

Notes on the Financial Statements

for the year ended 31st March, 2004

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). 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 and money lending business in Hong Kong, other regions in the PRC and the United Kingdom. During the year, the Group ceased its business of property management in Hong Kong and the operation of a power plant in the People's Republic of China. Subsequent to the balance sheet date, the Group ceased its money lending business in Hong Kong and the property leasing business in the United Kingdom.

2. GOING CONCERN BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis.

For the year ended 31st March, 2004, the Group reported a loss attributable to shareholders of approximately HK\$218,593,000. As at 31st March, 2004, the Group had a net working capital deficiency of approximately HK\$726,019,000, and as at 31st March, 2004, the Group's shareholders' deficit stood at approximately HK\$457,594,000. In addition, the Group has defaulted on repayment of principal and interest on its bank and other borrowings, totalling approximately HK\$577,286,000 as at 31st March, 2004, which have been classified as current liabilities in the consolidated balance sheet as at that date. The Group's creditor banks have taken various actions including, but not limited to, the issuance of demand notices or writs of summons for immediate repayment of substantially all of the Group's bank borrowings, and the appointment of receivers and managers in some cases who have obtained possession of a substantial portion of the properties which have been mortgaged to the banks as collateral for the bank borrowings. In certain cases, the creditor banks have applied the rental receipts from the investment properties to offset part of the Group's bank borrowings which are in default.

A substantial portion of the Group's trade and other payables were due for repayment as at 31st March, 2004. Due to the lack of liquidity, the Group has delayed repayment and is currently negotiating with the creditors to agree to the debt restructuring proposals.

Substantially all of the Group's properties (including investment properties, leasehold land and buildings, properties held for sales, properties under development and properties held for future development) have been mortgaged to the banks as collateral for the Group's bank borrowings totalling approximately HK\$577,286,000. As at 31st March, 2004, these properties were stated in the consolidated balance sheet with an aggregate amount of approximately HK\$380,954,967, the majority of which were stated at open market value as determined by independent qualified valuers. The valuations were prepared on the assumption that, among others, both the buyers and the sellers would be acting without compulsion. The valuations have also been made on the assumption that the owners sell the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the properties. However, if the Group is forced to dispose of any of its properties within a short period of time, the Company's directors are of the view that the ultimate amounts recoverable from these properties would be substantially less than the carrying amount as at 31st March, 2004.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

2. GOING CONCERN BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

The Company's directors believe that continued financial support will be forthcoming from the Group's major shareholders and they are currently concentrating their efforts on the following:

- i) the successful completion of a shares resumption proposal (which is to be approved by the Listing Committee of the Stock Exchange of Hong Kong Limited) and a S.166 Scheme of Arrangement (which is to be approved by the creditors and the court) whereby the indebtedness could be substantially reduced and capital injection into the Group is made by new investors;
- ii) the successful conclusion of various initiatives to secure new sources of funding to meet its financial obligations as they fall due; and
- iii) ways to maintain future profitable operations of the Group.

Accordingly, the financial statements have been prepared on the going concern basis.

3. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time the Hong Kong Financial Reporting Standard ("HKFRS")-Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKICPA. The adoption of this revised SSAP 12 has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements. These changes have not had any significant impact on the results for the current or prior periods. Accordingly, no prior period adjustment was required.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) *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.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *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 consolidated balance sheet.

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 or associate, or at such time as the goodwill is determined to be impaired.

c) *Investments in subsidiaries*

A subsidiary is a company over which the Group can exercise control, which is normally evidenced when the Group has the power to govern its financial and operating policies so as to benefit from its activities.

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.

d) *Investments in associates*

An associate is a company over which the Group has significant influence, but not control or joint control, over its financial and operating policy decisions.

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 investment.

e) *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 on the Financial Statements (Continued) for the year ended 31st March, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition

i) Property sales

Profit from sale of completed properties is recognised upon execution of the sale agreements.

When a development property is sold in advance of completion, profit is only recognised upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

ii) Rental income is recognised on a straight line basis over the lease terms.

iii) Sale of electricity is based on electricity provided to customers.

iv) Interest income is accrued, on a time proportion basis, taking into account the principal outstanding and the effective rate applicable.

v) Property management fee income is recognised when services are provided.

g) 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 on the Financial Statements (Continued) for the year ended 31st March, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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 property 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 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.

i) Properties under development

Properties under development are stated at lower of cost and net realisable value. 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. As the Group is currently in financial difficulties and all properties except investment properties are for sale, all properties under development are reclassified as current assets in the consolidated balance sheet at 31st March, 2004.

j) 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.

k) Properties held for future development

Properties held for future development are stated at cost less impairment losses. These are reclassified as current assets in the consolidated balance sheet at 31st March, 2004 in view of the current financial position of the Group.

l) 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 cost ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) *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 revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

n) *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 consolidated 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.

o) *Operating leases*

Leases where substantially all the rewards and risks of ownership of assets, other than legal title, remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged/credited to the income statement on a straight line basis over the lease term.

p) *Taxation*

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004**4. SIGNIFICANT ACCOUNTING POLICIES (continued)***p) Taxation (continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

q) Retirement benefit scheme

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

r) 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 overseas subsidiary is disposed of.

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2004*

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) *Provisions and contingencies*

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes on the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

t) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include investment properties, property, plant and equipment, properties held for sales, properties under development, properties held for future development, loans receivable and trade, other receivables and prepayments. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2004 (continued)

	Continuing operations			Discontinuing operations				Consolidated HK\$'000
	Property dealing HK\$'000	Property leasing HK\$'000	Financial services HK\$'000	Total continuing operations HK\$'000	Property management HK\$'000	Power plant HK\$'000	Total discontinuing operations HK\$'000	
BALANCE SHEET								
ASSETS								
Segment assets	210,055	195,706	114,599	520,360	-	471	471	520,831
Unallocated corporate assets								3,805
Consolidated total assets								524,636
LIABILITIES								
Segment liabilities	582,340	229,469	32,099	843,908	-	8	8	843,916
Unallocated corporate liabilities								138,314
Consolidated total liabilities								982,230
OTHER INFORMATION								
Additions to property, plant and equipment	5	-	-	5	154	-	154	159
Allowances for arbitration	(2,192)	-	-	(2,192)	-	-	-	(2,192)
Allowances for bad and doubtful debts	(12,756)	(22,900)	(1,040)	(36,696)	(1)	(3)	(4)	(36,700)
Deficit on revaluation of leasehold land and buildings	(611)	-	-	(611)	-	-	-	(611)
Depreciation and amortisation	(1,057)	(641)	(5)	(1,703)	-	-	-	(1,703)
Write back of impairment loss recognised in respect of properties under development	61,216	-	-	61,216	-	-	-	61,216
Impairment loss recognised in respect of properties held for future development	(11,488)	-	-	(11,488)	-	-	-	(11,488)
Impairment loss recognised in respect of properties held for sale	(3,010)	-	-	(3,010)	-	-	-	(3,010)
Gain/(loss) on disposal of property, plant and equipment	2,008	(481)	-	1,527	-	-	-	1,527
Property, plant and equipment written off	(1,071)	(1,750)	(3)	(2,824)	-	-	-	(2,824)
Deficit on revaluation of investment properties	-	(6,470)	-	(6,470)	-	-	-	(6,470)
Loss on disposal of investment properties	-	(78,089)	-	(78,089)	-	-	-	(78,089)

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

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 48 instalments of mortgage loans borrowed by the buyers on the properties bought by them, as follows:

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

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's power plant business is carried out in The People's Republic of China ("PRC"). The property dealing, financial services and property management business are carried out in Hong Kong. Property leasing business are carried out in Hong Kong and the United Kingdom ("UK").

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	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	119,479	266,588
The UK	9,941	33,889
The PRC	1,727	68,806
	131,147	369,283

Revenue from the Group's discontinuing operation of the power plant of HK\$1.7 million (2003: HK\$21 million) was derived from the PRC and property management business of HK\$1 million (2003: HK\$1.8 million) was derived from Hong Kong.

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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	347,857	1,003,825	159	263
The UK	176,308	409,481	-	2,165
The PRC	471	95,203	-	401
	524,636	1,508,509	159	2,829

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

6. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	3,381	1,600
Depreciation and amortisation	1,703	5,690
Loss on disposal of property, plant and equipment	–	4,308
Operating lease rentals for land and buildings	685	5,814
Operating lease rentals for equipment and motor vehicles	–	382
Exchange loss	15,141	–
Staff cost, including directors' remuneration:		
Retirement benefit scheme contributions	304	760
Salaries and other allowances	13,512	15,991
	13,816	16,751
and after crediting:		
Gain on disposal of properties held for future development	–	632
Interest income from bank deposits	981	166
Rental income	25,129	52,036
Less: Outgoings	(3,385)	(3,368)
Net rental income	21,744	48,668
Unrealised holding gain on investments in securities	–	651

7. REMUNERATION OF DIRECTORS AND EMPLOYEES

	2004 HK\$'000	2003 HK\$'000
Directors		
Fees – non-executive directors	436	528
Other emoluments:		
Executive		
Salaries and other benefits	1,416	4,537
Accommodation allowances	–	–
Retirement benefit scheme contributions	37	74
Discretionary bonus and/or performance related bonuses	–	–
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	1,453	4,611
	1,889	5,139

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

7. REMUNERATION OF DIRECTORS AND EMPLOYEES (continued)

Emoluments of the directors were within the following bands:

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	8	8
HK\$2,000,001 – HK\$2,500,000	–	1

Employees

The five highest paid individuals of the Group for the year included one (2003: four) director of the Company. The emoluments of the remaining four (2003: one) highest paid individuals of the Group, not being director of the Company, were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	2,270	624
Accommodation allowances	–	–
Retirement benefit scheme contributions	93	30
Retirement scheme contributions	–	–
Discretionary bonus and/or performance related bonuses	–	–
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	2,363	654

8. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank overdrafts and borrowings wholly repayable within five years	44,610	88,546
Convertible debentures	2,252	7,529
Other borrowings	18,900	841
	65,762	96,916
Less: Amount capitalised to properties under development during the year	–	(12,749)
Amount charged to cost of sales	–	(15,285)
	65,762	68,882

9. DISCONTINUING OPERATION

The Group ceased its operation of the power plant in the PRC on 31st March, 2004 and the property management in Hong Kong on 15th August, 2003.

The carrying amounts of net assets of the operation of the power plant and the business of property management at 31st March, 2003, were approximately HK\$14,841,000 and HK\$388,000 respectively.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

10. TAXATION (CHARGE)/CREDIT

	2004 HK\$'000	2003 HK\$'000
The (charge)/credit comprise:		
Hong Kong profits tax		
overprovision in prior years	81	21,464
Overseas taxation		
current year	(27,784)	(286)
	(27,703)	21,178

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

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	(189,465)	(1,016,082)
Tax at the statutory income tax rate of 17.5% (2003: 16%)	(33,156)	(162,573)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,178)	21
Tax effect of non-taxable income	(57,440)	(1,656)
Tax effect of non-deductible expenses	74,303	93,402
Tax effect of unrecognised temporary difference	(731)	–
Tax effect of tax losses not recognised	14,723	70,479
Tax effect of utilisation of tax losses not previously recognised	(3,406)	–
(Under)/overprovision in prior years	(20,774)	21,464
Others	956	41
Taxation (charge)/credit	(27,703)	21,178

For the year ended 31st March, 2004, no provision for Hong Kong profits tax was made as the Group had no assessable profits for the year (2003: Nil). The profits tax rate has been increased from 16% to 17.5% with effect from the 2003 year of assessment.

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

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. 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.

As at the balance sheet date, a potential deferred taxation asset of approximately HK\$236,018,000 (2003: HK\$82,447,000) in respect of estimated tax losses has not been recognised in the financial statements due to the unpredictability of future foreseeable profits.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the following information:

	2004 HK\$'000	2003 HK\$'000
Net loss for the year and loss for the purpose of calculating basic loss per share	(218,593)	(995,064)
Number of shares		
Weighted average number of shares for the purpose of calculating basic loss per share	940,009,918	940,766,969

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.

12. INVESTMENT PROPERTIES

	2004 HK\$'000	2003 HK\$'000
The Group		
Valuation		
At 1st April	784,573	717,050
Exchange adjustments	52,521	25,500
Transferred from properties under development	–	109,366
Disposed upon disposal of a subsidiary	(36,500)	–
Disposals	(596,850)	–
Deficit on valuation	(19,574)	(67,343)
At 31st March	184,170	784,573

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

	2004 HK\$'000	2003 HK\$'000
Leasehold properties under long leases in		
The UK	174,240	455,223
The PRC	–	36,500
Hong Kong	6,800	30,100
Leasehold properties under medium term leases in Hong Kong	3,130	262,750
	184,170	784,573

The investment properties are rented out under operating leases.

The investment properties situated in Hong Kong were valued by Jones Lang LaSalle, a firm of independent professional valuers, at 31st March, 2004 on an open market value basis.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

12. INVESTMENT PROPERTIES (continued)

The investment properties situated in the UK with an aggregate value of HK\$174,240,000 were stated at the sales consideration according to the sale and purchase agreement dated 25th August, 2004.

The deficit arising on revaluation of the investment properties for the year ended 31st March, 2004 amounted to HK\$19,574,000 (a deficit of HK\$13,104,000 was charged to the investment property revaluation reserve, and a deficit of HK\$6,470,000 being the excess of the deficit over the attributable surplus previously recognised was charged to the consolidated income statement).

13. 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, 2003	36,980	60,733	8,802	106,515
Exchange adjustments	(100)	265	56	221
Additions	–	10	149	159
Disposals	(21,900)	(50,911)	(8,667)	(81,478)
Disposed on disposal of subsidiaries	(8,580)	(10,097)	(340)	(19,017)
Deficit on valuation	(1,060)	–	–	(1,060)
At 31st March, 2004	5,340	–	–	5,340
Comprising:				
At cost	–	–	–	–
At valuation – 2004	5,340	–	–	5,340
	5,340	–	–	5,340
Depreciation, amortisation and impairment loss:				
At 1st April, 2003	–	49,345	7,809	57,154
Exchange adjustments	(27)	79	30	82
Provided for the year	361	1,180	162	1,703
Eliminated on disposal	(213)	(48,187)	(7,965)	(56,365)
Disposed on disposal of subsidiaries	–	(2,417)	(36)	(2,453)
Eliminated on valuation	(121)	–	–	(121)
At 31st March, 2004	–	–	–	–
Net book value:				
At 31st March, 2004	5,340	–	–	5,340
At 31st March, 2003	36,980	11,388	993	49,361

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of properties of the Group comprises:

	2004 HK\$'000	2003 HK\$'000
Leasehold properties in Hong Kong under		
long leases	1,750	21,300
medium term leases	3,590	7,100
Short term leasehold buildings in the PRC	–	8,580
	5,340	36,980

All leasehold land and buildings situated in Hong Kong were valued by Jones Lang LaSalle, an independent professional valuer, at 31st March, 2004 on an open market value basis.

The net deficit arising on revaluation of the leasehold land and buildings amounted to approximately HK\$939,000 during the year ended 31st March, 2004 (a deficit of HK\$328,000 was charged to the other property revaluation reserve, and a deficit of HK\$611,000, being the excess of the deficit over the attributable surplus previously recognised, was charged to the consolidated income statement).

Had the leasehold 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 approximately HK\$5,260,000 (2003: HK\$48,057,000).

14. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2004 HK\$'000	2003 HK\$'000
The properties under development are due for completion:		
Within one year	149,557	204,740
More than one year	–	170,868
	149,557	375,608

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

	The Group	
	2004 HK\$'000	2003 HK\$'000
Leasehold properties under medium term leases in		
Hong Kong	149,557	362,195
The PRC	–	13,413
	149,557	375,608

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

14. PROPERTIES UNDER DEVELOPMENT (continued)

Total interest capitalised and included in properties under development as at 31st March, 2004 amounted to HK\$Nil (2003: HK\$169,889,000).

During the year 31st March, 2004, an impairment loss approximately of HK\$61,216,000 (2003: impairment loss HK\$439,615,000) was written back, which represents the write up of the carrying amount of certain properties under development to the estimated net realisable values at the balance sheet date. Such write up brings the carrying value of the properties under development at 31st March, 2004 to be stated at lower of cost and net realisable value.

As the Group is currently in financial difficulties, all properties under development are reclassified as current assets.

The creditor banks had seized the two properties under development i.e. The Aegean 愛琴灣 and Villa Pinada 茵翠豪庭 held by two wholly-owned subsidiaries ie. Profits Nation Development Limited and True Gold Investments Limited respectively. A receiver and manager had been appointed in May, 2003. The carrying value of the properties under development had been netted off from the related bank borrowings in the consolidated balance sheet at 31st March, 2004. The relevant details are summarized as follows:

- a) Properties under development (The Aegean 愛琴灣) of book value of HK\$81,319,019 were seized by the creditor banks and under receivership of an appointed receiver and manager. The amount has been netted off from the related bank loans of HK\$129,259,595 with a net borrowing of HK\$47,940,576 included in bank and other borrowings in the consolidated balance sheet at 31st March, 2004.
- b) Properties under development (Villa Pinada 茵翠豪庭) of book value of HK\$287,124,382 were seized by the creditor banks and under receivership of an appointed receiver and manager. The amount has been netted off from the related bank loans of HK\$294,867,105 with a net borrowing of HK\$7,742,723 included in bank and other borrowings in the consolidated balance sheet at 31st March, 2004.

15. PROPERTIES HELD FOR FUTURE DEVELOPMENT

The carrying value of properties held for future development comprises:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Non-current assets		
Leasehold properties under medium term leases in Hong Kong	–	71,265
Current assets		
Leasehold properties under medium term leases in Hong Kong	19,522	–
	19,522	71,265

During the year ended 31st March, 2004, an impairment loss of approximately HK\$11,488,000 (2003: HK\$54,634,000) was provided, which represents the write down of the carrying amount of certain properties held for future development to the estimated net realisable values at the balance sheet date.

As the Group is currently in financial difficulties, all properties held for future development are reclassified as current assets.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	232,276	232,276
Amounts due from subsidiaries	814,357	865,576
Impairment loss	(1,046,633)	(1,090,839)
	–	7,013

The amounts due from subsidiaries are unsecured and have no fixed repayment terms. At 31st March, 2004, an amount of HK\$373,750,000 (2003: HK\$425,931,000) bears interest at commercial lending rate and the remaining balance is interest free.

Details of the principal subsidiaries at 31st March, 2004 are set out in note 40.

17. LOANS RECEIVABLE

	The Group	
	2004 HK\$'000	2003 HK\$'000
Amount due within one year	30,319	16,881
Amount due after one year	78,415	97,749
	108,734	114,630
Secured	107,669	112,883
Unsecured	1,065	1,747
	108,734	114,630

These represent mortgage loans which bear interest at market rates and are partially secured by properties situated in Hong Kong.

18. INTERESTS IN ASSOCIATES

	The Group	
	2004 HK\$'000	2003 HK\$'000
Share of net assets of associates (at recoverable amount at 31st March, 2004)	500	797
Amounts due from associates	–	5,258
	500	6,055

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

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

18. INTERESTS IN ASSOCIATES (continued)

Details of principal associate, which is indirectly held by the Group, at 31st March, 2004 are as follows:

Name of company	Form of business structure	Place of incorporation/ registration	Attributable equity interest to the Group	Principal activities
Smartful Investment Limited	Incorporated	Hong Kong	50%	Investment holding

Since financial information of the associate for the year ended 31st March, 2004 are not available, no equity accounting has been adopted by the Group. The interests in associate at 31st March, 2004 is stated at the recoverable amount i.e. the subsequent sale proceeds.

19. INVESTMENTS IN SECURITIES

	The Group	
	2004 HK\$'000	2003 HK\$'000
Investment securities:		
Unlisted shares, at cost	2,025	2,025
Impairment loss	(2,025)	(600)
Other investments:		
Shares listed outside Hong Kong, at market value	–	1,331
	–	2,756

20. PROPERTIES HELD FOR SALE

The Group

At 31st March, 2004, an impairment loss of approximately HK\$3,010,000 (2003: 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 the balance sheet date.

At 31st March, 2004, the amount of properties held for sale stated at net realisable value was HK\$29,432,800 (2003: HK\$48,177,000).

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

21. 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	
	2004 HK\$'000	2003 HK\$'000
Trade debtors		
0 – 60 days	3,338	6,842
61 – 90 days	160	434
Over 90 days	618	4,205
	4,116	11,481
Prepayments and other receivables	3,276	20,300
	7,392	31,781

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade creditors:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Trade creditors		
0 – 60 days	11,776	113,641
61 – 90 days	91	1,676
Over 90 days	236,452	73,542
	248,319	188,859
Other payables	120,587	148,070
	368,906	336,929

23. AMOUNT DUE TO A FORMER DIRECTOR

The Group

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

24. AMOUNT DUE TO A SHAREHOLDER

The Group and the Company

The amount is unsecured and due to a shareholder, Questrole Profits Limited. It is interest-free and has no fixed repayment terms.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

25. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank and other borrowings are secured, bear interest at market rates and are repayable as follows:				
Within one year	476,256	1,277,392	47,600	94,042
i) Amount due within one year				
Current portion of bank and mortgage loans	330,761	1,092,294	24,717	69,122
Bank overdrafts	19,060	100,961	–	140
Other borrowings	126,435	84,137	22,883	24,780
	476,256	1,277,392	47,600	94,042
ii) Amount due after one year				
Bank and mortgage loans	330,761	1,092,294	24,717	69,122
Other borrowings	126,435	84,137	22,883	24,780
Less:				
Bank and mortgage loans due within one year	(330,761)	(1,092,294)	(24,717)	(69,122)
Other borrowings due within one year	(126,435)	(84,137)	(22,883)	(24,780)
	–	–	–	–
	476,256	1,277,392	47,600	94,042

As the Group and the Company have been in default of repayment of both interest and principal of the bank and other borrowings since 2003, the banks and creditors have the right to demand for immediate repayment of all balances. Accordingly, the whole amounts of bank and other borrowings are classified as current liabilities at 31st March, 2004 and 31st March, 2003.

26. 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.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

27. ADVANCE FROM AN ASSOCIATE/AMOUNTS DUE TO MINORITY SHAREHOLDERS

The Group

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

28. SHARE CAPITAL

	Number of shares		Amount	
	2004	2003	2004 HK\$'000	2003 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	940,009,918	940,731,678	94,001	94,073
Conversion of convertible debentures (note 26)	–	3,198,240	–	320
Shares repurchased and cancelled	–	(3,920,000)	–	(392)
At end of year	940,009,918	940,009,918	94,001	94,001

29. 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 associates) 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.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

29. SHARE OPTIONS (continued)

- 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. The above scheme lapsed on 22nd September, 2003 and no new share option scheme has been adopted as at 31st March, 2004.

30. 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, 2002	380,795	187,193	4,993	161,217	734,198
Conversion of convertible debentures	1,343	–	–	–	1,343
Share issue expenses	(4)	–	–	–	(4)
Premium on repurchase of shares	(1,739)	–	–	–	(1,739)
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)
Net profit for the year	–	–	–	254,453	254,453
At 31st March, 2004	380,395	187,193	5,385	(1,341,898)	(768,925)

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.

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2004*

31. PURCHASE OF SUBSIDIARIES

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.

No acquisition of subsidiary was made during the year ended 31st March, 2004.

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Property held for sale	-	9,000
Property held for future development	-	25,000
Trade and other receivables	-	38
Bank balances	-	41
Trade and other payables	-	(966)
Amount due to a shareholder	-	(6,113)
	-	27,000
Satisfied by:		
Cash	-	2,000
Set off with a loan receivable	-	25,000
	-	27,000
Analysis of net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	-	(2,000)
Bank balances acquired	-	41
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	-	(1,959)

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

32. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of certain subsidiaries, the net assets disposed of were as follows:

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Investment properties	36,500	–
Property, plant and equipment	16,564	–
Properties under development	13,413	–
Trade, other receivables and prepayments	33,915	–
Trade and other payables	(58,213)	–
Taxation payable	(1,774)	–
	40,405	–
Loss on disposal	(39,289)	–
Total consideration	1,116	–
Satisfied by:		
Cash	1,116	–
Net cash inflow arising on disposal:		
Cash consideration	1,116	–

33. PLEDGE OF ASSETS

At 31st March, 2004, the Group's borrowings were secured by:

- a) investment properties with an aggregate valuation of approximately HK\$184,170,000 (2003: HK\$776,023,000);
- b) leasehold land and buildings with an aggregate valuation of approximately HK\$5,340,000 (2003: HK\$28,350,000);
- c) properties held for future development, properties held for sale and properties under development with an aggregate net book value of approximately HK\$16,780,000 (2003: HK\$70,265,000), HK\$32,238,000 (2003: HK\$45,577,000) and HK\$142,427,000 (2003: HK\$360,887,000), respectively;
- d) a debenture over the assets of a wholly-owned subsidiary, Gold-Face Finance Limited ("GFF"), comprising plant and machinery with net book value of HK\$Nil (2003: HK\$8,000) and other assets of approximately HK\$114,599,000 (2003: HK\$115,613,000) including an assignment of certain loans receivable which were secured by properties mortgaged to GFF;
- e) shares of a wholly-owned subsidiary, Goldline Properties Limited, with net asset value of HK\$Nil (2003: HK\$133,804,000).

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

34. 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 2 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	
	2004 HK\$'000	2003 HK\$'000
Within one year	60	552
In the second to fifth years, inclusive	55	466
After five years	–	–
	115	1,018

The Group as lessor

The properties held have committed tenants for terms ranged from 2 to 3 years.

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

	The Group	
	2004 HK\$'000	2003 HK\$'000
Within one year	751	47,476
In the second to fifth years, inclusive	286	90,472
After five years	–	314,174
	1,037	452,122

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

35. COMMITMENTS

	The Group	
	2004 HK\$'000	2003 HK\$'000
Commitments contracted for but not provided in the financial statements in respect of properties under development	180,650	109,818

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

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

36. CONTINGENT LIABILITIES

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees given to banks in respect of banking facilities granted to:				
Subsidiaries	-	-	-	1,395,576
An associate	-	30,000	-	30,000
	-	30,000	-	1,425,576
The extent of such facilities utilised at the balance sheet date is as follows:				
Subsidiaries	-	-	-	1,055,079
An associate	-	29,985	-	29,985
	-	29,985	-	1,085,064

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 the various subsidiaries. Accordingly, provision for liabilities in the aggregate amount of HK\$596,254,000 (2003: HK\$821,344,000) was provided by the Company as at 31st March, 2004. Therefore, there are no inter-company guarantees given to banks in respect of banking facilities granted to subsidiaries by the Company disclosed as contingent liabilities at 31st March, 2004.

37. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution retirement benefits scheme (the "Defined Contribution Schemes") 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.

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2004*

37. RETIREMENT BENEFIT SCHEMES (continued)

The retirement benefits scheme contributions arising from the above schemes charged to the consolidated income statement of approximately HK\$304,000 (2003: HK\$760,000) 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.

38. RELATED PARTY TRANSACTIONS

Other than the disclosures in notes 23, 24 and 36 the Group had the following related party transactions:

- a) During the year ended 31st March, 2003, the Group paid architectural fees and professional service fees with an aggregate amount of HK\$6,947,000 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 such transaction was incurred in 2004.
- b) During the year ended 31st March, 2003, the Group paid promotional expenses amounting to HK\$475,000 and received property rental income amounting to HK\$5,100,000 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. Therefore, Questrole Profits Limited is regarded as a shareholder as disclosed in note 24. In addition, the Group paid yacht rental amounting to HK\$360,000 to Black Jade Investment Limited in which Mr. Tai Chi Wah has a beneficial interest. The transactions are completed at terms mutually agreed with parties concerned. No such transactions were incurred in 2004.
- c) During the year ended 31st March, 2003, the Group paid sales commission of HK\$45,000 to Mr. Tai Yiu Wah, Robert. No such transaction was incurred in 2004.
- d) During the year ended 31st March, 2003, the Group sold properties to Messrs. Tai Chi Wah and Wong Po Lung, John at a net consideration of HK\$2,520,000 and HK\$1,859,000 after deducting a discount of HK\$2,727,000 and HK\$3,006,000 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 48 instalments of mortgage loans borrowed by the buyers on the properties bought by them. No such transaction was incurred in 2004.
- e) Certain of the Group's bank borrowings, with a gross aggregate amount of approximately HK\$567,026,000 as at 31st March, 2004 (2003: HK\$304,549,000), were secured by personal guarantee of Mr. Tai Chi Wah at no consideration.
- f) Certain of the Group's bank borrowings, with a gross aggregate amount of approximately HK\$430,274,000 at 31st March, 2004 (2003: HK\$166,560,000), were secured by personal guarantee of Mr. Tai Kuen at no consideration.
- g) An unsecured personal loan of HK\$377,000 (2003: HK\$609,000), included in loans receivable as at 31st March, 2004 was owed by a daughter of Mr. Tai Kuen. Full provision has been made at 31st March, 2004 in the financial statements (2003: HK\$300,000).

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

39. OUTSTANDING LITIGATIONS/SUBSEQUENT EVENTS

Subsequent to 31st March, 2004, the Group recorded the following major outstanding litigations and subsequent events.

a) *Outstanding litigations*

- 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. These winding-up petitions commenced by the Petitioners against the Company 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 ("GFF"), respectively by China Overseas Building Construction Limited ("China Overseas"), a construction contractor for two group companies, for aggregate payment of HK\$57,929,600. The Company and GFF acted as guarantors to guarantee payments by these two group companies for the work done by China Overseas' nominated subcontractors and materials supplied by these nominated suppliers. A Scheme of Arrangement ("Scheme") 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 Hong Kong Stock Exchange on 24th December, 2004 and a consent summons between the Company and China Overseas was filed with court on 30th December, 2004.

On 30th August, 2005, the court sanctioned the Scheme of GFF under Section 166 of the Hong Kong Companies Ordinance and accordingly the winding up petitions filed by China Overseas against GFF was withdrawn.

The hearings in respect of winding up petition commenced by China Overseas against the Company has been adjourned to 18th September, 2006.

- ii) Writs were issued by the Group's creditors demanding repayment of the following amounts:

	HK\$'000
Provided in the consolidated balance sheet at 31st March, 2004	331,549
Not provided for in the consolidated balance sheet at 31st March, 2004	751
<u>Total amount claimed</u>	<u>332,300</u>

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

39. OUTSTANDING LITIGATIONS/SUBSEQUENT EVENTS (continued)

b) Other subsequent events

- i) 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. However, no further discussions with Wang On for its proposed investment were held up to the date of this report. In addition, another investor has appointed an investment advisor to:
- i) discuss a takeover and shares resumption proposal which had been submitted to the Listing Committee of The Stock Exchange of Hong Kong Limited for approval.
 - ii) negotiate a S.166 Scheme of Arrangement with the creditors to be approved by the court to reduce the indebtedness of the Group.
- ii) Receivers and managers were appointed by the creditor banks on the various properties of the following subsidiaries which have delayed in repaying the bank loans:

Name of subsidiary	Net liabilities at 31st March, 2004 HK\$'000
Chun Po Investment Company Limited	(18,055)
Lipson Enterprises Limited	(116,907)
Gold-Face Enterprises Limited	(833,415)
Eastern Wealth Investment Limited	(15,834)
Gold-Face Finance Limited	(238,932)
Profit Nation Development Limited	(91,928)
True Gold Investments Limited	(162,756)
Continuous Success Investments Limited	(73,349)

- iii) During the year ended 31st March, 2004, the Group sold Ever Prospect Limited ("Ever Prospect"), 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 and HK\$9,217,000 respectively at 31st March, 2003. Pursuant to the sale and purchase agreement dated 28th August, 2003, the Group has an option to re-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. On 20th September, 2004 the Group exercised its option to repurchase Ever Prospect at a consideration of HK\$13,350,000. Before exercising its option 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. i.e the repurchase by the Group was for the ultimate sale to the independent third party.
- iv) On 4th November, 2004, the Group entered into a 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 approximately HK\$5,944,000 at 31st March, 2004. Pursuant to that agreement, the Group also sold to the purchaser all loans advanced or other indebtedness owed by Phantasy to the Group at the price of HK\$7,000,000. At 31st March, 2004 the amount owed by Phantasy to the Group was approximately HK\$7,140,000.

Notes on the Financial Statements (Continued) for the year ended 31st March, 2004

39. OUTSTANDING LITIGATIONS/SUBSEQUENT EVENTS (continued)

b) Other subsequent events (continued)

v) On 14th June, 2005, the Group entered into a sale and purchase agreement to sell Jatamaka Company Limited ("Jatamaka") at a consideration of HK\$2. This subsidiary has net liabilities of approximately HK\$8,922,000 at 31st March, 2004. 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 approximately HK\$11,405,000 to Jatamaka at completion date to enable Jatamaka to discharge the bank loan and legal charge.

vi) Certain of the Group's investment properties and leasehold land and buildings were sold subsequent to the balance sheet date as follows:

	Consideration HK\$'000	Book value at 31st March, 2004 HK\$'000
Investment properties	177,370	177,370
Leasehold land and buildings	5,280	5,280

vii) Pursuant to an agreement dated 1st April, 2004 the Company's investment in an associate, Liangyungang Sanjili Chemical ("Sanjili"), held indirectly by a wholly-owned subsidiary of the Company, Wealth Enterprises Limited, was surrendered to the majority shareholders in return for the release of a counter guarantee issued by the Company in the amount of HK\$13,271,000.

viii) On 31st December, 2005, Gold-Face Investment Holdings Limited ("GFIH"), a wholly-owned subsidiary of the Company, sold its shares in and amount due from a wholly-owned subsidiary, Smartful Investment Limited, of HK\$4,258,143 for a total consideration of HK\$500,000.

ix) On 29th September, 2005, GFF, the subsidiary referred to in 39(a)(i), was disposed of to an independent third party for a total consideration of HK\$4.

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2004*

40. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2004 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
Continuous 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

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2004*

40. 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
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
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
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

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2004*

40. 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
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
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%	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

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2004*

40. 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
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
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
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

Notes on the Financial Statements (Continued) *for the year ended 31st March, 2004*

40. 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
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
Ying Mou Developments Limited	Hong Kong	Ordinary HK\$2	100%	Property investment

* 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.

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.