

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate holding company of the Company is Charron Holdings Limited, a limited liability company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of the Group are property development and investment, provision of securities brokerage and margin financing services, printing and publishing services and consultancy and advisory services, sales of furniture and marine products and hotel and restaurant operations.

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The term HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA.

SSAP 12 (Revised)

Income Taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation 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 requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. As a result of this change in policy, the balance of accumulated profits at April 1, 2002 has been increased by approximately HK\$1,850,000 representing the cumulative effect of the change in policy on the results for the periods prior to April 1, 2002. The balance on the Group's asset revaluation reserve at April 1, 2002 has been decreased by approximately HK\$11,887,000, representing the deferred taxation liabilities recognised in respect of the revaluation surplus on the Group's properties at that date. The change has resulted in a decrease in the profit of approximately HK\$6,049,000 for the year ended March 31, 2004 and an increase in the loss of approximately HK\$5,067,000 for the year ended March 31, 2003. The change has also resulted in a decrease in asset revaluation reserve of approximately HK\$864,000 for the year ended March 31, 2004 and an increase in asset revaluation reserve of approximately HK\$211,000 for the year ended March 31, 2003.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its estimated economic life of not more than twenty years. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

#### Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition. Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Negative goodwill (continued)

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately. To the extent that negative goodwill does not relate to expectations of future losses and expenses that have been identified in the acquirer's plan for the acquisition and can be measured reliably, negative goodwill is a gain which is recognised as income when the future economic benefits embodied in the identifiable depreciable assets acquired are consumed. In the case of monetary assets, the gain is recognised as income immediately.

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

#### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

#### Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus unamortised goodwill (less negative goodwill) arising on acquisition, less any identified impairment loss.

#### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments in securities (continued)

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in reserves, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the valuation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where unexpired terms of the relevant leases are 20 years or less.

#### Property, plant and equipment

Property, plant and equipment, other than hotel properties and decoration work in progress, are stated at cost less depreciation and impairment losses.

Decoration work in progress is stated at cost less any identified impairment loss. Depreciation commences when the assets are ready for their intended use.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment (continued)

Depreciation is provided to write off the cost of the assets, other than hotel properties and decoration work in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired terms of the relevant leases
Buildings	Over the estimated useful lives of 40 years or the unexpired terms of the relevant leases, whichever is shorter
Leasehold improvements	10 – 20%
Machinery and equipment	10 – 20%
Others	10 – 33 $\frac{1}{3}$ %

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Hotel properties

Hotel properties represent interests in land and buildings and their integral fixed plant and machinery which are used collectively for hotel operations and which are stated at cost or carrying value at the time when the properties were reclassified from investment properties.

Depreciation is provided to write off the carrying value of leasehold land over the unexpired term of the lease. No depreciation is provided in respect of hotel buildings erected on leasehold land with an unexpired term of more than 20 years. It is the Group's policy to maintain the hotel buildings (including integral plant and machinery) in such condition that their value is not diminished by the passage of time. Accordingly, the directors consider that the lives of these assets and their residual values are such that any depreciation would be insignificant. The related maintenance and repairs expenditure is charged to the income statement when incurred. All hotel buildings erected on leasehold land with an unexpired term of less than 20 years are depreciated over their estimated useful lives or the term of the relevant lease, whichever is shorter.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Properties under development

Properties under development are stated at cost, less any identified impairment losses. Cost comprises the cost of acquisition of the properties under development together with direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development.

Properties under development which are sold in advance of completion or are due for completion within one year from the balance sheet date and with the intention for sale when completed are included in the balance sheet as current assets. All other properties under development are included in the balance sheet as non-current assets.

#### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost, which comprises direct purchase cost or expenditure incurred for the construction and, where applicable, other incidental expenses that have been incurred in bringing the properties to their present location and condition, is calculated using the weighted average method. Net realisable value represents the actual or estimated selling price in the ordinary course of business less all related selling and marketing costs.

#### Intangible assets

The trading rights held in the Stock Exchange and Hong Kong Futures Exchange Limited (the "Futures Exchange") and the copyright, trademarks and intellectual rights attaching to magazines are stated at cost less amortisation and impairment losses, and are amortised on a straight line basis over a period of 10 years.

Internet streaming rights for songs recordings and movies are stated at cost less amortisation and impairment losses. The assets are amortised based on the income generated from the assets over its estimated economic life of 7 years.

#### Other assets

Other assets, other than publishing library, are stated at cost less any impairment losses recognised.

Publishing library are stated at cost less amortisation and any impairment loss recognised. The publishing library is amortised over a period of 10 years.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### 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 concerned to the Group. Assets held under finance lease are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, 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 period 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.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight line basis over the relevant lease term.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

#### Revenue recognition

Sales of properties are recognised when unconditional sale and purchase agreements have been signed during the year and legal completion take place prior to the approval of the financial statements.

When properties under development are sold in advance of completion, income is recognised over the course of the development only when income can be anticipated with reasonable certainty and is computed as a proportion of the total estimated income to completion or the sale deposits received from the pre-sale, whichever is the lower; the proportion used being that of the construction costs incurred at the balance sheet date to estimated total construction costs.

Rental income from properties under operating leases is recognised on a straight line basis over the period of the relevant leases.

Sales of furniture and marine products are recognised when goods are delivered and title has passed.

Revenue from sale of newspapers and other publications is recognised when the products are delivered and title has passed to distributors or dealers and the Group retains no significant obligation. Allowances for subsequent returns and exchanges are recorded in the period in which the related revenue is recognised.

Advertising income is recognised on the publication date.

Income from provision of printing services is recognised when the services are rendered.

Service income is recognised when the management, consultancy and advisory services are rendered.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition (continued)

Commission and brokerage and advisory service income is recognised when the service is rendered, the revenue can be reliably estimated and it is probable that the revenue will be received.

Sales of investments in securities are recognised when the related bought and sold note is executed.

Dividend income from investments is recognised when the Group's rights to receive dividend payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Income arising from the hotel and restaurant operations is recognised when the services are rendered.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and items that are never taxable and deductible.

Deferred taxation 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 taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation 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 assets or liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation (continued)

The carrying amount of deferred taxation 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.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

#### Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

#### Retirement benefits costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 4. TURNOVER

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Turnover for the year comprises:		
Proceeds from sales of properties	<b>533,901</b>	77,960
Income from printing and publishing	<b>352,809</b>	237,440
Sales of furniture	<b>97,975</b>	90,922
Rental income from investment properties	<b>76,191</b>	91,118
Sales of marine products	<b>44,329</b>	27,591
Income from hotel and restaurant operations	<b>41,515</b>	42,014
Commission from the provision of securities and futures brokerage services and related advisory services	<b>41,083</b>	26,073
Interest income from margin financing and other loan receivables	<b>34,726</b>	26,460
Consultancy and advisory service income	<b>31,262</b>	40,951
Proceeds from sale of securities held for trading purposes	<b>26,192</b>	19
	<b><u>1,279,983</u></b>	<b><u>660,548</u></b>

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into eight operating divisions, namely, lease of properties, sales of properties, printing and publishing, securities brokerage services, wholesaling and retailing of furniture, hotel and restaurant operations, sales of marine products, and consultancy and advisory services. These divisions are the basis on which the Group reports its primary segment information.

The Group's turnover and contribution to profit before taxation have been derived from activities which are substantially carried out in Hong Kong. In addition, a substantial portion of the Group's assets are located in Hong Kong.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these business activities for the year ended March 31, 2004 is presented below.

	Lease of properties HK\$'000	Sales of properties HK\$'000	Printing and publishing HK\$'000	Securities brokerage services HK\$'000	Wholesaling and retailing of furniture HK\$'000	Hotel and restaurant operations HK\$'000	Sales of marine products HK\$'000	Consultancy and advisory services HK\$'000	Others HK\$'000	Consolidated HK\$'000
INCOME STATEMENT										
Turnover										
External sales	76,191	533,901	352,809	75,809	97,975	41,515	44,329	31,262	26,192	1,279,983
Result										
Segment results	329,033	18,963	(8,012)	23,341	(7,611)	(5,881)	1,788	26,360	4,441	382,422
Interest income										1,327
Unallocated corporate expenses										(44,119)
Profit from operations										339,630
Finance costs										(20,106)
Share of results of associates	-	30,775	-	-	-	-	-	-	-	30,775
Profit before taxation										350,299
Taxation charge										(15,964)
Profit before minority interests										334,335

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

	Lease of properties	Sales of properties	Printing and publishing	Securities brokerage services	Wholesaling and retailing of furniture	Hotel and restaurant operations	Sales of marine products	Consultancy and advisory services	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER INFORMATION										
Capital additions	108,256	53,280	5,785	390	4,250	9,184	-	-	2,617	183,762
Depreciation and amortisation	6,119	-	22,518	3,405	8,740	9,081	6	-	4,909	54,778
Impairment losses recognised in income statement	6,517	23,970	-	8,000	-	-	-	-	1,300	39,787
Negative goodwill released	-	-	-	-	-	-	-	-	878	878
Revaluation surplus of investment properties	(273,253)	-	-	-	-	-	-	-	-	(273,253)
Allowance for doubtful debts made (written back)	753	187	1,446	4,782	-	-	(46)	-	-	7,122
BALANCE SHEET										
Assets										
Segment assets	1,745,926	117,736	176,332	239,572	131,027	520,262	2,590	1,148	2,062	2,936,655
Interests in associates	-	128,774	-	-	-	-	-	-	-	128,774
Unallocated corporate assets										355,106
Consolidated total assets										3,420,535
Liabilities										
Segment liabilities	(33,557)	(22,456)	(61,093)	(85,226)	(14,867)	(8,021)	(2,121)	(76,354)	-	(303,695)
Unallocated corporate liabilities										(748,538)
Consolidated total liabilities										(1,052,233)

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these business activities for the year ended March 31, 2003 is presented below.

	Lease of properties HK\$'000	Sales of properties HK\$'000	Printing and publishing HK\$'000	Securities brokerage services HK\$'000	Wholesaling and retailing of furniture HK\$'000	Hotel operations HK\$'000	Sales of marine products HK\$'000	Consultancy and advisory services HK\$'000	Others HK\$'000	Consolidated HK\$'000
INCOME STATEMENT										
Turnover										
External sales	91,118	77,960	237,440	52,533	90,922	42,014	27,591	40,951	19	660,548
Result										
Segment results	(157,966)	42,178	(52,575)	29,185	(4,599)	(7,731)	1,416	32,239	(4,242)	(122,095)
Interest income										11,305
Impairment loss recognised in respect of internet streaming rights										(180,000)
Unallocated corporate expenses										(43,714)
Loss from operations										(334,504)
Finance costs										(24,910)
Loss on disposal of associates	-	(57,612)	-	-	-	-	-	-	17,662	(39,950)
Amortisation of goodwill arising on acquisition of an associate	-	-	-	-	-	-	-	-	(3,094)	(3,094)
Share of results of associates	-	(298,540)	-	-	-	-	-	-	(11,392)	(309,932)
Loss before taxation										(712,390)
Taxation charge										(7,071)
Loss before minority interests										(719,461)

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

	Lease of properties	Sales of properties	Printing and publishing	Securities brokerage services	Wholesaling and retailing of furniture	Hotel operations	Sales of marine products	Consultancy and advisory services	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER INFORMATION										
Capital additions	10,665	254,796	114,725	1,497	14,080	40,178	96	-	3,281	439,318
Depreciation and amortisation	5,531	-	18,269	3,570	6,499	7,789	11	-	7,800	49,469
Impairment losses recognised (reversed) in income statement	33,437	(12,015)	16,324	-	-	-	-	-	181,470	219,216
Negative goodwill released	-	-	-	-	-	-	-	-	73	73
Revaluation deficit of investment properties	204,475	-	-	-	-	-	-	-	-	204,475
Allowance for doubtful debts made (written back)	1,837	-	2,094	(8,788)	-	-	(70)	43	92	(4,792)
BALANCE SHEET										
Assets										
Segment assets	1,387,049	564,918	189,944	141,003	145,444	553,643	451	689	6,198	2,989,339
Interests in associates	-	108,286	-	-	-	-	-	-	-	108,286
Unallocated corporate assets										351,791
Consolidated total assets										3,449,416
Liabilities										
Segment liabilities	(25,138)	(42,535)	(51,474)	(67,915)	(8,551)	(17,431)	(2,940)	(100,912)	-	(316,896)
Unallocated corporate liabilities										(1,138,604)
Consolidated total liabilities										(1,455,500)

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 6. OTHER OPERATING INCOME – NET

The amount for the year includes:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Gain on disposal of intangible assets	2,988	–
Gain on disposal of non-trading securities	79	–
(Loss) gain on winding up of subsidiaries	(259)	446
Interest income from:		
– bank deposits and other receivables	648	837
– loans receivable from associates	679	10,468
Management fees received	2,330	3,136
Release of negative goodwill arising from acquisition of subsidiaries during the year	878	73
Unrealised holding gain (loss) on trading securities	<u>2,445</u>	<u>(4,192)</u>

### 7. IMPAIRMENT LOSSES

Impairment losses (recognised) reversed in respect of:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Properties under development	(25,577)	(33,437)
Intangible assets	(8,000)	(180,000)
Properties held for sale ( <i>note a</i> )	(4,910)	12,015
Motor vehicle registration marks	(1,300)	(1,470)
Publishing library ( <i>note b</i> )	–	(16,324)
	<u>(39,787)</u>	<u>(219,216)</u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 7. IMPAIRMENT LOSSES (continued)

Notes:

- (a) The impairment loss of approximately HK\$4,910,000 for the current year was recognised by reference to the professional valuations prepared on an open market value basis.

The amount in the prior year represented the reversal of impairment loss of properties held for sale which was previously recognised in the income statement in previous years when those properties were in construction stage. The amount of reversal was made by the directors with reference to professional valuations prepared on an open market value basis.

- (b) The impairment loss in the prior year was recognised as a result of an assessment of the value of the publishing library by the Group by reference to the estimated selling price and replacement cost of those assets.

### 8. PROFIT (LOSS) FROM OPERATIONS

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging:		
Amortisation of intangible assets	<b>2,948</b>	3,050
Amortisation of publishing library	<b>330</b>	1,451
Auditors' remuneration	<b>2,607</b>	1,395
Depreciation	<b>51,500</b>	41,874
Loss on disposal of investment properties	–	120
Loss on disposal of property, plant and equipment	<b>798</b>	2,743
Loss on disposal of properties under development	<b>1,880</b>	–
Operating lease rentals in respect of:		
– rented premises	<b>20,681</b>	19,800
– equipment	<b>1,513</b>	912
Staff costs, including directors' remuneration and retirement benefit scheme contributions ( <i>note 9</i> )	<b>237,801</b>	198,932
and after crediting:		
Gross rental income less outgoings of approximately HK\$9,080,000 (2003: HK\$8,280,000)	<b>67,111</b>	82,838

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

#### (i) Directors' emoluments

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Directors' fees		
Executive	<b>600</b>	700
Independent non-executive	<b>100</b>	100
	<hr/>	<hr/>
	<b>700</b>	800
Other emoluments		
Executive		
Salaries and benefits	<b>5,379</b>	5,929
Retirement benefit scheme contributions	<b>306</b>	316
	<hr/>	<hr/>
Total directors' emoluments	<b>6,385</b>	7,045
	<hr/> <hr/>	<hr/> <hr/>

The emoluments of the directors fall within the following bands:

	<b>Number of directors</b>	
	<b>2004</b>	2003
Nil to HK\$1,000,000	<b>5</b>	6
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	–
HK\$1,500,001 to HK\$2,000,000	<b>1</b>	2
HK\$2,000,001 to HK\$2,500,000	<b>1</b>	1
	<hr/>	<hr/>
	<b>8</b>	9
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

#### (ii) Employees' emoluments

Of the five individuals with the highest emoluments in the Group in 2004, three (2003: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two highest paid individuals in 2004 (2003: two) are as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	<b>4,621</b>	3,913
Retirement benefit scheme contributions	<b>24</b>	142
	<u><b>4,645</b></u>	<u>4,055</u>

The emoluments of the individuals fall within the following bands:

	<b>Number of employees</b>	
	<b>2004</b>	2003
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	<b>1</b>	–
	<u><b>2</b></u>	<u>2</u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

#### (iii) Retirement benefit scheme contributions

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Retirement benefit scheme contributions to the Group's defined contribution scheme	<b>3,071</b>	2,737
Less: Forfeited contributions	<b>(1,178)</b>	(418)
	<b>1,893</b>	2,319
Contributions to mandatory provident fund scheme ("MPF Scheme")	<b>6,523</b>	4,984
Amount charged to income statement	<b>8,416</b>	7,303

The Group participates in both a defined contribution scheme which is registered under the Hong Kong Occupational Retirement Scheme Ordinance (the "ORSO" Scheme) and the MPF Scheme established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after December 1, 2000 are required to join the MPF Scheme.

The retirement benefit cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, forfeited contributions of approximately HK\$301,000 (2003: HK\$908,000), which arose upon employees leaving the ORSO Scheme, are available to reduce the contributions payable in future years.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 10. FINANCE COSTS

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Interest on:		
– bank borrowings wholly repayable within five years	<b>(11,590)</b>	(27,142)
– bank borrowings not wholly repayable within five years	<b>(5,746)</b>	(358)
– other borrowings wholly repayable within five years	<b>(1,964)</b>	(1,238)
	<b>(19,300)</b>	(28,738)
Less: Amount capitalised in properties under development	–	3,758
	<b>(19,300)</b>	(24,980)
Interest on finance leases	<b>(26)</b>	(19)
Total borrowing costs	<b>(19,326)</b>	(24,999)
Bank charges	<b>(780)</b>	(1,000)
Amount charged to income statement	<b>(20,106)</b>	(25,999)
Less: Amount included in direct operating expenses	–	1,089
	<b>(20,106)</b>	(24,910)

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 11. TAXATION CHARGE

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	(7,523)	(6,523)
PRC enterprise income tax	(269)	–
	<u>(7,792)</u>	<u>(6,523)</u>
(Under)overprovision in prior years		
Hong Kong Profits Tax	362	4,524
PRC enterprise income tax	(57)	–
	<u>305</u>	<u>4,524</u>
Deferred taxation ( <i>note 25</i> )		
Current year	(5,748)	(4,800)
Attributable to increase in tax rate	(301)	–
	<u>(6,049)</u>	<u>(4,800)</u>
Share of net taxation charge of associates	<u>(2,428)</u>	<u>(272)</u>
	<u><b>(15,964)</b></u>	<u><b>(7,071)</b></u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year.

The PRC enterprise income tax is calculated at the rates prevailing in the PRC.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 11. TAXATION CHARGE (continued)

The charge for the year can be reconciled to the profit (loss) before taxation per consolidated income statement as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Profit (loss) before taxation	<u><b>350,299</b></u>	<u>(712,390)</u>
Tax (charge) credit at Hong Kong Profits Tax of 17.5% (2003: 16%)	<b>(61,302)</b>	113,982
Tax effect of expenses that are not deductible for tax purposes	<b>(9,358)</b>	(74,430)
Tax effect of income that is not taxable for tax purposes	<b>56,594</b>	10,572
Utilisation of tax losses previously not recognised	<b>5,995</b>	5,780
Tax effect of tax losses not recognised	<b>(9,079)</b>	(18,139)
Tax effect of deductible temporary differences not recognised	<b>(859)</b>	(112)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>54</b>	–
Increase in opening deferred taxation resulting from a change in tax rate	<b>(301)</b>	–
Overprovision in prior years	<b>305</b>	4,524
Effect of share of tax of associates	<b>2,958</b>	(49,861)
Others	<b>(971)</b>	613
Taxation charge for the year	<u><b>(15,964)</b></u>	<u>(7,071)</u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 12. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the Group's consolidated profit attributable to shareholders of approximately HK\$334,869,000 (2003: loss of HK\$710,937,000 as restated) and on 86,329,352 ordinary shares in issue after adjusted for the effect of the 10 to 1 share consolidation effective on March 31, 2003.

No disclosure of diluted earnings (loss) per share has been presented as there were no dilutive potential ordinary shares in issue in both years.

The adjustment to comparative basic earnings per share, arising from the changes in accounting policies shown in note 2 above, is as follows:

	<b>Basic</b> <i>HK\$</i>
Reconciliation of 2003 loss per share:	
Reported figures before adjustments	(8.18)
Adjustments arising from the adoption of SSAP 12 (Revised)	(0.06)
	<hr/>
Restated	<u><u>(8.24)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 13. INVESTMENT PROPERTIES

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
VALUATION		
At the beginning of the year	1,224,445	1,475,120
Additions	83,252	–
Transferred from leasehold land and buildings	–	9,900
Transferred to leasehold land and buildings	–	(54,300)
Disposals	–	(1,800)
Surplus (deficit) arising on revaluation	<u>273,253</u>	<u>(204,475)</u>
At the end of the year	<u><b>1,580,950</b></u>	<u>1,224,445</u>

The net book value of investment properties at the balance sheet date comprises:

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Situated in Hong Kong:		
– long leases	418,800	279,800
– medium-term leases	<u>1,162,150</u>	<u>944,645</u>
	<u><b>1,580,950</b></u>	<u>1,224,445</u>

The investment properties were valued at March 31, 2004 by an employee of the Group, who is a professional qualified surveyor, on an open market value basis. All the investment properties are held for rental under operating leases.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Hotel properties HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Decoration work in progress HK\$'000	Others HK\$'000	Total HK\$'000
THE GROUP							
COST OR DEEMED COST							
At April 1, 2003	303,968	523,202	113,706	62,452	4,208	124,003	1,131,539
Additions	-	-	12,829	1,922	-	8,962	23,713
Disposals	(38,591)	-	(17,865)	(3,476)	-	(39,324)	(99,256)
Reclassification	-	-	-	-	(4,208)	4,208	-
<b>At March 31, 2004</b>	<b>265,377</b>	<b>523,202</b>	<b>108,670</b>	<b>60,898</b>	<b>-</b>	<b>97,849</b>	<b>1,055,996</b>
Comprising:							
At cost	48,202	88,202	108,670	60,898	-	97,849	403,821
At deemed cost	217,175	435,000	-	-	-	-	652,175
	265,377	523,202	108,670	60,898	-	97,849	1,055,996
DEPRECIATION							
At April 1, 2003	26,935	30,709	47,844	10,981	-	94,039	210,508
Provided for the year	6,727	4,387	13,870	16,429	-	10,087	51,500
Eliminated on disposals	(15,460)	-	(12,685)	(2,433)	-	(31,495)	(62,073)
<b>At March 31, 2004</b>	<b>18,202</b>	<b>35,096</b>	<b>49,029</b>	<b>24,977</b>	<b>-</b>	<b>72,631</b>	<b>199,935</b>
NET BOOK VALUES							
<b>At March 31, 2004</b>	<b>247,175</b>	<b>488,106</b>	<b>59,641</b>	<b>35,921</b>	<b>-</b>	<b>25,218</b>	<b>856,061</b>
At March 31, 2003	277,033	492,493	65,862	51,471	4,208	29,964	921,031

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of properties shown above comprises:

	Leasehold land and buildings		Hotel properties	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Situated in Hong Kong:				
– long leases	148,026	152,342	488,106	492,493
– medium-term leases	99,149	101,560	–	–
Situated in the PRC under medium-term leases	–	23,131	–	–
	<u>247,175</u>	<u>277,033</u>	<u>488,106</u>	<u>492,493</u>

Certain hotel properties were transferred from investment properties in 1997 based on valuation as at March 31, 1996 carried out by Mr. Tse Wai Chuen, FRICS, FHKIS, (“Mr. Tse”), a former director of the Company, on an open market value basis.

Certain leasehold land and buildings were transferred from investment properties in 2000 and 2001 based on valuations as at March 31, 1999 carried out by Mr. Tse and as at March 31, 2000 carried out by Chesterton Petty Limited, a firm of international property consultants, respectively on an open market value basis.

Certain leasehold land and buildings were transferred from investment properties in 2003 based on valuations as at March 31, 2002 carried out by Mr. Tse on an open market value basis.

The net book value of the Group’s machinery and equipment includes an amount of approximately HK\$141,000 (2003: HK\$345,000) in respect of assets held under finance leases.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 15. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
At the beginning of the year	197,100	411,995
Additions	76,797	200,633
Acquired on acquisition of subsidiaries	–	63,900
Transferred to properties held for sale upon completion	–	(445,991)
Exchange realignment	(24)	–
Disposals	(50,636)	–
Less: Impairment loss recognised	(25,577)	(33,437)
	<u>197,660</u>	<u>197,100</u>
At the end of the year	<u>197,660</u>	<u>197,100</u>

The properties under development at the balance sheet date comprise:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Situated in Hong Kong:		
– long leases	149,000	132,000
– medium-term leases	1,200	1,200
Situated in the PRC and held under land use rights for:		
– terms not less than 50 years	2,400	3,000
– terms expiring within 50 years	45,060	60,900
	<u>197,660</u>	<u>197,100</u>

The carrying amounts of certain properties under development were reduced by an amount of approximately HK\$25,577,000 (2003: HK\$33,437,000) to their net recoverable amount estimated by the Company's directors, with reference to professional valuations prepared on an open market value basis.

Included in the properties under development at the balance sheet date is net interest capitalised of approximately HK\$4,527,000 (2003: HK\$4,527,000). No interest was capitalised during the current year. Interest capitalised by the Group for the year ended March 31, 2003 in respect of properties under development amounted to approximately HK\$3,758,000 at a capitalisation rate of 3.4% per annum.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares	<u>893,236</u>	<u>893,236</u>

Included in the balance is the cost of unlisted shares of Emperor Investment Limited ("EIL") amounting to approximately HK\$893,234,000 (2003: HK\$893,234,000) which represents the underlying net assets of EIL and its subsidiaries at December 17, 1991, the date on which the group reorganisation became effective and the Company became the holding company of the Group, after adjusting for dividend received of HK\$4,555,000 from EIL which was treated as a reduction in the cost of the Company's investment. The other subsidiaries held directly by the Company are stated at cost.

Particulars of the principal subsidiaries of the Company as at March 31, 2004 are set out in note 46.

### 17. AMOUNTS DUE FROM SUBSIDIARIES

#### THE COMPANY

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current assets.

### 18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of net assets	<u>110,538</u>	<u>82,227</u>
Market value of those shares listed on the Stock Exchange as at March 31	<u>17,057</u>	<u>2,729</u>

Particulars of the principal associates of the Group as at March 31, 2004 are set out in note 47.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 18. INTERESTS IN ASSOCIATES (continued)

The financial information in respect of the Group's significant associate which has been extracted from the audited financial statements for the year ended March 31, 2004 of Emperor (China Concept) Investments Limited ("ECC"), is as follows:

#### Income statement

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Turnover	—	31,439
Profit (loss) for the year ( <i>note</i> )	<b>86,382</b>	(598,266)
Profit (loss) attributable to the Group	<b>26,770</b>	(299,116)

*Note:* Loss for the year ended March 31, 2003 included an allowance for doubtful recovery of amount due from an unconsolidated subsidiary of approximately HK\$627,168,000.

#### Balance sheet

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Non-current assets	<b>360,122</b>	267,086
Current assets	<b>40,821</b>	35,814
Current liabilities	<b>(1,474)</b>	(2,356)
Non-current liabilities	<b>(48,965)</b>	(45,260)
Minority interests	<b>(1,925)</b>	7,031
Net assets	<b>348,579</b>	262,315
Share of net assets	<b>108,025</b>	81,291

### 19. AMOUNTS DUE FROM ASSOCIATES THE GROUP

The amounts are unsecured and have no fixed terms of repayment. Except for an amount of approximately HK\$8,320,000 (2003: HK\$14,720,000) which is interest-free, the remaining bears interest at the prevailing market rate. In the opinion of the directors, no demand for repayment will be made by the Group in the next twelve months. Accordingly, the amounts are shown as non-current assets.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 20. LOANS RECEIVABLE THE GROUP

The loans were advanced to purchasers for financing the acquisition of the properties sold by the Group. The amounts are interest-free for the first 24 months from the drawdown date and bear interest at prevailing market rates thereafter and are secured by second mortgages over the properties acquired by the purchasers. According to the loan agreements, no demand for repayment will be made in the next twelve months. Accordingly, the amounts are shown as non-current assets.

### 21. INTANGIBLE ASSETS

	THE GROUP				
	7 trading rights at the Stock Exchange <i>HK\$'000</i>	2 trading rights at the Futures Exchange <i>HK\$'000</i>	Copyright, trademarks and intellectual rights <i>HK\$'000</i>	Internet streaming rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at April 1, 2002	17,113	699	–	180,000	197,812
Acquired on acquisition of subsidiaries	–	–	6,947	–	6,947
Amortisation for the year	(2,445)	(100)	(505)	–	(3,050)
Impairment loss recognised in the year	–	–	–	(180,000)	(180,000)
Balance at March 31, 2003 and April 1, 2003	14,668	599	6,442	–	21,709
Amortisation for the year	(2,444)	(100)	(404)	–	(2,948)
Disposals	–	–	(3,012)	–	(3,012)
Impairment loss recognised in the year	(8,000)	–	–	–	(8,000)
<b>Balance at March 31, 2004</b>	<b>4,224</b>	<b>499</b>	<b>3,026</b>	<b>–</b>	<b>7,749</b>

At March 31, 2004, the directors of the Company have assessed the value of the trading rights at the Stock Exchange by reference to the current economic conditions, the changes in the business environment of the securities industry in Hong Kong and the net selling price of the underlying assets, and has identified an impairment loss of HK\$8,000,000 which is charged to the income statement for the year.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 21. INTANGIBLE ASSETS (continued)

At March 31, 2003, the Group assessed the value of the internet streaming rights by reference to the market conditions, business environment and estimation of future return generated from that intangible asset and had identified an impairment loss of HK\$180,000,000 which was charged to the income statement for that year.

### 22. NEGATIVE GOODWILL

*HK\$'000*

#### THE GROUP

##### GROSS AMOUNT

Acquisition of subsidiaries	(878)
Acquisition of additional interests in subsidiaries	(12,135)
	<u>          </u>

At March 31, 2004	(13,013)
-------------------	----------

##### RELEASE TO INCOME

Released during the year and balance at March 31, 2004	878
	<u>          </u>

##### NET BOOK VALUE

At March 31, 2004	<u><u>(12,135)</u></u>
-------------------	------------------------

The negative goodwill arising on acquisition of the subsidiaries of approximately HK\$878,000 is released to the income statement during the year on the basis that all assets acquired were monetary assets.

The negative goodwill arising on acquisition of additional interests in subsidiaries of approximately HK\$12,135,000 will be recognised as income when the future economic benefits embodied in the identifiable assets acquired are consumed.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 23. INVESTMENTS IN SECURITIES

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Non-trading securities shown under non-current assets:		
Shares listed in Hong Kong, at market value	<u>644</u>	<u>890</u>
Trading securities shown under current assets:		
Shares and warrants listed in Hong Kong, at market value	<u>2,062</u>	<u>5,307</u>

### 24. OTHER ASSETS

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Club debentures and membership, at cost	4,444	4,444
Deposits	4,856	4,846
Publishing library, at cost less amortisation and impairment loss	<u>4,840</u>	<u>2,170</u>
	<u>14,140</u>	<u>11,460</u>

The publishing library mainly comprises past issues of Oriental Sunday Magazine and Fashion & Beauty Magazine and the related published and non-published negatives, prints and articles as well as reference books and materials. Amortisation of approximately HK\$330,000 (2003: HK\$1,451,000) was charged to the consolidated income statement for the year.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 25. DEFERRED TAXATION

The major deferred taxation (liabilities) assets recognised and movements thereon during the year are as follows:

	THE GROUP				Total HK\$'000
	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Impairment loss recognised in respect of properties under development HK\$'000	
At April 1, 2002					
– as previously reported	(238)	–	–	–	(238)
– adjustment on adoption of SSAP 12 (Revised)	(40,323)	(11,887)	37,921	4,252	(10,037)
– as restated	(40,561)	(11,887)	37,921	4,252	(10,275)
Arising on acquisition of subsidiaries	(29)	–	–	–	(29)
Credit (charge) to consolidated income statement	47	–	(595)	(4,252)	(4,800)
Credit to equity	–	211	–	–	211
At March 31, 2003	(40,543)	(11,676)	37,326	–	(14,893)
Effect of change in tax rate					
– (charge) credit to consolidated income statement	(3,801)	–	3,500	–	(301)
– charge to equity	–	(1,095)	–	–	(1,095)
Charge to consolidated income statement	(790)	–	(4,958)	–	(5,748)
Credit to equity	–	231	–	–	231
<b>At March 31, 2004</b>	<b>(45,134)</b>	<b>(12,540)</b>	<b>35,868</b>	<b>–</b>	<b>(21,806)</b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 25. DEFERRED TAXATION (continued)

For the purposes of balance sheet presentation, certain deferred taxation assets and liabilities have been offset. The following is an analysis of the deferred taxation balances for financial reporting purposes:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Deferred taxation assets	<b>9,368</b>	12,243
Deferred taxation liabilities	<b>(31,174)</b>	(27,136)
	<b><u>(21,806)</u></b>	<u>(14,893)</u>

At March 31, 2004, the Group had unused tax losses of approximately HK\$1,509,098,000 (2003: HK\$1,517,913,000) available for offset against future profits. A deferred taxation asset has been recognised in respect of HK\$204,960,000 (2003: HK\$233,288,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining HK\$1,304,138,000 (2003: HK\$1,284,625,000) due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

At March 31, 2004, the Group had deductible temporary differences of approximately HK\$6,768,000 (2003: HK\$1,858,000) arising from the impairment of the property under development and properties held for sales. No deferred taxation asset was recognised in respect of such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

There were no other significant temporary differences arising during the year or at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 26. INVENTORIES

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Furniture	21,805	32,784
Newsprint papers	2,033	1,935
Catering goods	1,368	1,590
Others	679	105
	<u>25,885</u>	<u>36,414</u>

At March 31, 2004, inventories of furniture amounting to approximately HK\$8,915,000 (2003: HK\$4,025,000) were carried at net realisable value.

The cost of inventories recognised as an expense during the year amounted to approximately HK\$129,015,000 (2003: HK\$98,187,000).

### 27. PROPERTIES HELD FOR SALE

At March 31, 2004, the properties held for sale comprise:

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Situated in Hong Kong:		
– long leases	–	110,985
– medium-term leases	3,283	345,000
Situated in the PRC and held under land use rights with terms expiring within 50 years	8,460	19,480
	<u>11,743</u>	<u>475,465</u>

At March 31, 2004, properties of approximately HK\$8,460,000 (2003: HK\$364,480,000) were carried at net realisable value.

The cost of properties recognised as an expense during the year amounted to approximately HK\$467,722,000 (2003: HK\$75,800,000).

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 28. DEBTORS, DEPOSITS AND PREPAYMENTS

In general, the Group allows credit periods ranging from 30 days to 180 days to its customers in its trading business and printing and publishing business.

The Group does not grant credit to the majority of its customers in other business. Loans to share margin clients are secured by clients' pledged securities and are repayable on demand. No aged analysis is disclosed in respect of loans to share margin clients as, in the opinion of the directors, the aged analysis does not give relevant information in view of the nature of the business of share margin financing.

An aged analysis of trade debtors at the balance sheet date is set out as follows:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>120,011</b>	104,029
31 – 90 days	<b>19,377</b>	19,844
91 – 180 days	<b>39,710</b>	11,499
Over 180 days	<b>79,415</b>	9,240
	<b>258,513</b>	144,612
Loans to share margin clients	<b>64,686</b>	57,683
Other receivables, deposits and prepayments	<b>39,148</b>	31,526
	<b>362,347</b>	233,821

Included in the balance of over 180 days at March 31, 2004 are term loans of approximately HK\$74,290,000 (2003: nil).

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 29. CREDITORS, CUSTOMERS' DEPOSITS AND ACCRUED CHARGES

An aged analysis of trade payables at the balance sheet date is set out as follows:

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0 – 90 days	130,681	117,026
91 – 180 days	1,358	1,400
Over 180 days	15,770	6,737
	<hr/>	<hr/>
	147,809	125,163
Other payables, customers' deposits and accrued charges	173,436	192,576
	<hr/>	<hr/>
	<b>321,245</b>	<b>317,739</b>
	<hr/> <hr/>	<hr/> <hr/>

### 30. AMOUNT DUE TO A SHAREHOLDER THE GROUP

The amount is unsecured, bears interest at prevailing market rate and is repayable on demand.

### 31. SECURED BANK BORROWINGS – DUE WITHIN ONE YEAR

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bank loans – amount due within one year	268,440	638,765
Bank overdrafts	38,084	33,119
Trust receipts and import loans	20,532	11,235
	<hr/>	<hr/>
	<b>327,056</b>	<b>683,119</b>
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 32. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Amounts payable under finance leases:				
Within one year	65	118	48	89
In the second to fifth year inclusive	116	312	80	233
	<u>181</u>	<u>430</u>	<u>128</u>	<u>322</u>
Less: Future finance charges	(53)	(108)	–	–
	<u>128</u>	<u>322</u>	<u>128</u>	<u>322</u>
Present value of lease obligations				
Less: Amount due for settlement within one year			(48)	(89)
Amount due for settlement after one year			<u>80</u>	<u>233</u>

The lease term is 5 years (2003: ranged from 2 to 5 years). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 33. SHARE CAPITAL

	<b>2004 &amp; 2003</b>	
	<i>HK\$'000</i>	
Authorised:		
50,000,000,000 shares of HK\$0.10 each ( <i>notes (a) and (b)</i> )		<u>5,000,000</u>
	<b>Number of shares</b>	<b>Nominal value</b>
		<i>HK\$'000</i>
Issued and fully paid:		
At April 1, 2002	863,293,521	863,293
Reduction of share capital ( <i>note (a)</i> )	–	(854,660)
Consolidation of shares ( <i>note (b)</i> )	<u>(776,964,169)</u>	<u>–</u>
At March 31, 2003 and March 31, 2004	<u>86,329,352</u>	<u>8,633</u>

*Notes:*

- (a) On March 28, 2003, a resolution was passed at the special general meeting of the Company pursuant to which the paid up capital of the issued shares in the Company was reduced from HK\$1.00 to HK\$0.01 each by the cancellation of HK\$0.99 paid up capital on each issued share, ("Capital Reduction") effective from March 31, 2003. Upon the Capital Reduction taking effect, each unissued share was subdivided into 100 shares of HK\$0.01 each ("Share Subdivision"). The new shares rank pari passu with the then existing shares in all aspects.
- (b) Upon the Capital Reduction and Share Subdivision mentioned in Note (a) taking effect, every 10 shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one share of HK\$0.10 each effective from March 31, 2003.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 34. SHARE OPTIONS

The Company adopted a share option scheme (the "Old Scheme") on December 17, 2001 which would expire on December 16, 2011. On August 27, 2003, the shareholders of the Company approved the termination of the Old Scheme and the adoption of a new share option scheme (the "New Scheme") which became effective from September 9, 2003 (the "Adoption Date").

The New Scheme was adopted for the primary purpose of providing incentives or rewards to participants thereunder ("Participant(s)") including the directors and eligible employees of the Group for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that were valuable to the Group or any entity in which the Group held an equity interest.

Under the New Scheme, the directors of the Company are authorised, at any time within ten years after the Adoption Date, to grant options to any Participant to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Company's share. The total number of shares in respect of which options may be granted under the New Scheme cannot exceed 10% of the total number of shares in issue on the Adoption Date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Company, if any, cannot exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any Participant shall not exceed 1% of the total number of shares in issue in any 12-month period. An option may be exercised at any time within ten years from the date of issue of the relevant options, where the acceptance date should not be later than 28 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

No options have been granted since the adoption of the New Scheme.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 35. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
Balance at April 1, 2002	1,133,259	277,736	148,672	1,559,667
Loss for the year	–	–	(399,187)	(399,187)
Transfer as a result of Capital Reduction	–	854,660	–	854,660
	<u>1,133,259</u>	<u>1,132,396</u>	<u>(250,515)</u>	<u>2,015,140</u>
Balance at April 1, 2003	1,133,259	1,132,396	(250,515)	2,015,140
Loss for the year	–	–	(202)	(202)
	<u>1,133,259</u>	<u>1,132,396</u>	<u>(250,717)</u>	<u>2,014,938</u>
<b>Balance at March 31, 2004</b>	<b><u>1,133,259</u></b>	<b><u>1,132,396</u></b>	<b><u>(250,717)</u></b>	<b><u>2,014,938</u></b>

The contributed surplus of the Company represents the aggregate of the difference between the consolidated net assets of the Company's subsidiaries and the nominal value of the Company's shares issued pursuant to the group reorganisation effective in December 1991, less subsequent dividends paid and bonus issues by way of capitalisation of contributed surplus, and the surplus arising on reduction of share capital effective in March 2003.

Under the company law in Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 35. RESERVES (continued)

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contributed surplus	<b>1,132,396</b>	1,132,396
Accumulated losses	<b>(250,717)</b>	(250,515)
	<b>881,679</b>	881,881

### THE GROUP

The contributed surplus of the Group represents the aggregate of the difference between the sum of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition, as reduced by the dividends paid and bonus issues by way of capitalisation of contributed surplus, and the surplus arising on reduction of share capital effective in March 2003.

### 36. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

#### THE GROUP

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

The amounts advanced to the subsidiaries by the respective minority shareholders are considered as part of their contributions, together with paid up capital, made to finance the operations of these subsidiaries. The minority shareholders have therefore agreed that these advances can be used to make good their respective share of the losses incurred by these subsidiaries to the extent of the amounts advanced to them, if requested by the Group to do so. Accordingly, these advances are shown as non-current liabilities.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 37. SECURED BANK BORROWINGS

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The repayment schedule for bank borrowings is as follows:		
Within one year or on demand	327,056	683,119
Between one to two years	79,458	55,926
Between two to five years	112,248	192,583
Over five years	145,930	25,725
	<u>664,692</u>	<u>957,353</u>
Less: Amount due within one year included under current liabilities ( <i>note 31</i> )	<u>(327,056)</u>	<u>(683,119)</u>
Amount due after one year	<u><u>337,636</u></u>	<u><u>274,234</u></u>

The bank borrowings carry interest at prevailing market rates and are secured by certain of the Group's assets. The carrying values of these assets at the balance sheet date were as follows:

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Investment properties	1,574,350	1,217,845
Leasehold land and buildings	247,094	253,819
Hotel properties	488,106	492,493
Properties held for sale	–	455,985
Bank deposits	23,313	5,303
	<u>2,332,863</u>	<u>2,425,445</u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 38. ACQUISITION OF SUBSIDIARIES

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Net assets of the subsidiaries acquired:		
Property, plant and equipment	–	121,572
Properties under development	–	63,900
Amount due from an associate	–	190
Intangible assets	–	6,947
Publishing library	–	19,945
Other assets	–	1,915
Inventories	–	2,182
Properties held for sale	–	19,480
Debtors, deposits and prepayments	<b>298</b>	78,985
Pledged bank deposits	<b>25,220</b>	–
Bank balances and cash	<b>1,878</b>	48,054
Creditors and accrued charges	<b>(26,418)</b>	(98,926)
Intercompany debts	<b>(332,004)</b>	–
Amounts due to a related company	–	(1,534)
Amounts due to minority shareholders	–	(11,376)
Bank loans	–	(43,000)
Trust receipt loans	–	(3,968)
Taxation payable	–	(3,190)
Obligations under finance leases	–	(385)
Bank overdrafts	–	(1,345)
Deferred taxation liabilities	–	(29)
Minority interests	–	6,705
	<b>(331,026)</b>	206,122
Assignment of intercompany indebtedness	<b>332,004</b>	–
Negative goodwill	<b>(878)</b>	(73)
Total cash consideration	<b><u>100</u></b>	<b><u>206,049</u></b>
Analysis of net cash outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Cash consideration	<b>(100)</b>	(206,049)
Bank balances and cash acquired	<b>1,878</b>	48,054
Bank overdrafts acquired	–	(1,345)
	<b><u>1,778</u></b>	<b><u>(159,340)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 38. ACQUISITION OF SUBSIDIARIES (continued)

The subsidiaries acquired during the year did not have significant contribution to the Group's turnover and operating results for the year.

The subsidiaries acquired during the year ended March 31, 2003 contributed approximately HK\$265,031,000 to the Group's turnover, and approximately HK\$51,002,000 to the Group's loss from operations.

### 39. WINDING UP OF SUBSIDIARIES

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net liabilities of subsidiaries wound up comprise:		
Debtors, deposits and prepayments	11	–
Creditors and accrued charges	(14)	–
Amounts due to minority shareholders of subsidiaries	(3,708)	–
Minority interests	3,970	(326)
Intercompany debts	(44,495)	–
	<u>(44,236)</u>	<u>(326)</u>
Waiver of intercompany indebtedness	44,495	–
Contributed surplus	–	(120)
(Loss) gain on winding up of subsidiaries	(259)	446
	<u>–</u>	<u>–</u>

The subsidiaries wound up during both years did not have significant contribution to the Group's turnover and operating results for both years.

### 40. MAJOR NON-CASH TRANSACTION

During the year ended March 31, 2003, the Company reduced its issued share capital by approximately HK\$854,660,000 and the amount reduced was transferred to the contributed surplus.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 41. COMMITMENTS

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Authorised but not contracted for in respect of:		
– property investment and development projects	360,435	324,439
– acquisition of property, plant and equipment	2,147	–
Contracted for but not provided in the financial statements, net of deposits paid, in respect of:		
– property investment and development projects	57,991	147,467
– acquisition of property, plant and equipment	214	6,014
	<u>420,787</u>	<u>477,920</u>

The Company had no significant commitments at the balance sheet date.

### 42. OPERATING LEASE COMMITMENTS

#### The Group as lessee

At the balance sheet date, the Group had future minimum lease commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	17,213	12,032
In the second to fifth year inclusive	22,676	6,840
	<u>39,889</u>	<u>18,872</u>

Leases are negotiated for terms ranging from 1 to 3 years and the minimum rentals are pre-determined and fixed. The operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 42. OPERATING LEASE COMMITMENTS (continued)

#### The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>58,233</b>	72,202
In the second to fifth year inclusive	<b>34,252</b>	57,845
	<u><b>92,485</b></u>	<u>130,047</u>

The properties held have committed tenants for the tenancy ranging from 1 to 3 years and the rentals are pre-determined and fixed.

The Company had no significant operating lease commitments either as lessee or lessor at the balance sheet date.

### 43. CONTINGENT LIABILITIES

(a)

	<b>2004</b>		2003	
	<b>Guarantees given</b>	<b>Amount utilised</b>	Guarantees given	Amount utilised
	<b>HK\$'000</b>	<b>HK\$'000</b>	HK\$'000	HK\$'000
THE GROUP				
Guarantees given to a bank in respect of mortgage loans granted to the purchasers of properties sold in the PRC	<b>8,812</b>	<b>8,812</b>	17,503	17,503
Guarantees given to banks in respect of credit facilities utilised by third parties	–	–	64,500	22,562
	<u><b>8,812</b></u>	<u><b>8,812</b></u>	<u>82,003</u>	<u>40,065</u>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 43. CONTINGENT LIABILITIES (continued)

- (a) At March 31, 2003, bank deposits amounting to HK\$42,400,000 had been pledged to a bank to secure a bank loan facility granted to a third party. Bank loan facility of HK\$42,400,000 was utilised as at March 31, 2003.

	2004		2003	
	Guarantees given <i>HK\$'000</i>	Amount utilised <i>HK\$'000</i>	Guarantees given <i>HK\$'000</i>	Amount utilised <i>HK\$'000</i>
THE COMPANY				
Guarantees given to a bank in respect of credit facilities utilised by:				
Subsidiaries	<b>1,161,013</b>	<b>674,690</b>	1,518,320	963,646
Third parties	–	–	64,500	22,562
	<b><u>1,161,013</u></b>	<b><u>674,690</u></b>	<b><u>1,582,820</u></b>	<b><u>986,208</u></b>

- (b) On March 5, 2004, the owners of a property known as Tower 1, South Bay Palace, No. 25 South Bay Close, Hong Kong ("South Bay Palace"), collectively act as plaintiffs ("Plaintiffs") issued a writ against Hafa Adai Limited ("Hafa Adai"), a subsidiary of the Company, claiming a sum of approximately HK\$14,665,000 being loss and damages suffered by the Plaintiffs allegedly due to flooring defects and roof leakage in the South Bay Palace. The Plaintiffs' claim is based on an agreement dated September 23, 1999 entered into between the Plaintiffs as purchasers and Hafa Adai as vendor for the sale and purchase of the South Bay Palace. The legal advisors of Hafa Adai are handling the legal proceedings. The directors of the Company, after taking into account of the legal advices, considered that no provision is required to be made for the legal proceedings in these financial statements.
- (c) Certain subsidiaries of the Company were involved in legal proceedings or claims against them in the ordinary course of their business activities during both years. In the opinion of the directors of the Company, resolution of such litigation and claims will not have a material adverse effect on the Group's financial position and accordingly no provision for any potential liability in the Group's financial statements is considered necessary.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 44. POST BALANCE SHEET EVENT

On May 7, 2004, the Group entered into a provisional sale and purchase agreement to acquire Shops 1 & 2 on the Ground Floor, Shops 3 & 5 on the Ground Floor and 1st Floor, 2nd Floor, 3rd Floor, the Flat Roof on the 5th Floor, the Parapet Walls enclosing the Flat Roof on the 5th Floor, the External Walls of the Ground Floor to the 3rd Floor, Lift No. 1 and Lift No. 5 of No. 8 Russell Street, Causeway Bay, Hong Kong at a consideration of HK\$525,000,000. The transaction was approved by the shareholders at the special general meeting of the Company held on July 12, 2004. The transaction has not yet been completed at date of approval of these financial statements and is expected to be completed on or before July 28, 2004.

### 45. RELATED PARTY TRANSACTIONS

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Rental received from related companies ( <i>note ii</i> )	7,085	8,185
Rental received from associates ( <i>note ii</i> )	–	2,110
Advertising income received from related companies ( <i>note ii</i> )	1,027	1,308
Interest paid to a shareholder ( <i>note iii</i> )	1,964	1,234
Interest received from associates ( <i>note iii</i> )	679	10,468
Management fee received from associates ( <i>note iv</i> )	240	1,030
Management fee received from related companies ( <i>note iv</i> )	1,280	1,446
Professional and service fees received from related companies ( <i>note ii</i> )	<u>2,247</u>	<u>2,770</u>

In addition, the Group had the following significant transactions with related parties for the year ended March 31, 2003:

- (a) On April 1, 2002, the Group entered a contract with Mr. Yeung Sau Shing, Albert, a substantial shareholder of the Company, under which a quarter was provided in return for his management consultancy services rendered to the Group.

**NOTES TO THE FINANCIAL STATEMENTS** For the year ended March 31 2004**45. RELATED PARTY TRANSACTIONS (continued)**

- (b) On July 22, 2002, the Group acquired the entire interests of Island Gold Developments Limited and its subsidiaries ("Island Gold Group") from Matsunichi Communication Holdings Limited (formerly known as Emperor Technology Venture Limited) ("ETV"), a former associate, at a cash consideration of HK\$78,183,000, which was equivalent to the face value of the shareholder's loan after netting off the consolidated net liabilities of the Island Gold Group as at that date.
- (c) On March 29, 2003, the Group acquired the entire interests of Lacework Profits Limited and its subsidiaries ("Lacework Group"), together with the amount due from the Lacework Group to ECC and its subsidiaries as at that date, from a wholly owned subsidiary of ECC at a cash consideration of HK\$126,637,000.

*Notes:*

- (i) Certain directors and substantial shareholders of the Company have beneficial interests in the related companies.
- (ii) These transactions were carried out after negotiations between the Group and the related parties and on basis of estimated market value as determined by the directors of the Company.
- (iii) The interest received or paid by the Group is calculated by reference to the principal outstanding and the prevailing market interest rates.
- (iv) The management fee is charged by reference to the actual cost incurred.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 46. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at March 31, 2004, are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
<b>Directly held</b>				
Emperor Investment Limited	Hong Kong	1,000	100.00	Investment holding and securities trading
<b>Indirectly held</b>				
A-Hing Limited	Hong Kong	2	100.00	Property investment
Active Pace Investment Limited	Hong Kong	100	100.00	Property investment
Actmore Estate Limited	Hong Kong	1,000,000	100.00	Property holding
Bo Shing Real Estate Limited	Hong Kong	1,002	100.00	Investment holding and property investment
Board Pace Investment Limited	Hong Kong	100	100.00	Property holding
Chance Yield Development Limited	Hong Kong	2	100.00	Property investment
Circle World Limited	Hong Kong	1,000	90.10	Property development
Civilink Investment Limited	Hong Kong	2	100.00	Property holding
Corpfair Trading Limited	Hong Kong	100	100.00	Property investment

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 46. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
<b>Indirectly held</b> (continued)				
Crown Source Development Limited	Hong Kong	2	100.00	Property development
Diamond Faith Company Limited	Hong Kong/PRC	2	100.00	Glass eel trading
Diamond King Limited	Hong Kong	2	100.00	Property development
Distinct Rich Limited	Hong Kong	1,002	100.00	Investment holding and property holding
EIL Property Management Limited	Hong Kong	100	100.00	Provision of property management services
Economic Digest Publications Limited	Hong Kong	800,000	100.00	Magazine publishing
Emperor Capital Limited	Hong Kong	5,000,000	100.00	Investment adviser
Emperor Finance Limited	Hong Kong	100	100.00	Provision of money lending services
Emperor Futures Limited	Hong Kong	10,000,000	100.00	Provision of commodities brokerage services
Emperor Hotel Limited	Hong Kong	2	100.00	Hotel operations

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 46. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
<b>Indirectly held</b> (continued)				
Emperor Investment (Management) Limited	Hong Kong	100	100.00	Provision of management services
Emperor Project Management (Hong Kong) Limited	Hong Kong	100	100.00	Provision of project management services
Emperor Property Agency Limited	Hong Kong	100	100.00	Provision of property agency services
Emperor Securities Limited	Hong Kong	70,000,000	100.00	Provision of securities brokerage services
Emperor Securities Nominees Limited	Hong Kong	2	100.00	Provision of nominee services
Emperor (Xiamen) Real Estate Investments Limited	PRC ( <i>note a</i> )	US\$5,000,000	95.00	Property development
Fisherton Holdings Limited	Hong Kong	2	100.00	Investment holding
Forever Crown Limited	Hong Kong	2	100.00	Property holding
Frontgoal Development Limited	Hong Kong	2	100.00	Property holding
Gallan Limited	Hong Kong	2	100.00	Property investment
Gold Shine Investment Limited	Hong Kong	2	95.00	Property development

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 46. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
<b>Indirectly held</b> (continued)				
Golden Pegasus Investment Limited	Hong Kong	100,000	100.00	Property holding
Headwise Investment Limited	Hong Kong	2	100.00	Property investment
Hong Kong Daily News, Limited	Hong Kong	100,000	100.00	Newspaper publishing
Hong Kong Daily Offset Printing Company Limited	Hong Kong	2	100.00	Provision of printing services
Jade Palace Properties Limited	Hong Kong	10,000	100.00	Property investment
Levin Group Limited	British Virgin Islands	US\$75	93.33	Investment holding
Luen Fat Shing Company Limited	Hong Kong	1,800,000	100.00	Property investment
Mark Pleasure Investment Limited	Hong Kong	2	100.00	Property holding
Marvellous Pacific Limited	Hong Kong	100	100.00	Property investment
New Publications Company Limited	Hong Kong	2	100.00	Magazine publishing
Pacific Globe Limited	Hong Kong	2	100.00	Magazine publishing and holding copyright, trademarks, intellectual rights and publishing library

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 46. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
<b>Indirectly held</b> (continued)				
Planwing Limited	Hong Kong	2	100.00	Property development
Pleasure View Investment Limited	Hong Kong	2	100.00	Property investment
Prestige Gold Investment Limited	Hong Kong	100	100.00	Property holding
Rich Gallant Investment Limited	Hong Kong	2	100.00	Property investment
Roseley Limited	Hong Kong	10	100.00	Property investment
Sellwell Inc.	British Virgin Islands/ Hong Kong	US\$100	100.00	Property investment
Sharp View Investment Limited	Hong Kong	2	100.00	Property holding
Smart Ideal Limited	Hong Kong	100	75.00	Magazine publishing
South Mark Investment Limited	Hong Kong	2	100.00	Property investment
Time Year Limited	Hong Kong	2	100.00	Holding copyright, trademarks, intellectual rights and publishing library
Ulferts of Sweden (Far East) Limited	Hong Kong	350,000	100.00	Wholesaling and retailing of furniture

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31 2004

### 46. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
<b>Indirectly held</b> (continued)				
Very Sound Investments Limited	Hong Kong	10,000,000	100.00	Property investment
Wide Connection Limited	Hong Kong	2	100.00	Magazine publishing
World Sources Limited	Hong Kong	2	100.00	Magazine publishing
Worthy Strong Investment Limited	Hong Kong	100	100.00	Investment holding
Xinhui Emperor Property Development Company Limited	PRC (note b)	24,000,000	100.00	Property development
Ying Wong Property Limited	Hong Kong	100	100.00	Property investment
Young Health Investments Limited	Hong Kong	2	100.00	Property investment

\* All amounts are in Hong Kong dollars except stated otherwise.

*Notes:*

(a) A Sino-foreign corporative joint venture established in the PRC.

(b) A wholly foreign owned enterprise established in the PRC.

All subsidiaries, except for those companies incorporated outside Hong Kong, carry on their businesses in Hong Kong unless stated otherwise.

None of the subsidiaries had issued any debt securities at March 31, 2004.

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2004

### 47. ASSOCIATES

Particulars of the Group's principal associates as at March 31, 2004, are as follows:

<b>Name of associate</b>	<b>Place of incorporation</b>	<b>Effective proportion of issued share capital held by the Group</b>	<b>Principal activities</b>
Brightwing Development Limited	Hong Kong	50.00%	Property development
ECC	Bermuda	30.99%	Property development and investment

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