

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 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 Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 35 and 15, respectively.

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

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes", which is one of the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The terms of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA. The principal effect of the implementation of SSAP12 (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 amount 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 balances of the Group's property, plant and equipment (note 12) and deferred tax liability (note 28) as at 31st March, 2003 have been increased by HK\$46,000,000. Comparative figures for 2003 have been restated accordingly. The adoption of this SSAP has had no material effects on the results for the current or prior accounting periods.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***3. SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of consolidation**

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

The results of subsidiaries and associates 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 dates of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are 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 associate at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its useful economic life. 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.

**Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Interests 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 the goodwill on acquisition, less amortisation and any identified impairment loss.

**Recognition of income**

When properties are developed for sale, income is recognised only when the sale agreement is unconditional or when the relevant occupation permit is issued by the relevant authority, whichever is later.

Toll revenue is recognised on a receipt basis.

Sales of investments in securities are recognised on a trade-date basis.

Rental income is recognised on a straight line basis over the term of the relevant lease.

When the renovation services are provided and the outcome of the renovation project can be estimated reliably, renovation service income is recognised on the percentage of completion method measured by reference to the value of work carried out during the year. When the outcome of a renovation project cannot be measured reliably, revenue is recognised only to the extent of the project costs incurred that it is probable will be recoverable.

Sales of building materials are recognised when they are delivered and title has passed.

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

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

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Investments in securities**

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses 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 open market values based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged respectively to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on this investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the 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 of the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

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

Depreciation of toll highway costs is calculated to write off the cost thereof over their estimated useful lives using a method whereby the aggregate annual depreciation amounts, compounded at the rate of 8% per annum, up to the expiry of the underlying 20-year toll highway concession period, will be equal to the total costs of acquisition of the toll highway. The aforementioned rate is based on the traffic volumes and forecast annual growth rates of the traffic volume over the 20-year toll highway concession period.

Depreciation and amortisation are provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line method as follows:

Leasehold land	Over the term of the lease
Leasehold buildings	2% to 4% or over the term of the lease, if shorter
Leasehold improvements	10% to 15% or over the term of the lease, if shorter
Others	10% to 30%

The gain or loss arising from the 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.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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. Impairment loss is recognised as an expense immediately.

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.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Inventories***Properties held for sale*

Properties held for sale is stated at the lower of cost and net realisable value. Cost includes the acquisition cost, architect's fees and other direct costs attributable to such properties.

*Other inventories*

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

**Operating leases**

Rental income or expenses under operating leases are credited or charged, respectively, to the income statement on a straight line basis over the term of the relevant leases.

**Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's subsidiaries operating 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 period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Taxation**

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

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 or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

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

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

**Retirement benefits scheme**

Payments to the defined contribution retirement benefits schemes are charged as a expenses as they fall due.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 4. TURNOVER

Turnover represents the aggregate of the net amount received and receivable from third parties and is summarized as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Securities trading and investment	<b>123,187</b>	205,446
Operation of toll highway	<b>22,728</b>	5,754
Property development and sales	<b>17,675</b>	10,741
Renovation services	<b>13,906</b>	30,475
Trading of building materials	<b>3,900</b>	4,999
Property rental	<b>2,254</b>	3,889
	<b>183,650</b>	261,304

## 5. OTHER OPERATING EXPENSES

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Impairment of goodwill arising on acquisition of subsidiaries	<b>29,423</b>	25,816
Deficit on revaluation of investment properties	–	6,879
Amortisation of goodwill arising on acquisition of subsidiaries	<b>5,951</b>	9,069
Impairment loss recognised in respect of property, plant and equipment	<b>16,830</b>	–
	<b>52,204</b>	41,764



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 6. LOSS FROM OPERATIONS

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– basic salaries and other benefits	<b>10,994</b>	12,434
– retirement benefits scheme contribution	<b>240</b>	398
	<b>11,234</b>	12,832
Auditors' remuneration:		
– current year	<b>1,317</b>	1,318
– underprovision in prior year	<b>166</b>	310
Depreciation and amortisation of property, plant and equipment	<b>6,973</b>	2,829
Loss on disposal of property, plant and equipment	<b>138</b>	198
Net realised losses on other investments	<b>1,151</b>	33,577
Net unrealised holding losses on other investments	<b>22,972</b>	45,539
and after crediting:		
Dividend income from investment in securities	<b>1</b>	86
Interest income	<b>624</b>	390
Net rental income from investment properties under operating leases, after deduction of outgoings of approximately HK\$82,000 (2003: HK\$42,000)	<b>2,172</b>	3,847
Surplus on revaluation of investment properties	<b>1,450</b>	–

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 7. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

## (A) Directors' emoluments

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Independent non-executive directors	480	480
Non-executive directors	–	–
	<b>480</b>	480
Other emoluments paid to executive directors		
– basic salaries and other benefits	1,489	1,589
– retirement benefits scheme contribution	24	24
	<b>1,513</b>	1,613
Total emoluments	<b>1,993</b>	2,093

The emoluments were within the following bands:

	2004 Number of directors	2003 Number of directors
Up to HK\$1,000,000	5	3
HK\$1,000,001 – HK\$1,500,000	1	1

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 7. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

## (B) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2003: two) were directors of the Company whose emoluments are included in the disclosure in (A) above. The emoluments of the remaining individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	2,373	2,811
Retirement benefits scheme contribution	36	36
	<b>2,409</b>	<b>2,847</b>

The emoluments of the remaining highest paid individuals were within the following bands:

	2004 Number of employees	2003 Number of employees
Up to HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

## 8. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	16,001	8,510
Other borrowings wholly repayable within five years	4,271	7,504
	<b>20,272</b>	<b>16,014</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 9. TAXATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The charge comprises:		
The Company and its subsidiaries Underprovision of Hong Kong Profits Tax in prior years	–	129
Deferred tax credit ( <i>note 28</i> ): Current year	<b>(4,000)</b>	–
Share of taxation of associates	<b>438</b>	10
	<b>(3,562)</b>	139

No provision for Hong Kong Profits Tax has been made in the financial statements as either the Company and its subsidiaries have no assessable profit for both years or their profits are wholly absorbed by tax losses brought forward.

Pursuant to relevant laws and regulations in the People's Republic of China, other than Hong Kong (the "PRC"), one of the Group's PRC subsidiaries is entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax reduction for the next three years. No provision for PRC income tax has been made for the year as the PRC subsidiaries did not have any assessable profit.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 9. TAXATION (Continued)

Taxation for the year can be reconciled to the loss per the income statement as follows:

	2004		2003	
	HK\$	%	HK\$	%
Loss before taxation	(89,499)		(224,556)	
Tax at the domestic income tax rate of 17.5% (2003: 16%)	(15,662)	(17.5)	(35,929)	(16.0)
Tax effect of share of results of associates	445	0.5	2	–
Tax effect of expenses that are not deductible for tax purpose	19,083	21.3	17,766	7.9
Tax effect of income not taxable for tax purpose	(18,536)	(20.7)	(30)	–
Underprovision in respect of prior year	–	–	129	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(5,118)	(5.7)	(1,245)	(0.6)
Tax effect of deferred tax assets not recognised	16,769	18.7	19,932	8.9
Utilisation of deferred tax assets previously not recognised	(369)	(0.4)	(283)	(0.1)
Effect of tax exemptions granted to PRC subsidiaries	(174)	(0.2)	(203)	(0.1)
Taxation and effective tax rate for the year	(3,562)	(4.0)	139	–

## 10. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$67,205,000 (2003: HK\$220,464,000) and on the weighted average number of 3,787,620,833 shares (2003: 3,202,436,654 shares) in issue.

The computation of diluted loss per share for the year ended 31st March, 2004 and 2003 does not assume the conversion of the Company's outstanding share options and warrants since their exercise would result in a decrease in the loss per share.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 11. INVESTMENT PROPERTIES

THE GROUP  
HK\$'000

## VALUATION

At 1st April, 2003	74,186
Surplus arising on revaluation	1,450
Disposal of subsidiaries	(55,000)
<b>At 31st March, 2004</b>	<b>20,636</b>

The investment properties were revalued at 31st March, 2004 on an open market value basis by RHL Appraisal Limited and LCH (Asia-Pacific) Surveyors Limited, independent firms of professional property valuers, separately for the respective properties. The surplus arising on the revaluation amounting to HK\$1,450,000 has been credited directly to the income statement in the current year, as a deficit has previously been charged to the income statement.

The Group's investment properties comprises:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Properties situated in Hong Kong held under long leases	<b>7,750</b>	61,300
Properties situated in Hong Kong held under medium-term leases	<b>100</b>	100
Properties situated in the PRC held under long leases	<b>1,320</b>	1,320
Properties situated in the PRC held under medium-term leases	<b>11,466</b>	11,466
	<b>20,636</b>	74,186

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 12. PROPERTY, PLANT AND EQUIPMENT

	Toll highway HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Motor vehicles and yachts HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
<b>THE GROUP COST</b>							
At 1st April, 2003							
– as originally stated	231,132	2,872	1,627	1,181	5,885	642	243,339
– adjustment on adoption of SSAP 12 (Revised)	46,000	–	–	–	–	–	46,000
	277,132	2,872	1,627	1,181	5,885	642	289,339
Additions	11,134	719	440	1,943	54	51	14,341
Disposals	–	(346)	–	(189)	(1,961)	–	(2,496)
<b>At 31st March, 2004</b>	<b>288,266</b>	<b>3,245</b>	<b>2,067</b>	<b>2,935</b>	<b>3,978</b>	<b>693</b>	<b>301,184</b>
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>							
At 1st April, 2003	1,128	158	332	97	1,076	176	2,967
Provided for the year	4,754	200	753	143	984	139	6,973
Impairment loss recognised in the income statement	14,000	2,830	–	–	–	–	16,830
Eliminated on disposals	–	(346)	–	(140)	(685)	–	(1,171)
<b>At 31st March, 2004</b>	<b>19,882</b>	<b>2,842</b>	<b>1,085</b>	<b>100</b>	<b>1,375</b>	<b>315</b>	<b>25,599</b>
<b>NET BOOK VALUES</b>							
<b>At 31st March, 2004</b>	<b>268,384</b>	<b>403</b>	<b>982</b>	<b>2,835</b>	<b>2,603</b>	<b>378</b>	<b>275,585</b>
At 31st March, 2003	276,004	2,714	1,295	1,084	4,809	466	286,372

At the balance sheet date, the directors, after considering the economic condition, have reviewed the carrying value of the Group's leasehold land and buildings, based on their net realisable value and determined that the recoverable amount of these assets had declined below their carrying value. Accordingly, the carrying value of these assets was reduced by approximately HK\$2,830,000 (2003: Nil) to reflect this impairment.

At the balance sheet date, the directors, after considering the economic condition, have reviewed the carrying value of the Group's toll highway with reference to director's valuation made under a discounted cash flow method at a discount rate of 4% per annum and determined that the recoverable amounts of these assets had declined below their carrying value. Accordingly, the carrying value of these assets were reduced by approximately HK\$14,000,000 (2003: Nil) to reflect this impairment.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's leasehold land and buildings are situated in the PRC held under long leases.

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>			
<b>COST</b>			
At 1st April, 2003 and at 31st March, 2004	1,402	467	1,869
<b>DEPRECIATION AND AMORTISATION</b>			
At 1st April, 2003	317	102	419
Provided for the year	701	93	794
<b>At 31st March, 2004</b>	<b>1,018</b>	<b>195</b>	<b>1,213</b>
<b>NET BOOK VALUES</b>			
<b>At 31st March, 2004</b>	<b>384</b>	<b>272</b>	<b>656</b>
At 31st March, 2003	1,085	365	1,450



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 13. GOODWILL

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>COST</b>	
At 1st April, 2003 and at 31st March, 2004	<u>70,611</u>
<b>AMORTISATION AND IMPAIRMENT</b>	
At 1st April, 2003	35,237
Charge for the year	5,951
Impairment loss recognised in the year	<u>29,423</u>
<b>At 31st March, 2004</b>	<u><b>70,611</b></u>
<b>NET BOOK VALUE</b>	
At 31st March, 2004	<u>—</u>
At 31st March, 2003	<u>35,374</u>

With reference to the current market condition, the directors are of the opinion that the respective net carrying amount of the goodwill amounting to approximately HK\$29,423,000 has been impaired and should not be carried forward in the financial statements. Accordingly, the amount has been recognised as an impairment loss and charged to the income statement.

The amortisation period adopted for goodwill ranged from 3 to 10 years.

## 14. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	—	—
Amounts due from subsidiaries less allowance	<b>183,339</b>	342,107
	<b>183,339</b>	342,107

The Company's cost of investments in the unlisted shares of its directly held subsidiaries is in aggregate less than HK\$1,000. The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts due from subsidiaries will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 14. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries at 31st March, 2004 are set out in note 35.

The amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

## 15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	–	15,807
Goodwill arising on acquisition	–	20,479
Aggregated amortization of goodwill	–	(711)
Impairment loss recognised on goodwill	–	(19,768)
	–	15,807
Amounts due from associates less allowances	<b>6,142</b>	9,566
	<b>6,142</b>	25,373

The amounts due from associates are unsecured and non-interest bearing. In the opinion of the directors, the amounts due from associates will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current assets.

As at 31st March, 2004, the Group had interest in the following significant associates:

Name of associate	Form of Business Structure	Place of incorporation/ establishment	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by subsidiaries	Principal activity/ place of operation
				%	
Asia Standard Development Company Limited	Incorporated	Hong Kong	HK\$2	50	Investment holding/ Hong Kong
Era Winner Limited	Incorporated	Hong Kong	HK\$2	50	Property holding/ Hong Kong

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 16. INVESTMENTS IN SECURITIES

## THE GROUP

	Investment securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities						
Listed						
– Hong Kong	–	–	66,460	89,591	66,460	89,591
– Overseas	–	–	9,700	5,366	9,700	5,366
	–	–	76,160	94,957	76,160	94,957
Unlisted						
– Hong Kong	–	42,500	–	–	–	42,500
– Overseas	57,360	35,892	–	–	57,360	35,892
	57,360	78,392	76,160	94,957	133,520	173,349
Debt securities						
Listed						
– Overseas	–	–	–	2,092	–	2,092
Unlisted						
– Hong Kong	–	–	1,500	1,500	1,500	1,500
	–	–	1,500	3,592	1,500	3,592
Total						
Listed						
– Hong Kong	–	–	66,460	89,591	66,460	89,591
– Overseas	–	–	9,700	7,458	9,700	7,458
Unlisted	57,360	78,392	1,500	1,500	58,860	79,892
	57,360	78,392	77,660	98,549	135,020	176,941
Market value of listed securities	–	–	76,160	97,049	76,160	97,049
Carrying amount analysed for reporting purposes as:						
Current	–	–	76,160	97,049	76,160	97,049
Non-current	57,360	78,392	1,500	1,500	58,860	79,892
	57,360	78,392	77,660	98,549	135,020	176,941

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 16. INVESTMENTS IN SECURITIES (Continued)

## THE COMPANY

	Investment securities		Other investments		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current equity securities						
– Overseas	-	3,301	-	-	-	3,301

Details of the Group's investment in unlisted investment securities included above disclosed pursuant to section 129(1) of the Companies Ordinance are as follows:

Name of investee	Place of incorporation/ operations	Proportion of nominal value of issued share capital/registered capital held by the subsidiaries	Effective proportion of issued share capital/registered capital held by the Group
Info Tech Group Limited	BVI/Hong Kong	25%	25%
上海南曉消防工程設備 有限公司	PRC/PRC	45%	22.95%
北京中青傳智廣告 藝術有限公司	PRC/PRC	49%	49%

The above companies are not regarded as associates of the Group because the Group has no significant influence over their affairs.

In light of recent economic conditions, the Group has recognised impairment losses with reference to the investees' financial performance. An impairment loss of approximately HK\$60,655,000 in respect of investment securities has been identified and charged to the income statement.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***17. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES**

The amount at 31st March, 2004 represented deposits paid for acquisition of the entire interest in and the shareholders' loan to Chinese Gain Limited ("Chinese Gain") and Rich Linker Limited ("Rich Linker") for a total consideration of HK\$105 million and HK\$53 million, respectively.

Chinese Gain and Rich Linker are companies incorporated in Hong Kong and are also engaged in property holding and investment in the PRC.

**18. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Building materials	<b>2,280</b>	2,516
Properties held for sale	<b>6,555</b>	19,125
	<b>8,835</b>	21,641

Included in properties held for sale amounting to HK\$2,300,000 (2003: HK\$2,100,000) were properties carried at net realisable value. The remaining inventories were carried at cost.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows a credit period normally ranging from 60 days to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Trade receivables		
Up to 30 days	1,109	4,988
31 to 90 days	1,277	3,462
91 day to 365 days	4,157	7,420
Over 365 days	684	2,780
	<b>7,227</b>	18,650
Amounts due from customers for renovation works ( <i>note a</i> )	1,495	916
Amounts due from affiliates of a minority shareholder ( <i>note b</i> )	–	51,614
Receivable in respect of the investment refund ( <i>note c</i> )	–	30,000
Retentions receivable	405	1,066
Other receivables and prepayments	132,998	29,109
	<b>142,125</b>	131,355

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes:

- (a) Amounts due from (to) customers for renovation works

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Contract costs incurred plus recognised profits less recognised losses	2,702	3,315
Less: Progress billings	(2,072)	(2,435)
	630	880
Represented by:		
Due from customers included in current assets	1,495	916
Due to customers included in current liabilities (note 20)	(865)	(36)
	630	880

- (b) At 31st March, 2003, the balance included an amount of approximately HK\$27,844,000 which was unsecured, interest bearing at 3% per annum and repayable on demand. The remaining balances were unsecured, interest free and repayable on demand. Since 1st April, 2003, those companies are not longer the affiliates of a minority shareholder. The amount were fully settled subsequent to the balance sheet date.
- (c) The receivable as at 31st March, 2003 represented the amount refundable in respect of an investment in security which was cancelled in accordance with a cancellation agreement. The amount was fully settled during the current year.

## 20. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade creditors at the balance sheet date:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Trade payables		
Up to 30 days	347	761
31 to 90 days	283	169
Over 90 days	1,028	1,519
	1,658	2,449
Amounts due to customers for contract work (note 19a)	865	36
Retention payables	340	479
Other payables and accruals	80,677	33,383
	83,540	36,347

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 21. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The borrowings comprise:				
Bank overdrafts	12,630	10,626	–	–
Import loans	154	1,557	–	–
Other bank borrowings	113,584	172,744	–	–
Other borrowings	44,189	113,900	23,643	105,000
	<b>170,557</b>	298,827	<b>23,643</b>	105,000
Analysed as:				
Secured	75,274	182,906	23,643	105,000
Unsecured	95,283	115,921	–	–
	<b>170,557</b>	298,827	<b>23,643</b>	105,000
The borrowings are repayable as follows:				
Within one year or on demand	143,680	271,682	23,643	105,000
More than one year, but not exceeding two years	24,544	292	–	–
More than two years but not exceeding five years	940	25,165	–	–
More than five years	1,393	1,688	–	–
	<b>170,557</b>	298,827	<b>23,643</b>	105,000
Less: Amount due within one year shown under current liabilities	(143,680)	(271,682)	(23,643)	(105,000)
Amount due after one year	<b>26,877</b>	27,145	–	–

Included in the other borrowings as at 31st March, 2004 is an amount of HK\$23,643,000 (2003: HK\$105,000,000) advanced by Asean Resources Limited ("Asean"). It bore interest at Hong Kong prime rate plus 1% and was originally unsecured and due for repayment in full in November 2002. In May 2002, Asean agreed to reschedule the repayment date until May 2003 and the amount is secured by the entire issued share capital of a wholly-owned subsidiary of the Company.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 21. BANK AND OTHER BORROWINGS (Continued)

In May 2003 and May 2004, the Company entered into supplemental agreements with Asean that the latter agreed to further extend the repayment date of the loan in amount of HK\$23,643,000 and the respective accrued interest to November 2004. Accordingly, it is classified as a current liability.

## 22. SHARE CAPITAL

	Notes	Number of shares	Value HK\$'000
Authorised:			
Ordinary shares of HK\$0.05 each at 1st April, 2002		3,000,000,000	150,000
Addition due to subdivision of shares into 5 ordinary shares of HK\$0.01 each	(b)	12,000,000,000	–
Ordinary share of HK\$0.01 each at 31st March, 2003 and 31st March, 2004		15,000,000,000	150,000
Issued and fully paid:			
Ordinary shares of HK\$0.05 each at 1st April, 2002		449,927,194	22,496
Issue of shares on shares subscription before share subdivision	(a)	89,946,000	4,497
		539,873,194	26,993
Adjustment of nominal value and subdivision of shares into 5 ordinary shares of HK\$0.01 each	(b)	2,159,492,776	–
		2,699,365,970	26,993
Issue of shares on shares subscription	(c)	539,870,000	5,399
Issue of shares on private placement	(d)	292,210,000	2,922
Issue of shares on acquisition of a subsidiary	(e)	240,000,000	2,400
Ordinary shares of HK\$0.01 each at 31st March, 2003		3,771,445,970	37,714
Issue of shares on private placement	(f)	740,000,000	7,400
Ordinary shares of HK\$0.01 each at 31st March, 2004		4,511,445,970	45,114

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***22. SHARE CAPITAL** *(Continued)*

During the year ended 31st March, 2003 and 31st March, 2004, the following changes in the share capital of the Company took place:

- (a) On 10th April, 2002, a subscription agreement was entered into between the Company and the substantial shareholder of the Company, United Jumbo Limited ("United Jumbo") to subscribe for 89,946,000 new shares of HK\$0.05 each in the Company at a price of HK\$0.80 per share, representing a discount of 19.2% to the closing price of the Company's shares as quoted on the Stock Exchange on 10th April, 2003. On the same date, a placing agreement was entered into between United Jumbo and certain independent professional institutional investors to subscribe for 65,900,000 shares of HK\$0.05 each in the Company at a price of HK\$0.80 per share.

The net proceeds of approximately HK\$72.0 million were used as the general working capital of the Group and for the repayment of the Group's borrowings.

- (b) Pursuant to a special resolution passed by the shareholders in a special general meeting held on 24th April, 2002, the Company carried out a capital reorganisation by subdividing every issued and unissued share of HK\$0.05 each into five shares of HK\$0.01 each. Details of the capital reorganisation were set out in the Company's circular dated 8th April, 2003.
- (c) On 31st July, 2002, a subscription agreement was entered in between the Company and United Jumbo to subscribe for 539,870,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.218 per share, representing a discount of 9.9% to the closing price of the Company's share as quoted on the Stock Exchange on 31st July, 2002. On the same date, a placing agreement was entered into between United Jumbo and certain independent professional institutional investors to subscribe for 395,620,000 shares at price of HK\$0.218 per share. The net proceeds of approximately HK\$116.1 million were used for general working capital of the Group.
- (d) On 7th October, 2002, a placing agreement was entered into between the Company and certain independent professional investors to subscribe for 292,210,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.25 per share, representing a discount of 3.8% to the closing price of the Company's share as quoted on the Stock Exchange on 7th October, 2003. The net proceeds of approximately HK\$71.9 million were used to finance the acquisition as stated in note (e) and other potential investments.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***22. SHARE CAPITAL** *(Continued)*

- (e) On 27th December, 2002, the Company issued 240,000,000 shares of HK\$0.01 each to Mr. Li Jin Fang (“Mr. Li”) at a price of HK\$0.229, which is the closing price of the Company’s shares as quoted on the Stock Exchange on 27th December, 2003, as part of the consideration for the acquisition of 51% equity interest in Gold United International Industries Limited (“Gold United”). The remaining balance of the consideration, including incidental cost, of HK\$35,000,000 for this acquisition was settled by cash. Gold United is an investment holding company which holds 80% equity interest in 杭州恒運交通開發有限公司 (“杭州恒運”) which is a sino-foreign joint venture company established in the PRC and is engaged in the business of highway operation in the PRC.
- (f) On 20th February, 2004, a placing agreement was entered into between the Company and certain independent professional investors under which the investors subscribed for 740,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.05 per share, representing a discount of 1.96% to the closing price of the Company’s share as quoted on the Stock Exchange on 20th February, 2004. The net proceeds of approximately HK\$36 million would be used for general working capital of the Group.

The new shares issued during the year were issued under the general mandate and rank *pari passu* with the existing shares in all respects.

**23. SHARE OPTION SCHEMES**

The Company has adopted share option schemes to provide incentives to directors and eligible employees. Under these schemes, the board of directors of the Company may at its discretion offer to any executive and/or employee or consultants, including executive directors, of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the respective schemes.

Details of these schemes are as follows:

**(a) The 2001 share option scheme**

Pursuant to the share option scheme of the Company adopted on 9th April, 2001 (the “2001 Scheme”), the board of directors of the Company might at its discretion offer to any employee, including executive directors, of the Company and/or its subsidiaries options to subscribe for shares in the Company at a consideration of HK\$1 for each lot of share options granted. Options granted should be accepted within 14 days from the date of grant.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***23. SHARE OPTION SCHEMES** *(Continued)***(a) The 2001 share option scheme** *(Continued)*

The exercise price was determined by the directors of the Company, and would not be less than the higher of the nominal value of the Company's shares and 80% of the average closing price of the shares for the five business days immediately preceding the date of grant. The total number of shares in respect of which options might be granted under the 2001 Scheme was not permitted to exceed 10% of the shares of the Company in issue at any point in time, without a prior approval from the Company's shareholders.

No option might be granted to any one person which if exercised in full would result in the total number of shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25% of the number of shares issued and issuable under all the options which might be granted under the 2001 Scheme at the time it is proposed to grant the said option to that person.

In accordance with the terms of the 2001 Scheme, the period during which an option might be exercised would be determined by the board of directors in its absolute discretion, save that no option might be exercised more than 10 years after it has been granted. No option might be granted more than 10 years after the date of approval of the 2001 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the 2001 Scheme should be valid and effective for a period of 10 years after the date of adoption of the 2001 Scheme.

The 2001 Scheme was terminated pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 24th April, 2002. All outstanding share options granted under the 2001 Scheme were cancelled as at 31st March, 2003 and no share option was granted or exercised during the year under the 2001 Scheme.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***23. SHARE OPTION SCHEMES** *(Continued)***(b) The 2002 share option scheme**

On 24th April, 2002, the Company adopted a new share option scheme (the "2002 Scheme") which will expire on 23rd April, 2012, the board of directors of the Company may at its discretion offer to any employee, including executive directors, or consultants of the Company and/or its subsidiaries options to subscribe for shares in the Company at a consideration of HK\$1 for each lot of share options granted. Options granted should be accepted within 30 days from the date of grant.

The exercise price is determined by the directors of the Company and will not be less than the highest of (i) the closing price of the shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, or (iii) the nominal value of the Company's shares.

At 31st March, 2004, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 593,830,000 (2003: 593,830,000), representing approximately 13.2% (2003: 15.7%) of the total number of share of the Company in issue at that day.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of shareholders' approval of the 2002 Scheme, without a prior approval from the Company's shareholders.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other schemes, must not, in aggregate, exceed 30% of the total number of shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the 2002 Scheme at any time after the date upon which the option is granted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 23. SHARE OPTION SCHEMES (Continued)

## (b) The 2002 share option scheme (Continued)

The maximum number of shares (issued and to be issued) in respect of which options may be granted to any eligible person in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue, unless a shareholders' approval has been obtained.

The following table discloses details of the Company's share options held by directors, consultants and employees and movements in such holding during both years:

For the year ended 31st March, 2004	Option type	Date of grant	Exercise price per share HK\$	Number of share options and number of underlying shares			
				Outstanding at 1.4.2003	Granted during the year	Cancelled during the year	Outstanding at 31.3.2004
<b>Category 1: Directors</b>							
Dong Bo, Frederic	2002	2.5.2002	(Note ii) 0.298	16,778,000	-	-	16,778,000
Lau Man Tak	2002	2.5.2002	(Note ii) 0.298	26,990,000	-	-	26,990,000
				43,768,000	-	-	43,768,000
<b>Category 2: Employees and consultants</b>							
	2002	2.5.2002	(Note ii) 0.298	226,162,000	-	-	226,162,000
	2002	19.9.2002	(Note ii) 0.225	259,120,000	-	-	259,120,000
	2002	9.12.2002	(Note ii) 0.202	64,780,000	-	-	64,780,000
				550,062,000	-	-	550,062,000
				593,830,000	-	-	593,830,000

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 23. SHARE OPTION SCHEMES (Continued)

For the year ended 31st March, 2003	Option type	Date of grant	Exercise price per share HK\$	Number of share options and number of underlying shares				
				Outstanding at 1.4.2002	Granted during the year	Cancelled during the year	Outstanding at 31.3.2003	
<b>Category 1: Directors</b>								
Dong Bo, Frederic	2002	2.5.2002	(Note ii)	0.298	-	16,778,000	-	16,778,000
Lau Man Tak	2002	2.5.2002	(Note ii)	0.298	-	26,990,000	-	26,990,000
					-	43,768,000	-	43,768,000
<b>Category 2: Employees and consultants</b>								
	2001	30.8.2001	(Note i)	0.220	45,000,000	-	(45,000,000)	-
	2002	2.5.2002	(Note ii)	0.298	-	226,162,000	-	226,162,000
	2002	19.9.2002	(Note ii)	0.225	-	259,120,000	-	259,120,000
	2002	9.12.2002	(Note ii)	0.202	-	64,780,000	-	64,780,000
					45,000,000	550,062,000	(45,000,000)	550,062,000
					45,000,000	593,830,000	(45,000,000)	593,830,000

**Notes:**

- (i) The options under the 2001 scheme were granted by the Company on 30th August, 2001 at an exercise price of HK\$0.220 per share, after adjusting the nominal value of the shares of the Company during the year ended 31st March, 2002 and subject to further adjustments, and were exercisable from 30th August, 2001 to 8th April, 2011. In April 2002, all the outstanding options granted under the 2001 scheme were cancelled.
- (ii) The closing prices of the Company's shares immediately before 2nd May, 2002, 19th September, 2002 and 9th December, 2002, the dates of grant of the options, were HK\$0.290, HK\$0.220 and HK\$0.201, respectively.
- (iii) No share options were granted or exercised during the year.

Total consideration received during the year ended 31st March, 2003 for taking up the options granted under the 2002 Scheme amounted to HK\$13.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 24. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>						
At 1st April, 2002	106,252	13,878	881,041	-	(817,427)	183,744
Issue of shares	302,443	-	-	-	-	302,443
Issue of warrants	-	-	-	26,992	-	26,992
Shares and warrant issue expenses	(2,711)	-	-	(273)	-	(2,984)
Loss for the year	-	-	-	-	(232,141)	(232,141)
At 31st March, 2003	405,984	13,878	881,041	26,719	(1,049,568)	278,054
Issue of shares	29,600	-	-	-	-	29,600
Shares issue expenses	(580)	-	-	-	-	(580)
Loss for the year	-	-	-	-	(63,848)	(63,848)
<b>At 31st March, 2004</b>	<b>435,004</b>	<b>13,878</b>	<b>881,041</b>	<b>26,719</b>	<b>(1,113,416)</b>	<b>243,226</b>

On 8th May, 2002, the Company entered into a warrant placing agreement with a placing agent in relation to the private placing of warrants ("Warrants") of the Company, at an warrant issue price of HK\$0.05 per unit of subscription rights attached to the Warrants. Each of the Warrants conferred rights to the registered holders to subscribe for one new ordinary shares of HK\$0.05 each in the Company at an initial subscription price of HK\$0.36 per share, subject to further adjustment, exercisable at any time up to 8th July, 2003. On 26th June, 2002, the initial subscription price was revised to HK\$0.22 per share. The warrants are in registered form giving the registered holders the right to subscribe up to HK\$118,764,800 in aggregate for shares equivalent to the aggregate subscription price for a total of 539,840,000 shares on the basis of an adjusted subscription price of HK\$0.22 per share. No warrants were exercised during the year and all the warrants expired on 8th July, 2003.



**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***24. RESERVES** *(Continued)*

The contributed surplus of the Company represents:

- (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation; and
- (ii) the cancellation of an amount of HK\$48,000,000 from the share premium account of the Company and the credit of an amount of HK\$610,247,000 so cancelled under the capital reorganisation set out in the Company's circular dated 10th March, 2001.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) 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 account.

In the opinion of the directors, the Company had no reserves available for distribution to shareholders at 31st March, 2003 and 31st March, 2004.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 25. ACQUISITION OF SUBSIDIARIES

During the year ended 31st March, 2004, the Group acquired the entire issued share capital of Active Ocean Investments Limited which held 100% interest in Admomentum Limited for a consideration of approximately HK\$40,000,000. These acquisitions have been accounted for by the acquisition method of accounting. No goodwill has resulted as a result of the acquisition.

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i> (As restated)
Net assets acquired:		
Investment properties	–	5,000
Property, plant and equipment	–	278,320
Interest in a property project	–	19,615
Investments in securities	<b>40,000</b>	18,911
Inventories	–	14,104
Trade and other receivables and prepayments	–	84,391
Bank balances and cash	–	42,557
Trade and other payables	–	(41,137)
Amounts due to minority shareholders	–	(7,392)
Taxation payable	–	(4,283)
Bank borrowings	–	(140,566)
Deferred tax liability	–	(46,000)
Minority interests	–	(125,919)
	<b>40,000</b>	97,601
Goodwill arising on acquisition of subsidiaries	–	41,535
	<b>40,000</b>	139,136
Satisfied by:		
Cash	<b>25,000</b>	84,176
Receivable in respect of investment refund settled	<b>15,000</b>	–
Issue of shares	–	54,960
	<b>40,000</b>	139,136

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 25. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflow arising on acquisition:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash consideration paid	<b>(25,000)</b>	(84,176)
Bank balances and cash acquired	–	42,557
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>(25,000)</b>	(41,619)

The subsidiaries acquired during the year ended 31st March, 2004 did not contribute to the turnover and loss from operations for the Group. The subsidiaries acquired during the year ended 31st March, 2003 contributed approximately HK\$16,580,000 to the Group's turnover and approximately HK\$9,840,000 to the Group's loss from operations during the previous year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 26. DISPOSAL OF SUBSIDIARIES

During the year ended 31st March, 2004, the Group disposed of its subsidiaries, Chip Plus Development Incorporated and Glad & Nice Limited. The net assets at the date of disposals were included as follows:

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Investment property	55,000	–
Interests in an associate	9,500	–
Investments in securities	–	25,550
Inventories	55	–
Bank balances and cash	650	–
Trade and other payables	(657)	–
Bank borrowings	(45,000)	–
	<b>19,548</b>	25,550
Investment property revaluation reserve realised	30	–
	<b>19,578</b>	25,550
Gain (loss) on disposal of subsidiaries and discharge of liabilities ( <i>note</i> )	<b>104,422</b>	(3,550)
	<b>124,000</b>	22,000
Represented by:		
Cash consideration	30,000	22,000
Other borrowings and interest payable discharged	94,000	–
	<b>124,000</b>	22,000

*Note:* Part of the consideration for the disposal of Glad and Nice Limited in the amount of HK\$94,000,000 was withheld by the purchaser for the settlement of borrowings owed by the Group.

Net cash inflow arising on disposal:

	2004 HK\$'000	2003 HK\$'000
Cash consideration	30,000	22,000
Bank balances and cash disposed of	(650)	–
Net cash inflow arising on disposal	<b>29,350</b>	22,000

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***26. DISPOSAL OF SUBSIDIARIES** *(Continued)*

The subsidiaries disposed of during the year ended 31st March, 2004 contributed approximately HK\$2,240,000 to the Group's turnover and profit of approximately HK\$1,138,000 to the Group's loss from operations. The subsidiary disposed of during the year ended 31st March, 2003 did not contribute to the turnover and loss from operations for the Group for that year.

**27. MAJOR NON-CASH TRANSACTIONS**

The major non-cash transactions entered into the Group during the year ended 31st March, 2004, are as follows:

- (a) The sale proceeds of HK\$94,000,000 for the disposal of Glad & Nice Limited were directly used as partial repayment of other borrowings of HK\$85,629,000 and interest payable of HK\$8,371,000.
- (b) Receivable in respect of an investment fund of HK\$15,000,000 as at 31st March, 2003 was settled and used as part of the consideration for the acquisition of a subsidiary during the year.

The major non-cash transactions entered into by the Group during the year ended 31st March, 2003 were as follows:

- (a) Allotment and issue of shares at a consideration of approximately HK\$54,960,000 as part of the consideration for the acquisition of a subsidiary;
- (b) Receivable of approximately HK\$10,166,000 settled by a transfer of an investment property to the Group at its fair value of HK\$10,166,000; and
- (c) Accumulated fund contributed by the Group of approximately HK\$27,844,000 converted into an interest bearing loan at the same amount.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 28. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

The Group	Temporary difference attributable to toll highway HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st April, 2002				
– as previously reported	–	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	–	1,238	(1,238)	–
– as restated	–	1,238	(1,238)	–
(Credit) charge to income	–	447	(447)	–
Acquisition of a subsidiary	46,000	–	–	46,000
At 1st April, 2003	46,000	1,685	(1,685)	46,000
(Credit) charge to income	(4,000)	(175)	175	(4,000)
Effect of change in tax rate	–	158	(158)	–
Disposal of a subsidiary	–	(1,668)	1,668	–
<b>At 31st March, 2004</b>	<b>42,000</b>	<b>–</b>	<b>–</b>	<b>42,000</b>

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset.

At 31st March, 2004, the Group has unused tax losses of HK\$418,975,000 (2003: HK\$386,795,000) available for offset against future profits. At 31st March, 2003, a deferred tax asset has been recognised in respect of HK\$10,528,000 (2004: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$418,975,000 (2003: HK\$376,267,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$16,033,000 (2003: HK\$7,942,000) that will be expired in five years.

At 31st March, 2004, the Group has other deductible temporary differences of HK\$38,731,000 (2003: HK\$23,202,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***29. CONTINGENT LIABILITIES**

At 31st March, 2004, the Company had given corporate guarantees to banks and a securities broker in respect of credit facilities utilised by the subsidiaries to an extent of approximately HK\$7,897,000 (2003: HK\$53,096,000).

At the balance sheet date, the Group did not have any contingent liabilities.

**30. CAPITAL COMMITMENTS**

At 31st March, 2004, the Group had the following capital commitments contracted for but not provided in the financial statements:

- (a) On 17th December, 2003, Rich Lion Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement with independent third parties to acquire the entire interests in Rich Linker Limited at a total consideration of HK\$53 million. As at 31st March, 2004, a deposit amounting to HK\$26,874,000 was paid and the Group had outstanding commitments amounting to HK\$26,126,000 in respect of the Rich Linker Acquisition. Rich Linker Limited is a company incorporated in Hong Kong and is engaged in property holding and investment in the PRC. Details of the acquisition are set out in the Company's announcement and circular dated 18th December, 2003 on 8th January, 2004 respectively.

Pursuant to the Company's announcement dated 31st March, 2004, the parties to that agreement have agreed that the completion date is extended to the date on or before 30th September, 2004.

- (b) On 24th March, 2004, Grand Fix Limited, a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties for the acquisition of the entire issued share capital of Chinese Gain and the shareholders loan of approximately HK\$102,094,000 (the "Chinese Gain Acquisition") for a consideration of HK\$105 million. As at 31st March, 2004, a deposit amounting to HK\$10,000,000 was paid and the Group had outstanding commitments amounting to HK\$95,000,000 in respect of the Chinese Gain Acquisition. Chinese Gain is a company incorporated in Hong Kong and is engaged in property holding and investment in the PRC.

The Company had no significant capital commitments at the balance sheet dates.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 31. OPERATING LEASE ARRANGEMENTS

## The Group as lessee

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases in respect of premises during the year	4,140	3,294

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	2,079	3,369
In the second to fifth year inclusive	882	2,961
	2,961	6,330

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated and fixed for an average term of two to three years.

## The Group as lessor

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	—	3,040

The Company had no outstanding commitments under non-cancellable operating leases at the balance sheet date.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 32. BANK AND OTHER FACILITIES

At the balance sheet date, the Group's bank and other facilities were secured by:

- (a) The net book value of the Group's pledged assets are as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Investment properties	<b>4,600</b>	58,500
Investment in securities	<b>54,398</b>	68,654
Bank deposits	<b>5,034</b>	6,028
	<b>64,032</b>	133,182

- (b) The entire issued share capital of a wholly-owned subsidiary was also pledged to Asean to secure the Company's borrowings of HK\$23,643,000 (2003: HK\$105,000,000).
- (c) The minority shareholder of Shanghai Hualong Construction Stock Co., Ltd. ("Shanghai Hualong Construction"), non-wholly owned subsidiary of the Company, and its affiliates had pledged certain properties and given corporate guarantee to certain banks in respect of credit facilities granted to Shanghai Hualong Construction.
- (d) The minority shareholder (also a director) of Prosper City pledged certain bank deposits of approximately HK\$7 million and issued personal guarantee to an extent of HK\$5 million in respect of other facilities granted to Prosper City.

## 33. RETIREMENT BENEFITS SCHEME

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

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***33. RETIREMENT BENEFITS SCHEME** *(Continued)*

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions at 5% of relevant payroll costs to the scheme, which contribution is matched by employees. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

**34. POST BALANCE SHEET EVENT**

On 6th May, 2004, the Company entered into an agreement with Asean to extend the repayment date of a loan amounting to approximately HK\$23,643,000 to 6th November, 2004.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2004 are as follows:

Name of subsidiary	Place of incorporation/ registration	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company#/ subsidiaries	Effective proportion of issued capital held by the Group	Principal activities
			%	%	
All Grand Limited	Hong Kong	HK\$2	100	100	Property investment
Admonentum Limited	Hong Kong	HK\$10,000	100	100	Investment holding
Fairtop Limited	B.V.I.	US\$1	100	100	Investment holding
Flow Success Company Limited	Hong Kong	HK\$2	100	100	Property holding
Full Champion Financial Limited	B.V.I.	US\$3	100 #	100	Investment holding
Gold United International Industries Limited	Hong Kong	HK\$10,000	51	51	Investment holding
Grand Fix Limited	B.V.I.	US\$1	100	100	Investment holding
Greenham Development Limited	Hong Kong	HK\$2	100	100	Property holding
Honalary Company Limited	B.V.I.	US\$1	100	100	Investment holding
Huey Tai Holdings Limited	Hong Kong	HK\$2	100 #	100	Investment holding
Kingdom Hall Limited	B.V.I.	US\$1	100 #	100	Investment holding
Kingdom Wealthy Limited	Hong Kong	HK\$2	100 #	100	Property holding
Longerich Investments Limited	B.V.I.	US\$1	100 #	100	Investment holding

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company#/ subsidiaries	Effective proportion of issued capital held by the Group	Principal activities
			%	%	
New Plaza International Limited	Hong Kong	HK\$2	100 #	100	Property holding
New Team Limited	B.V.I.	US\$1	100	100	Investment holding
Prosper City International Limited	Hong Kong	HK\$100	51	51	Trading of building materials and provision of renovation service
Rich Lion Limited	B.V.I.	US\$1	100	100	Investment holding
Shanghai Hualong Construction	PRC	US\$11,080,000	51	51	Property development and sales
Sharpower Limited	Hong Kong	HK\$2	100 #	100	Property holding
Smart Century International Limited	Hong Kong	HK\$2	100 #	100	Investment holding
South Gater Limited	Hong Kong	HK\$2	100	100	Property holding
Super Target Limited	B.V.I.	US\$1	100 #	100	Investment holding
View Century Limited	B.V.I.	US\$1	100 #	100	Investment holding
Weth Development Limited	Hong Kong	HK\$2	100	100	Investment holding
杭州恒運	PRC	RMB3,745,000	80	40.8	Operation of highway

Note: Shanghai Hualong Construction and 杭州恒運 are sino-foreign joint ventures established in the PRC.

**NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31st March, 2004***35. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(Continued)*

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table includes 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.

**36. SEGMENTAL INFORMATION****Business segments**

For management purpose, the Group is currently organised into five major operating divisions - property development and sales, property rental, securities trading and investment, trading of building materials and renovation service income and operation of toll highway.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 36. SEGMENTAL INFORMATION (Continued)

## Business segments (Continued)

These divisions are the basis on which the Group reports its primary segment information.

## 2004

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>INCOME STATEMENT</b>							
<b>REVENUE</b>							
External sales	123,187	17,806	17,675	22,728	2,254	-	183,650
Segment results	(83,678)	(2,666)	(19,655)	(8,675)	1,901	-	(112,773)
Unallocated other operating income							1,907
Amortisation of goodwill arising on acquisition of subsidiaries	-	-	(4,493)	(1,458)	-	-	(5,951)
Impairment loss on goodwill arising on acquisition of subsidiaries	-	-	(16,664)	(12,759)	-	-	(29,423)
Unallocated corporate expenses							(25,062)
Loss from operations							(171,302)
Finance costs							(20,272)
Allowance for amount due from an associate							(2,340)
Gain on disposal of subsidiaries	20,500	-	83,922	-	-	-	104,422
Gain on disposal of an associate	-	-	33	-	-	-	33
Share of results of associates	-	-	-	-	(40)	-	(40)
Loss before taxation							(89,499)
Taxation							3,562
Loss before minority interests							(85,937)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 36. SEGMENTAL INFORMATION (Continued)

## Business segments (Continued)

## 2004 (Continued)

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>							
<b>AT 31ST MARCH, 2004</b>							
<b>ASSETS</b>							
Segment assets	135,231	11,994	105,288	273,753	21,395	-	547,661
Interest in associates	4,427	-	-	-	1,715	-	6,142
Unallocated corporate assets							137,368
Consolidated total assets							691,171
<b>LIABILITIES</b>							
Segment liabilities	15	3,790	20,026	55,858	-	-	79,689
Unallocated corporate liabilities							216,927
Consolidated total liabilities							296,616
<b>OTHER INFORMATION</b>							
Capital additions	440	51	2,617	11,179	-	54	14,341
Depreciation and amortization	55	42	4,759	6,289	-	1,779	12,924
Impairment loss on investment in securities	60,655	-	-	-	-	-	60,655
Impairment loss recognised in respect of property, plant and equipment	-	-	2,830	14,000	-	-	16,830
Net unrealised holding losses on other investments	22,972	-	-	-	-	-	22,972
Surplus on revaluation of investment properties	-	-	-	-	1,450	-	1,450

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 36. SEGMENTAL INFORMATION (Continued)

## Business segments (Continued)

## 2003

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>INCOME STATEMENT</b>							
<b>REVENUE</b>							
External sales	205,446	35,474	10,741	5,754	3,889	-	261,304
Segment results	(137,964)	(849)	(4,775)	1,027	(3,447)	-	(146,008)
Unallocated other operating income							416
Amortisation of goodwill arising on acquisition of subsidiaries	-	(2,908)	(5,796)	(365)	-	-	(9,069)
Impairment loss on goodwill arising on acquisition of a subsidiary	-	(25,816)	-	-	-	-	(25,816)
Unallocated corporate expenses							(24,566)
Loss from operations							(205,043)
Finance costs							(16,014)
Loss on disposal of a subsidiary	(3,550)	-	-	-	-	-	(3,550)
Share of results of associates	-	-	(33)	-	84	-	51
Loss before taxation							(224,556)
Taxation							(139)
Loss before minority interests							(224,695)



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 36. SEGMENTAL INFORMATION (Continued)

## Business segments (Continued)

## 2003 (Continued)

	Securities trading and investment HK\$'000	Trading of building materials and renovation services HK\$'000	Property development and sales HK\$'000	Operation of toll highway HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>							
<b>AT 31ST MARCH, 2004 (as restated)</b>							
<b>ASSETS</b>							
Segment assets	189,971	16,531	156,819	295,434	64,474	-	723,229
Interest in associates	17,874	-	7,075	-	424	-	25,373
Unallocated corporate assets							96,624
Consolidated total assets							845,226
<b>LIABILITIES</b>							
Segment liabilities	15	3,941	16,197	24,379	645	-	45,177
Unallocated corporate liabilities							356,341
Consolidated total liabilities							401,518
<b>OTHER INFORMATION</b>							
Capital additions	14,582	41	41,170	231,855	9,792	5,393	302,833
Depreciation and amortization	364	2,994	6,062	1,148	17	1,313	11,898
Impairment loss on investment in securities	58,720	-	-	-	-	-	58,720
Net unrealised holding losses on other investments	45,539	-	-	-	-	-	45,539
Deficit on revaluation of investment properties	-	-	-	-	6,879	-	6,879

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 36. SEGMENTAL INFORMATION (Continued)

## Geographical segments

All of the Group's operations are principally located in Hong Kong and the mainland PRC. Group administration is carried out in Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	143,247	244,060
The PRC	40,403	17,244
	<b>183,650</b>	261,304

The following is an analysis of the carrying amount of segment assets, and additions to investment properties, property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment and intangible assets	
	2004 HK\$'000	2003 HK\$'000 (As restated)	2004 HK\$'000	2003 HK\$'000 (As restated)
Hong Kong	287,284	327,281	545	24,565
The PRC	403,887	517,945	13,796	309,068
	<b>691,171</b>	845,226	<b>14,341</b>	333,633