

# 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. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in note 16 and note 17 respectively.

## 2. Adoption of Hong Kong financial reporting standards

In the current year, the Group has adopted for the first time, Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was required to be made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying 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. Comparative amounts for 2002 have been restated accordingly. As at 1st April, 2002, deficit has been reduced and deferred tax asset has been increased in respect of tax losses by HK\$5,036,000 respectively, which are the cumulative effect of the change in policy on the results for the periods prior to 2002. The effect of the change was an increase in charge to income taxes for the year of HK\$2,712,000 (2003: HK\$2,927,000).

## 3. Significant accounting policies

The financial statements have been prepared under the historical cost convention as modified for the valuation of investment properties and certain of its investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 3. Significant accounting policies *(continued)*

### **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 which were acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances 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.

On disposal of investments in subsidiaries or associates, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserve is included in the determination of the gain or loss on disposal.

### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in fair value of the identifiable assets and liabilities of an associate at the date of acquisition over the cost of acquisition. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate and is recognised as income on a straight-line basis over the remaining average useful life of the depreciable assets of that associate.

### **Investments in subsidiaries**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 3. Significant accounting policies *(continued)*

### 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, interest in associates is stated at the Group's share of the net assets of the associates plus the goodwill/less the negative goodwill in as far as it has not already been written off/amortised/released to income, less any identified impairment loss.

### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed to the customers.

Sales of investments in securities are recognised when the sale contracts become unconditional.

Sales of properties are recognised on the execution of a binding sales agreement.

Revenue from estate agency work services is recognised when the services are rendered.

Dividend income from investments in securities is recognised when the shareholders' rights to receive payment have been established.

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

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the respective leases.

### 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 under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 3. Significant accounting policies *(continued)*

### **Impairment** *(continued)*

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 under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

### **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 value based on professional valuation at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a revaluation decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

No depreciation or amortisation is provided on investment properties except where the unexpired term, including the renewal period, of the relevant lease is twenty 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 accumulated depreciation and accumulated impairment loss.

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.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rate per annum:

Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Vessel	20%

### Properties held for development

Properties held for development where no decision has yet been taken to re-sell or hold for long term purposes are stated at cost less accumulated impairment losses until the construction is completed and the properties are ready for their intended use. No depreciation and amortisation is provided on properties held for development.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 3. Significant accounting policies *(continued)*

### Properties held for sale

Properties held for sale are stated at the lower of cost or net realisable value. Cost comprises all costs of purchase and other direct cost to acquire the properties. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

### Operating leases

Rentals payable in respect of operating leases are charged to the income statement on a straight line basis over the relevant lease term.

### Retirement benefit scheme

Payments to Mandatory Provident Fund Scheme are charged as an expense as the fall due.

### 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.

### 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 3. Significant accounting policies *(continued)*

### Taxation *(continued)*

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 is 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 4. Turnover

	2004 HK\$'000	2003 HK\$'000
Provision of estate agency services	2,745	1,227
Rental income	18,263	2,740
Sales of properties	21,080	—
Sales of securities	373,198	668,227
	<u>415,286</u>	<u>672,194</u>

An analysis of the Group's turnover and contribution to results from operations by principal business segment and geographical segment are set out in note 5.

## 5. Segmental information

### Business segments

For management purposes, the Group is currently organised into two major operating divisions — property investment and securities investment.

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

Principal activities are as follows:

Property investment	—	Sales and leasing of properties
Securities investment	—	Sales of investments in securities



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 5. Segmental information (continued)

### Business segments (continued)

An analysis of the Group's turnover and contribution to operating results and segmental assets and liabilities by business segments is as follows:

	Discontinuing operation	Continuing operations		Consolidated HK\$'000
	Estate agency HK\$'000 (Note)	Property investment HK\$'000	Securities investment HK\$'000	
<i>For the year ended 31st March, 2004</i>				
<b>TURNOVER</b>				
External sales	2,745	39,343	373,198	415,286
<b>RESULT</b>				
Segment result	2,089	22,206	36,978	61,273
Unallocated corporate expenses				(26,942)
Interest income				4,692
Dividend income				1,251
Profit from operations				40,274
Finance costs				(1,911)
Amortisation of goodwill of interest in associates				(1,646)
Release of negative goodwill of interests in associates				274
Share of results of associates				(9,153)
Net gain on disposal of interest in a subsidiary				6,171
Net gain on disposal of discontinuing operation				5,489
Net loss on dilution/disposal of interests in associates				(3,439)
Profit before taxation				36,059
Taxation				(5,011)
Profit before minority interests				31,048
Minority interests				(405)
Net profit for the year				30,643

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 5. Segmental information *(continued)*

### Business segments *(continued)*

	Discontinuing operation	Continuing operations			Consolidated HK\$'000
	Estate agency HK\$'000 (Note)	Property investment HK\$'000	Securities investment HK\$'000	Others HK\$'000	
<i>Assets and liabilities as at 31st March, 2004</i>					
<b>ASSETS</b>					
Segment assets	—	549,833	285,097	7,110	842,040
Interest in associates	—	—	—	—	63,138
Unallocated total assets					471
Consolidated total assets					<u>905,649</u>
<b>LIABILITIES</b>					
Segment liabilities	—	8,937	729	—	9,666
Unallocated corporate liabilities					182,728
Consolidated total liabilities					<u>192,394</u>
<i>Other information for the year ended 31st March, 2004</i>					
Capital expenditure					
— Property, plant and equipment	67	—	—	234	301
— Investment properties	—	207,453	—	—	207,453
Depreciation	—	—	—	2,166	2,166
Amortisation of goodwill of interests in associates	—	—	—	1,372	1,372
Impairment loss of goodwill arising from acquisition of a subsidiary	—	—	130	—	130
Loss on disposal of investment properties	—	1,449	—	—	1,449
Unrealised holding loss on investments in securities	—	—	3,000	—	<u>3,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 5. Segmental information (continued)

### Business segments (continued)

	Discontinuing operation	Continuing operations		Consolidated HK\$'000
	Estate agency HK\$'000 (Note)	Property investment HK\$'000	Securities investment HK\$'000	
<i>For the year ended 31st March, 2003</i>				
<b>TURNOVER</b>				
External sales	<u>1,227</u>	<u>2,740</u>	<u>668,227</u>	<u>672,194</u>
<b>RESULT</b>				
Segment result	<u>(245)</u>	<u>(1,192)</u>	<u>49,406</u>	47,969
Unallocated corporate expenses				(38,965)
Interest income				7,264
Dividend income				<u>496</u>
Profit from operations				16,764
Finance costs				(718)
Amortisation of goodwill of interest in associates				(2,718)
Share of results of associates				(677)
Net gain on disposal of interest in subsidiaries				2,490
Net loss on dilution of associates				<u>(4,809)</u>
Profit before taxation				10,332
Taxation				<u>(3,131)</u>
Profit before minority interests				7,201
Minority interests				<u>(25)</u>
Net profit for the year				<u>7,176</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 5. Segmental information (continued)

### Business segments (continued)

	Discontinuing operation	Continuing operation			Consolidated HK\$'000
	Estate agency HK\$'000 (Note)	Property investment HK\$'000	Securities investment HK\$'000	Others HK\$'000	
<i>Assets and liabilities as at 31st March, 2003</i>					
<b>ASSETS</b>					
Segment assets	3,616	65,040	345,280	2,011	415,947
Interest in associates	—	—	—	—	86,378
Unallocated total assets					<u>2,118</u>
Consolidated total assets					<u>504,443</u>
<b>LIABILITIES</b>					
Segment liabilities	2,937	719	1,167	15	4,838
Unallocated corporate liabilities					<u>31,367</u>
Consolidated total liabilities					<u>36,205</u>
<i>Other information for the year ended 31st March, 2003</i>					
Capital expenditure					
— Property, plant and equipment	—	—	—	6,654	6,654
— Deposits on acquisition of investment properties	—	5,000	—	—	5,000
Depreciation and amortisation	343	—	408	562	1,313
Amortisation of goodwill of associate	—	—	—	2,718	2,718
Impairment loss in respect of goodwill arising on acquisition of subsidiaries	8,491	—	—	—	8,491
Other non-cash expenses	—	—	1,365	—	<u>1,365</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 5. Segmental information *(continued)*

### Business segments *(continued)*

Note:

On 5th September, 2003, the Group entered into an agreement to dispose of its entire interest in Consecutive Profits Limited and its subsidiaries, which were mainly engaged in the provision of estate agency services. The disposal was completed on 31st January, 2004 and accordingly, the business segment of provision of estate agency services was regarded as discontinuing operation in 2004 and resulted in gain on disposal of discontinuing operation of approximately HK\$5,489,000.

The aggregate carrying amounts of the assets and liabilities of the discontinuing operation at the date of discontinuance during the year ended 31st March, 2004 are as follows:

	<b>Provision of estate agency services</b>
	HK\$'000
Total assets	8,504
Total liabilities	(6,280)
Operating cash inflow	105
Cash outflow in respect of investing activities	(66)
Cash inflow in respect of financing activities	51
Net operating cash inflow	90

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 5. Segmental information *(continued)*

### Geographical segments

Turnover by geographical segment has not been prepared as all the Group's turnover was derived from Hong Kong.

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

	Carrying amount of segment assets		Capital additions	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	<b>905,649</b>	500,443	<b>207,754</b>	11,654
The People's Republic of China ("PRC")	—	4,000	—	—
	<b>905,649</b>	504,443	<b>207,754</b>	11,654

## 6. Other operating income

	2004 HK\$'000	2003 HK\$'000
Interest income	<b>4,692</b>	7,264
Dividend income from investments in listed securities	<b>1,251</b>	496
Unrealised holding gain on investments in securities	<b>2,250</b>	—
Revaluation increase of investment properties	<b>4,194</b>	—
Gain on disposal of property, plant and equipment	—	10
Gain on disposal of property held for development	<b>530</b>	—
Others	<b>953</b>	1,376
	<b>13,870</b>	9,146

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 7. Other expenses

	2004 HK\$'000	2003 HK\$'000
Amortisation of goodwill arising from acquisition of subsidiaries	—	187
Impairment loss of goodwill arising from acquisition of a subsidiary	130	8,491
Unrealised holding loss on investments in securities	3,000	1,365
Loss on disposal of investment properties	1,449	—
Allowance for bad and doubtful debts	—	736
Revaluation decrease of investment properties	—	2,300
	<b>4,579</b>	<b>13,079</b>

## 8. Profit from operations

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration:		
Fees	400	350
Other emoluments (note 9(a))	3,382	11,192
Other staff costs (note 9(b))	7,577	6,260
Retirement benefit scheme contributions	254	316
Total staff costs	<b>11,613</b>	<b>18,118</b>
Auditors' remuneration		
Current year	670	586
Overprovision in prior years	—	(10)
Depreciation of property, plant and equipment	2,166	1,126
and after crediting:		
Net rental income in respect of premises after outgoings of HK\$3,585,000 (2003: HK\$192,000)	<b>14,678</b>	<b>2,548</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 9. Directors' and employees' remuneration

### (a) Directors' remuneration

	2004 HK\$'000	2003 HK\$'000
Fees		
— Executive directors	—	—
— Non-executive director	100	50
— Independent non-executive directors	300	300
	<u>400</u>	<u>350</u>
Other emoluments		
— Executive directors		
Salaries and other benefits	1,730	5,400
Bonus	1,550	5,500
Retirement benefit scheme contributions	102	292
— Non-executive director	—	—
— Independent non-executive directors	—	—
	<u>3,382</u>	<u>11,192</u>
	<u>3,782</u>	<u>11,542</u>

The number of directors whose remuneration falls within the bands set out below is as follows:

HK\$	2004 Number of directors	2003 Number of directors
Nil to 1,000,000	5	5
1,000,001 to 1,500,000	—	—
1,500,001 to 2,000,000	—	1
2,000,001 to 2,500,000	1	—
2,500,001 to 3,000,000	—	—
3,000,001 to 3,500,000	—	—
3,500,001 to 4,000,000	—	1
Over 4,000,000	—	1
	<u>6</u>	<u>8</u>

During the year, no emoluments were paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 9. Directors' and employees' remuneration (continued)

### (b) Employees' remuneration

The five highest paid individuals in the Group included two directors (2003: three directors) of the Company, details of whose remuneration are set out above. The aggregate remuneration of the remaining highest paid individuals, who are employees of the Group, is as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	5,339	2,662
Retirement benefit scheme contributions	79	66
	<b>5,418</b>	<b>2,728</b>

HK\$	2004 Number of employees	2003 Number of employees
Nil to 1,000,000	1	1
1,000,001 to 1,500,000	—	—
1,500,001 to 2,000,000	1	—
2,000,001 to 2,500,000	—	1
2,500,001 to 3,000,000	—	—
3,000,001 to 3,500,000	—	—
3,500,001 to 4,000,000	1	—

## 10. Finance Costs

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	—	41
Bank borrowings with instalments repayable over five years	1,911	677
	<b>1,911</b>	<b>718</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 11. Taxation

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
— Current year	2,201	190
— Underprovision in prior years	98	14
	<b>2,299</b>	204
Deferred tax (note 21)	2,712	2,927
Taxation attributable to the Company and its subsidiaries	<b>5,011</b>	3,131

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year. Hong Kong Profits Tax rate was changed from 16% to 17.5% with effect from 2003/2004 year of assessment.

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

	2004		2003	
	HK\$'000	%	HK\$'000	%
Profit before taxation	<b>36,059</b>		10,332	
Taxation at Hong Kong Profits Tax				
Rate of 17.5% (2003: 16%)	6,310	17.5	1,653	16.0
Tax effect of income not taxable in determining taxable profit	(6,313)	(17.5)	(4,559)	(44.1)
Tax effect of expenses not deductible for tax purpose	5,147	14.2	5,386	52.1
Underprovision in respect of prior year	98	0.3	14	0.1
Tax effect of tax losses not recognised	969	2.7	655	6.3
Utilisation of tax losses previously not recognised	(1,032)	(2.9)	(33)	(0.3)
Increase in opening deferred tax resulting from an increase in applicable tax rate	(198)	(0.5)	—	—
Others	30	0.1	15	0.2
Tax expense and effective tax rate for the year	<b>5,011</b>	<b>13.9</b>	3,131	30.3

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 12. Earnings per share

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share:		
Net profit for the year	<u><b>30,643</b></u>	<u>7,176</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	<b>1,533,792</b>	1,329,682
Effect of dilutive potential ordinary shares (in thousands):		
Share options	<u><b>5,560</b></u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	<u><b>1,539,352</b></u>	<u>1,329,682</u>

The computation of diluted earnings per share for the year ended 31st March, 2003 did not assume the exercise of the share options as the exercise price of the share options was greater than the average market price of the Company's share.

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

	<b>Basic</b>	Diluted
	<b>HK cents</b>	HK cents
Reconciliation of 2003 earnings per share:		
Reported figures before adjustments	<b>0.76</b>	0.76
Adjustments arising from the adoption of SSAP 12 (Revised)	<u><b>(0.22)</b></u>	<u>(0.22)</u>
Restated	<u><b>0.54</b></u>	<u>0.54</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 13. Investment properties

	<b>THE GROUP</b>
	HK\$'000
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VALUATION	
At 1st April, 2003	<b>60,400</b>
Additions	<b>207,453</b>
Disposal	<b>(3,900)</b>
Increase on revaluation	<b>218,697</b>
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At 31st March, 2004	<b>482,650</b>
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The Group's investment properties were revalued at its open market value at 31st March, 2004 by Skyland Surveyors Co., an independent firm of professional property valuers, on an open market value basis. This valuation gave rise to a revaluation increase of HK\$218,697,000, of which HK\$4,194,000 has been credited to the consolidated income statement to the extent of the decrease previously charged and the remaining balance of HK\$214,503,000 is credited to the investment property revaluation reserve.

The Group's investment properties are held for rental purpose under operating leases.

The Group's investment properties amounting to approximately HK\$482,650,000 (2003: HK\$56,500,000) have been pledged to secure general banking facilities granted to the Group.

The carrying value of the investment properties comprises:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Properties held under long-term leases in Hong Kong	<b>438,000</b>	27,500
Properties held under medium-term leases in Hong Kong	<b>44,650</b>	32,900
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	<b>482,650</b>	60,400
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# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 14. Property, plant and equipment

	<b>Furniture, fixtures and office equipment</b> HK\$'000	<b>Motor vehicles</b> HK\$'000	<b>Vessel</b> HK\$'000	<b>Total</b> HK\$'000
<b>THE GROUP</b>				
<b>COST</b>				
At 1st April, 2003	1,813	1,654	6,000	9,467
Additions	301	—	—	301
Disposal of subsidiaries	(211)	—	—	(211)
At 31st March, 2004	1,903	1,654	6,000	9,557
<b>DEPRECIATION</b>				
At 1st April, 2003	566	1,125	100	1,791
Provided for the year	437	529	1,200	2,166
Eliminated on disposal of subsidiaries	(140)	—	—	(140)
At 31st March, 2004	863	1,654	1,300	3,817
<b>NET BOOK VALUES</b>				
At 31st March, 2004	1,040	—	4,700	5,740
At 31st March, 2003	1,247	529	5,900	7,676

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 14. Property, plant and equipment *(continued)*

	<b>Furniture, fixtures and office equipment</b> HK\$'000
<b>THE COMPANY</b>	
<b>COST</b>	
At 1st April, 2003	1,865
Additions	38
At 31st March, 2004	1,903
<b>DEPRECIATION</b>	
At 1st April, 2003	485
Provided for the year	378
At 31st March, 2004	863
<b>NET BOOK VALUES</b>	
At 31st March, 2004	1,040
At 31st March, 2003	1,380

## 15. Property held for development

The property held for development was situated in the PRC under medium-term land use rights and was disposed of by the Group during the year.

## 16. Interests in subsidiaries

	<b>2004</b> HK\$'000	2003 HK\$'000
<b>Investments in subsidiaries</b>		
Unlisted shares, at cost	<b>82,252</b>	82,252
<b>Receivables due from subsidiaries</b>		
Amounts due from subsidiaries	<b>904,402</b>	890,610
Less: Allowance	<b>(302,851)</b>	(322,851)
	<b>601,551</b>	567,759
<b>Payables due to subsidiaries</b>		
Amounts due to subsidiaries	<b>222,663</b>	212,663

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 16. Interests in subsidiaries (continued)

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

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

Name of subsidiary	Place of incorporation and operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Ascot Limited	Hong Kong	HK\$2	—	100	Property holding
Bless Top Holdings Limited	British Virgin Islands/Hong Kong	US\$1	100	—	Investment holding
Gain Master Assets Limited	British Virgin Islands/Hong Kong	US\$1	—	100	Investment holding
Infast Limited	Hong Kong	HK\$2	—	100	Property holding
Island Town Limited	Hong Kong	HK\$2	—	100	Property holding
Mark Well Investment Limited	Hong Kong	HK\$100	—	100	Sale of securities and investment holding
Capital Strategic Investment (B.V.I.) Limited	British Virgin Islands/Hong Kong	US\$40,000	100	—	Investment holding and vessel holding
Ocean Information System (China) Limited	Hong Kong	HK\$2	—	100	Investment holding
Ocean Manufacturing Limited	Hong Kong	HK\$10,000	—	100	Investment holding
Return On Profits Limited	British Virgin Islands/Hong Kong	US\$1	100	—	Investment holding
Topsmart Investment Limited	Hong Kong	HK\$100	—	100	Sale of securities and investment holding
CSI Investment Limited	Hong Kong	HK\$2	100	—	Property holding and leasing of property

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 lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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 31st March, 2004

## 17. Interests in associates

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
<b>Interests in associates</b>		
Share of net assets	<b>20,176</b>	33,029
Goodwill		
At 1st April	<b>53,349</b>	—
Arising from acquisition of associates	<b>26</b>	58,004
Less: Amortisation	<b>(1,646)</b>	(2,718)
Released upon dilution/disposal of interests in associates	<b>(44,039)</b>	(1,937)
	<b>7,690</b>	53,349
Negative goodwill		
At 1st April	—	—
Arising from acquisition of associates	<b>(5,199)</b>	—
Released to the income statement	<b>274</b>	—
	<b>(4,925)</b>	—
	<b>22,941</b>	86,378
Amounts due from associates	<b>40,197</b>	—
	<b>63,138</b>	86,378
Market value of listed shares of associates	<b>13,043</b>	23,860

In July 2003, the Group acquired a further of approximately 0.14% interest in Capital Prosper Limited (“Capital Prosper”), a company listed on the Hong Kong Stock Exchange, for a cash consideration of approximately HK\$84,000. The interest in Capital Prosper held by the Group was increased from 28.08% to 28.22% upon the completion of the acquisition.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 17. Interests in associates *(continued)*

In November 2003, the Group disposed of its wholly owned subsidiary, namely Charm Management Limited (“Charm Management”) for a consideration of approximately HK\$61,000,000. The major assets of Charm Management is 28.22% interest in Capital Prosper.

In July 2003, the Group also acquired a further of approximately 7.87% interest in Capital Estate Limited (“Capital Estate”) for a cash consideration of approximately HK\$4,500,000. The interest in Capital Estate held by the Group was increased from 20.61% to 28.48% upon the completion of the acquisition.

Following the issue of new shares to third parties by Capital Estate, the Group’s interest in Capital Estate was diluted to 21.71%.

The goodwill arising on acquisition of associates is amortised over 20 years.

The negative goodwill is released to the income statement over the useful life of the depreciable assets of that associates.

Particulars of the principal associates at 31st March, 2004 are as follows:

<b>Name of associate</b>	<b>Place of incorporation</b>	<b>Place of operation</b>	<b>Proportion of nominal value of issued share capital held indirectly by the Company</b>	<b>Principal activities</b>
Capital Estate Limited*	Hong Kong	Hong Kong	21.71%	Property development, securities trading and provision of estate agency services
Concord Way Limited	Hong Kong	Hong Kong	45%	Property development
Cherry Developments Limited	Hong Kong	Hong Kong	50%	Property investment
Siu Wah Investments Limited	Hong Kong	Hong Kong	50%	Property investment

\* The shares of the associate are listed on the Hong Kong Stock Exchange.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 18. Investments in securities

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Other investments</b>				
Equity securities:				
Listed	<b>48,655</b>	35,447	—	—
Unlisted	<b>6,505</b>	5,005	—	—
	<b>55,160</b>	40,452	—	—
Debt securities				
Listed	<b>48,764</b>	173,800	—	—
Unlisted	<b>42,360</b>	75,486	<b>3,933</b>	4,026
	<b>91,124</b>	249,286	<b>3,933</b>	4,026
Club debenture	<b>1,450</b>	1,450	—	—
Total and reported as:				
Listed				
Hong Kong	<b>48,655</b>	25,679	—	—
Elsewhere	<b>48,764</b>	183,568	—	—
Unlisted	<b>50,315</b>	81,941	<b>3,933</b>	4,026
	<b>147,734</b>	291,188	<b>3,933</b>	4,026
Classified under				
Current	<b>111,484</b>	268,738	<b>3,933</b>	4,026
Non-current	<b>36,250</b>	22,450	—	—
	<b>147,734</b>	291,188	<b>3,933</b>	4,026
Market value of listed securities	<b>97,419</b>	209,247	—	—

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 19. Deposits paid for acquisition of investment properties

As at 31st March, 2003, the amount represented a deposit with a stakeholder for acquisition of investment properties. The transaction was completed during the year and the amount was transferred to investment properties as detailed in note 13.

## 20. Deposits paid for acquisition of property, plant and equipment

During the year, the Group entered into an agreement to acquire a motor yacht and deposit of HK\$2,596,000 has been paid by the Group as at 31st March, 2004. The transaction has not been completed up to the date of this report.

## 21. Deferred taxation

The following are the major deferred tax liability and (asset) recognised and movements during the current and prior accounting periods:

### THE GROUP

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st April, 2002			
— As previously reported	—	—	—
— Prior year adjustment	—	(5,036)	(5,036)
— As restated	—	(5,036)	(5,036)
Charge to the consolidated income statement	—	2,927	2,927
At 31st March, 2003	—	(2,109)	(2,109)
Effect of a change in tax rate	—	(198)	(198)
Charge to the consolidated income statement	878	2,032	2,910
At 31st March, 2004	878	(275)	603

As at 31st March, 2004, the Group had unused tax losses of approximately HK\$7,695,000 (2003: HK\$8,058,000) available for offset against future profits. No deferred tax assets had been recognised in respect of the unused tax losses due to unpredictability of future profits streams.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 21. Deferred taxation (continued)

### THE COMPANY

	<b>Tax losses</b> HK\$'000
At 1st April, 2002	
— As previously reported	—
— Prior year adjustment	<b>(1,000)</b>
— As restated	<b>(1,000)</b>
Charge to the income statement	<b>424</b>
At 31st March, 2003	<b>(576)</b>
Charge to the income statement	<b>301</b>
At 31st March, 2004	<b>(275)</b>

## 22. Goodwill

	<b>THE GROUP</b> HK'000
<b>COST</b>	
At 1st April, 2003	<b>8,977</b>
Arising on acquisition of a subsidiary	<b>130</b>
At 31st March, 2004	<b>9,107</b>
<b>AMORTISATION AND IMPAIRMENT</b>	
At 1st April, 2003	<b>8,977</b>
Impairment loss recognised	<b>130</b>
At 31st March, 2004	<b>9,107</b>
<b>NET BOOK VALUES</b>	
At 31st March, 2004	—
At 31st March, 2003	—

During the year ended 31st March, 2004, the directors reviewed the carrying amount of goodwill with reference to the business operated by the subsidiary. The subsidiary is mainly engaged in securities holding and in view of the current market condition in the operation, impairment loss of approximately HK\$130,000, being the entire goodwill relating to the subsidiary, has been identified and recognised in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 23. Trade and other receivables

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The aged analysis of the trade receivables at 31st March, 2004 is as follows:

	2004 HK\$'000	2003 HK\$'000
0 — 30 days	144	2,086
31 — 60 days	—	194
61 — 90 days	—	276
Over 90 days	—	713
	<u>144</u>	<u>3,269</u>
Other receivables	<u>16,641</u>	<u>2,402</u>
	<u>16,785</u>	<u>5,671</u>

## 24. Properties held for sale

	HK'000
At 1st April, 2003	—
Additions	59,792
Disposal	<u>(17,566)</u>
At 31st March, 2004, at cost	<u>42,226</u>
The carrying value of properties held for sale comprises:	
Properties held under medium leases in Hong Kong	—
Properties held under long leases in Hong Kong	<u>42,226</u>
	<u>42,226</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 25. Trade and other payables

Included in trade and other payable are trade payables with the following aged analysis:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
0 — 30 days	—	1,214
31 — 60 days	—	223
61 — 90 days	—	244
Over 90 days	—	856
	—	2,537
Other payables	<b>10,351</b>	2,361
	<b>10,351</b>	4,898

## 26. Bank borrowings

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Bank loans	<b>174,060</b>	27,430	<b>20,000</b>	—
Bank overdrafts	<b>4,998</b>	3,690	—	—
	<b>179,058</b>	31,120	<b>20,000</b>	—
Repayable as follows:				
Within one year	<b>47,582</b>	5,250	<b>20,000</b>	—
Between one to two years	<b>8,304</b>	1,704	—	—
Between two to five years	<b>41,362</b>	7,312	—	—
Over five years	<b>81,810</b>	16,854	—	—
	<b>179,058</b>	31,120	<b>20,000</b>	—
Less: Amount due within one year included under current liabilities	<b>(47,582)</b>	(5,250)	<b>(20,000)</b>	—
Amount due after one year	<b>131,476</b>	25,870	—	—

Of the bank borrowings of the Group, HK\$154,060,000 (2003: HK\$27,430,000) are secured by investment properties of HK\$482,650,000 (2003: HK\$56,500,000) and bank deposits of HK\$5,219,000 (2003: HK\$5,178,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 27. Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary share of HK\$0.10 each at 1st April, 2002	1,800,000,000	180,000
Adjustment of nominal value	—	(162,000)
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each	1,800,000,000	18,000
Increase	16,200,000,000	162,000
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each 31st March, 2003 and 31st March, 2004	18,000,000,000	180,000
	<hr/>	<hr/>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1st April, 2002	1,283,791,800	128,379
Adjustment of nominal value	—	(115,541)
Issue of shares	250,000,000	2,500
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each at 31st March, 2003 and 31st March, 2004	1,533,791,800	15,338
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 28. Share options

### 1992 Scheme

The Company's share option scheme ("1992 Scheme"), was adopted pursuant to a resolution passed on 23rd March, 1992 for the primary purpose of providing incentives to directors and eligible employees, and was terminated on 13th June, 2001. Under the 1992 Scheme, the board of directors of the Company may grant options to eligible employees, including an executive director of the Company or any subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 1992 Scheme is not permitted to exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the 1992 Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the number of shares issued and issuable under the 1992 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised within one year on the expiry of 6 months after the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the 80% of average closing price of the Company's shares for the five business days immediately preceding the date of grant, and the nominal value of the Company's shares.

The 1992 Scheme was terminated on 13th June, 2001.

### 2001 Scheme

On 13th June, 2001, the Company adopted a new share option scheme ("2001 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2001 Scheme will expire on 12th June, 2011. Under the 2001 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 28. Share options *(continued)*

### 2001 Scheme *(continued)*

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue at any point in time excluding any shares issued pursuant to the 2001 Scheme or such other limit as may be permitted under Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (“Listing Rules”). The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 25% of the number of shares issued and issuable under the 2001 Scheme or any other limit as may be permitted under the Listing Rules.

Options granted must be taken up within 60 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of the 80% of average closing price of the Company’s shares for the five business days immediately preceding the date of grant, and the nominal value of the Company’s shares.

The 2001 Scheme was terminated on 26th August, 2002.

### 2002 Scheme

On 26th August, 2002 (the “Adoption Date”), the Company adopted a new share option scheme (“2002 Scheme”), for the primary purpose of providing incentives to directors and eligible employees. The 2002 Scheme will expire on 25th August, 2012. Under the 2002 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme (excluding those options that have already been granted by the Company prior to the date of approval of the 2002 Scheme) must not in aggregate exceed 10% of the shares in issue at the Adoption Date unless the Company obtains a fresh approval from its shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 28. Share options (continued)

### 2002 Scheme (continued)

Options granted must be taken up within 60 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher (i) the closing price, (ii) the average closing price of the Company's shares of the five business days immediately preceding the date of grant, and (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, 2001 Scheme and 2002 Scheme were 104,625,000 and 131,000,000, representing 6.8% and 8.5% of the issued share capital of the Company at that date respectively.

The following table discloses movements in the Company's share option schemes during the year ended 31st March, 2004:

	Option scheme type	Exercise price	Outstanding at 1.4.2003	Granted during year (Note 3)	Exercised during year	Surrendered/lapsed during year	Outstanding at 31.3.2004
<b>Director</b>							
Ma Wai Man, Catherine	2001 (Note 1)	0.168	31,500,000	—	—	—	31,500,000
	2002 (Note 2)	0.14	12,500,000	—	—	—	12,500,000
Total for director			44,000,000	—	—	—	44,000,000
<b>Employees and consultants</b>							
	2001 (Note 1)	0.168	73,650,000	—	—	(525,000)	73,125,000
	2002 (Note 2)	0.14	73,500,000	30,000,000	—	—	103,500,000
	2002 (Note 2)	0.15	—	15,000,000	—	—	15,000,000
Total for employees and consultants			147,150,000	45,000,000	—	(525,000)	191,625,000
Grand Total			191,150,000	45,000,000	—	(525,000)	235,625,000

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 28. Share options (continued)

### 2002 Scheme (continued)

The following table discloses movements in the Company's share option schemes during the year 31st March, 2003:

	Option scheme type	Exercise price	Outstanding at 1.4.2002	Granted during year	Exercised during year	Surrendered/lapsed during year	Outstanding at 31.3.2003
<b>Director/ex-director*</b>							
Ma Wai Man, Catherine	1992	0.2267	15,000,000	—	—	(15,000,000)	—
	1992	0.2533	3,000,000	—	—	(3,000,000)	—
	2001 (Note 1)	0.168	31,500,000	—	—	—	31,500,000
	2002 (Note 2)	0.14	—	12,500,000	—	—	12,500,000
Kan Sze Man*	1992	0.2267	10,500,000	—	—	(10,500,000)	—
	1992	0.2533	4,500,000	—	—	(4,500,000)	—
	2001 (Note 1)	0.168	31,500,000	—	—	—	31,500,000
	2002 (Note 2)	0.14	—	12,500,000	—	—	12,500,000
Total for director/ex-director			96,000,000	25,000,000	—	(33,000,000)	88,000,000
<b>Employees and consultants</b>							
	1992	0.2267	8,025,000	—	—	(8,025,000)	—
	2001 (Note 1)	0.168	42,150,000	—	—	—	42,150,000
	2002 (Note 2)	0.14	—	73,500,000	—	(12,500,000)	61,000,000
Total for employees and consultants			50,175,000	73,500,000	—	(20,525,000)	103,150,000
Grand Total			146,175,000	98,500,000	—	(53,525,000)	191,150,000

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 28. Share options (continued)

### 2002 Scheme (continued)

Notes:

1. There is a limit on the number of share options under the 2001 Scheme that may be exercised by each grantee during each period of 12 months commencing from 30th August, 2001 (until 29th August, 2005), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the executive chairman of the Company to the exercise of share options exceeding such limit.
2. There is a limit on the number of share options under the 2002 Scheme that may be exercised by each grantee during each period of 12 months commencing from 23rd September, 2002 (until 22nd September, 2006), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the executive chairman of the Company to the exercise of share options exceeding such limit.
3. The closing price of the shares of the Company on 8th and 9th January, 2004 immediately before the date on which the options were granted were HK\$0.14 and HK\$0.15 respectively.

## 29. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
At 1st April, 2002				
— As originally stated	464,823	62,352	(304,306)	222,869
— Prior period adjustment	—	—	1,000	1,000
— As restated	464,823	62,352	(303,306)	223,869
Reduction of share capital and share premium	(464,823)	580,364	—	115,541
Transfer to accumulated losses	—	(304,306)	304,306	—
Net premium on issue of shares	23,225	—	—	23,225
Profit for the year	—	—	82,692	82,692
At 31st March, 2003	23,225	338,410	83,692	445,327
Profit for the year	—	—	17,416	17,416
At 31st March, 2004	23,225	338,410	101,108	462,743

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 29. Reserves *(continued)*

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:

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

At 31st March, 2004, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$439,518,000 (2003: HK\$422,102,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 30. Disposal of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Investment properties	—	2,850
Interests in an associate	<b>54,540</b>	—
Property, plant and equipment	<b>71</b>	25
Trade and other receivables	<b>7,910</b>	30
Bank balances and cash	<b>116</b>	—
Trade and other payables	<b>(6,266)</b>	(45)
Bank overdraft	<b>(14)</b>	—
Minority interest	<b>(534)</b>	—
	<b>55,823</b>	2,860
Gain on disposal of a subsidiary	<b>6,171</b>	2,490
Gain on disposal of discontinuing operation	<b>5,489</b>	—
	<b>67,483</b>	5,350
Satisfied by:		
Cash	<b>67,000</b>	5,350
Interests in associates	<b>483</b>	—
	<b>67,483</b>	5,350
Analysis of the net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	<b>67,000</b>	5,350
Bank balances and cash disposed of	<b>(116)</b>	—
Bank overdraft disposed of	<b>14</b>	—
Net inflow of cash and cash equivalents	<b>66,898</b>	5,350

The subsidiaries disposed of during the year did not make any significant contribution to the results and cash flows of the Group during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 31. Purchase of a subsidiary

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Investments in securities	4,870	—
	4,870	—
Goodwill arising on acquisition	130	—
	<u>5,000</u>	<u>—</u>
Satisfied by:		
Cash	<u>5,000</u>	<u>—</u>
Analysis of the net outflow of cash and cash equivalents in connection with the purchase of subsidiary:		
Cash consideration paid	<u>5,000</u>	—
Outflow of cash and cash equivalents in connection with the purchase of a subsidiary	<u>5,000</u>	<u>—</u>

The subsidiary acquired of during the year did not make any significant contribution to the results and cash flow of the Group during the year.

## 32. Non-cash transaction

During the year ended 31st March, 2004, addition of investment properties was partially satisfied by the deposit of HK\$5,000,000 paid for acquisition of investment properties in the previous year.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 33. Operation lease commitments

The Group has made approximately HK\$802,000 (2003: HK\$2,381,000) minimum lease payments under operating leases during the year in respect of office premises and vessels.

### The Group as lessee

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	1,061	1,620
In the second to fifth years inclusive	—	1,211
	<b>1,061</b>	<b>2,831</b>

Lease are negotiated for one year and rentals are fixed for one of year.

The Company had no operating lease commitments at the balance sheet date.

### The Group as lessor

Property rental income earned during the year was HK\$18,263,000 (2003: HK\$2,740,000). These properties are expected to generate rental yield of 3.78% on an ongoing basis, which calculated based on the valuation amount of the investment properties. Certain of the properties have committed tenants for next two to three years.

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	22,097	2,610
In the second to fifth years inclusive	42,422	1,380
	<b>64,519</b>	<b>3,990</b>

The Company did not have any lease contract.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 34. Contingent liabilities

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Corporate guarantee given by the Company for banking facilities granted to subsidiaries	—	—	142,815	29,625
Corporate guarantee given by the Group for banking facilities granted to an associate	101,000	—	101,000	—
	<b>101,000</b>	—	<b>243,815</b>	29,625

As at 31st March, 2004, the banking facilities utilised by the associate were amounted to approximately HK\$77,000,000.

## 35. Pledge of assets

At 31st March, 2004, the following assets were pledged to secure banking facilities granted to the Group:

- (a) Investment properties with a carrying value of HK\$482,650,000 (2003: HK\$56,500,000).
- (b) Bank deposits of HK\$5,219,000 (2003: HK\$5,178,000).

## 36. Capital commitments

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	10,430	—

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March, 2004

## 37. Retirement benefit scheme

With effect from 1st December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contributions payables in the future years.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the schemes.

## 38. Related party transactions

During the year, the Group has disposed of its entire 80% interest in Consecutive Profits Limited and its subsidiaries ("CPL") to a wholly-owned subsidiary of Capital Estate Limited, for a consideration of HK\$6,000,000.

The above transactions were carried out at terms agreed between the relevant parties.

## 39. Post balance sheet events

- (1) In April, 2004, the Group disposed of its entire 100% interest in Ascot Limited with the net asset value of approximately HK\$13,648,000, a wholly-owned subsidiary of the Company for a consideration of HK\$31,650,000. The transaction was completed at the date of this report.
- (2) In May, 2004, King's Land Limited, a wholly-owned subsidiary of the Company, entered into agreement to dispose of the property held for sale with a carrying value of HK\$5,871,000 for a consideration of HK\$6,194,000. The transaction has not yet been completed up to the date of this report.
- (3) In May, 2004, Sennor Holdings Limited, a wholly-owned subsidiary of the Company, entered into agreement to acquire the property which was located in Hong Kong at a consideration of approximately HK\$233,000,000. Details of these are set out in the circular issued by the Company dated 25th June, 2004.
- (4) In June 2004, Suna Limited, a wholly-owned subsidiary of the Company, entered into agreement to dispose of the property held for sale with a carrying value of HK\$12,536,400 for a consideration of HK\$13,480,000. The transaction has not yet been completed up to the date of this report.