual general meeting held on 26th August, 2002, a share option scheme (“2002 Scheme”) was adopted by the Company. Under the 2002 Scheme which is valid and effective for a term of ten years from the date of its adoption, the directors of the Company may grant options to the eligible persons as defined in the scheme, inter alia, any employees, directors or business consultants of the Company and its subsidiaries, to subscribe for shares in the Company under the terms and conditions stipulated therein. The maximum number of ordinary shares in respect of which options may be granted under the 2002 Scheme shall not exceed 10% of the issued ordinary share capital of the Company as at 26th August, 2002. No options have been granted under the 2002 Scheme since its adoption.

## Notes to the Financial Statements

Year ended 31st March, 2004

### 30. Reserves

#### The Group

	Capital reserve HK\$	Share premium HK\$	Contributed surplus HK\$	Capital reserve on consolidation HK\$	Exchange reserve HK\$	Retained profits/ (Accumulated losses) HK\$	Statutory reserve HK\$	Total HK\$
At 1st April, 2002								
– as previously reported	457,792,558	1,105,394,602	9,576,724	126,344,436	(3,667,582)	50,014,513	3,256,994	1,748,712,245
– prior year adjustment in respect of provision for deferred tax liabilities (Note 11)	–	–	–	(29,689,992)	–	(190,705,801)	–	(220,395,793)
– as restated	457,792,558	1,105,394,602	9,576,724	96,654,444	(3,667,582)	(140,691,288)	3,256,994	1,528,316,452
Dividend approved in respect of previous year	–	–	(9,576,724)	–	–	(667,673)	–	(10,244,397)
Appropriation of reserve	–	–	–	–	–	(8,868)	8,868	–
Goodwill released on deemed disposal of shares in an associate	–	–	–	15,163	–	–	–	15,163
Share of reserves of associates	–	–	–	432	–	–	–	432
Exchange differences on translation of financial statements of foreign subsidiaries	–	–	–	–	3,223	–	–	3,223
Net loss for the year	–	–	–	–	–	(66,828,046)	–	(66,828,046)
At 31st March, 2003	<u>457,792,558</u>	<u>1,105,394,602</u>	<u>–</u>	<u>96,670,039</u>	<u>(3,664,359)</u>	<u>(208,195,875)</u>	<u>3,265,862</u>	<u>1,451,262,827</u>
Company and subsidiaries	457,792,558	1,105,394,602	–	96,174,898	(2,784,062)	(224,763,625)	3,265,862	1,435,080,233
Associates	–	–	–	495,141	(880,297)	16,567,750	–	16,182,594
	<u>457,792,558</u>	<u>1,105,394,602</u>	<u>–</u>	<u>96,670,039</u>	<u>(3,664,359)</u>	<u>(208,195,875)</u>	<u>3,265,862</u>	<u>1,451,262,827</u>
Representing:								
At 31st March, 2003 after proposed final dividend								1,441,018,430
2003 final dividend proposed								<u>10,244,397</u>
At 31st March, 2003								<u>1,451,262,827</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 30. Reserves (Continued)

#### The Group (Continued)

	Capital reserve	Share premium	Contributed surplus	Capital reserve on consolidation	Exchange reserve	Accumulated losses	Statutory reserve	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st April, 2003								
– as previously reported	457,792,558	1,105,394,602	–	126,360,031	(3,664,359)	(17,490,074)	3,265,862	1,671,658,620
– prior year adjustment in respect of provision for deferred tax liabilities (Note 11)	–	–	–	(29,689,992)	–	(190,705,801)	–	(220,395,793)
– as restated	457,792,558	1,105,394,602	–	96,670,039	(3,664,359)	(208,195,875)	3,265,862	1,451,262,827
Dividend approved in respect of previous year	–	–	–	–	–	(10,244,397)	–	(10,244,397)
Share of reserves of associates	–	–	–	(157,879)	–	–	–	(157,879)
Exchange differences on translation of financial statements of foreign subsidiaries	–	–	–	–	(4,266)	–	–	(4,266)
Net profit for the year	–	–	–	–	–	20,351,651	–	20,351,651
<b>At 31st March, 2004</b>	<b>457,792,558</b>	<b>1,105,394,602</b>	<b>–</b>	<b>96,512,160</b>	<b>(3,668,625)</b>	<b>(198,088,621)</b>	<b>3,265,862</b>	<b>1,461,207,936</b>
Company and subsidiaries	457,792,558	1,105,394,602	–	96,174,898	(2,788,328)	(237,553,367)	3,265,862	1,422,286,225
Associates	–	–	–	337,262	(880,297)	39,464,746	–	38,921,711
	<b>457,792,558</b>	<b>1,105,394,602</b>	<b>–</b>	<b>96,512,160</b>	<b>(3,668,625)</b>	<b>(198,088,621)</b>	<b>3,265,862</b>	<b>1,461,207,936</b>
Representing:								
At 31st March, 2004 after proposed final dividend								1,450,963,539
2004 final dividend proposed								10,244,397
<b>At 31st March, 2004</b>								<b>1,461,207,936</b>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 30. Reserves (Continued)

#### The Company

	Capital reserve <i>HK\$</i>	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st April, 2002	457,792,558	1,105,394,602	41,954,109	259,388,180	1,864,529,449
Dividend approved in respect of previous year	–	–	(10,244,397)	–	(10,244,397)
Net loss for the year	–	–	–	(8,063,999)	(8,063,999)
At 31st March, 2003	<u>457,792,558</u>	<u>1,105,394,602</u>	<u>31,709,712</u>	<u>251,324,181</u>	<u>1,846,221,053</u>
Representing:					
At 31st March, 2003 after proposed final dividend					1,835,976,656
2003 final dividend proposed					<u>10,244,397</u>
At 31st March, 2003					<u>1,846,221,053</u>
At 1st April, 2003	457,792,558	1,105,394,602	31,709,712	251,324,181	1,846,221,053
Dividend approved in respect of previous year	–	–	(10,244,397)	–	(10,244,397)
Net loss for the year	–	–	–	(88,562,837)	(88,562,837)
At 31st March, 2004	<u>457,792,558</u>	<u>1,105,394,602</u>	<u>21,465,315</u>	<u>162,761,344</u>	<u>1,747,413,819</u>
Representing:					
At 31st March, 2004 after proposed final dividend					1,737,169,422
2004 final dividend proposed					<u>10,244,397</u>
At 31st March, 2004					<u>1,747,413,819</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 30. Reserves (Continued)

At the balance sheet date, the Company's reserves available for distribution to shareholders represented its retained profits of HK\$162,761,344 (2003: HK\$251,324,181) and contributed surplus of HK\$21,465,315 (2003: HK\$31,709,712). The contributed surplus arising on the formation of the Company in 1989 is distributable to shareholders under the Companies Act 1981 of Bermuda. In addition, the Company's share premium account may be distributed in the form of fully-paid bonus shares.

Statutory reserve of the Group represents Enterprise Expansion Fund and General Reserve Fund set aside by subsidiaries in accordance with the relevant laws and regulations in the PRC.

### 31. Cash Used in Operations

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Profit (Loss) from ordinary activities before taxation	22,696,920	(66,564,803)
Interest income	(2,564,385)	(4,215,755)
Interest expenses	5,767,906	8,362,713
Dividend income from unlisted preference shares	(3,790,565)	(5,878,938)
Depreciation of property, plant and equipment	9,506,983	3,833,851
Impairment loss on property, plant and equipment	–	334,224
Impairment loss on interest in an associate	–	2,205,323
Gain on reclassification of other investments	(2,982,497)	–
Revaluation (surplus) deficit on investment property	(15,000,000)	42,000,000
(Gain) Loss on disposal/write-off of property, plant and equipment	(165,339)	1,570,686
Loss on deemed disposal of shares in an associate	–	186,393
Provision for doubtful debts	1,000,000	2,625,027
Share of results of associates	(25,312,996)	(10,461,470)
Deemed gain on dilution of interest in an associate	(541)	–
Change in provisions	(116,477)	12,358,333
Changes in working capital:		
Other investments	126,000	(2,923,608)
Inventories	(1,256,390)	2,080,166
Properties held for sale	1,217,424	1,510,903
Trade and other receivables	1,338,443	(3,598,214)
Trade and other payables	1,479,507	(1,271,002)
Effects of exchange rate changes	(4,266)	3,223
<b>Cash used in operations</b>	<u>(8,060,273)</u>	<u>(17,842,948)</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 32. Major Non-cash Transactions

As mentioned in note 17 to the financial statements, the Group converted 72,000,000 series A preference shares into 144,000,000 Conversion Shares during the year.

### 33. Contingent Liabilities

At the balance sheet date, guarantees amounting to HK\$2,396,337 (2003: HK\$3,051,719) were given by a subsidiary to a bank for mortgage loans made by the bank to the purchasers of properties sold by the subsidiary.

### 34. Commitments

#### (a) Capital expenditure commitments

At the balance sheet date, the Group had capital expenditure commitments contracted but not provided for (net of deposits paid) amounting to HK\$4,118,235 (2003: HK\$4,675,530).

#### (b) Operating leases commitment payable

At the balance sheet date, the Group had total outstanding commitments in respect of land and buildings under non-cancellable operating leases, which are payable as follows:

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Within one year	1,686,093	1,785,379
In the second to fifth years inclusive	487,431	2,167,285
	<u>2,173,524</u>	<u>3,952,664</u>

The above operating lease commitments included HK\$1,067,180 (2003: HK\$2,134,360) which arose from a lease agreement entered into between the Group and a wholly owned subsidiary of Midas. During the year, the Group leased certain properties from a wholly owned subsidiary of Midas and incurred rental expenses of HK\$1,067,180 (2003: HK\$1,067,180). The lease will expire on 31st March, 2005.

## 34. Commitments (Continued)

## (c) Operating leases commitment receivables

At the balance sheet date, the Group had future aggregate minimum rental receivable under non-cancellable operating leases as follows:

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Within one year	8,316,077	10,294,788
In the second to fifth years inclusive	8,405,678	3,458,372
	<u>16,721,755</u>	<u>13,753,160</u>

At the balance sheet date, the Group leased its investment properties to third parties under operating leases. The leases usually run for two to three years.



## Notes to the Financial Statements

Year ended 31st March, 2004

### 35. Segment Information

The analysis of the Group's turnover and contribution to profit (loss) attributable to shareholders are as follows:

#### (a) By business segments

	Property HK\$	Manufacturing HK\$	Information technology HK\$	Securities trading HK\$	Inter-segment elimination HK\$	Unallocated HK\$	Consolidated total HK\$
<b>Year ended 31st March, 2004</b>							
External sales	13,870,252	33,009,810	364,833	261,339	–	6,354,950	53,861,184
Inter-segment sales	48,000	–	–	–	(48,000)	–	–
<b>Total revenue</b>	<b>13,918,252</b>	<b>33,009,810</b>	<b>364,833</b>	<b>261,339</b>	<b>(48,000)</b>	<b>6,354,950</b>	<b>53,861,184</b>
Segment results:							
Profit (Loss) from operations before revaluation surplus	2,227,594	1,539,167	(728,314)	135,339	–	(15,021,956)	(11,848,170)
Revaluation surplus	15,000,000	–	–	–	–	–	15,000,000
	<b>17,227,594</b>	<b>1,539,167</b>	<b>(728,314)</b>	<b>135,339</b>	<b>–</b>	<b>(15,021,956)</b>	<b>3,151,830</b>
Finance costs							(5,767,906)
Share of results of associates		25,826,425	(513,429)				25,312,996
Profit from ordinary activities before taxation							22,696,920
Taxation							(2,459,483)
Profit after taxation							20,237,437
Minority interests							114,214
Net profit attributable to shareholders							<b>20,351,651</b>
<b>OTHER INFORMATION</b>							
Capital expenditures	14,842,279	930,727	4,112	–	–	1,731,247	17,508,365
Depreciation	356,022	642,663	70,469	–	–	8,437,829	9,506,983
Amortisation of negative goodwill	–	(4,543,426)	–	–	–	–	(4,543,426)
Other non-cash items other than depreciation and amortisation	(15,000,000)	–	–	–	–	(1,982,497)	(16,982,497)

## Notes to the Financial Statements

Year ended 31st March, 2004

### 35. Segment Information (Continued)

#### (a) By business segments (Continued)

	Property HK\$	Manufacturing HK\$	Information technology HK\$	Securities trading HK\$	Inter-segment elimination HK\$	Unallocated HK\$	Consolidated total HK\$
<b>Year ended 31st March, 2003</b>							
External sales	16,135,054	36,713,736	493,866	441,754	–	10,094,693	63,879,103
Inter-segment sales	48,000	–	–	–	(48,000)	–	–
<b>Total revenue</b>	<b>16,183,054</b>	<b>36,713,736</b>	<b>493,866</b>	<b>441,754</b>	<b>(48,000)</b>	<b>10,094,693</b>	<b>63,879,103</b>
Segment results:							
(Loss) Profit from operations before revaluation deficit and impairment loss	(8,315,387)	1,647,542	(3,931,366)	(408,290)	–	(13,116,512)	(24,124,013)
Revaluation deficit	(42,000,000)	–	–	–	–	–	(42,000,000)
Impairment loss	–	(2,205,323)	(334,224)	–	–	–	(2,539,547)
	<b>(50,315,387)</b>	<b>(557,781)</b>	<b>(4,265,590)</b>	<b>(408,290)</b>	<b>–</b>	<b>(13,116,512)</b>	<b>(68,663,560)</b>
Finance costs							(8,362,713)
Share of results of associates		10,664,985	(203,515)				10,461,470
Loss from ordinary activities before taxation							(66,564,803)
Taxation							(595,813)
Loss after taxation							(67,160,616)
Minority interests							332,570
Net loss attributable to shareholders							<b>(66,828,046)</b>
<b>OTHER INFORMATION</b>							
Capital expenditures	416,376	462,383	34,947	–	–	17,937,397	18,851,103
Depreciation	754,444	598,648	319,067	–	–	2,161,692	3,833,851
Amortisation of negative goodwill	–	(1,032,638)	–	–	–	–	(1,032,638)
Impairment loss	–	2,205,323	334,224	–	–	–	2,539,547
Other non-cash expenses other than depreciation and amortisation	42,000,000	1,875,027	2,024,650	411,187	–	1,757,079	48,067,943

## Notes to the Financial Statements

Year ended 31st March, 2004

### 35. Segment Information (Continued)

(a) By business segments (Continued)

	Property	Manufacturing	Information technology	Securities trading	Consolidated total
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>As at 31st March, 2004</b>					
<b>Assets</b>					
Segment assets	1,652,708,071	15,007,260	453,894	–	1,668,169,225
Interests in associates		121,345,671	1,612,176		122,957,847
Unallocated assets					364,416,312
Total assets					<u>2,155,543,384</u>
<b>Liabilities</b>					
Segment liabilities	311,127,334	5,604,300	371,426	–	317,103,060
Unallocated liabilities					246,900,635
Total liabilities					<u>564,003,695</u>
<b>As at 31st March, 2003</b>					
<b>Assets</b>					
Segment assets	1,626,730,222	12,232,057	952,460	3,746,850	1,643,661,589
Interest in associates		55,427,282	2,125,605		57,552,887
Unallocated assets					451,723,764
Total assets					<u>2,152,938,240</u>
<b>Liabilities (Restated)</b>					
Segment liabilities	314,406,361	3,709,712	510,590	–	318,626,663
Unallocated liabilities					252,602,783
Total liabilities					<u>571,229,446</u>

## Notes to the Financial Statements

Year ended 31st March, 2004

### 35. Segment Information (Continued)

#### (b) By geographical segments

Segment revenue and segment results are based on the geographical location of customers while segment assets and capital expenditure are based on the geographical location of assets.

	Year ended 31st March, 2004			
	Carrying amount of segment assets <i>HK\$</i>	Capital expenditure incurred <i>HK\$</i>	Revenue from external customers <i>HK\$</i>	Segment results <i>HK\$</i>
Hong Kong	897,377,915	5,795,213	48,495,936	7,758,517
The PRC	1,257,855,385	11,713,152	2,604,747	(5,043,224)
Others	310,084	—	2,760,501	436,537
	<u>2,155,543,384</u>	<u>17,508,365</u>	<u>53,861,184</u>	<u>3,151,830</u>
	Year ended 31st March, 2003			
	Carrying amount of segment assets <i>HK\$</i>	Capital expenditure incurred <i>HK\$</i>	Revenue from external customers <i>HK\$</i>	Segment results <i>HK\$</i>
Hong Kong	925,931,206	16,452,384	57,439,415	(56,558,250)
The PRC	1,226,497,744	2,398,719	3,528,071	(10,788,428)
Others	509,290	—	2,911,617	(1,316,882)
	<u>2,152,938,240</u>	<u>18,851,103</u>	<u>63,879,103</u>	<u>(68,663,560)</u>

### 36. Ultimate Holding Company

The directors consider the ultimate holding company is Chuang's Consortium International Limited, a company incorporated in Bermuda and listed in Hong Kong.