

Notes to the Financial Statements *for the year ended 31st March, 2003*

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on SEHK. The Company's shares had been suspended for trading on the Stock Exchange since 19th May, 2003.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the business of property development and investment, operation of a power plant, money lending business and property management in Hong Kong, other regions in the PRC and the United Kingdom (the "UK"). During the year, the Group ceased its restaurant business in the UK.

2. BASIS OF PREPARATION

- (a) In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net loss for the year ended 31st March, 2003 of HK\$995,064,000 and its net current liabilities of HK\$1,404,230,000 at that date.

Subsequent to the balance sheet date, the Group has not had sufficient working capital to finance its normal operations and has been unable to meet in full its financial obligations as they fall due. Certain banks have appointed receivers and managers over the assets of certain subsidiaries. Also, as explained in note 42(i) certain winding up petitions have been brought against the Company and subsidiary companies. In addition, as explained in note 42(j), litigation has been brought against the Group by certain banks and other creditors claiming an aggregate amount of HK\$1,114,959,000. Against this background, the Group has been in the process of negotiating with certain banks and other creditors to restructure the amounts due to them.

At the same time, the Group has been in the process of discussion with potential investors in order to obtain additional equity funds. Provided that the restructuring plan with the banks and other creditors can be successfully implemented and the Group can obtain sufficient additional equity funds, the directors are satisfied that the Group will have sufficient working capital to finance its normal operations and to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

- (b) The current directors have been unable to satisfy themselves that the following aggregate financial information related to four of the Company's subsidiaries, namely, Gold-Face Enterprises Limited, Gold-Face Finance Limited, Profit Nation Development Limited and True Gold Investments Limited, the books and records of which were seized by Commercial Crime Bureau of the Hong Kong Police as explained in note 42(c), has been completely and accurately included in the financial statements:

- Turnover of HK\$241,549,299
- Cost of sales of HK\$339,273,436
- Other operating income of HK\$45,175,437
- Operating expenses of HK\$40,896,826
- Taxation charge of HK\$3,158,582
- Properties under development of HK\$300,126,845
- Loans receivable of HK\$114,629,785
- Trade, other receivables and prepayments of HK\$2,055,908
- Taxation recoverable of HK\$2,512,676
- Trade and other payables of HK\$48,404,060

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Institute of Certified Public Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity but has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. The income and expenses of overseas operations are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statement

The Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing rather than the previous five headings. Interest paid is classified as a financing cash flow. Interest received and dividends received are classified as investing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. Comparative amounts have also been reclassified in order to achieve a consistent presentation.

Discontinuing operations

SSAP 33 "Discontinuing operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Under SSAP 33, financial statement amounts relating to a discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. In the current year, the Group's restaurant business has been identified as a discontinuing operation, details of which are disclosed in note 10.

Employee benefits

The Group has adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit plans.

Because the Group participates only in defined contribution retirement benefits schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

Notes to the Financial Statements (continued) for the year ended 31st March, 2003

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and other investments.

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

Basis of consolidation

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

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised on a straight line basis over its useful life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Investments in associates

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

Investments in securities

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

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by an 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 year.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

When properties are developed for sale, income is recognised when the properties developed for sale are sold in advance of completion and the outcome of project can be ascertained with reasonable certainty by reference to the progress of the construction. Revenue is recognised over the course of the development and is computed in each year as a proportion of the total estimated revenue of the development. The proportion used is calculated by reference to the proportion of construction costs incurred to date to estimated total construction costs to completion of the development after taking into account due allowance for contingencies.

Income from properties held for sale is recognised when the sales contract signed become unconditional.

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

Sale of electricity is based on electricity provided to customers.

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

Property management fee income is recognised when services are provided.

Property, plant and equipment

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

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of land and building is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	50 years or unexpired lease terms, if shorter
Buildings	50 years or unexpired lease terms, if shorter
Furniture, fixtures, plant and equipment	10-33 $\frac{1}{3}$ %
Motor vehicles	20%

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.

Notes to the Financial Statements (continued) for the year ended 31st March, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Investment properties are stated at their open market value based on professional valuations 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 on 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 deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

No depreciation or amortisation is provided in respect of investment properties which are held on leases with unexpired terms of more than twenty years.

Properties under development for re-sale

Properties under development, other than those that have been pre-sold, are stated at lower of cost or net realisable value. Properties under development that have been pre-sold are stated at cost plus attributable profits less attributable losses, expected losses, deposits and instalments received. Cost comprises the cost of the land together with direct costs attributable to the development of the properties, professional fees and interest charges capitalised during the period of development. Properties under development which are due for completion more than one year from the balance sheet date are shown as non-current assets, while properties under development which are due for completion within one year from the balance sheet date are shown as current assets.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. 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 those assets. Capitalisation of such 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 borrowing costs are recognised as an expense in the period in which they are incurred.

Properties held for future development

Properties held for future development are stated at cost less impairment losses.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Convertible debentures

Convertible debentures are regarded as liabilities unless conversion actually occurs. The finance cost, including the premium payable upon the final redemption of the convertible debentures, recognised in the income statement in respect of the convertible debentures is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible debentures for each accounting period.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the assets and liabilities of overseas subsidiaries are translated at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. All exchange differences arising on consolidation are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefit costs

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

Notes to the Financial Statements (Continued) for the year ended 31st March, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes the Group is currently organised into five (2002: six) operating divisions – property dealing, property leasing, power plant, financial services and property management services. These divisions are the basis on which the Group reports its primary segment information. During the year, the Group ceased its restaurant business.

Segment information about these businesses is presented below.

2003

	Property dealing HK\$'000	Property leasing HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property management HK\$'000	Total continuing operations HK\$'000	Discontinuing operation – restaurant HK\$'000	Consolidated HK\$'000
TURNOVER	235,137	97,002	21,417	10,249	1,756	365,561	3,722	369,283
RESULT								
Segment result	(640,795)	(152,075)	1,885	(98,316)	(4)	(889,305)	(24,120)	(913,425)
Impairment loss recognised in respect of investments in securities								(600)
Finance costs								(68,882)
								(982,907)
Share of results of associates								(727)
Allowances for amounts due from associates								(32,448)
Loss before taxation								(1,016,082)
Taxation credit								21,178
Loss before minority interests								(994,904)
Minority interests								(160)
Net loss for the year								(995,064)

* Included in the property dealing were properties sold to certain directors, staff and other customers at discounts, which are equivalent to 30% of the selling prices plus the total repayments made or to be made by the Group on behalf of the buyers to banks of the first 48th instalments of mortgage loans borrowed by the buyers on the properties brought by them, as follows:

	HK\$000
Gross sales	47,749
Discounts	(24,092)
Net amount	23,657

Notes to the Financial Statements (continued) for the year ended 31st March, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2002

	Property dealing HK\$'000	Property leasing HK\$'000	Restaurant HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property management HK\$'000	Consolidated HK\$'000
TURNOVER	411,673	49,395	28,465	22,854	7,461	1,823	521,671
RESULT							
Segment result	27,832	18,250	(7,582)	13,558	4,309	125	56,492
Finance costs							(56,675)
Share of results of associates							(183)
							(1,636)
Loss before taxation							(1,819)
Taxation							3,427
Profit before minority interests							1,608
Minority interests							(1,306)
Net profit for the year							302

	Property dealing HK\$'000	Property leasing HK\$'000	Restaurant HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property management HK\$'000	Others HK\$'000	Consolidated HK\$'000
BALANCE SHEET								
ASSETS								
Segment assets	1,189,846	859,109	20,770	13,881	157,281	702	-	2,241,589
Unallocated corporate assets								80,406
Consolidated total assets								2,321,995
LIABILITIES								
Segment liabilities	212,545	126,759	7,844	4,955	14,145	98		366,346
Unallocated corporate liabilities								1,126,384
Consolidated total liabilities								1,492,730

OTHER INFORMATION

Additions to property, plant and equipment	482	422	20,025	5,802	3	131	-	26,865
Deficit on revaluation of leasehold land and buildings	-	-	-	-	-	-	(1,333)	(1,333)
Depreciation and amortisation	898	1,683	1,628	975	6	45	896	6,131
Write back of provision on short term land use right previously charged to income statement	-	-	-	5,207	-	-	-	5,207
Write back of provision on short term leasehold buildings previously charged to income statement	-	-	-	2,842	-	-	-	2,842

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's power plant business is carried out in the PRC, and the financial services and property management business are carried out in Hong Kong. Property dealing and leasing business are carried out in Hong Kong, the UK, and the PRC.

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

	Sales revenue by geographical market	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	266,588	441,006
The UK	33,889	47,308
The PRC	68,806	33,357
	369,283	521,671

Revenue from the Group's discontinuing restaurant business of HK\$3.7 million (2002: HK\$28.5 million) was derived from the UK.

The following is an analysis of the carrying amount of 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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	1,003,825	1,795,661	263	231
The UK	409,481	417,036	2,165	20,501
The PRC	95,203	109,298	401	6,133
	1,508,509	2,321,995	2,829	26,865

6. ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

Included in the allowance for bad and doubtful debts of HK\$99,423,000 for the year ended 31st March, 2003 is a write off of the net balance of a personal loan to an individual (the "Debtor") of HK\$51,209,000. This amount has been netted off against amounts payable to companies owned by the Debtor in other group companies through current accounts with these group companies as further detailed in notes 15 and 17. Also three mortgage loans due from three other individuals, with an aggregate amount of HK\$3,489,000, have been assigned to the Debtor, of which no documentary evidence was available. These amounts have been offset with each other and presented as a net balance on the balance sheet, which was fully provided for as bad debts at 31st March, 2003.

In addition, an amount of HK\$6,323,000 was included in the allowance for bad and doubtful debts, of which HK\$981,000 representing sales discounts granted to an individual according to the supplementary agreements entered into between the Group and this individual in February 1999. The directors are of the opinion that the remaining balance of HK\$5,342,000 also representing sales discounts granted to two other employees of the Group though no supplementary agreements between the Group and these employees are available.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

7. (LOSS) PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	1,600	1,067
Underprovision in prior years	–	233
Depreciation and amortisation	5,690	6,131
Loss on disposal of property, plant and equipment	4,308	168
Operating lease rentals for land and buildings	5,814	5,910
Operating lease rentals for equipment and motor vehicle	382	–
Staff costs, including directors' remuneration:		
Retirement benefit scheme contributions	760	470
Salaries and other allowances	15,991	36,025
	16,751	36,495
Unrealised holding loss on investments in securities	–	1,398
and after crediting:		
Gain on disposal of investments in securities	–	10,697
Gain on disposal of investment properties	–	12,000
Gain on disposal of properties held for future development	632	–
Gain on disposal of properties through disposal of an associate	–	5,233
Gain on disposal of properties through disposal of a subsidiary	–	2,331
Interest income from bank deposits	166	450
Rental income	52,036	49,395
Less: Outgoings	(3,368)	(2,468)
Net rental income	48,668	46,927
Unrealised holding gain on investments in securities	651	–

Notes to the Financial Statements (Continued) for the year ended 31st March, 2003**8. REMUNERATION OF DIRECTORS AND EMPLOYEES**

	2003 HK\$'000	2002 HK\$'000
Directors		
Fees – non-executive directors	528	572
Other emoluments:		
Executive		
Salaries and other benefits	4,537	5,287
Retirement benefit scheme contributions	74	74
	4,611	5,361
	5,139	5,933

Emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	8	7
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1

In addition, the Group sold properties to an executive director and a non-executive director (the “Buyers”) at a special discount of HK\$2,728,000 and HK\$3,006,000 respectively. The discounts are equivalent to 30% of the market selling prices plus the total repayments made or to be made by the Group on behalf of the Buyers to banks of the first 48th instalments of mortgage loans borrowed by the Buyers on the properties bought by them.

Employees

The five highest paid individuals of the Group for the year included four (2002: four) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining one (2002: one) highest paid individual of the Group, not being director of the Company, were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	624	643
Retirement benefit scheme contributions	30	30
	654	673

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

9. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	88,546	91,004
Bank borrowings not wholly repayable within five years	–	13,043
Convertible debentures	7,529	6,911
Other borrowings	841	8,230
	96,916	119,188
Less: Amount capitalised to properties under development during the year	(12,749)	(53,152)
Amount charged to cost of sales	(15,285)	(9,361)
	68,882	56,675

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying an average capitalisation rate of 6.24% (2002: 6.7%) to expenditure on qualifying assets.

10. DISCONTINUING OPERATION

On 31st July, 2002, the Group ceased its restaurant business in the UK as the business was unable to generate a profit for the Group.

During the year, the restaurant business contributed HK\$5,805,000 to the Group's net cash used in operating activities (2002: net cash from operating activities of HK\$5,659,000), HK\$5,105,000 to the Group's net cash from investing activities (2002: net cash used in investing activities of HK\$18,397,000) and HK\$1,503,000 to the Group's net cash used in financing activities (2002: net cash from financing activities of HK\$12,738,000).

The carrying amounts of net liabilities of the restaurant business at 31st March, 2002, were HK\$5,304,000.

11. TAXATION CREDIT

	2003 HK\$'000	2002 HK\$'000
The credit (charge) comprises:		
Hong Kong Profits Tax		
Current year	–	(2,875)
Overprovision in prior years	21,464	6,797
Overseas taxation		
Current year	(286)	(495)
	21,178	3,427

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profit for the year.

For the year ended 31st March 2003, no provision for Hong Kong Profits Tax was made as the Group had no assessable profits for that year.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

11. TAXATION CREDIT (continued)

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

In March 2003, the Hong Kong government announced that the rate for Hong Kong Profits Tax will be increased from 16 per cent. to 17.5 per cent. with effect from the 2003/2004 year of assessment. No adjustment has been made in these financial statements for this post balance sheet date change in tax rate.

The surplus or deficit arising on revaluation of the Group's investment properties and leasehold land and buildings situated in Hong Kong does not constitute a timing difference for taxation purposes as any profit realised on their subsequent disposal would not be subject to taxation. It is the Group's intention to hold the investment properties situated in the PRC for long term investment purpose to generate rental income and the Group does not expect that the potential deferred taxation liability will crystallise in the foreseeable future and therefore no deferred taxation is provided on the valuation surplus on these investment properties. No provision is made for deferred tax on gains recognised on revaluing investment properties in the UK to their market value unless the Group has entered into a binding agreement to sell the assets concerned. The investment properties in the UK were sold in April 2003 for GBP24,000,000. Based on this figure, the Group will have a capital gain tax liability in the UK of GBP2,700,000 for the year ended 31st March, 2004.

As at the balance sheet date, a potential deferred taxation asset of approximately HK\$82,447,000 (2002: HK\$11,968,000) in respect of estimated tax losses has not been recognised in the financial statements.

On 20th October, 2002, one of the Company's subsidiaries, Ever Prospect Limited, entered into agreement with an agent in the PRC (the "Agent") under which the Agent is responsible for arranging the construction and sales of the Group's properties located in the PRC. In return, the Group will pay an agency fee to the Agent based on a fixed percentage on the turnover. During the year, this subsidiary started the pre-sale of the properties under development. However, the provisions of profits tax and sales tax were not calculated based on the prevailing rules and regulations in the PRC. The provisions for profits tax and sales tax, amounting to HK\$1,462,000 and HK\$441,000 respectively at 31st March, 2003, were based on the amounts agreed with the tax authorities in the PRC by the Agent.

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the following data:

	2003 HK\$'000	2002 HK\$'000
Net (loss) profit for the year and (loss) earnings for the purposes of basic (loss) earnings per share	(995,064)	302
	Number of shares	
Weighted average number of shares for the purpose of basic (loss) earnings per share	940,766,969	941,138,017

No diluted loss per share was presented as the conversion of the outstanding convertible debentures at an assumed conversion price of HK\$0.85 would have had an anti-dilutive effect.

No diluted earnings per share were presented for the year ended 31st March, 2002 as the exercise price of the outstanding warrants was higher than the market price per share and the conversion of the outstanding debentures at an assumed conversion price of HK\$0.85 would have had an anti-dilutive effect in last year. The subscription rights attached to the 2001 warrants expired on 30th September, 2001.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

13. INVESTMENT PROPERTIES

	2003 HK\$'000	2002 HK\$'000
THE GROUP		
VALUATION		
At 1st April	717,050	469,400
Exchange adjustments	25,500	–
Transferred from properties under development	109,366	–
Acquired on acquisition of a subsidiary	–	254,913
Disposals	–	(20,450)
(Deficit) surplus on valuation	(67,343)	13,187
At 31st March	784,573	717,050

The net book value of investment properties of the Group comprises:

	2003 HK\$'000	2002 HK\$'000
Leasehold properties under long leases in		
The UK	455,223	288,150
The PRC	36,500	36,500
Hong Kong	30,100	45,950
Leasehold properties under medium term leases in Hong Kong	262,750	346,450
	784,573	717,050

The investment properties are rented out under operating leases.

The investment properties situated in Hong Kong and the PRC were valued by C S Surveyors Limited, a firm of independent professional valuers, at 31st March, 2003 on an open market value basis.

The investment properties situated in the UK with an aggregate value of HK\$160,023,000 were valued by external professional qualified valuers, being members of the Royal Institution of Chartered Surveyors, at 31st March, 2003 on an open market value based on the existing tenancies.

The investment properties situated in the UK with an aggregate value of HK\$295,200,000 were stated at the consideration pursuant to a sale and purchase agreement dated 4th April, 2003.

The titles of investment properties with an aggregate valuation amounting to HK\$6,400,000 (2002: HK\$12,000,000) are registered in the names of four independent third parties who have assigned their rights in the land to a subsidiary of the Company.

The deficit arising on revaluation of the investment properties amounting to HK\$67,343,000 was charged to the investment property revaluation reserve.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures, plant and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP				
COST OR VALUATION				
At 1st April, 2002	42,489	66,039	8,885	117,413
Exchange adjustments	–	91	52	143
Additions	–	2,400	429	2,829
Disposals	–	(7,797)	(564)	(8,361)
Deficit on valuation	(5,509)	–	–	(5,509)
At 31st March, 2003	36,980	60,733	8,802	106,515
Comprising:				
At cost	–	60,733	8,802	69,535
At valuation – 2003	36,980	–	–	36,980
	36,980	60,733	8,802	106,515
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSS				
At 1st April, 2002	–	33,614	8,071	41,685
Exchange adjustments	–	405	23	428
Provided for the year	1,611	3,800	279	5,690
Eliminated on disposals	–	(3,394)	(564)	(3,958)
Eliminated on valuation	(1,611)	–	–	(1,611)
Impairment loss recognised	–	14,920	–	14,920
At 31st March, 2003	–	49,345	7,809	57,154
NET BOOK VALUES				
At 31st March, 2003	36,980	11,388	993	49,361
At 31st March, 2002	42,489	32,425	814	75,728

The net book value of properties of the Group comprises:

	2003 HK\$'000	2002 HK\$'000
Leasehold properties in Hong Kong under long leases	21,300	25,250
medium term leases	7,100	8,660
Short term leasehold buildings in the PRC	8,580	8,579
	36,980	42,489

All leasehold land and buildings situated in Hong Kong and the PRC were valued by C S Surveyors Limited, at 31st March, 2003 on an open market value basis.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Due to the liquidation of an overseas subsidiary, the directors determined that the assets of that subsidiary were impaired. Accordingly, an impairment loss of HK\$14,920,000 (2002: nil), representing the net book value of furniture and equipment of the subsidiary, has been recognised.

The net deficit arising on revaluation of the leasehold land and buildings amounting to HK\$3,898,000 of which a deficit of HK\$301,000 is charged to the other property revaluation reserve, a deficit of HK\$3,597,000, being the excess of the deficit over the attributable surplus previously recognised, is charged to the income statement.

Had the land and buildings of the Group been carried at cost less accumulated depreciation and amortisation and impairment loss, the carrying value would have been stated at HK\$48,057,000 (2002: HK\$49,946,000).

15. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The properties under development are due for completion:		
Within one year	204,740	674,572
More than one year	170,868	385,188
	375,608	1,059,760

The carrying value of properties under development of the Group comprises:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Leasehold properties under medium term leases in		
Hong Kong	362,195	944,589
The PRC	13,413	21,589
Freehold properties in the UK	-	93,582
	375,608	1,059,760

Total interest capitalised and included in properties under development as at 31st March, 2003 amounted to HK\$169,889,000 (2002: HK\$194,468,000).

At 31st March, 2003, an impairment loss of HK\$439,615,000 (2002: nil) was provided, which represents the write down of the carrying amount of the properties under development to the estimated net realisable values.

Included in the properties under development of HK\$147,841,000 – HK\$132,011,000 within current assets and HK\$15,830,000 within non-current assets, as at 31st March, 2003 were attributable to work performed by five construction contractors. The Debtor is a director and a shareholder of the three of the five construction contractors. An aggregate amount of HK\$109,810,000 was paid to these three construction contractors of which HK\$25 million was settled by setting off against the Debtors' personal loan account maintained with a subsidiary of the Company as explained in note 6. Construction contract with one of these three construction contractors was not available, with an aggregate amount of HK\$18 million paid up to the construction contractor up to 31st March, 2003.

In addition, an aggregate amount of HK\$38,031,000 was paid to the remaining two of the five construction contractors of which HK\$37,352,000 was settled by setting off against the Debtors' personal loan account. Construction contract with one of these two construction contractors was not available.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

16. PROPERTIES HELD FOR FUTURE DEVELOPMENT

The carrying value of properties held for future development comprises:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Leasehold properties under medium term leases in Hong Kong	71,265	100,846

At 31st March, 2003, an impairment loss of HK\$54,634,000 (2002: nil) was provided, which represents the write down of the carrying amount properties held for future development to the estimated net realisable values. Included in this amount was an impairment loss of HK\$10,393,000 on a property held by a subsidiary, Epsom Prince Limited ("Epsom"), acquired by the Group during the year as detailed in note 17.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares	232,276	232,276
Amounts due from subsidiaries	865,576	432,086
Impairment loss	(1,090,839)	(113,000)
	7,013	551,362

The amount of investment cost of unlisted shares is based on the underlying net assets of the subsidiaries at the time they became members of the Group pursuant to the group reorganisation effected on 23rd September, 1993.

The amounts due from subsidiaries are unsecured and have no fixed repayment terms. At 31st March, 2003, an amount of HK\$425,931,000 (2002: HK\$401,743,000) bears interest at commercial rate and the remaining balance is interest free.

The impairment loss recognised mainly represented the recognition of the write down of the carrying amount of subsidiaries' assets to their estimated net realisable values.

Details of the principal subsidiaries at 31st March, 2003 are set out in note 43.

During the year, the Group acquired Epsom, from the Debtor at a consideration of HK\$25 million, with approximately HK\$12,407,000 being the purchase of shareholder loan and the remaining HK\$12,593,000 being the purchase of shares. Epsom held a property for future development, with a book value amounting to HK\$12,393,000. The property was valued by Colliers International Agency Limited, a firm of independent professional valuers, at 31st March, 2003 on an open market value basis at HK\$2 million. An impairment loss on investment in Epsom of HK\$10,400,000 was provided by the Company, which represents the write down of the carrying amount of the property to the revalued amount. The Group also provided credit facilities to the Debtor and the consideration of HK\$25 million was settled by offsetting the loan account maintained with the Debtor in the books of a subsidiary as explained in note 6. The Bought and Sold notes and Instrument of Transfer for the aforesaid acquisition have not been stamped under the Hong Kong Stamp Duty Ordinance. In the opinion of the directors, the Company has title in this investment, which had net book value of HK\$2,193,000 at 31st March, 2003.

Notes to the Financial Statements (Continued) for the year ended 31st March, 2003

17. INTERESTS IN SUBSIDIARIES (continued)

The registered owners of the Group's investment in 陽春市益華貿易有限公司 were two individuals. These two individuals executed two declarations of trust, which were not stamped nor signed by any witnesses, under which they are allegedly holding the investment in trust for a subsidiary company of the Company. In the opinion of the directors, the Group has the title in this investment, the book value of which was HK\$467,000 at 31st March, 2003.

18. LOANS RECEIVABLE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Amount due within one year	16,881	60,600
Amount due after one year	97,749	93,777
	114,630	154,377
Secured	112,883	121,503
Unsecured	1,747	32,874
	114,630	154,377

The loans bear interest at market rates and are partly secured by properties situated in Hong Kong.

19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets of associates	797	1,524
Amounts due from associates	5,258	711
	6,055	2,235

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment.

Details of principal associates, which are all indirectly held by the Company, at 31st March, 2003 are as follows:

Name of company	Forms of business structure	Place of incorporation/ registration	Attributable equity interest to the Group	Principal activities
廣東南方電訊網絡有限公司	Incorporated	The PRC	55%	Telecommunication related activities
Sutcliffe Properties Limited	Incorporated	British Virgin Islands	50%	Property development

Notes to the Financial Statements (Continued) for the year ended 31st March, 2003

19. INTERESTS IN ASSOCIATES (continued)

The registered owner of the investment in 廣東南方電訊網絡有限公司 was an individual. This individual executed two declarations of trust, which were not stamped or signed by any witnesses, under which he is allegedly holding the investment in trust for the Group. In the opinion of the directors, the Group has the title in this investment, which had net book value of HK\$3,970,000 at 31st March, 2003.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The directors of the Company are of the opinion that the Group has significant influence but is not in a position to control the financial and operating policy decisions of 廣東南方電訊網絡有限公司. Accordingly, this company is regarded as an associate of the Group.

20. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Investment securities:		
Unlisted shares, at cost	2,025	2,025
Impairment loss	(600)	–
Other investments:		
Shares listed outside Hong Kong, at market value	1,331	680
	2,756	2,705

The directors consider that the investments are worth at least their carrying values.

The impairment loss represents the write down of the carrying amount of unlisted investment to its estimated net realisable value.

21. PROPERTIES HELD FOR SALE

The Group

At 31st March, 2003, an impairment loss of HK\$66,076,000 was provided, which represents the write down of the carrying amount of certain properties held for sale to the estimated net realisable values.

At 31st March, 2003, the amount of properties held for sale stated at net realisable value was HK\$48,177,000 (2002: HK\$25,000,000).

Notes to the Financial Statements (continued) for the year ended 31st March, 2003

21. PROPERTIES HELD FOR SALE (continued)

The titles of properties held for sale with an aggregate net book value of HK\$5,200,000 (2002: HK\$10,102,000) at 31st March, 2003 are registered in the names of Mr. Tai Chi Wah and two independent third parties. Mr. Tai Chi Wah has executed two declarations of trust, which were not stamped nor signed by any witnesses, under which he is allegedly holding two of the properties on behalf of a subsidiary of the Company. The other two independent third parties executed an agreement and a memo respectively which indicated that they hold the properties on behalf of a subsidiary of the Company. Pursuant to the legal advice received in December 2003, since the aforesaid declarations of trust, agreement and memo had not been stamped under the Hong Kong Stamp Duty Ordinance nor registered at the Hong Kong Land Registry, they would be absolutely null and void against a subsequent bona fide purchaser or mortgagee for valuable consideration to all intents and purposes, even though he may have had actual or constructive notice of aforesaid declarations of trust, agreement or memo. Even if the aforesaid declarations of trust, agreement and memo are stamped now and then presented to the Hong Kong Land Registry for registration, it will still rank in priority subsequent to all documents which have been registered at Hong Kong Land Registry. However, in the opinion of the directors, the Group had titles on these properties and two of the properties were sold subsequent to the year end.

The legal title of a property held for sale amounting to HK\$720,000 as at 31st March, 2003 has not been transferred to the Group as the outstanding purchase consideration has not yet been settled by the Group.

22. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

The Group adopts a flexible credit policy in line with prevailing marketing strategy. The credit periods granted to customers ranged from 30 days to 90 days on average. The following is an aged analysis of trade debtors:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade debtors		
0 – 60 days	6,842	15,682
61 – 90 days	434	16,368
Over 90 days	4,205	9,593
	11,481	41,643
Prepayments and other receivables	20,300	36,443
	31,781	78,086

Included in prepayments as at 31st March, 2003 is an amount of HK\$4,686,000 (2002: HK\$5,207,000) representing short term land use right in the PRC which is amortised over the period of the lease.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

23. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade creditors:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade creditors		
0 – 60 days	113,641	34,569
61 – 90 days	1,676	3,556
Over 90 days	73,542	32,049
	188,859	70,174
Other payables	148,070	59,634
	336,929	129,808

An amount of HK\$44,571,000, which was previously included in other payables in year 2002, was reclassified to other creditors in that year.

24. OTHER CREDITORS

The amounts are unsecured, interest free and have no fixed terms of repayment. The schedule of repayments of other creditors is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Amounts due to development partners	35,490	46,840
Balance of consideration for the acquisition of a subsidiary	26,741	26,741
Deposit received for share of interest in properties under development	7,948	7,948
	70,179	81,529
Less: Amount due within one year shown under current liabilities	(70,179)	(46,840)
Amount due after one year	–	34,689

The Group has entered into agreements with independent third parties to develop a property under development held by the Group. The amounts due to development partners were contributed by those parties according to the agreements and will be repaid upon the sales of the property under development.

25. AMOUNT DUE TO A DIRECTOR

The Group

The amount is unsecured and due to Mr. Tai Chi Wah. It is interest-free and has no fixed repayment terms.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

26. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The bank and other borrowings are secured, bear interest at market rates and are repayable as follows:				
Within one year	1,277,392	492,391	94,042	72,673
Between one to two years	–	314,164	–	7,531
Between two to five years	–	286,178	–	9,442
After five years	–	132,874	–	–
	1,277,392	1,225,607	94,042	89,646
(i) Amount due within one year				
Current portion of bank and mortgage loans	1,092,294	355,803	69,122	53,893
Bank overdrafts	100,961	99,438	140	–
Other borrowings	84,137	37,150	24,780	18,780
	1,277,392	492,391	94,042	72,673
(ii) Amount due after one year				
Bank and mortgage loans	1,092,294	1,076,909	69,122	70,866
Other borrowings	84,137	49,260	24,780	18,780
Less: Bank and mortgage loans due within one year	(1,092,294)	(355,803)	(69,122)	(53,893)
Other borrowings due within one year	(84,137)	(37,150)	(24,780)	(18,780)
	–	733,216	–	16,973
	1,277,392	1,225,607	94,042	89,646

A subsidiary entered into sale and purchase agreements with two directors and a spouse of a director of the Company and two employees of the Group (the "Related Parties") whereby the Related Parties purchased properties jointly from this subsidiary at a consideration of HK\$16,907,000. The Related Parties financed their purchases of the properties with bank loans, and in turn lent these bank loans to this subsidiary and the corresponding repayments had been made by this subsidiary directly to the bank. The disposals of the properties to the Related Parties were solely to facilitate the Group to obtain the bank borrowings. Accordingly, the Group recorded these bank borrowings raised by the Related Parties as its own bank borrowings, which amounted to HK\$9,346,000 at 31st March, 2003. Also, the Group did not record the sales of properties to the Related Parties.

Notes to the Financial Statements (Continued) for the year ended 31st March, 2003**26. BANK AND OTHER BORROWINGS (continued)**

Included in the bank overdrafts is an amount of HK\$7,557,000 (2002: HK\$6,625,000) borrowed by a related company and utilised by a subsidiary of the Company. This bank overdraft is secured by a Group's property held for future development with a carrying amount of HK\$215,000 (2002: HK\$215,000) as at 31st March, 2003. Repayments of interest and principal have been made by this subsidiary. Accordingly, the amount was recorded as bank overdraft of the Group. Mr. Tai Chi Wah has a beneficial interest in this related company.

As the Group and the Company have delayed in repaying both interest and principles of bank borrowings during the year, the banks have the right to demand for immediate settlement of all balances. Accordingly, the whole amounts of bank borrowings are classified as current liabilities at 31st March, 2003.

27. CONVERTIBLE DEBENTURES*The Group and the Company*

On 15th May, 2000, the Company issued US\$11,000,000 (approximately HK\$85,657,000) 3% convertible debentures (the "Convertible Debentures") which carry the right to convert into shares of HK\$0.10 each in the share capital of the Company at the conversion price which would be the lesser of 120% of the average closing price per share on the Stock Exchange over the 10 consecutive trading days prior to the date of completion; or 90% of the average of the lowest 5 days closing price per share on the Stock Exchange over the 20 consecutive trading days (10 conversion trading days in the case of the first conversion) immediately prior to the date of the conversion notice provided that if such adjusted conversion price is less than HK\$0.85, then the conversion price shall be HK\$0.85.

During the year ended 31st March, 2003, Convertible Debentures in the amount of US\$50,000 (2002: US\$2,150,000) were converted into 3,198,240 (2002: 20,564,058) shares of HK\$0.10 each of the Company and US\$1,590,000 (2002: US\$1,960,000) were redeemed by the Company.

28. AMOUNTS DUE TO MINORITY SHAREHOLDERS*The Group*

The amounts are unsecured, interest free and have no fixed terms of repayment.

Notes to the Financial Statements (Continued) for the year ended 31st March, 2003

29. SHARE CAPITAL

	Number of shares		Amount	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At beginning and end of year	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
At beginning of year	940,731,678	932,703,126	94,073	93,270
Conversion of Convertible Debentures (note 27)	3,198,240	20,564,058	320	2,056
Exercise of warrant subscription rights	–	404,494	–	41
Shares repurchased and cancelled	(3,920,000)	(12,940,000)	(392)	(1,294)
At end of year	940,009,918	940,731,678	94,001	94,073

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month	Number of shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
July 2002	100,000	0.4	0.4	40
August 2002	820,000	0.445	0.41	351
February 2003	2,000,000	0.58	0.57	1,150
March 2003	1,000,000	0.59	0.59	590
	3,920,000			2,131

The above shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from the retained profits to the capital redemption reserve (note 31).

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003***30. SHARE OPTIONS**

The following is a summary of the principal terms of the Share Option Scheme adopted at the special general meeting of the Company held on 23rd September, 1993:

- (a) The directors may, at their discretion, invite employees of the Group including directors of the Group (other than employees and directors of the associated companies) to take up options to subscribe for shares of the Company (the "Shares") at a price calculated in accordance with sub-paragraph (b) below, thereby strengthen the links between individual staff and shareholder interests.
- (b) The subscription price for Shares under the Share Option Scheme will not be less than 80 percent of the average of the official closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of the Shares, whichever is the greater.
- (c) The maximum number of Shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Share Option Scheme may not (when aggregated with any securities subject to any other share option scheme of the Company) exceed 10 percent of the issued share capital of the Company from time to time, excluding for this purposed Shares issued on exercise of options granted under the Share Option Scheme.
- (d) No option may be granted to any one person which if exercised in full would result in the total number of Shares already, issued and issuable to him under the Share Option Scheme exceeding 25 percent of the aggregate number of Shares in respect of which options are issuable under the Share Option Scheme.
- (e) An option may be exercised in accordance with the terms of the Share Option Scheme at any time six months after the date on which the option is deemed to be granted and prior to expiry of ten years from that date.
- (f) No consideration is payable on the grant of an option.
- (g) The Share Option Scheme will remain in force for a period of ten years commencing on the date of its adoption.

No option was granted under the Company's share option scheme since its adoption.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

31. RESERVES

The Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
At 31st March, 2001	370,949	187,193	3,699	221,892	783,733
Conversion of Convertible Debentures	14,686	–	–	–	14,686
Exercise of 2001 warrants	323	–	–	–	323
Premium on repurchase of shares	(5,163)	–	–	–	(5,163)
Transfer upon repurchase and cancellation of shares	–	–	1,294	(1,294)	–
Net loss for the year	–	–	–	(59,381)	(59,381)
At 31st March, 2002	380,795	187,193	4,993	161,217	734,198
Conversion of Convertible Debentures	1,343	–	–	–	1,343
Premium on repurchase of shares	(1,739)	–	–	–	(1,739)
Share issue expenses	(4)	–	–	–	(4)
Transfer upon repurchase and cancellation of shares	–	–	392	(392)	–
Net loss for the year	–	–	–	(1,757,176)	(1,757,176)
At 31st March, 2003	380,395	187,193	5,385	(1,596,351)	(1,023,378)

The contributed surplus represents the difference between the consolidated shareholders' funds of Gold-Face Investment Holdings Limited and its subsidiaries at the date at which the shares of these companies were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition.

32. WRITE OFF OF GOODWILL RESERVE

The write off mainly represented the recognition of the diminution in value of subsidiaries.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

33. PURCHASE OF SUBSIDIARIES

On 31st July, 2002, the Group acquired 100 per cent. of the issued share capital of Epsom for a consideration of HK\$25,000,000 from the Debtor.

On 31st August, 2002, the Group acquired 100 per cent. of the issued share capital of Whole Hero Limited for a cash consideration of HK\$2,000,000.

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Investment properties	–	254,913
Property under development	–	6,500
Property held for sale	9,000	–
Property held for future development	25,000	1,680
Trade and other receivables	38	54,840
Bank balances	41	3,316
Trade and other payables	(966)	(57,140)
Amount due to a shareholder	(6,113)	–
Taxation	–	(161)
Bank borrowings	–	(152,550)
	27,000	111,398
Less: Interest acquired in prior year as an associate	–	(54,245)
	27,000	57,153
Satisfied by:		
Cash	2,000	57,153
Set off with a loan receivable	25,000	–
	27,000	57,153
Analysis of net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	(2,000)	(57,153)
Bank balances acquired	41	3,316
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(1,959)	(53,837)

The subsidiaries acquired during the year contributed HK\$192,000 to the Group's turnover, and HK\$13,691,000 to the Group's loss from operations.

Notes to the Financial Statements (Continued) for the year ended 31st March, 2003

34. MAJOR NON-CASH TRANSACTIONS

The consideration of HK\$25 million for the purchase of a subsidiary from the Debtor (note 33) was settled by offsetting the loan account maintained with the Debtor.

During the year, the Group acquired a subsidiary, Whole Hero Limited. Pursuant to the sale and purchase agreement, the shareholder loan of HK\$6,113,000, as recovered by Whole Hero Limited, was settled by offsetting the amount owed by Whole Hero Limited to one of the subsidiaries of the Company at date of acquisition.

35. PLEDGE OF ASSETS

At 31st March, 2003, the Group's borrowings were secured by:

- (a) investment properties with an aggregate valuation of HK\$776,023,000 (2002: HK\$668,650,000);
- (b) leasehold land and buildings with an aggregate valuation of approximately HK\$28,350,000 (2002: HK\$33,850,000);
- (c) properties held for future development, properties held for sale and properties under development with an aggregate net book value of HK\$70,265,000 (2002: HK\$74,138,000), HK\$45,577,000 (2002: HK\$87,727,000) and HK\$360,887,000 (2002: HK\$920,855,000), respectively;
- (d) a debenture over the assets of Gold-Face Finance Limited ("GFFL"), comprising plant and machinery with net book value of HK\$8,000 (2002: HK\$10,000) and other assets of HK\$115,613,000 (2002: HK\$157,442,000) including an assignment of certain loans receivable which were secured by property mortgage to GFFL;
- (e) a debenture over the shares of Yieldful Holdings Company, with a net book value of HK\$10,103,000 (2002: HK\$7,646,000);
- (f) shares of Goldline Properties Limited, with net asset value of HK\$133,804,000 (2002: HK\$140,175,000).

36. LEASE COMMITMENTS

The Group as lessee

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for average term of 5 years for the office premises.

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	552	3,553
In the second to fifth year inclusive	466	13,137
After five years	–	72,070
	1,018	88,760

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

36. LEASE COMMITMENTS (continued)

The Group as lessor

The properties held have committed tenants for terms ranged from 1 month to 5 years.

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	47,476	34,635
In the second to fifth year inclusive	90,472	54,245
After five years	314,174	37,475
	452,122	126,355

At the balance sheet date, the Company did not have any commitments under operating leases as lessee or lessor.

37. COMMITMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Commitments contracted for but not provided in the financial statements in respect of properties under development	109,818	327,432

At the balance sheet date, the Company did not have any commitments.

38. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks in respect of banking facilities granted to:				
Subsidiaries	–	–	1,395,576	1,457,724
An associate	30,000	30,000	30,000	30,000
	30,000	30,000	1,425,576	1,487,724
The extent of such facilities utilised at the balance sheet date is as follows:				
Subsidiaries	–	–	1,055,079	1,029,669
An associate	29,985	28,985	29,985	28,985
	29,985	28,985	1,085,064	1,058,654

In addition, a Deed of Guarantee and Indemnity was jointly given by the Company, a subsidiary of the Company and Mr. Tai Chi Wah in favour of an independent construction contractor.

Certain banks and other creditors issued demand letters and legal proceedings against the Company, as guarantor of payments owed by various subsidiaries. Accordingly, provision for liabilities in an aggregate amount of HK\$821,344,000 (2002: nil) was provided by the Company as at 31st March, 2003.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

39. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution retirement benefit scheme (the "Defined Contribution Scheme") for certain qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee. Contributions to the schemes are at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting in full in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1st December, 2001, the Group has also joined a mandatory provident fund scheme ("MPF Scheme") for other employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Except for voluntary contribution, no forfeited contribution under this scheme is available to reduce the contribution payable in future years.

In addition, the Group has two pension schemes in the UK for two employees administered by an insurance company which operate on a 'money-purchase' basis. Contributions to these schemes are agreed between the members and the insurance company.

The retirement benefits scheme contributions arising from the above schemes charged to the income statement of HK\$760,000 (2002: HK\$470,000) represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

There were no significant forfeited contributions in both years which arose upon employees leaving the retirement benefit scheme before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in future.

40. RELATED PARTY TRANSACTIONS

Other than the disclosures in notes 25, 26 and 38, the Group had the following related party transactions:

- (a) During the year, the Group paid architectural fees and professional service fees with an aggregate amount of HK\$6,947,000 (2002: HK\$3,500,000) to Wong & Tai Associates Architects in which Messrs. Tai Chi Wah and Wong Po Lung, John are partners. In the opinion of directors, the fees were charged at terms mutually agreed with parties concerned. No amount was due to this related company at the year end (2002: an amount of HK\$200,000 was included under trade and other payables).
- (b) During the year, the Group paid promotional expenses amounting to HK\$475,000 (2002: nil) to and received property rental income amounting to HK\$5,100,000 (2002: HK\$5,700,000) from Gold-Face (Restaurant Group) Limited, a company wholly owned by Questrole Profits Limited. Questrole Profits Limited is beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Tai Chi Wah and the spouse of Madam Tai Seow Yoke Peng and their respective family members. In addition, the Group paid yacht rental amounting to HK\$360,000 (2002: nil) to Black Jade Investment Limited in which Mr. Tai Chi Wah has a beneficial interest. The transactions were completed at terms mutually agreed with parties concerned.
- (c) During the year, the Group paid sales commission of HK\$45,000 (2002: nil) to Mr. Tai Yiu Wah, Robert. The amount was agreed with Mr. Tai Yui Wah, Robert.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003***40. RELATED PARTY TRANSACTIONS (continued)**

- (d) During the year, the Group sold properties to Messrs. Tai Chi Wah and Wong Po Lung, John at a net consideration of HK\$2,520,000 (2002: nil) and HK\$1,859,000 (2002: nil) after deducting a discount of HK\$2,727,000 (2002: nil) and HK\$3,006,000 (2002: nil) given to Messrs. Tai Chi Wah and Wong Po Lung, John respectively. The discounts are equivalent to 30% of the selling prices of the properties plus the total repayments made or to be made by the Group on behalf of the buyers to banks of the first 48th instalments of mortgage loans borrowed by the buyers on the properties bought by them.
- (e) Certain of the Group's bank borrowings, with an aggregate amount of HK\$304,549,000 as at 31st March, 2003 (2002: HK\$212,139,000), were secured by personal guarantee of Mr. Tai Chi Wah at no consideration.
- (f) Certain of the Group's bank borrowings, with an aggregate amount of HK\$166,560,000 at 31st March, 2003 (2002: HK\$185,600,000), were secured by personal guarantee of Mr. Tai Kuen at no consideration.
- (g) The titles of properties held for sale with an aggregate net book value of HK\$3,500,000 (2002: HK\$3,500,000) as at 31st March, 2003 are registered in the name of Mr. Tai Chi Wah who has executed two declarations of trust under which he is allegedly holding the two properties on behalf of a subsidiary of the Company.
- (h) An unsecured personal loan of HK\$609,000 (2002: HK\$609,000), included in loans receivable as at 31st March, 2003, was owed by a daughter of Mr. Tai Kuen.

41. ALLOWANCE FOR ARBITRATION

In prior years, one of the Group's suppliers had issued legal proceedings against one of the Company's subsidiaries. These proceedings related to compensation claimed by this supplier for damages as a result of prolongation of construction works amounting to HK\$75,000,000. This subsidiary had issued a counter claim against this supplier. Amount due to the supplier was provided as at 31st March, 2002 in accordance with the terms of the original contract entered into between the Group and the supplier. In the opinion of the directors, it was not possible to estimate the likely outcome from the arbitration and, accordingly, no provision was made as at 31st March, 2002 for the amount additionally claimed by the supplier. Pursuant to the Final Award published by the Arbitrator on 24th March, 2003, this subsidiary has to pay an additional amount of HK\$62,200,000 to this supplier. This amount was fully provided for as of 31st March, 2003. In addition, legal and professional fees incurred by the Group for the arbitration, amounting to HK\$23,222,000 (2002: HK\$5,002,000), were also included in the allowance for arbitration.

In addition, legal costs claimed by the supplier in the sum of HK\$19,921,000 was served on this subsidiary on 19th January, 2004. This amount was fully provided for in the financial statements as of 31st March, 2003.

42. POST BALANCE SHEET EVENTS

The following transactions took place subsequent to the balance sheet date:

- (a) As announced by the Company on 11th February, 2004, the Company and a subsidiary of Wang On Group Limited ("Wang On") entered into a loan agreement on 5th February, 2004 pursuant to which the Company was provided with a loan facility (with right to convert into shares of the Company) of HK\$3 million. Since then, the Company and Wang On have continued the preliminary discussion in relation to the possibility of Wang On investing in the Company. In addition, another investor has appointed an investment advisor to discuss the takeover proposal which has been submitted to the Stock Exchange to rescue the Company. Up to the date when the directors approved the 2003 annual report, no conclusion has been reached from the discussion with the two aforesaid investors.

Notes to the Financial Statements (continued) for the year ended 31st March, 2003

42. POST BALANCE SHEET EVENTS (continued)

- (b) Receivers and Managers were appointed by banks on the following subsidiaries which have delayed in repaying the bank loans:

Name of subsidiary	Net liabilities at 31st March, 2003 HK\$'000
Auldana International Limited	(11,386)
Chintan Investment Limited	(3,800)
Eastern Wealth Investment Limited	(5,044)
Gold-Face Enterprises Limited	(684,576)
Gold-Face Finance Limited	(125,939)
Gundagai International Limited	(1,493)
Hitrade Group Limited	(1,665)
Profit Nation Development Limited	(90,171)
True Gold Investments Limited	(182,946)

- (c) Four of the Company's subsidiaries, namely, Gold-Face Enterprises Limited, Gold-Face Finance Limited, Profit Nation Development Limited and True Gold Investments Limited, were under investigation and the books and records of these four companies were seized by Commercial Crime Bureau of the Hong Kong Police. The aggregate amounts in respect of the four subsidiaries included in the consolidated financial statements are as follows:

- Turnover of HK\$241,549,299
- Cost of sales of HK\$339,273,436
- Other operating income of HK\$45,175,437
- Operating expenses of HK\$40,896,826
- Taxation charge of HK\$3,158,582
- Properties under development of HK\$300,126,845
- Loans receivable of HK\$114,629,785
- Trade, other receivables and prepayments of HK\$2,055,908
- Taxation recoverable of HK\$2,512,676
- Trade and other payables of HK\$48,404,060

- (d) The Group sold Ever Prospect Limited, a wholly owned subsidiary, at a net consideration of HK\$9,600,000. This subsidiary has investment properties and net asset value of HK\$36,500,000, HK\$9,217,000 respectively at 31st March, 2003. Pursuant to the sale and purchase agreement, the Group has an option to purchase this subsidiary at any time during an option period, which is a period of 60 months commencing on the completion date, at different amounts of consideration each year, ranging from HK\$12,000,000 to HK\$14,100,000. The Group exercised its option to repurchase Ever Prospect at a consideration of HK\$13,350,000. On 30th July, 2004, the Group entered into an agreement with an independent third party to sell Ever Prospect at a consideration of HK\$15 million.
- (e) On 20th April, 2003, Yieldful Holdings Limited ("Yieldful"), in which the Group has 90% interest as at 31st March, 2003, entered into a management agreement with the minority shareholder pursuant to which Yieldful has granted its entire right in 陽春市春來發電有限公司 a wholly owned subsidiary of Yieldful, for a period of ten years starting from 1st May, 2003. In return, this minority shareholder pays a monthly management fee of RMB168,000 to Yieldful.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

42. POST BALANCE SHEET EVENTS (continued)

- (f) In addition to above, certain of the Group's properties were sold as follows:

	Consideration HK\$'000	Book value at 31.3.2003 HK\$'000
Investment properties	713,989	731,673
Land and buildings	17,908	21,900
Properties under development	27,600	18,612
Properties held for future development	71,500	42,077
Properties held for sale	15,555	24,968

- (g) The Group entered into a provisional sale and purchase agreement to sell Phantasy Development Limited ("Phantasy"), a wholly owned subsidiary, at a consideration of HK\$500,000. This subsidiary has net liabilities of HK\$251,000 at 31st March, 2003. Pursuant to that agreement, the Group also sold to the purchaser all loan advanced or other indebtedness owed by Phantasy to the Group at the price of HK\$7,000,000. At 31st March, 2003 the amount owed by Phantasy to the Group was HK\$7,136,000.
- (h) The Group entered into a provisional sale and purchase agreement to sell Jatamaka Company Limited ("Jatamaka") at a consideration of HK\$2. This subsidiary has net liabilities of HK\$1,737,000 at 31st March, 2003. Pursuant to that agreement, the purchaser also undertook to make a loan of HK\$580,000 to Jatamaka upon the signing of that agreement and a further loan of HK\$11,670,000 to Jatamaka at completion date to enable Jatamaka to discharge the bank loan and legal charge.
- (i) Two winding-up petitions ("Petitions") were filed against the Company and a wholly-owned subsidiary of the Company, True Gold Investments Limited ("True Gold"), respectively by Wing Tung Yick Investment Company Limited and Crestsale Limited ("Petitioners") on 17th December, 2003 alleging that True Gold was indebted to the Petitioners for a sum of HK\$27,871,098 plus interest under a joint venture agreement dated 18th May, 1998 entered into between the Petitioners and True Gold in relation to the co-investment and profit-sharing arrangement in Villa Pinada (茵翠豪庭) and that the Company was indebted to the Petitioners for the same amount pursuant to a guarantee given by the Company to the Petitioners for the performance of True Gold under the aforesaid joint venture agreement. The amount owed to the Petitioners was fully provided for in the financial statements of True Gold as other creditors and in the financial statements of the Group as provision for liabilities as at 31st March, 2003. Both the winding-up petitions commenced by the Petitioners against the Company and True Gold were dismissed by the court on 24th December, 2004.

Two other winding-up petitions were filed against the Company and a wholly owned subsidiary of the Company, Gold-Face Finance Limited, respectively by China Overseas Building Construction Limited ("China Overseas"), a construction contractor for two group companies, for aggregate payment of HK\$57,929,600 (2002: nil), which was fully provided for in the financial statements as trade creditors as at 31st March, 2003. The Company and Gold-Face Finance Limited ("GFF") acted as guarantors to guarantee payments by these two group companies for work done by China Overseas' nominated subcontractors and materials supplied by these nominated suppliers. As scheme of arrangement in respect of GFF was filed with the court on 5th November, 2004 and another scheme of arrangement in respect of the Company was filed with SEHK on 24th December, 2004 and a consent summons between the Company and China Overseas was filed with court on 30th December, 2004., the directions hearings in respect of winding-up petitions commenced by China Overseas against GFF and the Company have been adjourned to 31st January, 2005 and 21st February 2005 respectively.

The future outcome of the aforesaid four winding up petitions may result in additional liabilities for the Group. However, it is not possible to quantify the effect, if any, of the four winding up petitions and, accordingly, no additional provision has been made in the financial statements.

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

42. POST BALANCE SHEET EVENTS (continued)

- (j) Certain banks and other creditors issued demand letters and/or legal proceedings against various subsidiaries claiming for immediate settlement of aggregate outstanding payables due to them of HK\$1,114,959,000.
- (k) Up to the date of report, the unsold investment properties and land and buildings, with valuation amounts of HK\$16,400,000 and HK\$6,500,000 as at 31st March, 2003 respectively, were valued by Jones Lang LaSalle Limited, a firm of independent professional valuers, with open market values of HK\$13,200,000 and HK\$5,920,000 as at 31st March, 2004 respectively.

43. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2003 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Auldana International Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Admiralty Star Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$4,500,002 **	100%	Property development
Applause Developments Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Bodallin Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Braemar Associates Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Bright Aura Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Chintan Investment Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Property investment
Chun Po Investment Company Limited	Hong Kong	Ordinary HK\$200 Deferred HK\$7,250,000 **	100%	Property development and investment
Citigold Development Limited	Hong Kong	Ordinary HK\$100 Deferred HK\$2 **	100%	Property development

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

43. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Continous Success Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property development
Cordeaux International Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Crown Fortune Development Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Dragonjoy Group Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property development
Eastern Wealth Investment Limited	Hong Kong	Ordinary HK\$10,000	100%	Property trading
Euro-Asia Property Limited	British Virgin Islands	Ordinary £2,100,747	100%	Investment holding
Ever Prospect Limited	Samoa/ The PRC	Ordinary US\$1	100%	Investment holding, property development and property investment
Epsom Prince Limited	British Virgin Islands/ Hong Kong	Ordinary US\$78	100%	Property development
Fruitful International Limited	Samoa/ Hong Kong	Ordinary US\$1	100%	Property investment
Glory Land Trading Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property development
Gold-Face Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$1,100,000 **	100%	Investment holding, property development and investment
Gold-Face Finance Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Money lending

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

43. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Gold-Face Investment Holdings Limited*	British Virgin Islands	Ordinary US\$14	100%	Investment holding
Goldline Properties Limited	United Kingdom	Ordinary £100	100%	Property investment
Golden Realty Limited	British Virgin Islands	Ordinary £1,002	100%	Investment holding
Gundagai International Limited	British Virgin Islands	Ordinary US\$1	100%	Property investment
Hei Ling Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Hitrade Group Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10	100%	Property investment
Jatamaka Company Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Jumbo Business Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Lipson Enterprises Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Magic House Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,000 **	100%	Property investment
Magpies Company Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,002 **	100%	Property investment
Mankin Development Limited	Hong Kong	Ordinary HK\$10,000	100%	Property development
Ocampo Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10 Deferred US\$100 **	100%	Property development
Pacific Princess Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment

Notes to the Financial Statements (Continued) *for the year ended 31st March, 2003*

43. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Phantasy Development Limited	Hong Kong	Ordinary HK\$8,000 Deferred HK\$10,000 **	100%	Property development
Pristine International Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Profit Nation Development Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding and property development
Regent Million Investment Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Richtan Properties Limited	British Virgin Islands	Ordinary US\$10	100%	Property development
Roster Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Score Million Investment Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Silver Kind Investment Limited	Hong Kong	Ordinary HK\$10,000 Deferred HK\$7,500 **	100%	Property investment
Simple Link Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US\$3	100%	Property development
Steadyline Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Property investment
Stepworth International Inc.	British Virgin Islands/ United Kingdom	Ordinary US\$1	100%	Property investment
Tai Tung On Enterprises Company Limited	Hong Kong	Ordinary HK\$200 Deferred HK\$10,000 **	100%	Property dealing
Tonka Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10	100%	Property dealing

Notes to the Financial Statements (continued) *for the year ended 31st March, 2003*

43. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Top Aim Development Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,000 **	100%	Property dealing
True Gold Investments Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Ultimarum Limited	United Kingdom	Ordinary £1	100%	Investment holding
Victory Brilliant Enterprises Limited	Hong Kong	Ordinary HK\$100	100%	Property investment
Ying Mou Developments Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Wealth Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Investment holding
Whole Hero Limited	Hong Kong	Ordinary HK\$100	100%	Property dealing
Wisearn Group Limited*	British Virgin Islands	Ordinary US\$10	100%	Investment holding
Wonder Fit Company Limited	Hong Kong	Ordinary HK\$10,000	80%	Investment holding and property development
Yieldful Holdings Limited	Hong Kong	Ordinary HK\$1,000	90%	Investment holding
陽春市春來發電有限公司***	The PRC	Registered capital RMB27,500,000	90%	Generation and supply of electricity

* Directly held by the Company.

** The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On a winding-up, the holders of the deferred shares shall be entitled out of the surplus assets of the company to a return of the capital paid up to the non-voting deferred shares held by them, respectively, after a total sum of HK\$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the company. All deferred shares are held by certain of the Company's subsidiaries.

*** 陽春市春來發電有限公司 is a sino-foreign enterprise.

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

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