

Notes to the Financial Statements

For the year ended 31st March, 2004

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Lucky Year Finance Limited (“Lucky Year”), an international business company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of its principal operating subsidiaries, associates and jointly-controlled entities are set out in notes 18, 19 and 20, 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” No. 12 (Revised) “Income taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants (“HKSA”). SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred taxation) and additional disclosure requirements which have been adopted in the financial statements. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. In previous years, partial provision was made for deferred taxation 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 taxation is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

This change in accounting policy has resulted in an increase in the Group’s deferred tax liability by HK\$13,607,000 and HK\$17,648,000, and deferred tax assets by HK\$2,900,000 and HK\$4,913,000, as at 31st March, 2004 and 2003 respectively. This change has also resulted in an increase in other net assets by HK\$1,147,000 and HK\$1,376,000 as at 31st March, 2004 and 31st March, 2003 respectively while the Group’s capital reserve as at 31st March, 2004 and 31st March, 2003 has been decreased by HK\$6,128,000 and HK\$7,694,000 respectively. As a consequence, the consolidated net profit attributable to shareholders for the year ended 31st March, 2004 has been increased by HK\$233,000 whereas the consolidated net loss attributable to shareholders for the year ended 31st March, 2003 has been reduced by HK\$165,000 and the consolidated retained profits at 1st April, 2003 and 2002 have been reduced by HK\$3,665,000 and HK\$3,830,000 respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain 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:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31st March each year.

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

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

Investments in subsidiaries

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

Interests in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Joint ventures

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities.

The Group's interests in jointly-controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly-controlled entities plus the premium paid/less any discount on acquisition in so far as it has not already been written off/amortised/released to income less any identified impairment loss. The Group's share of the post-acquisition results of its jointly-controlled entities is included in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, associate or jointly-controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the consolidated income statement at the time of disposal of the relevant subsidiary, associate or jointly-controlled entity or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on the straight-line basis over its estimated useful life. Any impairment of goodwill will be recognised as an expense in the consolidated income statement immediately.

Goodwill arising on the acquisition of an associate or a jointly-controlled entity is included within the carrying amount of the associate or jointly-controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

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

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly-controlled entity.

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and recognised as income based on an analysis of the circumstances from which the balance resulted.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses, if any.

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 and amortisation are provided to write off the cost of items of property, plant and equipment, other than leasehold improvements, using the straight line method, over their estimated useful lives, at the following rates:

Leasehold land	5% or over the unexpired terms of the leases
Buildings	2% to 5%
Plant and machinery	10% to 30%
Motor vehicles	20% to 30%
Furniture, fixtures and equipment	20% to 33 $\frac{1}{3}$ %

Depreciation on leasehold improvements is calculated to write off the cost of the leasehold improvements over their expected useful lives or the unexpired duration of the leases, whichever is the shorter.

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

Properties under development

Properties under development are stated at cost less accumulated impairment losses, if any, and include the cost of land, construction, financing and other related expenses, less any impairment losses.

Investment properties

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

Investment properties are stated at their open market value based on annual professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged 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 the investment property revaluation reserve is charged to the income statement. Where a 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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

No depreciation is provided on investment properties which are held under leases with unexpired terms of more than 20 years.

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has established pre-sale programmes, are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions, on an individual property basis.

Profit arising on the pre-sale of properties under development is recognised over the course of the development and is calculated on each project as a proportion of the total estimated profit to completion, after taking into account further costs to completion. The proportion used is the estimated construction costs of pre-sold units over the total estimated construction costs of the property under development. The profit per pre-sold unit so recognised is restricted to the amount of instalments received and receivable under legally binding contracts at the balance sheet date.

Investments in securities

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and costs associated with the construction contract are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, or when each asset has been separately negotiated, or when the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

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. An 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, so 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Hire purchase contracts

Under a hire purchase contract, all the risks and rewards of ownership of the asset are substantially transferred to the Group. Assets held under hire purchase contracts are capitalised at their fair values at the dates of inception of the contracts. The corresponding instalments payable, net of interest charges, are shown as obligations of the Group on the balance sheet. The interest charges, or finance costs, which represent the difference between the gross instalments payable and the original principal amount under the hire purchase contract at the date of inception of the contract, are charged to the income statement over the period of the contract at an approximately constant rate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) sales of goods are recognised when goods are delivered and title has passed;
- (ii) revenue on construction contracts is recognised using the percentage of completion method by reference to the value of the construction work performed;
- (iii) rental income from property letting under operating leases, is recognised on a straight-line basis over the term of the relevant lease;
- (iv) income from the sale of completed properties is recognised when a legally binding sale and purchase contract is signed. Income from the pre-sale of properties under development is recognised over the course of development under the execution of a legally binding sales contract. It is calculated on each project as a proportion of the total estimated profit to completion after taking into account of further costs to completion;
- (v) property management income, in the period in which services are rendered;
- (vi) interest income is recognised on a time basis by reference to the principal outstanding and at the interest rates applicable; and
- (vii) dividend income is recognised when the Group's rights to receive payments have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalisation of borrowing costs

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

All other borrowings costs are expensed in the period in which they are incurred.

Leases

Rentals receivable or payable under operating leases are credited or charged to income statement on the straight-line basis over the term of the relevant lease.

Taxation

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

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

Deferred taxation 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 taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences 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 taxable profit nor the accounting profit.

Deferred taxation 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 taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations 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 on which the operation is disposed of.

Retirement benefit scheme contributions

The retirement benefit scheme contributions charged to the income statement represent the amount of contributions payable by the Group under defined contribution retirement benefit scheme and defined contribution mandatory provident fund scheme.

4. TURNOVER

Turnover for the year comprises:

	2004 HK\$'000	2003 HK\$'000
Building construction and foundation piling	732,414	874,936
Sales of consumer goods and provision of maintenance services	632,989	570,960
Sales of properties	263,167	–
Rental income	50,197	–
Others	6,322	2,000
	<u>1,685,089</u>	<u>1,447,896</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(i) Business segments

For management purposes, the Group is currently organised into five operating divisions including construction activities, garment activities, property development activities, property investment activities and others. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- (a) Construction activities : Building construction and foundation piling
- (b) Garment activities : Garment manufacture and trading
- (c) Property development activities : Properties for sale development activities
- (d) Property investment activities : Property investment activities
- (e) Others : Investment holding and provision of management services

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(i) Business segments (Continued)

Segment information about these businesses is presented below:

Income statement

	Construction activities		Garment activities		Property development activities		Property investment activities		Others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	732,414	874,936	632,989	570,960	263,167	-	50,197	-	6,322	2,000	1,685,089	1,447,896
Segment results	29,833	36,056	(95,868)	26,192	(57,102)	-	212,870	-	1,600	1,897	91,333	64,145
Net income from investments											6,061	16,375
Unallocated corporate expenses											(1,420)	(5,279)
Profit from operations											95,974	75,241
Finance costs											(34,168)	(12,899)
Gain on disposal of subsidiaries											1,394	-
Loss on deemed disposal of partial interests in a subsidiary											(56,242)	-
Impairment loss on goodwill arising from an associate acquired in previous years											-	(10,394)
Release of negative goodwill of subsidiaries											58,511	-
Share of results of associates	-	-	(2,077)	(1,655)	-	-	-	-	(7,242)	(241,778)	(9,319)	(243,433)
Share of results of jointly-controlled entities	-	-	4,434	4,458	86,260	-	-	-	-	-	90,694	4,458
Write off of loans to jointly-controlled entities	-	-	-	-	(84,488)	-	-	-	-	-	(84,488)	-
Profit/(loss) before taxation											62,356	(187,027)
Taxation charge											(4,126)	(13,876)
Profit/(loss) before minority interests											58,230	(200,903)
Minority interests											(44,274)	(4,548)
Net profit/(loss) for the year											13,956	(205,451)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(i) Business segments (Continued)

Balance sheet

	Construction activities		Garment activities		Property development activities		Property investment activities		Others		Elimination		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS														
Segment assets	480,118	516,022	366,666	431,107	1,448,632	-	1,272,728	-	2,580,218	157,547	(2,751,689)	(320,114)	3,396,673	784,562
Interests in associates	-	-	611	1,591	14,857	-	-	-	40,214	567,497	-	-	55,682	569,088
Interests in jointly-controlled entities	-	-	2,679	4,189	3,697	-	-	-	-	-	-	-	6,376	4,189
Unallocated corporate assets													475,863	214,350
Consolidated total assets													3,934,594	1,572,189
LIABILITIES														
Segment liabilities	355,980	376,817	77,617	59,355	1,517,971	-	965,031	-	274,761	177,625	(2,751,689)	(320,114)	439,671	293,683
Unallocated corporate liabilities													1,930,057	348,403
Consolidated total liabilities													2,369,728	642,086
OTHER INFORMATION														
Additions to property, plant and equipment														
- The Group	14,239	15,577	2,836	2,357	1,120	-	410	-	336	-	-	-	18,941	17,934
- Acquired on acquisitions of subsidiaries	-	-	-	-	3,186	-	102	-	1,008	-	-	-	4,296	-
Depreciation and amortisation of property, plant and equipment	39,505	38,180	8,196	8,988	509	-	54	-	645	2	-	-	48,909	47,170
Amortisation of permanent export quota entitlements	-	-	-	2,185	-	-	-	-	-	-	-	-	-	2,185

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(ii) Geographical segments

The following table provides an analysis of the Group's turnover by geographical market:

	Turnover	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	1,014,237	888,934
North America	409,808	301,230
Europe	240,217	248,469
Others	20,827	9,263
	<u>1,685,089</u>	<u>1,447,896</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000
Hong Kong	2,355,665	1,176,524	16,585	15,984
The People's Republic of China (other than Hong Kong) (the "PRC")	980,307	49,161	1,305	890
The Republic of Indonesia	156,252	200,255	1,051	780
Others	435,161	141,267	-	280
	<u>3,927,385</u>	<u>1,567,207</u>	<u>18,941</u>	<u>17,934</u>
Unallocated assets	<u>7,209</u>	<u>4,982</u>		
	<u>3,934,594</u>	<u>1,572,189</u>		

6. PROFIT FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Depreciation and amortisation:		
Owned assets	47,656	44,670
Assets held under hire purchase contracts	1,253	2,500
	48,909	47,170
Less: Amount capitalised in contract costs	(3,879)	(3,658)
	45,030	43,512
Staff costs (including directors' emoluments)	206,980	181,135
Less: Amount capitalised in contract costs	(70,771)	(62,036)
	136,209	119,099
Amortisation of permanent export quota entitlements (included in cost of sales)	–	2,185
Auditors' remuneration	2,565	1,821
Loss on disposals of property, plant and equipment	–	39
Loss on write-off of interest in a former jointly-controlled entity	–	5
Minimum lease payment paid in respect of land and buildings	3,601	2,102
Deficit arising from revaluation of investment properties	–	100
Unrealised loss on investments in securities	–	831
and after crediting:		
Dividend income from unlisted investments in securities	361	435
Interest income from investments in securities	1,227	14,100
Bank interest income	2,490	1,447
Other interest income	1,451	681
Exchange gain	3,964	–
Gain on disposals of property, plant and equipment	1,798	–
Gain on disposals of permanent textile quota entitlements	71	–
Release of negative goodwill arising from deemed acquisition of an additional interest in a subsidiary (included in other operating income)	–	543
Write-off of negative goodwill arising from acquisitions of subsidiaries (included in other operating income)	820	–
Gross rental income (included in turnover and other operating income)	51,045	228
Less: Outgoing expenses	(21,386)	–
	29,659	228
Unrealised gain on investment in securities	123	–

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

7. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	47,158	12,606
Bank borrowings wholly repayable after five years	1,820	–
Other borrowings wholly repayable within five years	97	–
Hire purchase contracts	117	293
	<hr/>	<hr/>
Total borrowing costs	49,192	12,899
Less: Amount capitalised under property development projects	(15,024)	–
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	34,168	12,899
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8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Information regarding directors' emoluments

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The emoluments paid to directors of the Company during the year are as follows:		
Directors' fees paid to independent non-executive directors	50	50
Emoluments paid to executive directors		
– Salaries	4,828	4,290
– Bonuses paid and payable	2,000	2,500
– Retirement benefit scheme contributions	118	101
	<hr/>	<hr/>
	6,996	6,941
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The emoluments of directors fall within the following bands:

	Number of directors	
	2004	2003
Nil	5	3
HK\$1 to HK\$1,000,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	1	2
HK\$2,500,001 to HK\$3,000,000	1	1
	<hr/>	<hr/>
	9	7
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8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)**(ii) Information regarding employees' emoluments**

The five highest paid individuals of the Group in the year include two directors (2003: three directors). The emoluments of the remaining three highest paid individuals, who are not directors, are as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries	2,321	2,187
Bonuses paid and payable	3,760	2,450
Retirement benefit scheme contributions	141	166
	6,222	4,803

The emoluments of these three individuals fall within the following bands:

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

9. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group operates defined contribution mandatory provident fund schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate. The MPF Schemes became effective on 1st December, 2000. Contributions made are based on a percentage, specific in the rule of relevant schemes, of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vested fully with the employees when contributed into the MPF Schemes except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Schemes.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

9. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS (Continued)

As an alternative, certain subsidiaries of the Company also operated defined contribution provident fund schemes (the “Provident Funds”) under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate. Provident Funds operated in a similar way to the MPF Schemes, except that when an employee left the Provident Funds prior to his/her interest in the Group’s employer contributions being vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions.

	2004 HK\$'000	2003 HK\$'000
Contributions payable to the Group’s MPF Schemes	<u>5,244</u>	<u>4,523</u>
Contributions payable to the Group’s Provident Funds	1,068	668
Less: Forfeited contributions	<u>–</u>	<u>(34)</u>
	<u>1,068</u>	<u>634</u>
Contributions charged to the income statement	<u><u>6,312</u></u>	<u><u>5,157</u></u>

At 31st March, 2004, the forfeited contributions under the Provident Funds, arising from employees leaving the schemes and which are available to reduce the contributions payable by the Group in the future, amounted to nil.

10. LOSS ON DEEMED DISPOSAL OF PARTIAL INTERESTS IN A SUBSIDIARY

Loss on deemed disposal of partial interests in a subsidiary amounting to HK\$56,242,000 arises as a result of the Company’s placement of 66,700,000 ordinary shares of Hon Kwok Land Investment Company, Limited (“Hon Kwok”) and conditional subscription of 66,700,000 of Hon Kwok’s new shares. The new shares rank pari passu with the existing shares. The Company’s shareholding in Hon Kwok decreased from 69.39% to 57.83% accordingly.

Details of the transaction are set out in note 41(g).

11. SHARE OF RESULTS OF JOINTLY-CONTROLLED ENTITIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of operating profit	6,206	4,458
Waiver of shareholder's loans	84,488	–
	<u>90,694</u>	<u>4,458</u>

During the year, a non-wholly owned subsidiary of the Company and its joint venture partner wrote off the shareholders' loans which were non-recoverable from jointly-controlled entities. The corresponding debit of HK\$84,488,000 was recognised as write off of loans to jointly-controlled entities whilst the corresponding credit of HK\$84,488,000 was recognised as share of results of jointly-controlled entities.

12. TAXATION CHARGE

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The charge for the year comprises:		
Hong Kong Profits Tax		
Current year	(7,971)	(11,361)
Overprovision in prior years	24	360
Other jurisdictions	(2,947)	–
	<u>(10,894)</u>	<u>(11,001)</u>
Deferred taxation credit/(charge) (note 22)	7,657	(395)
	<u>(3,237)</u>	<u>(11,396)</u>
Share of taxation of associates	(853)	(2,425)
Share of taxation of jointly-controlled entities	(36)	(55)
	<u>(4,126)</u>	<u>(13,876)</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profits of the year. In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of the increase has been reflected in the calculation of current and deferred taxation balances at 31st March, 2004. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

12. TAXATION CHARGE (Continued)

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit/(loss) before taxation	<u>62,356</u>	<u>(187,027)</u>
Tax at Hong Kong Profits Tax rate at 17.5% (2003: 16%) an assessable income for the year	(10,912)	29,924
Tax effect of share of results of associates	(2,484)	(41,374)
Tax effect of share of results of jointly-controlled entities	1,050	658
Tax effect of expenses not deductible for tax purpose	(26,031)	(8,103)
Tax effect of income not taxable for tax purpose	50,567	12,070
Overprovision in previous years	24	360
Tax effect of deferred taxation assets not recognised	(9,616)	(638)
Utilisation of tax losses previously not recognised	(5,742)	(3,003)
Increase in opening deferred taxation liabilities resulting from an increase in applicable tax rate	–	(2,419)
Effect of different tax rates of subsidiaries operating in other jurisdiction	1,464	(125)
Others	<u>(2,446)</u>	<u>(1,226)</u>
Taxation charge for the year	<u>(4,126)</u>	<u>(13,876)</u>

13. DIVIDEND

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Proposed final dividend of 2 cents (2003: 2 cents) per ordinary share	<u>11,027</u>	<u>11,027</u>

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit for the year of approximately HK\$13,956,000 (2003: net loss of HK\$205,451,000, as restated) and on 551,368,153 (2003: 551,368,153) shares in issue during the year.

The adjustment to comparative basic loss per share, arising from the change in accounting policy shown in note 2, is as follows:

	2003 Basic <i>HK cent</i>
Reconciliation of 2003 basic loss per share:	
Reported figure before adjustment	(37.29)
Adjustment arising from the adoption of SSAP 12 (Revised)	<u>0.03</u>
Restated	<u><u>(37.26)</u></u>

No disclosure of diluted earnings per share (2003: loss per share) is presented as the exercise of the outstanding options of an associate of the Group would only serve to increase the earnings per share (2003: reduce the loss per share) from the continuing ordinary activities.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold		Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	land and buildings						
	Hong Kong	Overseas					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
COST							
At 1st April, 2003	80,997	67,561	12,038	410,310	8,977	29,359	609,242
Currency realignment	-	236	22	22	2	13	295
Arising on acquisitions of subsidiaries	-	2,123	265	-	109	1,799	4,296
Eliminated on disposals of subsidiaries	-	-	-	(1,786)	-	-	(1,786)
Additions	-	-	558	13,502	998	3,883	18,941
Disposals	-	-	(102)	(4,541)	(488)	(1,546)	(6,677)
At 31st March, 2004	80,997	69,920	12,781	417,507	9,598	33,508	624,311
DEPRECIATION AND AMORTISATION							
At 1st April, 2003	11,766	18,511	11,288	212,712	6,862	24,553	285,692
Currency realignment	-	37	21	18	1	11	88
Eliminated on disposals of subsidiaries	-	-	-	(1,786)	-	-	(1,786)
Provided for the year	1,643	1,917	578	39,962	1,272	3,537	48,909
Eliminated on disposals	-	-	(14)	(3,433)	(442)	(1,477)	(5,366)
At 31st March, 2004	13,409	20,465	11,873	247,473	7,693	26,624	327,537
NET BOOK VALUES							
At 31st March, 2004	67,588	49,455	908	170,034	1,905	6,884	296,774
At 31st March, 2003	69,231	49,050	750	197,598	2,115	4,806	323,550

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Details of the leasehold land and buildings are as follows:

	2004 HK\$'000	2003 HK\$'000
Medium-term leases:		
Hong Kong	67,588	69,231
the PRC	39,808	40,570
Overseas	7,619	8,480
Long leases in the PRC	2,028	–
	<u>117,043</u>	<u>118,281</u>

Included in the net book value of property, plant and equipment of the Group at 31st March, 2004 is an amount of approximately HK\$9,568,000 (2003: HK\$10,785,000) in respect of assets held under hire purchase contracts.

	Furniture, fixtures and equipment HK\$'000
THE COMPANY	
COST	
At 1st April, 2003 and 31st March, 2004	<u>72</u>
DEPRECIATION	
At 1st April, 2003	67
Provided for the year	<u>3</u>
At 31st March, 2004	<u>70</u>
NET BOOK VALUES	
At 31st March, 2004	<u><u>2</u></u>
At 31st March, 2003	<u><u>5</u></u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

16. PROPERTIES UNDER DEVELOPMENT

	THE GROUP
	<i>HK\$'000</i>
Arising on acquisitions of subsidiaries	346,976
Currency realignment	6,974
Additions	157,205
Disposals	(28,796)
Eliminated on disposals of subsidiaries	(1,192)
Eliminated on deemed disposal of subsidiaries	(1,739)
Write back of allowance for properties under development	9,345
	<u>488,773</u>
At 31st March, 2004	<u>488,773</u>

Details of the properties under development are as follows:

	<i>HK\$'000</i>
Medium-term leases in Hong Kong	327,506
Long leases in the PRC	127,255
Freehold property in Canada	34,012
	<u>488,773</u>

Properties under development included interest expenses and other borrowing costs of approximately HK\$1,703,000 incurred and capitalised during the year.

17. INVESTMENT PROPERTIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
AT VALUATION		
At 1st April	1,500	1,600
Arising on acquisitions of subsidiaries	1,068,875	–
Additions	5,498	–
Surplus arising from revaluation	191,702	(100)
	<u>1,267,575</u>	<u>1,500</u>
At 31st March	<u>1,267,575</u>	<u>1,500</u>

17. INVESTMENT PROPERTIES (Continued)

The Group's investment properties at 31st March, 2004 were revalued on an open market value basis by Chesterton Petty Limited and Knight Frank, firms of international property consultants, as well as Henry Butcher Malaysia, chartered surveyors. The revaluation resulted in a surplus of approximately HK\$191,702,000 (2003: a deficit of HK\$100,000) of which approximately HK\$184,355,000 has been credited to the consolidated income statement and balance of approximately HK\$4,459,000 (net of amount shared by minority interests and deferred taxation liability) has been credited to investment properties revaluation reserve.

Details of the investment properties are as follows:

	2004 HK\$'000	2003 HK\$'000
Freehold land in Malaysia	187,775	–
Medium-term leases in Hong Kong	361,800	1,500
Long lease in Hong Kong	718,000	–
	<u>1,267,575</u>	<u>1,500</u>

All the Group's investment properties are rented out under operating leases.

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	839,466	115,192
Amounts due from subsidiaries, net (note)	186,613	182,770
	<u>1,026,079</u>	<u>297,962</u>

Note: The amounts are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of directors of the Company, the amounts will not be repaid within the next twelve months from the balance sheet date.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

18. INTERESTS IN SUBSIDIARIES (Continued)

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

Name of subsidiary	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Apex Curtain Wall and Windows Company Limited	Hong Kong	Hong Kong	HK\$10,000	-	86.05	Contracting of building aluminium works
Champion Fine International Investments Inc.	Canada	Canada	C\$1	-	57.83	Property development
China Parking Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property holding
Chinney Builders and Foundation Company Limited	Hong Kong	Hong Kong	HK\$2	-	86.05	Building construction
Chinney Construction (BVI) Limited	British Virgin Islands	British Virgin Islands	US\$10,000	-	86.05	Investment holding
Chinney Construction Company, Limited	Hong Kong	Hong Kong	HK\$18,000,000	-	86.05	Building construction
Chinney Contractors Company Limited	British Virgin Islands	British Virgin Islands	US\$18,961	86.05	-	Investment holding
Chinney Property Management Limited	Hong Kong	Hong Kong	HK\$100	-	57.83	Property management
Cosmos Wealth Development Limited	Hong Kong	Hong Kong	HK\$1,000	-	57.83	Property development

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
CP Management Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Carpark management
Crown Honour Developments Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Provision of nominee services
Debest Development Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property development
Dongguan Chinney Garments Limited	The People's Republic of China ("PRC")	PRC	HK\$9,000,000*	-	100.00	Garment manufacture
Dongguan Marigold Industry City Developing Co., Ltd.	PRC	PRC	HK\$50,000,000**	-	100.00	Property holding and development
DrilTech Geotechnical Engineering Limited	Hong Kong	Hong Kong	HK\$10,000	-	86.05	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited	Hong Kong	Hong Kong	HK\$12,500,000	-	86.05	Drilling, site investigation and related ground engineering construction
Full Yip Development Limited	British Virgin Islands	Hong Kong	US\$1	-	57.83	Property holding and letting
Gateway Group Holdings Limited	British Virgin Islands	British Virgin Islands	US\$2,500,000	100.00	-	Investment holding
Gateway Trade and Development Company, Limited	Hong Kong	Hong Kong	HK\$9,000,000	-	100.00	Garment trading
Golden Country Development Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property development

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Hon Cheong Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Investment holding
Hon Kwok Land Investment Company, Limited	Hong Kong	Hong Kong	HK\$400,238,501	57.83	-	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.	PRC	PRC	HK\$30,000,000*	-	57.83	Property development
Hon Kwok Land Treasury II Limited	British Virgin Islands	British Virgin Islands	US\$1	-	57.83	Financing
Hon Kwok Project Management Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Project management
Honbest Investment Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property development
Honour Well Development Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property holding and letting
Island Parking Limited	British Virgin Islands	Hong Kong	US\$10	-	57.83	Property holding and letting
J.L. Chinney (Holdings) Company Limited	British Virgin Islands	British Virgin Islands	US\$1,250,000	100.00	-	Investment holding
J.L. Group Company Limited	Hong Kong	Hong Kong	HK\$8,000,000	-	100.00	Garment trading
J.L. Investment Company Limited	Hong Kong	Hong Kong	HK\$10,000	-	100.00	Property holding

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
King Capital Development Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property holding and letting
King Champion Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property holding and letting
Kin Wing Chinney (BVI) Limited	British Virgin Islands	British Virgin Islands	US\$208	-	86.05	Investment holding
Kin Wing Engineering Company Limited	Hong Kong	Hong Kong	HK\$10,000,000	-	86.05	Foundation piling
Kin Wing Foundations Limited	Hong Kong	Hong Kong	HK\$10,000	-	86.05	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	Hong Kong	HK\$100	-	86.05	Equipment and machinery leasing
Kin Wing Treasury Limited	Hong Kong	Hong Kong	HK\$10,000	-	86.05	Financing
Lido Parking Limited	British Virgin Islands	Hong Kong	US\$1	-	57.83	Property holding and letting
Multi-Way Trading Limited	Hong Kong	Hong Kong	HK\$5,000,000	-	100.00	Garment trading
Nanghai Xin Da Real Estate Development Co., Ltd.	PRC	PRC	HK\$90,480,000*	-	46.26 ***	Property development
One City Hall Place Limited	Canada	Canada	C\$100	-	43.37 ***	Property development

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Nominal value of issued ordinary shares/ registered capital	Proportion of nominal value of issued ordinary shares/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Pacific Corporate Services Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Provision of corporate services
Prime Best Development Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property development
PT. Prefash Wears Cemerlang	Republic of Indonesia	Republic of Indonesia	US\$500,000	-	100.00	Garment manufacture and trading
Royal Treasure Limited	Hong Kong	Hong Kong	HK\$2	100.00	-	Property holding
Shenzhen Honkwok Huaye Development Co., Ltd.	PRC	PRC	RMB50,000,000*	-	46.26***	Property development
Spark Eagle Development Limited	Hong Kong	Malaysia	HK\$2	-	57.83	Property holding and letting
Star World Property Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property development
Sunny Land Sdn. Bhd.	Malaysia	Malaysia	M\$2	-	57.83	Property management
Victory Venture Development Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property development
Wide Fame Investment Limited	Hong Kong	Hong Kong	HK\$2	-	57.83	Property development

* These companies are registered as foreign owned enterprise.

** This company is a co-operative joint venture enterprise. Pursuant to an agreement entered into with the joint venture partner, the Group is:

- obliged to contribute 100% of the registered capital of the company
- entitled to 85% of the profit but has to bear all of the losses of the company
- entitled to 100% of the residual net assets of the company upon winding up

*** The Group held controlling indirect interest in these companies through a non-wholly owned subsidiary thus the Group has the power to direct the financial and operating policies of these companies and they are therefore accounted for as subsidiaries.

Except for Hon Kwok Land Treasury II Limited, none of the subsidiaries had any debt securities outstanding at the balance sheet date or at any time during the year.

18. INTERESTS IN SUBSIDIARIES (Continued)

Some shares in Hon Kwok were pledged to a bank to secure banking facilities granted.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of directors of the Company, result in particulars of excessive length.

19. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		
Listed shares, at cost	-	-	-	556,064
Investments in securities	-	141,000	-	141,000
Share of net assets	46,981	428,088	-	-
Amount due from associates (note)	8,701	-	-	-
	55,682	569,088	-	697,064

Note: The amounts are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of directors of the Company, the amount will not be repaid within the next twelve months from the balance sheet date.

In 2003, the investments in securities represented the carrying value of the held-to-maturity debt securities of the 10% convertible guaranteed bonds due on April, 2003 which was issued by a wholly-owned subsidiary of Hon Kwok, a former associate of the Group. Holders of the bonds have the right to convert the bonds into equity shares of Hon Kwok at a conversion price, subject to adjustment in certain events, of HK\$0.40 per share (before share consolidation of Hon Kwok). The bonds were redeemed on 22nd April, 2003. Pursuant to the Payment Arrangement Deed Amendment Deed dated 31st March, 2003, the redemption monies were deferred and applied towards the payment of part of the subscription monies payable by the Company for the subscription of the right shares of Hon Kwok.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

19. INTERESTS IN ASSOCIATES (Continued)

The market values of the listed shares of associates listed on the Stock Exchange held by the Group and the Company at 31st March are as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
1,153,957,982 (2003: 961,957,982) shares of Chinney Alliance Group Limited ("Chinney Alliance") at a closing price of HK\$0.018 (2003: HK\$0.010) each	20,771	9,620	-	-
632,284,758 shares of Hon Kwok at a closing price of HK\$0.096 each	-	60,699	-	60,699
	<u>20,771</u>	<u>70,319</u>	<u>-</u>	<u>60,699</u>

The Group has 29.10% equity interest in the issued share capital of its principal associate Chinney Alliance, an investment holding company incorporated in Bermuda, with its subsidiaries engaged in trading and manufacture of industrial products in Hong Kong.

The above lists the associate of the Group which, in the opinion of the directors of the Company, principally affected the results or form a substantial portion of the net assets of the Group.

Extracts from the financial statements of Chinney Alliance, the major associate of the Company, are set out in note 42(a).

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets less liabilities	(7,914)	4,189
Amounts due from jointly-controlled entities, net (note)	14,290	-
	<u>6,376</u>	<u>4,189</u>

Note: The amounts are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of directors of the Company, the amounts will not be repaid within the next twelve months from the balance sheet date.

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Details of the Company's principal jointly-controlled entities at 31st March, 2004 are as follows:

Name of jointly-controlled entity	Place of incorporation/ operation	Proportion of nominal value of issued ordinary shares held by the Company		Principal activities
		Directly	Indirectly	
		%	%	
Cenford Investments Limited	Hong Kong	–	28.92	Property development
King Success Limited	Hong Kong	–	28.92	Property development
SGA Holdings Limited	British Virgin Islands/ Hong Kong	–	50	Garment trading

The above table lists the jointly-controlled entities of the Group, which in the opinion of the directors of the Company, principally affected the results or form a substantial portion of the net assets of the Group.

Extracts from the financial statements of the major jointly-controlled entities of the Group are set out in note 42(b).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

21. NEGATIVE GOODWILL

	THE GROUP <i>HK\$'000</i>
<hr/>	
GROSS AMOUNT	
Arising on acquisitions during the year	209,627
Transfer of capital reserve arising from the acquisition of an associate in prior years	4,581
Eliminated upon deemed disposal	<u>(35,685)</u>
At 31st March, 2004	<u>178,523</u>
RELEASED TO INCOME	
Released in the year	58,511
Eliminated upon deemed disposal	<u>(8,921)</u>
At 31st March, 2004	<u>49,590</u>
CARRYING AMOUNT	
At 31st March, 2004	<u><u>128,933</u></u>

The negative goodwill arose from the Group's acquisition of Hon Kwok in May 2003 upon the subscription of the right shares of Hon Kwok pursuant to the Underwriting Agreement. The negative goodwill is released to income on a straight-line basis of three years, the remaining weighted average useful life of the depreciable assets acquired.

As a result of Hon Kwok's placement of 66,700,000 new shares in March 2004, negative goodwill of HK\$26,764,000 was eliminated upon the deemed disposal of interest in Hon Kwok for shareholding from 69.39% to 57.83%.

22. DEFERRED TAXATION

The following are the major deferred taxation assets and liabilities recognised by the Group and movements thereon during the current and prior periods:

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
At 1st April, 2002					
– as originally stated	(19,302)	–	2,447	–	(16,855)
– adjustment on adoption of SSAP 12 (Revised)	(16,821)	–	3,745	300	(12,776)
– as restated	(36,123)	–	6,192	300	(29,631)
Credit/(charge) to income during the year	1,236	–	(1,496)	(135)	(395)
Balances at 31st March, 2003 and 1st April, 2003	(34,887)	–	4,696	165	(30,026)
Credit/(charge) to income during the year	5,547	–	2,115	(5)	7,657
Charge to equity during the year	–	(1,104)	–	–	(1,104)
Arising on acquisition of subsidiaries	(1,335)	(30,817)	–	–	(32,152)
At 31st March, 2004	(30,675)	(31,921)	6,811	160	(55,625)

For the purpose of balance sheet presentation, certain deferred taxation assets and liabilities have been offset in accordance with the conditions set out in SSAP (Revised). The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Deferred taxation assets	2,900	4,913
Deferred taxation liabilities	(58,525)	(34,939)
	(55,625)	(30,026)

No provision for deferred taxation has been recognised in the financial statements of the Company as the amount involved is insignificant.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

23. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Equity securities:						
Listed shares	-	-	762	639	762	639
Unlisted – capital contribution (note)	1,510	3,510	-	-	1,510	3,510
	<u>1,510</u>	<u>3,510</u>	<u>762</u>	<u>639</u>	<u>2,272</u>	<u>4,149</u>
Total:						
Listed – Hong Kong	-	-	762	639	762	639
Unlisted	1,510	3,510	-	-	1,510	3,510
	<u>1,510</u>	<u>3,510</u>	<u>762</u>	<u>639</u>	<u>2,272</u>	<u>4,149</u>
Market value of listed securities	-	-	762	639	762	639
Carrying amount analysed for reporting purposes as:						
Current	-	-	762	639	762	639
Non-current	1,510	3,510	-	-	1,510	3,510
	<u>1,510</u>	<u>3,510</u>	<u>762</u>	<u>639</u>	<u>2,272</u>	<u>4,149</u>

Note: The capital contribution is stated at carrying value and represents the Group's 11% equity interest in the registered capital of Gansu Longhai Chinney Construction Engineering Co., Ltd., a company which is established in the PRC. During the year, HK\$2,000,000 registered capital was repatriated to the Group.

24. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Raw materials	33,739	76,886
Work in progress	45,945	38,206
Finished goods	7,057	10,541
	86,741	125,633

Included above are raw materials of HK\$31,610,000 (2003: nil), which are carried at net realisable value.

Cost of inventories recognised as expense for the year amounted to HK\$588,304,000 (2003: HK\$454,413,000).

25. PROPERTIES HELD FOR SALE

	THE GROUP
	<i>HK\$'000</i>
Arising on acquisitions of subsidiaries	1,017,104
Additions	311,391
Exchange realignment	7,165
Eliminated on deemed disposal of subsidiaries	(1,739)
Eliminated on sales of properties	(373,543)
At 31st March, 2004	960,378

At 31st March, 2004, the carrying amount of properties held for sale carried at net realisable value amounted to approximately HK\$238,191,000 (2003: nil).

Properties held for sale included interest expense and other borrowing costs totalling HK\$13,321,000 (2003: nil) incurred and capitalised during the year.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

26. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date comprised:		
Contract costs incurred	4,951,401	4,949,072
Add: Recognised profits less recognised losses	540,251	619,473
	<u>5,491,652</u>	<u>5,568,545</u>
Less: Progress billings	(5,534,179)	(5,639,698)
	<u>(42,527)</u>	<u>(71,153)</u>
Represented by:		
Amounts due from customers shown under current assets	43,407	44,964
Amounts due to customers shown under current liabilities	(85,934)	(116,117)
	<u>(42,527)</u>	<u>(71,153)</u>

Staff costs, hiring charges for plant and machinery and depreciation charges of approximately HK\$70,771,000 (2003: HK\$62,036,000), HK\$6,597,000 (2003: HK\$5,638,000) and HK\$3,879,000 (2003: HK\$3,658,000), respectively, were included in contract costs. No borrowing costs were capitalised in either year.

27. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of approximately HK\$242,364,000 (2003: HK\$151,221,000). The aging analysis of trade debtors is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Current to 30 days	192,407	96,913
31 to 60 days	39,043	38,294
61 to 90 days	2,412	7,831
Over 90 days	8,502	8,183
	<u>242,364</u>	<u>151,221</u>
Total	<u>242,364</u>	<u>151,221</u>

27. DEBTORS AND PREPAYMENTS (Continued)

The Group allows an average credit period of 30 days to its trade customers.

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided in full in case of non-recoverability.

28. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of approximately HK\$118,771,000 (2003: HK\$93,405,000). The aging analysis of trade creditors is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Current to 30 days	71,912	69,571
31 to 60 days	26,228	14,528
61 to 90 days	13,929	4,664
Over 90 days	6,702	4,642
	<hr/>	<hr/>
Total	118,771	93,405
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

29. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	THE GROUP			
	Minimum payments		Present value of minimum payments	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The maturity of the Group's obligations under hire purchase contracts is as follows:				
Within one year	1,504	4,053	1,457	3,956
Due after one year but within two years	938	548	898	537
Due after two years but within five years	78	–	62	–
	<u>2,520</u>	<u>4,601</u>	<u>2,417</u>	<u>4,493</u>
Less: Future finance charges	(103)	(108)	–	–
Present value of lease obligations	<u>2,417</u>	<u>4,493</u>	<u>2,417</u>	<u>4,493</u>
Less: Amount due within one year shown under current liabilities			<u>1,457</u>	<u>3,956</u>
Amount due after one year			<u>960</u>	<u>537</u>

30. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank overdrafts	40,595	14,898	-	-
Bank loans	1,826,714	287,270	12,500	45,500
	<u>1,867,309</u>	<u>302,168</u>	<u>12,500</u>	<u>45,500</u>
Unsecured bank loans and overdrafts due within a period of:				
Less than one year or on demand	118,909	87,921	2,500	25,000
More than one year but not exceeding two years	-	2,500	-	2,500
	<u>118,909</u>	<u>90,421</u>	<u>2,500</u>	<u>27,500</u>
Secured bank loans and overdrafts due within a period of:				
Less than one year or on demand	416,567	87,254	10,000	18,000
More than one year but not exceeding two years	131,652	63,095	-	-
More than two years but not exceeding five years	1,186,035	61,398	-	-
More than five years	14,146	-	-	-
	<u>1,748,400</u>	<u>211,747</u>	<u>10,000</u>	<u>18,000</u>
Total bank borrowings	1,867,309	302,168	12,500	45,500
Less: Amount due within one year or on demand and shown under current liabilities	535,476	175,175	12,500	43,000
Amount due after one year	<u>1,331,833</u>	<u>126,993</u>	<u>-</u>	<u>2,500</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

30. BANK BORROWINGS (Continued)

The secured bank loans and overdrafts of the Group are secured by the following assets of the Group with carrying amounts as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Inventories	35,100	35,100
Investments in securities	–	75,000
Investment properties (note)	1,265,875	–
Property, plant and equipment	148,695	202,397
Properties under development	323,924	–
Properties held for sale	295,837	–
Shares in associates, stated at the Group's share of the associates' net assets	40,215	426,655
Trade debtors	35,100	35,100
Bank balances	137,874	21,152
	<u>2,282,620</u>	<u>795,404</u>

Certain banking facilities of the Company are secured by certain shares in subsidiaries held by the Company with carrying value of approximately HK\$767,422,000. In 2003, certain banking facilities of the Company were secured by investments in securities and certain shares in an associate held by the Company and a subsidiary with carrying value of approximately HK\$75,000,000, HK\$556,062,000 and HK\$39,305,000 respectively.

Note: Certain assignments for rental income that related to investment properties are also pledged for security of bank loans.

31. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, non-interest bearing and have no fixed repayment terms. As agreed with minority shareholders of subsidiaries, the amounts will not be repaid within the next twelve months from the balance sheet date.

32. SHARE CAPITAL

	Number of shares 2004 & 2003	Amount 2004 & 2003 <i>HK\$'000</i>
Ordinary shares of HK\$0.25 each:		
Authorised:		
At the beginning and the end of the year	<u>1,000,000,000</u>	<u>250,000</u>
Issued and fully paid:		
At the beginning and the end of the year	<u>551,368,153</u>	<u>137,842</u>

33. SHARE OPTION SCHEME

At the balance sheet date, the Company did not have any share option scheme for its employees (including directors of the Company).

The share option scheme of Hon Kwok, the Company's subsidiary, was adopted pursuant to a resolution of Hon Kwok passed on 16th September, 1993 for the primary purpose of providing incentives to any employee (including any executive director) of Hon Kwok or any of its subsidiaries.

There was no outstanding options at as 1st April, 2003. No option was granted, exercised or cancelled or lapsed from 1st April, 2003 up to the expiry date of the scheme on 16th September, 2003.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

34. RESERVES

	Share premium HK\$'000	Exchange reserve HK\$'000	Capital/ (goodwill) reserve HK\$'000	Dividend reserve HK\$'000	Investment property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At 1st April, 2002							
- as originally stated	267,569	(44,605)	(10,214)	11,027	-	780,901	1,004,678
- adjustment on adoption of SSAP 12 (Revised)	-	-	(6,959)	-	-	(3,830)	(10,789)
- as restated	267,569	(44,605)	(17,173)	11,027	-	777,071	993,889
Share of reserves of associates attributable to the Group	-	477	-	-	-	-	477
Exchange differences arising from translation of financial statements denominated in foreign currencies	-	(259)	-	-	-	-	(259)
Impairment loss on goodwill arising from an associate acquired in previous years (note)	-	-	10,394	-	-	-	10,394
Net loss for the year	-	-	-	-	-	(205,451)	(205,451)
Dividend paid	-	-	-	(11,027)	-	-	(11,027)
Proposed final dividend	-	-	-	11,027	-	(11,027)	-
At 31st March, 2003	<u>267,569</u>	<u>(44,387)</u>	<u>(6,779)</u>	<u>11,027</u>	<u>-</u>	<u>560,593</u>	<u>788,023</u>
Attributable to:							
The Company and subsidiaries	267,569	1,322	(3,188)	11,027	-	719,369	996,099
Associates	-	(45,709)	(3,591)	-	-	(162,888)	(212,188)
Jointly-controlled entities	-	-	-	-	-	4,112	4,112
At 31st March, 2003	<u>267,569</u>	<u>(44,387)</u>	<u>(6,779)</u>	<u>11,027</u>	<u>-</u>	<u>560,593</u>	<u>788,023</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

34. RESERVES (Continued)

	Share premium HK\$'000	Exchange reserve HK\$'000	Capital/ (goodwill) reserve HK\$'000	Dividend reserve HK\$'000	Investment property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2003							
– as originally stated	267,569	(44,387)	915	11,027	–	564,258	799,382
– adjustment on adoption of SSAP 12 (Revised)	–	–	(7,694)	–	–	(3,665)	(11,359)
	267,569	(44,387)	(6,779)	11,027	–	560,593	788,023
Share of reserves of associates attributable to the Group	–	(328)	4,780	–	–	–	4,452
Exchange differences arising from translation of financial statements denominated in foreign currencies	–	7,941	–	–	–	–	7,941
Transfer of capital reserve arising from the acquisition of an associate in prior years to negative goodwill	–	–	(4,581)	–	–	–	(4,581)
Release of exchange reserve upon disposal of a subsidiary	–	881	–	–	–	–	881
Surplus on revaluation of investment properties attributable to the Group	–	–	–	–	4,459	–	4,459
Net profit for the year	–	–	–	–	–	13,956	13,956
Dividend paid	–	–	–	(11,027)	–	–	(11,027)
Proposed final dividend	–	–	–	11,027	–	(11,027)	–
At 31st March, 2004	267,569	(35,893)	(6,580)	11,027	4,459	563,522	804,104
Attributable to:							
The Company and subsidiaries	267,569	(35,896)	(7,816)	11,027	4,459	519,343	758,686
Associates	–	3	1,236	–	–	(44,688)	(43,449)
Jointly-controlled entities	–	–	–	–	–	88,867	88,867
At 31st March, 2004	267,569	(35,893)	(6,580)	11,027	4,459	563,522	804,104

Note: In 2003, the Group reviewed the goodwill and identified that the estimated discounted net future cash flows from the acquired associate would be insignificant and accordingly, the goodwill was fully provided for in the financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

34. RESERVES (Continued)

	Share premium <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st April, 2002	267,569	11,027	501,138	779,734
Net loss for the year	–	–	(24,392)	(24,392)
Dividend paid	–	(11,027)	–	(11,027)
Proposed final dividend	–	11,027	(11,027)	–
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2003	267,569	11,027	465,719	744,315
Net profit for the year	–	–	19,488	19,488
Dividend paid	–	(11,027)	–	(11,027)
Proposed final dividend	–	11,027	(11,027)	–
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2004	<u>267,569</u>	<u>11,027</u>	<u>474,180</u>	<u>752,776</u>

In addition to the retained profits of the Company which are distributable to shareholders, the share premium account of the Company can be applied under the Companies Ordinance to pay up bonus shares issuable to shareholders of the Company.

35. PURCHASES OF SUBSIDIARIES

	2004 <i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	4,296
Properties under development	346,976
Investment properties	1,068,875
Interest in an associate	14,857
Interests in jointly-controlled entities	2,504
Properties held for sale	1,017,104
Debtors and prepayments	85,368
Taxation recoverable	58
Bank balances and cash	166,649
Creditors and accrued charges	(175,521)
Customers' deposits	(10,078)
Bank overdrafts	(868)
Shareholders' loan	(191,867)
Taxation payable	(345)
Bank borrowings	(1,269,974)
Amounts due to minority shareholders of subsidiaries	(61,615)
Minority interests	(376,984)
Deferred taxation liabilities	(32,152)
	<hr/>
	587,283
Assignment of shareholders' loan	191,867
Negative goodwill arising from acquisitions	(209,627)
Write-off of negative goodwill arising from acquisitions	(820)
	<hr/>
Consideration given	<u>568,703</u>
Satisfied by:	
Cash	42,210
Reclassification of interests in an associate upon the former associate becoming a subsidiary	385,493
Settlement of convertible guaranteed bonds	141,000
	<hr/>
	<u>568,703</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

35. PURCHASES OF SUBSIDIARIES (Continued)

Analysis of net outflow of cash and cash equivalents in connection with the acquisitions of subsidiaries:

	2004 <i>HK\$'000</i>
Cash consideration	(42,210)
Bank balances and cash acquired	166,649
Bank overdrafts acquired	(868)
	<u>123,571</u>

The subsidiaries acquired during the year ended 31st March, 2004 contributed approximately HK\$317,686,000 to the Group's turnover, and approximately HK\$139,689,000 to the Group's profit before taxation.

36. DISPOSALS OF SUBSIDIARIES

	2004 <i>HK\$'000</i>
Net assets disposed of:	
Properties under development	1,192
Creditors and accrued charges	(450)
Amount due to minority shareholders of subsidiaries	(5,226)
Minority interests	3,198
Gain on disposal of subsidiaries	1,394
Release of exchange reserve	881
	<u>989</u>
Satisfied by:	
Cash consideration received	<u>989</u>

Analysis of net cash inflow of cash and cash equivalents in connection with the disposals of subsidiaries:

	2004 <i>HK\$'000</i>
Cash consideration	<u>989</u>

The subsidiaries disposed of during the year did not contribute significantly to the Group's cash flows or operating results.

37. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into hire purchase arrangements in respect of plant and machinery with a total capital value at the inception of the contracts of approximately HK\$2,028,000.

Part of the consideration for the purchase of a subsidiary that occurred during the year comprised assignment of shareholders loan and redemption of convertible guaranteed bonds. Further details of the acquisition are set out into note 35 above.

38. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
(a) Extent of general banking facilities guaranteed by the Group/Company which were utilised at the balance sheet date by:				
– subsidiaries	–	–	105,477	106,238
– jointly-controlled entities	110,105	55,237	–	–
Bills discounted with recourse	6,051	10,792	–	–
	<u>116,156</u>	<u>66,029</u>	<u>105,477</u>	<u>106,238</u>

- (b) Certain subsidiaries of Chinney Contractors Company Limited were involved in legal proceedings or claims against them in the ordinary course of their respective business activities. The aggregate amount of claims, including estimated legal costs, resulting from such contingent liabilities was approximately HK\$67,961,000 as at 31st March, 2004 (2003: HK\$67,161,000). The directors of the Company consider that, after taking into account of the legal advices obtained, these proceedings and claims were made without valid grounds and accordingly, no provision for any potential liabilities is considered necessary.

Certain subsidiaries of the Group were appealed against additional tax assessments of approximately HK\$6,159,000 (2003: HK\$3,200,000) raised by the Hong Kong Inland Revenue Department regarding the taxability of certain profits recognised in previous year. The directors of the Company consider that, after taking into account of professional advice, no tax provision is considered necessary as there was valid ground not to make tax provision.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

38. CONTINGENT LIABILITIES (Continued)

- (c) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of Hon Kwok, Joint Peace Investment Limited (“Joint Peace”), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK\$41,000,000 or HK\$69,300,000, representing the claim for loss of rental income or loss of interest on the purchase price, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. Under advice by Hon Kwok’s solicitors, an Amended Defence in respect thereof was filed by Joint Peace on 30th December, 1997. On the same date, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Hon Kwok’s solicitors to the plaintiff’s solicitors.

Following consultation with Hon Kwok’s legal advisers (in their capacity as the legal advisers of Joint Peace), the directors of Company have formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary in the Group’s financial statements. There has been no further progress of the claim so far up to the date of this report.

39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with tenants in respect of investment properties which fall due as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	34,712	–
In the second to fifth year inclusive	35,171	–
Beyond five years	8,182	–
	<u>78,065</u>	<u>–</u>

The Company had no commitments under operating leases.

All of the properties held have committed tenants with lease terms ranging from one to six years.

39. OPERATING LEASE ARRANGEMENTS (Continued)**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	3,164	1,398
In the second to fifth year inclusive	2,134	3,035
	5,298	4,433

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

At 31st March, 2004, a jointly-controlled entity had annual commitments payable under non-cancellable operating leases for land and buildings falling due within one year, in the second to fifth year inclusive and over five years amounting to approximately HK\$1,212,000 (2003: HK\$542,000) and HK\$3,217,000 (2003: HK\$561,000), respectively. The Group's share of these operating lease commitments amounted to approximately HK\$606,000 (2003: HK\$271,000) and HK\$1,609,000 (2003: HK\$281,000), respectively.

Operating lease payments represent rental payable by the Group for certain land and buildings. Leases are negotiated for an average term of not more than two years.

40. CAPITAL COMMITMENTS

The Group had authorised and contracted capital commitments in respect of leasehold improvement and property development expenditure amounting to approximately HK\$309,325,000 (2003: nil) at the balance sheet date.

The Company did not have any significant capital commitments at the balance sheet date.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

41. RELATED PARTY TRANSACTIONS

- (a) Set out below are the significant transactions between the Group and other related parties during the year:

	Notes	2004 HK\$'000	2003 HK\$'000
Construction work carried out for a former associate	(i)	–	11,976
Interest received on convertible guaranteed bonds of a former associate	(ii)	1,227	14,100
Net interest received from jointly-controlled entities	(iii)	185	580
Management fee income received from an associate	(iv)	2,000	2,000
Commissions paid to the ultimate holding company	(v)	2,188	–
Legal and professional fees paid to a firm to which a director of the Company is a consultant	(vi)	1,064	28

Notes:

- (i) The construction work for the former associate was carried out at prices determining at the cost plus a percentage mark-up basis.
- (ii) The amount represented interest at a fixed coupon rate of 10% per annum relating to the 10% convertible guaranteed bonds issued by Hon Kwok and due in April 2003. The bonds were subsequently repaid during the year.
- (iii) The amounts due from certain jointly-controlled entities, which amounted to approximately HK\$668,000 as at 31st March, 2004 (as at 31st March, 2003: HK\$22,665,000), are unsecured, interest-bearing at prevailing market rates and are repayable on demand in both years.
- (iv) The management fee based on underlying costs incurred for the associate.
- (v) The amount represented payment by Hon Kwok as a subsidiary of the Company to Lucky Year for the provision of cash security for certain bank loans granted to Hon Kwok. The commissions were agreed and charged on bases taking into consideration the average borrowing costs of Hon Kwok and its subsidiaries.
- (vi) The directors consider that the provision of legal and professional services was made according to the standard prices and conditions similar to those offered to their clients of the firm.

- (b) On 12th February, 2003, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with Hon Kwok in respect of a rights issue of 200,123,100 rights shares of Hon Kwok at a subscription price of HK\$1 per rights share. Pursuant to the Underwriting Agreement, the Company has irrevocably undertaken to subscribe 94,842,711 rights shares of Hon Kwok provisionally allotted to the Company in respect of its beneficial shareholding in Hon Kwok. The Company also agreed to underwrite the remaining 105,280,389 rights shares. Hon Kwok would pay a commission at 2.5% of the total subscription monies of the rights shares underwritten by the Company.

41. RELATED PARTY TRANSACTIONS (Continued)

- (c) On 12th February, 2003, the Company, Hon Kwok and Hon Kwok Land Treasury II Limited entered into deeds for payment arrangement of the subscription monies payable by the Company in respect of the rights issue of Hon Kwok and the repayment of the principal sum of HK\$141 million (the "Redemption Monies") convertible guaranteed bonds issued by Hon Kwok Land Treasury II Limited (the "Payment Arrangement Deed"). Pursuant to the deed, the Company, Hon Kwok and Hon Kwok Land Treasury II Limited agreed that the Redemption Monies shall be deferred and applied towards the payment of part of or the whole of the subscription monies payable by the Company in respect of the rights issue of Hon Kwok. Subsequently, the Company, Hon Kwok and Hon Kwok Land Treasury II Limited entered into another deed to amend the Payment Arrangement Deed.
- (d) On 21st May, 2003, the rights issue of Hon Kwok is completed. Hon Kwok announced that they have received total valid applications for 126,755,733 rights shares (including 94,842,711 rights shares taken up by the Company). The Company performed its obligation under the Underwriting Agreement to subscribe for the rest of 73,367,367 rights shares of Hon Kwok. The Company satisfied the subscription monies of approximately HK\$168.2 million by the set-off of the Redemption Monies of HK\$141 million, the set-off of underwriting commission payable by Hon Kwok of approximately HK\$2.6 million and cash payment of approximately HK\$24.6 million. Upon completion of the rights issue, the Company's shareholding in Hon Kwok increased from 47.39% to 69.39%. Hon Kwok then became a subsidiary of the Company.
- (e) On 31st March, 2003, Hon Kwok entered into an agreement for a bridging facility with the Company whereby the Company agreed to provide financing to Hon Kwok to partly finance the redemption of convertible guaranteed bonds.

Interest paid on the bridging finance facilities provided by the Company during the year amounted to approximately HK\$2,486,000.

- (f) On 26th August, 2003, a subsidiary of Chinney Alliance entered into an agreement with a wholly-owned subsidiary of Hon Kwok, to dispose its carpark assets and a property in the PRC for a cash consideration of HK\$15,000,000. The disposal was effected by the sale of the entire issued share capital of China Parking (BVI) Limited, a wholly-owned subsidiary of Chinney Alliance, and assignment of related shareholders' loans, taking reference to the fair value of the property assets as assessed by an independent property valuer.

41. RELATED PARTY TRANSACTIONS (Continued)

- (g) On 25th February, 2004, the Company and Hon Kwok entered into a placing agreement for the Company to place 66,700,000 existing shares of Hon Kwok of HK\$1 each at the placing price of HK\$1.65 per share. Pursuant to the placing agreement, the Company has conditionally agreed to subscribe for 66,700,000 new shares of Hon Kwok at the placing price. Upon the completion of the placing and subscription, the Company's shareholding in Hon Kwok decreased from 69.39% to 57.83%.
- (h) On 3rd March, 2004, Multi-Investment Group Limited ("MIG"), an indirect wholly-owned subsidiary of the Company, entered into a placing agreement with a placing agent pursuant to which MIG to agreed to place 468,000,000 existing shares of Chinney Alliance of HK\$0.01 each at the placing price of HK\$0.02 per share to more than six independent third parties. Concurrently on the same day, MIG entered into a top-up subscription agreement with Chinney Alliance relating to the subscription for 660,000,000 new shares of Chinney Alliance of HK\$0.01 each at the issue price of HK\$0.02 per share. The subscription was completed on 16th March, 2004. After the completion of the placing of existing shares and the subscription of new shares, MIG remains to be interested in approximately 29.1% of the issued share capital of Chinney Alliance.
- (i) The amounts due from/to subsidiaries and associates are unsecured and are repayable on demand in both years. An amount of HK\$20,000,000 (2003: HK\$20,000,000) due from a subsidiary bears interest at prevailing market rates, and the other amounts are non-interest bearing.

The amounts due from/to jointly controlled entities are unsecured, interest bearing at the prevailing market rates and are repayable on demand in both years.

42. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR ASSOCIATE/JOINTLY-CONTROLLED ENTITIES

- (a) The following information is extracted from the most recent published audited financial statements of the Group's major associate:

Chinney Alliance Group Limited

Consolidated income statement

For the year ended 31st December, 2003

	2003 HK\$'000	2002 HK\$'000 (Restated)
Turnover	<u>852,722</u>	<u>828,252</u>
Operating loss	(20,477)	(52,774)
Share of profits less losses of jointly-controlled entities	<u>(3,991)</u>	<u>(2,280)</u>
Loss before tax	(24,468)	(55,054)
Tax	<u>(2,932)</u>	<u>(3,595)</u>
Loss before minority interests	(27,400)	(58,649)
Minority interests	<u>(418)</u>	<u>(236)</u>
Net loss from ordinary activities attributable to shareholders	<u>(27,818)</u>	<u>(58,885)</u>

Consolidated balance sheet

At 31st December, 2003

	2003 HK\$'000	2002 HK\$'000 (Restated)
Fixed assets	30,938	33,757
Goodwill	1,759	2,009
Interests in associates	34,299	48,033
Other non-current assets	3,542	5,694
Current assets	357,663	346,853
Current liabilities	(298,754)	(282,286)
Non-current liabilities	(2,821)	(16,385)
Minority interests	<u>(1,692)</u>	<u>(1,274)</u>
Net assets	<u>124,934</u>	<u>136,401</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2004

42. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR ASSOCIATE/JOINTLY-CONTROLLED ENTITIES (Continued)

(b) Extracts of the financial statements as at 31st March, 2004 of the above principal jointly-controlled entities are as follows:

	2004 HK\$'000	2003 HK\$'000
Cenford Investments Limited		
Current assets	64	103
Current liabilities	(249)	(249)
Non-current liabilities	–	(131,980)
Income	131,975	–
Net profit/(loss) for the year	<u>131,942</u>	<u>(3,082)</u>
King Success Limited*		
Current assets	37,145	42,311
Current liabilities	(21,484)	(8,397)
Non-current liabilities	(18,181)	(78,565)
Income	29,640	45,811
Net profit for the year	<u>42,131</u>	<u>6,365</u>
SGA Holdings Limited		
Non-current assets	684	547
Current assets	112,912	97,505
Current liabilities	(108,239)	(89,674)
Income	380,577	359,074
Net profit for the year	<u>8,804</u>	<u>8,858</u>

* The financial year end of this company is 31st December.