



Notes to the Accounts *(continued)*

For the year ended 31st March 2004

13 Investment in convertible note and legal dispute settlement *(continued)*

On 19th January 2004, the Group entered into a deed of settlement (the “Settlement Deed”) with Opal. Under the Settlement Deed, the Group agreed to accept Opal’s payment of US\$2,500,000 in full settlement of the Judgement Debts. The first instalment of the settlement which amounted to US\$1,420,000 (HK\$11,051,860) was received on 19th January 2004 in accordance with the terms of the Settlement Deed.

14 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2003: 17.5%).

The movements on the net deferred tax assets account are as follows:

	Group		Company	
	2004	As restated 2003	2004	As restated 2003
	HK\$	HK\$	HK\$	HK\$
At the beginning of the year, as previously reported	–	–	–	–
Effect of change in accounting policy (note 1(j))	22,886,437	20,631,644	253,014	171,647
At the beginning of the year, as restated	22,886,437	20,631,644	253,014	171,647
Deferred taxation (charged)/credited to profit and loss account (note 5)	(2,550,459)	2,276,220	(253,014)	81,367
Taxation credited/(charged) to other properties revaluation reserve (note 19)	424,386	(21,427)	–	–
At the end of the year	<u>20,760,364</u>	<u>22,886,437</u>	<u>–</u>	<u>253,014</u>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st March 2004, the Group and the Company have unrecognised tax losses of HK\$5,866,675 (2003: HK\$Nil) and HK\$1,442,091 (2003: HK\$Nil) respectively. These tax losses have no expiry date.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:



Notes to the Accounts *(continued)*

For the year ended 31st March 2004

14 Deferred taxation *(continued)*

Deferred tax assets	Accelerated accounting depreciation		Tax losses		Total	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At the beginning of the year	95,662	235,350	23,326,668	21,017,261	23,422,330	21,252,611
(Charged)/credited to profit and loss account	(87,851)	(139,688)	(2,106,352)	2,309,407	(2,194,203)	2,169,719
At the end of the year	<u>7,811</u>	<u>95,662</u>	<u>21,220,316</u>	<u>23,326,668</u>	<u>21,228,127</u>	<u>23,422,330</u>

Deferred tax liabilities	Accelerated taxation depreciation	
	2004	2003
	HK\$	HK\$
At the beginning of the year	(535,893)	(620,967)
(Charged)/credited to profit and loss account	(356,256)	106,501
Credited/(charged) to equity	424,386	(21,427)
At the end of the year	<u>(467,763)</u>	<u>(535,893)</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the Group's and the Company's balance sheets:

	Group		Company	
	2004	As restated 2003	2004	As restated 2003
	HK\$	HK\$	HK\$	HK\$
Deferred tax assets	21,228,127	23,422,330	–	253,014
Deferred tax liabilities	(467,763)	(535,893)	–	–
Amount shown in balance sheet	<u>20,760,364</u>	<u>22,886,437</u>	<u>–</u>	<u>253,014</u>
The amounts shown in the balance sheet include the following:				
Net deferred tax assets to be recovered after more than 12 months	<u>19,307,415</u>	<u>20,760,364</u>	<u>–</u>	<u>–</u>



Notes to the Accounts *(continued)*

For the year ended 31st March 2004

15 Inventories

At 31st March 2004, the carrying amount of inventories that are carried at net realisable value amounted to HK\$140,611 (2003: HK\$184,737).

16 Accounts receivable, deposits and prepayments

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Trade receivables	365,621	468,903	–	–
Deposits, prepayments and other receivables	4,617,022	1,299,692	31,209	64,209
Deferred expenses	922,749	–	–	–
	<u>5,905,392</u>	<u>1,768,595</u>	<u>31,209</u>	<u>64,209</u>

The Group's general credit term granted to customers range from 30 to 60 days.

At 31st March 2004, the ageing analysis of the trade receivables was as follows:

	Group	
	2004 HK\$	2003 HK\$
Within 30 days	345,713	458,728
31 to 60 days	19,908	10,175
	<u>365,621</u>	<u>468,903</u>

17 Accounts payable and accrued charges

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Trade payables	3,225,360	1,832,524	–	–
Other payables and accruals	4,426,647	1,925,486	183,905	491,217
Deposits received	5,467,018	1,554,000	–	–
Deferred revenue	2,480,995	–	–	–
	<u>15,600,020</u>	<u>5,312,010</u>	<u>183,905</u>	<u>491,217</u>



Notes to the Accounts *(continued)*

For the year ended 31st March 2004

17 Accounts payable and accrued charges *(continued)*

At 31st March 2004, the ageing analysis of the trade payables was as follows:

	Group	
	2004 HK\$	2003 HK\$
Within 30 days	2,645,206	1,207,810
31 to 60 days	429,123	487,023
Over 90 days	151,031	137,691
	<u>3,225,360</u>	<u>1,832,524</u>

18 Share capital

	Ordinary shares of HK\$0.05 each	
	No. of shares	HK\$
Authorised:		
At 31st March 2003 and 2004	<u>2,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 31st March 2003 and 2004	<u>1,095,884,000</u>	<u>54,794,200</u>

Pursuant to the Company's previous share option scheme (the "Old Scheme"), which became effective on 2nd January 1991, the directors of the Company might at their discretion grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The Old Scheme expired on 1st January 2001.

During the year, particulars and movement of outstanding share options granted under the Old Scheme are as follows:

Date of grant	Exercise price HK\$	Balance	Lapsed during the year	Balance	Exercisable period
		outstanding as at 1st April 2003		outstanding as at 31st March 2004	
26th April 2000	0.58	10,000,000	(10,000,000)	–	1st August 2000 to 28th April 2003
		14,500,000	(14,500,000)	–	1st August 2000 to 28th October 2003
29th December 2000	0.26	5,000,000	(5,000,000)	–	29th December 2000 to 28th April 2003
		8,956,000	(8,956,000)	–	29th December 2000 to 28th October 2003
		<u>38,456,000</u>	<u>(38,456,000)</u>	<u>–</u>	

These options were originally exercisable until 31st July 2005. Options to subscribe for 15,000,000 shares of the Company were lapsed on 28th April 2003 upon the resignation of a director of the Company on that date. Due



Notes to the Accounts *(continued)*

For the year ended 31st March 2004

18 Share capital *(continued)*

to the takeover of control of the Company by World Possession Assets Limited in April 2003, the latest date for the exercise of the options to subscribe for 23,456,000 shares of the Company was brought forward to 28th October 2003 pursuant to the terms of the Old Scheme and all of these options were lapsed on 29th October 2003.

On 30th August 2002, the Company has adopted a new share option scheme (the ‘‘New Scheme’’), pursuant to which the Company may grant options without initial payment to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company (‘‘Affiliate’’); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any customer, supplier or adviser whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group as may be determined by the directors from time to time to subscribe for shares of the Company. The subscription price of the shares under the New Scheme will be the highest of (i) the nominal value of the shares; (ii) the closing price per share as stated in daily quotation sheets of The Stock Exchange of Hong Kong Limited (the ‘‘Stock Exchange’’) on the date of grant; and (iii) the average closing price per share as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant and such price may be adjusted from time to time pursuant to the New Scheme. No share options under the New Scheme were granted since adoption.

19 Reserves

	Share premium <i>HK\$</i>	Contribution surplus <i>HK\$</i>	Investment properties revaluation reserve <i>HK\$</i>	Group Other properties revaluation reserve <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1st April 2002, as previously reported	293,365,856	28,784,000	28,530,053	57,165,807	529,522	(323,488,397)	84,886,841
Changes in accounting policies							
– SSAP 12 (revised)	–	–	–	(402,959)	–	21,034,603	20,631,644
– SSAP 34 (revised)	–	–	–	–	–	2,723,797	2,723,797
At 1st April 2002, as restated	293,365,856	28,784,000	28,530,053	56,762,848	529,522	(299,729,997)	108,242,282
Surplus on revaluation	–	–	–	1,452,650	–	–	1,452,650
Reserve realised upon dissolution of subsidiaries	–	–	–	–	(529,522)	–	(529,522)
Deferred taxation	–	–	–	(21,427)	–	–	(21,427)
Profit for the year	–	–	–	–	–	6,681,859	6,681,859
At 31st March 2003	<u>293,365,856</u>	<u>28,784,000</u>	<u>28,530,053</u>	<u>58,194,071</u>	<u>–</u>	<u>(293,048,138)</u>	<u>115,825,842</u>
At 1st April 2003, as previously reported	293,365,856	28,784,000	28,530,053	58,618,457	–	(318,707,505)	90,590,861
Changes in accounting policies							
– SSAP 12 (revised)	–	–	–	(424,386)	–	23,310,823	22,886,437
– SSAP 34 (revised)	–	–	–	–	–	2,348,544	2,348,544
At 1st April 2003, as restated	293,365,856	28,784,000	28,530,053	58,194,071	–	(293,048,138)	115,825,842
Surplus on revaluation	–	–	10,000,000	15,450,500	–	–	25,450,500
Deferred taxation	–	–	–	424,386	–	–	424,386
Profit for the year	–	–	–	–	–	11,945,917	11,945,917
At 31st March 2004	<u>293,365,856</u>	<u>28,784,000</u>	<u>38,530,053</u>	<u>74,068,957</u>	<u>–</u>	<u>(281,102,221)</u>	<u>153,646,645</u>



Notes to the Accounts *(continued)*

For the year ended 31st March 2004

19 Reserves *(continued)*

	Share premium <i>HK\$</i>	Contribution surplus <i>HK\$</i>	Company Investment properties revaluation reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1st April 2002, as previously reported	293,365,856	28,784,000	8,271,436	(253,433,321)	76,987,971
Change in accounting policy – SSAP 12	–	–	–	171,647	171,647
At 1st April 2002, as restated	293,365,856	28,784,000	8,271,436	(253,261,674)	77,159,618
Reserve realised upon disposal	–	–	(8,271,436)	–	(8,271,436)
Profit for the year	–	–	–	7,476,105	7,476,105
At 31st March 2003	<u>293,365,856</u>	<u>28,784,000</u>	<u>–</u>	<u>(245,785,569)</u>	<u>76,364,287</u>
At 1st April 2003, as previously reported	293,365,856	28,784,000	–	(246,038,583)	76,111,273
Change in accounting policy – SSAP 12	–	–	–	253,014	253,014
At 1st April 2003, as restated	293,365,856	28,784,000	–	(245,785,569)	76,364,287
Profit for the year	–	–	–	9,781,846	9,781,846
At 31st March 2004	<u>293,365,856</u>	<u>28,784,000</u>	<u>–</u>	<u>(236,003,723)</u>	<u>86,146,133</u>

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date when they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1991. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders provided that the Company is able to meet its obligations after the distribution and the realisable value of the Company's assets would not be less than the aggregate of its liabilities, issued share capital and share premium accounts.

20 Provision for long service payments

The Group has provided long service payments obligations for employees who had completed the required number of years of service under Hong Kong's Employment Ordinance. The Group's provision for long service payments is calculated based on the Group's best estimate using the projected unit credit method.



Notes to the Accounts *(continued)*

For the year ended 31st March 2004

20 Provision for long service payments *(continued)*

The amounts recognised in the balance sheet are as follows:

	2004 <i>HK\$</i>	Group As restated 2003 <i>HK\$</i>
Present value of funded obligations	<u>3,050,289</u>	<u>3,390,131</u>

The amounts recognised in the profit and loss account are as follows:

	2004 <i>HK\$</i>	Group 2003 <i>HK\$</i>
Current service cost	834,141	511,620
Interest cost	150,205	135,615
Net actuarial (gains)/losses recognised during the year	(117,274)	353,597
	<u>867,072</u>	<u>1,000,832</u>

Movement in the provision for long service payments are as follows:

	2004 <i>HK\$</i>	Group 2003 <i>HK\$</i>
At the beginning of year	3,390,131	3,000,704
Total expense recognised in the profit and loss account	867,072	1,000,832
Payment made during the year		
– MPF contributions	(582,298)	(575,579)
– Long service payments	(624,616)	(35,826)
At the end of year	<u>3,050,289</u>	<u>3,390,131</u>



Notes to the Accounts *(continued)*

For the year ended 31st March 2004

20 Provision for long service payments *(continued)*

The principal actuarial assumptions used were as follows:

	Group	
	2004	2003
Discount rate	4.3%	4.3%
Expected rate of future salary increases	1.2%	1.2%

21 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow generated from operations

	2004	As restated 2003
	HK\$	HK\$
Operating profit	14,520,047	4,405,639
Interest income	(15,509)	(29,022)
(Surplus)/deficit on revaluation of other properties	(21,950)	75,850
Gain on dissolution of subsidiaries	–	(2,229,522)
Legal dispute settlement	(11,051,860)	–
Amortisation of goodwill	83,648	–
Loss on write off of other fixed assets	–	2,019,902
Depreciation	1,957,915	2,221,299
	<hr/>	<hr/>
Operating profit before working capital changes	5,472,291	6,464,146
(Increase)/decrease in inventories	(91,934)	140,717
(Increase)/decrease in accounts receivable, deposits and prepayments	(1,333,747)	400,329
Increase/(decrease) in accounts payable, accrued charges	6,308,473	(1,021,316)
(Decrease)/increase in provision for long service payments	(339,842)	389,427
	<hr/>	<hr/>
Net cash inflow generated from operations	<u>10,015,241</u>	<u>6,373,303</u>

(b) Analysis of changes in financing during the year

	Share capital including premium		Bank loans	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
At the beginning of year	348,160,056	348,160,056	–	–
Cash from financing activities	–	–	6,000,000	–
	<hr/>	<hr/>	<hr/>	<hr/>
At the end of year	<u>348,160,056</u>	<u>348,160,056</u>	<u>6,000,000</u>	<u>–</u>