

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2004 HK\$	2003 HK\$
Share of net assets (liabilities)	511,018	(9,589,422)
Amount due from a jointly controlled entity	23,187,159	21,616,595
	23,698,177	12,027,173
Less: Amount due within one year shown under current assets	(23,187,159)	(21,616,595)
	511,018	(9,589,422)

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

Particulars of the Group's jointly controlled entities at 31st March, 2004 are as follows:

Name	Form of business structure	Place/country of incorporation/ operations	Attributable interest to the Group		Nature of business
			Direct %	Indirect %	
New Height Developments Limited	Incorporated	British Virgin Islands/Hong Kong	50	–	Investment holding
Eternity Management Limited	Incorporated	Hong Kong	–	50	Building management
Parklane Limited	Incorporated	Hong Kong	–	50	Property development and trading
Phoenix Limited	Incorporated	Hong Kong	–	50	Property development

Pursuant to a joint venture deed dated 30th March, 2001 (the "Deed"), the other joint venture partner is entitled to a preferential distribution of profit of Parklane Limited and Phoenix Limited up to an amount as specified in the Deed (the "Agreed Return") and the Group is entitled to the remaining profit up to an amount equivalent to the Agreed Return. Thereafter, the Group is entitled to share the profit equally with the joint venture partner.

18. OTHER NON-CURRENT ASSETS

	THE GROUP	
	2004 HK\$	2003 HK\$
Club debentures, at cost	8,136,995	8,124,732
Antiques and pictures, at cost	10,094,013	9,700,246
	18,231,008	17,824,978

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19. INVENTORIES

	THE GROUP	
	2004 HK\$	2003 HK\$
Raw materials and consumables	54,222,261	55,393,610
Work in progress	13,561,892	6,848,218
Finished goods	66,292,068	52,712,506
	134,076,221	114,954,334

Included above are raw materials and consumables of HK\$9,801,480 (2003: HK\$12,044,378), work in progress of HK\$3,772,569 (2003: HK\$1,508,703) and finished goods of HK\$4,534,887 (2003: HK\$759,884) which are carried at net realisable value.

20. INVESTMENTS IN UNLISTED SECURITIES

	THE GROUP	
	2004 HK\$	2003 HK\$
Other securities, unlisted at cost	4,089,560	4,089,560

In the opinion of the directors, the unlisted equity securities are carried at fair value.

21. INVENTORY OF UNSOLD PROPERTIES

	THE GROUP	
	2004 HK\$	2003 HK\$
At 1st April	52,500,000	-
Transferred from land and buildings	15,867,985	-
Transferred from investment properties	49,000,000	52,500,000
	117,367,985	52,500,000

The Group's inventory of unsold properties comprises:

	2004 HK\$	2003 HK\$
Properties held under long leases:		
– in Hong Kong	62,000,000	13,000,000
– in North America	15,867,985	-
	77,867,985	13,000,000
Properties held under medium-term leases in Hong Kong	39,500,000	39,500,000
	117,367,985	52,500,000

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22. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 30 - 60 days to its trade customers.

Included in trade receivables, deposits and prepayments are trade receivables of HK\$63,319,807 (2003: HK\$50,111,597) with an aged analysis as follows:

	THE GROUP	
	2004 HK\$	2003 HK\$
Within 30 days	35,473,595	28,459,795
31 to 90 days	11,870,877	9,390,793
91 to 180 days	6,736,797	3,843,013
Over 180 days	9,238,538	8,417,996
	63,319,807	50,111,597

23. TRADE PAYABLES AND ACCRUED EXPENSES

Included in trade payables and accrued expenses are trade payables of HK\$104,896,720 (2003: HK\$94,825,669) with an aged analysis as follows:

	THE GROUP	
	2004 HK\$	2003 HK\$
Within 30 days	66,737,348	54,920,321
31 to 90 days	25,669,926	20,624,178
91 to 180 days	12,489,446	19,254,675
Over 180 days	-	26,495
	104,896,720	94,825,669

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Amounts payable under finance leases				
Within one year	2,068,364	3,545,250	1,936,725	3,305,892
In the second to fifth years inclusive	2,197,644	1,827,391	2,024,744	1,666,422
	4,266,008	5,372,641	3,961,469	4,972,314
Less: future finance charges	(304,539)	(400,327)	N/A	N/A
Present value of lease obligations	3,961,469	4,972,314	3,961,469	4,972,314
Less: Amount due within one year shown under current liabilities			(1,936,725)	(3,305,892)
Amount due after one year			2,024,744	1,666,422

It is the Group's policy to lease certain of its plant and machinery, motor vehicles and office equipment under finance leases. The leases term are 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

25. BANK BORROWINGS

	THE GROUP	
	2004 HK\$	2003 HK\$
Secured		
Bank loans	<u>230,160,052</u>	<u>215,327,658</u>
Unsecured		
Bank overdrafts	754,988	22,113
Bank loans	<u>172,235,442</u>	<u>128,101,085</u>
	<u>172,990,430</u>	<u>128,123,198</u>
	<u>403,150,482</u>	<u>343,450,856</u>
The maturity of the above bank overdrafts and loans is as follows:		
On demand or within one year	192,441,861	145,752,635
More than one year, but not exceeding two years	93,656,798	67,889,216
More than two years, but not exceeding five years	55,319,679	58,454,910
More than five years	<u>61,732,144</u>	<u>71,354,095</u>
	403,150,482	343,450,856
Less: Amount due within one year shown under current liabilities	<u>(192,441,861)</u>	<u>(145,752,635)</u>
Amount due after one year	<u>210,708,621</u>	<u>197,698,221</u>

26. SHARE CAPITAL

	Number of shares		Amount	
	2004	2003	2004 HK\$	2003 HK\$
Ordinary shares of HK\$0.1 each				
Authorised:				
At 1st April and 31st March	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
Issued and fully paid:				
At 1st April	1,156,447,928	1,164,393,928	115,644,793	116,439,393
Cancelled on repurchase of shares	<u>(30,286,000)</u>	<u>(7,946,000)</u>	<u>(3,028,600)</u>	<u>(794,600)</u>
At 31st March	<u>1,126,161,928</u>	<u>1,156,447,928</u>	<u>112,616,193</u>	<u>115,644,793</u>

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited. The directors considered that, as the Company's shares were trading at a discount to the expected net asset value per share, the repurchase would be beneficial to the Company.

These repurchased shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on repurchase was charged to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

26. SHARE CAPITAL (CONTINUED)

Month of repurchase	Number of shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
April 2003	102,000	0.081	0.080	8,610
June 2003	250,000	0.080	0.080	20,126
July 2003	604,000	0.114	0.099	61,863
August 2003	2,390,000	0.182	0.113	377,945
September 2003	4,842,000	0.228	0.180	951,103
October 2003	4,266,000	0.247	0.225	1,006,145
November 2003	6,468,000	0.248	0.233	1,578,339
December 2003	2,216,000	0.230	0.220	496,763
February 2004	4,526,000	0.255	0.247	1,142,840
March 2004	4,622,000	0.255	0.246	1,170,081
	30,286,000			6,813,815

27. RESERVES

	Share premium HK\$	Contributed surplus HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$
THE COMPANY					
At 1st April, 2002	22,785,730	90,854,039	12,881,440	12,361,053	138,882,262
Repurchase of own shares	–	–	794,600	(762,146)	32,454
Net loss for the year	–	–	–	(1,531,951)	(1,531,951)
	22,785,730	90,854,039	13,676,040	10,066,956	137,382,765
At 31st March, 2003	22,785,730	90,854,039	13,676,040	10,066,956	137,382,765
Repurchase of own shares	–	–	3,028,600	(6,813,815)	(3,785,215)
Net loss for the year	–	–	–	(1,635,049)	(1,635,049)
	22,785,730	90,854,039	16,704,640	1,618,092	131,962,501
At 31st March, 2004	22,785,730	90,854,039	16,704,640	1,618,092	131,962,501

The contribution surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition of the time of the Group reorganisation prior to the listing of the Company's shares.

Retained profits of the Group include a profit of HK\$11,018 (2003: profit of HK\$7,969,732) attributable to the jointly controlled entities.

Note:

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

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

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27. RESERVES (CONTINUED)

The Company's reserves available for distribution to shareholders were as follows:

	2004 HK\$	2003 HK\$
Contributed surplus	90,854,039	90,854,039
Retained profits	1,618,092	10,066,956
	92,472,131	100,920,995

The final dividend of HK0.5 cent for the year ended 31st March, 2004 (2003: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

28. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The amount recognised in the balance sheet is as follows:

	THE GROUP	
	2004 HK\$	2003 HK\$
At beginning of the year	6,543,753	8,249,926
Additional provision in the year	1,334,978	514,305
Utilisation of provision	(3,832,053)	(2,220,478)
At closing of the year	4,046,678	6,543,753

29. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation HK\$	Tax losses HK\$	Total HK\$
At 1st April, 2002			
– as previously reported	899,863	–	899,863
– prior period adjustment on adoption of SSAP 12 (Revised)	549,914	(549,914)	–
	1,449,777	(549,914)	899,863
At 1st April, 2002 as restated			
Charge to income statement for the year	69,283	68,142	137,425
	1,519,060	(481,772)	1,037,288
At 1st April, 2003			
Charge (credit) to income statement for the year	221,900	(221,900)	–
Effect of change in tax rate			
– charge (credit) to income statement	3,929	(3,929)	–
	1,744,889	(707,601)	1,037,288
At 31st March, 2004			

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29. DEFERRED TAX LIABILITIES (CONTINUED)

At the balance sheet date, the Company has unused tax losses of HK\$91,589,000 (2002: HK\$81,675,000) available for offset against future profits. A deferred tax asset of approximately HK\$708,000 (2003: 482,000) has been recognised in respect of approximately HK\$12,390,000 (2003: HK\$7,712,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining HK\$79,199,000 (2003: HK\$73,963,000) of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

30. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$2,991,337 (2003: HK\$3,439,337).

31. CONTINGENT LIABILITIES AND COMMITMENTS

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Contingent liabilities:				
Guarantees for banking facilities granted to subsidiaries	–	–	682,037,113	653,743,240
Guarantees for banking facilities granted to jointly controlled entities	155,000,000	231,000,000	155,000,000	231,000,000
Other guarantees	65,000	109,022	–	–
	<u>155,065,000</u>	<u>231,109,022</u>	<u>837,037,113</u>	<u>884,743,240</u>
Capital commitments:				
Contracted for but not provided:				
Acquisition of property, plant and equipment	<u>372,373</u>	<u>864,000</u>	<u>–</u>	<u>–</u>

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

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\$	2003 HK\$
Within one year	4,564,395	3,669,820
In the second to fifth year inclusive	7,855,040	3,977,756
Over five years	8,726,067	6,568,720
	<u>21,145,502</u>	<u>14,216,296</u>

Operating lease payments represent rental payable by the Group for certain of its office premises, staff quarters and factories. Leases for office premises and staff quarters are negotiated for terms of 1 to 6 years. Leases for factories are negotiated for terms of 50 years.

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32. OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessor:

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

	THE GROUP	
	2004 HK\$	2003 HK\$
Within one year	7,229,846	5,805,640
In the second to fifth year inclusive	4,378,203	389,520
	11,608,049	6,195,160

The properties are expected to generate rental yields of 5% on an ongoing basis. Leases are negotiated for terms ranging from 2 to 3 years.

33. RETIREMENT BENEFIT SCHEME

Commencing from 1st December, 2000, the Group's employees are required to join the MPF Scheme. Under the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK\$1,000 per month whichever is the smaller to the scheme. The Group's total contribution to the scheme for the year ended 31st March, 2004 is HK\$1,339,701 (2003: HK\$1,762,087). There is no forfeiture of employer's contribution from leaving scheme members under the MPF Scheme.

34. PLEDGE OF ASSETS

At 31st March, 2004, the Group has pledged the following assets in favour of banks to secure the banking facilities:

	2004 HK\$	2003 HK\$
Investment property	84,000,000	110,500,000
Land and buildings	47,863,960	59,042,824
Properties under development	286,454,125	191,015,969
Inventory of unsold properties	117,367,985	52,500,000
Bank deposits	16,161,600	5,460,000