

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property investment, provision of building management and agency services and investment holding.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the liquidity position and going concern status of the Group.

Events of default have arisen under certain bank loans and credit facility agreements entered into by the Group. As a result, the relevant bank borrowings have become repayable on demand and have been classified as current liabilities. Although as explained in note 38, the Group has disposed of certain properties subsequent to the balance sheet date to realise the value of such properties to meet the relevant financial obligations and liabilities of the Group, the Group remains dependent upon the continued support of its bankers.

Against this background, the directors of the Company are actively holding negotiations with the Group's bankers regarding the rescheduling of the Group's remaining borrowings and at the same time to obtain additional finance for the Group. Provided that the negotiations with the Group's bankers can be successfully completed, the directors of the Company are satisfied that the Group will be able 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.

## 3. ADOPTION OF NEW AND REVISED 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 Society of Accountants:

SSAP 1 (Revised)	Presentation of Financial Statements
SSAP 15 (Revised)	Cash Flow Statements
SSAP 34	Employee Benefits

Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the adoption of these SSAPs has resulted in a change in the format of presentation of the consolidated cash flow statement and inclusion of a consolidated statement of changes in equity, but has had no effect on the results of the current or prior accounting year. Accordingly, no prior year adjustment is required.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

### 3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

#### Cash flow statements

In the current year, 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 and dividends paid, which were previously presented under a separate heading, are classified as financing cash flows. Interest 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.

#### Employee benefits

SSAP 34 "Employee Benefits" introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

### 4. SIGNIFICANT ACCOUNTING POLICIES

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

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 March 31 each year.

The results of subsidiaries and associates 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 inter-company 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 is capitalised and amortised on a straight-line basis over its estimated economic 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Negative goodwill**

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

Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

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

**Revenue recognition**

Revenue from sales of properties is recognised on the execution of a legally binding purchase and sale agreement.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the respective leases.

Building management and agency fees are recognised when services are rendered.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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

**Investments in subsidiaries**

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

**Investments in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, investments in associates are stated at the Group's share of the net assets of the associates plus premium on acquisition less any identified impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in securities

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

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of tangible fixed assets, other than investment properties, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Furniture, fixtures and equipment	20%
Leasehold improvements	20%
Motor vehicles	20% - 25%

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.

### Investment properties

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

Investment properties are stated at their open market value based on professional valuations at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Investment properties** *(continued)*

Any revaluation increase or decrease 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

**Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes interest, finance charges, professional fees and other direct costs attributable to such properties until they reach a marketable state. Net realisable value represents the estimated selling price less all costs to completion and costs to be incurred in marketing and selling.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes 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 scheme**

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme and Mandatory Provident Fund Scheme.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 5. TURNOVER AND SEGMENTAL INFORMATION

**Business segments**

The Group's turnover and net loss for the year were derived from activities carried out in Hong Kong. The Group's assets were all located in Hong Kong. For management purposes, the Group is currently organised into four operating divisions, namely, sales of properties, rental service, building management and agency services, and others. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

**Income statement**

	2003					Consolidated HK\$'000
	Sales of properties HK\$'000	Rental service HK\$'000	Building management and agency services HK\$'000	Others HK\$'000	Eliminations HK\$'000	
External revenue	62,166	17,802	4,446	-	-	84,414
Inter-segment revenue	-	1,481	591	-	(2,072)	-
	<u>62,166</u>	<u>19,283</u>	<u>5,037</u>	<u>-</u>	<u>(2,072)</u>	<u>84,414</u>
Segment result	(31,358)	(73,667)	(784)	-	-	(105,809)
Unallocated other operating income						4,001
Interest income						97
Unallocated corporate expenses						<u>(15,583)</u>
Loss from operations						(117,294)
Gain on disposal of subsidiaries	-	-	-	5,500	-	5,500
Loss on disposal of an associate	-	-	-	(9)	-	(9)
Finance costs						<u>(18,100)</u>
Loss before taxation						(129,903)
Taxation credit						<u>74</u>
Net loss for the year						<u>(129,829)</u>

Inter-segment revenue are charged at prevailing market rates.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 5. TURNOVER AND SEGMENTAL INFORMATION (continued)

## Business segments (continued)

## Income statement

	2002					Consolidated HK\$'000
	Sales of properties HK\$'000	Rental service HK\$'000	Building management and agency services HK\$'000	Others HK\$'000	Eliminations HK\$'000	
External revenue	36,000	17,843	4,467	-	-	58,310
Inter-segment revenue	-	1,670	363	-	(2,033)	-
	<u>36,000</u>	<u>19,513</u>	<u>4,830</u>	<u>-</u>	<u>(2,033)</u>	<u>58,310</u>
Segment result	(3,624)	(56,949)	(4,696)	-	-	(65,269)
Unallocated other operating income						4,784
Interest income						856
Unallocated corporate expenses						(29,072)
Impairment of goodwill	-	(25,675)	-	-	-	(25,675)
Loss from operations						(114,376)
Finance costs						(56,895)
Share of results of associates	-	-	-	(2,814)	-	(2,814)
Loss before taxation						(174,085)
Taxation charge						(23)
Net loss for the year						<u>(174,108)</u>

Inter-segment revenue are charged at prevailing market rates.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 5. TURNOVER AND SEGMENTAL INFORMATION (continued)

## Business segments (continued)

## Balance sheet

	2003		2002	
	Segment assets HK\$'000	Segment liabilities HK\$'000	Segment assets HK\$'000	Segment liabilities HK\$'000
Sales of properties	45,060	31,258	65,069	38,408
Rental service	144,825	135,549	299,305	216,776
Building management and agency services	155	888	1,042	1,021
Others	140,400	-	140,400	-
Other corporate assets/liabilities	4,166	57,079	26,714	68,538
	<u>334,606</u>	<u>224,774</u>	<u>532,530</u>	<u>324,743</u>

## Other information

	2003 HK\$'000	2002 HK\$'000
Capital additions		
Sales of properties	21	43
Rental service	117	79,441
Other corporate assets	130	351
	<u>268</u>	<u>79,835</u>
Depreciation		
Sales of properties	30	125
Rental service	469	532
Other corporate assets	183	224
	<u>682</u>	<u>881</u>
Others		
Impairment of goodwill		
Rental service	-	25,675
Allowance for estimated loss on properties held for sale		
Sales of properties	13,446	2,915
Deficit arising from revaluation of investment properties		
Rental service	79,600	61,020
	<u>79,600</u>	<u>61,020</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 6. LOSS FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	515	565
Cost of properties held for sale recognised as expense	6,554	36,709
Depreciation	682	881
Loss on disposal of tangible fixed assets other than properties	17	5
Staff costs		
- Directors' emoluments ( <i>note 8a</i> )	8,546	13,361
- Staff wages and salaries	8,984	9,190
- Provident fund	293	240
- Staff messing and welfare	22	38
	<u>17,845</u>	<u>22,829</u>
Unrealised holding loss of investments in securities	289	35
and after crediting:		
Gain on disposal of investments in securities	583	740
Rental income, net of outgoings of approximately HK\$433,000 (2002: HK\$1,138,000)	<u>17,369</u>	<u>16,705</u>

## 7. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings wholly repayable within five years	(16,773)	(56,786)
Interest on other borrowings	<u>(1,327)</u>	<u>(109)</u>
	<u>(18,100)</u>	<u>(56,895)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 8. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments are analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive	-	-
Non-executive	-	-
Independent non-executive	520	525
	<u>520</u>	<u>525</u>
Other emoluments:		
Salaries and other benefits to executive directors	8,000	12,800
Contributions to retirement benefit scheme	26	36
	<u>8,026</u>	<u>12,836</u>
Total directors' emoluments	<u><u>8,546</u></u>	<u><u>13,361</u></u>

The emoluments of the directors were within the following bands:

	2003 Number of directors	2002 Number of directors
Nil to HK\$1,000,000	11	9
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	-
HK\$8,500,001 to HK\$9,000,000	-	1
	<u>13</u>	<u>11</u>

(b) Employees' emoluments

The five highest paid individuals included 3 (2002: 3) directors, details of whose emoluments are included in the amounts disclosed in (a) above. The emoluments of the remaining 2 (2002: 2) highest paid individuals are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,500	1,310
Retirement benefit scheme contributions	78	78
	<u>1,578</u>	<u>1,388</u>

The emoluments of each of the highest paid employees were within the band of nil to HK\$1,000,000.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 9. TAXATION CREDIT (CHARGE)

	2003 HK\$'000	2002 HK\$'000
The credit (charge) comprises:		
Provision for Hong Kong Profits Tax	-	(23)
Overprovision in previous year	74	-
	<u>74</u>	<u>-</u>
	<u>74</u>	<u>(23)</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for both years.

The charge for the year to Hong Kong Profits Tax has been relieved by approximately HK\$464,000 as a result of tax losses brought forward from previous years.

Details of the unprovided deferred taxation are set out in note 27.

## 10. DIVIDEND

Dividend for preference shares of approximately HK\$1,126,000 (2002: HK\$136,000) was appropriated during the year to the preference shareholders in accordance with the rights of preference shareholders of the Company.

## 11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of approximately HK\$129,829,000 (2002: HK\$174,108,000) and on the weighted average of 3,319,537,087 (2002: 2,135,225,748) ordinary shares in issue.

The computation of diluted loss per share for the year ended March 31, 2003 and 2002 does not assume the exercise of the conversion rights attached to the Company's outstanding share options and convertible redeemable non-voting preference shares as these conversions would result in a decrease in loss per share.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 12. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
At April 1, 2002	295,540
Disposals	(73,000)
Deficit arising from revaluation	(79,600)
	<hr/>
At March 31, 2003	<u>142,940</u>

The carrying amount of the Group's investment properties comprises:

	2003 HK\$'000	2002 HK\$'000
Properties situated in Hong Kong and held under:		
- Long leases	89,640	147,140
- Medium-term leases	53,300	148,400
	<hr/>	<hr/>
	<u>142,940</u>	<u>295,540</u>

The investment properties were revalued at March 31, 2003 by Castores Magi Surveyors Limited, a firm of professional surveyors, on an open market value basis, resulting in a deficit of approximately HK\$79,600,000 (2002: HK\$61,020,000) which has been charged to the income statement.

Included in investment properties are properties stated at the open market value amounting to HK\$89,000,000 for which the Group has entered into, subsequent to the balance sheet date, legally binding provisional agreements to dispose of at a total consideration of HK\$87,000,000. The sale proceeds will be applied towards repayment of the relevant bank loans.

At the balance sheet date, investment properties amounting to approximately HK\$93,888,000 (2002: HK\$214,735,000) are rented out under operating leases. Particulars of the investment properties are set out on page 57 of the annual report.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 13. TANGIBLE FIXED ASSETS

	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>				
<b>Cost</b>				
At April 1, 2002	11,708	3,965	701	16,374
Additions	268	-	-	268
Disposals	(2,585)	-	-	(2,585)
<b>At March 31, 2003</b>	<b>9,391</b>	<b>3,965</b>	<b>701</b>	<b>14,057</b>
<b>Depreciation</b>				
At April 1, 2002	11,205	3,597	549	15,351
Charge for the year	275	368	39	682
Eliminated on disposals	(2,568)	-	-	(2,568)
<b>At March 31, 2003</b>	<b>8,912</b>	<b>3,965</b>	<b>588</b>	<b>13,465</b>
<b>Net Book Values</b>				
<b>At March 31, 2003</b>	<b>479</b>	<b>-</b>	<b>113</b>	<b>592</b>
At March 31, 2002	503	368	152	1,023

## 14. GOODWILL

	THE GROUP <i>HK\$'000</i>
<b>Cost</b>	
Balance at April 1, 2002 and at March 31, 2003	25,675
<b>Amortisation and Impairment</b>	
Balance at April 1, 2002 and at March 31, 2003	25,675
<b>Net Book Value</b>	
At March 31, 2003 and 2002	-

The goodwill represented the excess of the cost of acquisition of the entire equity interest in Fine Straight Investments Limited, over the Group's interest in its fair value of the identifiable assets and liabilities at the date of acquisition. The excess was calculated as the difference between the estimated fair value of the Company's ordinary shares issued as purchase consideration at the date of acquisition over the ordinary share price per share as agreed in the related sale and purchase agreement dated December 31, 2001. The directors of the Company reviewed the carrying value of goodwill and identified that the estimated discounted net future cash flows from the acquired subsidiary are less than the carrying amount. Accordingly, the carrying amount of unamortised goodwill was reduced to its recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	1,071,061	1,071,061
Amounts due from subsidiaries	1,709,239	1,698,825
Less: Impairment losses recognised	(2,291,911)	(2,074,249)
	<u>488,389</u>	<u>695,637</u>

The cost of the unlisted shares is based on the carrying values or the underlying net tangible assets of the subsidiaries attributable to the Group at the date on which the Company became the ultimate holding company of the Group under the group reorganisation taken place in September 1996.

During the year, the directors of the Company reviewed the carrying amounts of interests in subsidiaries and identified that the estimated discounted net future cash flows from certain subsidiaries (the "Recoverable Amounts") are less than the carrying amounts. Accordingly, the carrying amounts of these subsidiaries are reduced to their respective Recoverable Amounts which are estimated using market borrowing rates.

The amounts due from subsidiaries are unsecured and do not have fixed repayment terms. Of the amounts due from subsidiaries of approximately HK\$41,053,000 (2002: HK\$43,589,000) is interest bearing at prevailing market rates and the remaining balances are non-interest bearing.

Particulars of the Company's principal subsidiaries at March 31, 2003 are set out in note 35.

## 16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	-	9
Premium arising from acquisition of an associate	23,441	23,441
Accumulated amortisation of premium	(5,860)	(5,860)
Impairment loss recognised in respect of premium	(17,581)	(17,581)
	<u>-</u>	<u>9</u>

The Company's directors have reviewed and examined the operations of the associates and their profitability potential, and are of the opinion that the premium arising on the acquisition of the associate is not recoverable. Accordingly, an impairment loss was recognised in 2001.

Particulars of the Company's associate at March 31, 2003 are set out in note 36.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 17. INVESTMENTS IN SECURITIES

## THE GROUP

	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Equity securities:						
Listed	-	-	470	3,192	470	3,192
Unlisted ( <i>Note</i> )	140,400	140,400	-	-	140,400	140,400
	<u>140,400</u>	<u>140,400</u>	<u>470</u>	<u>3,192</u>	<u>140,870</u>	<u>143,592</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>470</u>	<u>3,192</u>	<u>470</u>	<u>3,192</u>
Carrying amount analysed for reporting purposes as:						
Current	-	-	470	3,192	470	3,192
Non-current	140,400	140,400	-	-	140,400	140,400
	<u>140,400</u>	<u>140,400</u>	<u>470</u>	<u>3,192</u>	<u>140,870</u>	<u>143,592</u>

Details of the investment securities which accounts for more than 10% of the assets of the Group are as follows:

Name of the investment securities	Place of incorporation	Percentage of nominal value of issued share capital held indirectly by the Company	Issued and fully paid up share capital	Principal activities
Hong Kong Satellite Technology Holdings Limited ("Hong Kong Satellite")	British Virgin Islands	1.99%	Ordinary US\$10,050	Investment holding company whose subsidiaries are principally engaged in the development of a satellite communications platform

*Note:*

The directors of the Company have considered the carrying value of its investment in Hong Kong Satellite with reference to the valuation report dated July 21, 2003 prepared by Grant Sherman Appraisal Limited, a firm of independent valuers, in respect of the value of Hong Kong Satellite as at March 31, 2003. The value of Hong Kong Satellite as set out in the valuation report has been prepared after taking into consideration of various principal factors and major assumptions, one of which being the availability of finance to fund the forecast growth of Hong Kong Satellite's operations in accordance with its business plan and projection. Provided that Hong Kong Satellite is able to secure the required funds to develop the satellite communications platform in accordance with its business plan and projection, the directors of the Company are satisfied that the value as set out in the valuation report can be used to determine the carrying value of its investment in Hong Kong Satellite. On this basis, no impairment loss has been recognised in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 18. PROPERTIES HELD FOR SALE

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Properties situated in Hong Kong and held under:		
- Long leases	45,000	65,000

The above properties are stated at net realisable value.

## 19. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$987,000 (2002: HK\$2,844,000) comprising mainly rental receivables which are billed in advance and in respect of which settlement is expected upon receipt of billings. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within 60 days	750	1,601
Between 61 - 90 days	198	352
Over 90 days	39	891
	<u>987</u>	<u>2,844</u>

## 20. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Trade payables with age of 91 days or above	80	1,726
Accrued bank loan interest	16,485	860
Other payables	7,833	6,246
	<u>24,398</u>	<u>8,832</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 21. BANK BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank loans	186,728	268,186
Bank overdrafts	95	15
	<u>186,823</u>	<u>268,201</u>
Analysed as:		
Secured	168,316	268,186
Unsecured	18,507	15
	<u>186,823</u>	<u>268,201</u>
The bank borrowings bear interest at prevailing market rates and were repayable as follows:		
Within one year	186,823	219,265
Between one to two years	-	48,936
	<u>186,823</u>	<u>268,201</u>
Less: Amounts due within one year shown under current liabilities	<u>(186,823)</u>	<u>(219,265)</u>
Amounts due after one year	<u>-</u>	<u>48,936</u>

Events of default have arisen under certain bank loans and credit facility agreements entered into by the Group. As a result, the relevant bank borrowings have become repayable on demand and have been classified as current liabilities.

Subsequent to the balance sheet date, the Group entered into an agreement to reschedule certain borrowings in which approximately HK\$12 million of the bank loans originally due in the year ended March 31, 2004 will now be repayable after 2004.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 22. SHARE CAPITAL

## (a) Ordinary shares

	Number of shares		Share capital	
	2003 '000	2002 '000	2003 HK\$'000	2002 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At the beginning of the year	6,840,000	4,000,000	684,000	400,000
Increase during the year	-	2,840,000	-	284,000
At the end of the year	<u>6,840,000</u>	<u>6,840,000</u>	<u>684,000</u>	<u>684,000</u>
Issued and fully paid:				
At the beginning of the year	3,201,020	1,495,781	320,102	149,578
Issue of shares	-	510,000	-	51,000
Issued in consideration for the acquisition of a subsidiary	-	197,500	-	19,750
Issued in consideration for the acquisition of an investment	-	390,000	-	39,000
Issued in consideration to settle indebtedness of the Group	-	36,343	-	3,634
Exercise of the conversion rights of convertible redeemable non-voting preference shares ("Preference Shares") (note i)	453,478	407,500	45,348	40,750
Exercise of share options	-	124,900	-	12,490
Exercise of debenture conversion rights	-	38,996	-	3,900
At the end of the year	<u>3,654,498</u>	<u>3,201,020</u>	<u>365,450</u>	<u>320,102</u>

## (b) Preference Shares

Preference Shares of HK\$1,000,000 each

Authorised:

At the beginning and at the end of the year	<u>316</u>	<u>316</u>	<u>316,000</u>	<u>316,000</u>
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Issued and fully paid:

At the beginning of the year	120	-	120,000	-
Issue of shares (note ii)	33	283	33,000	283,000
Conversion of shares (note i)	(49)	(163)	(49,000)	(163,000)

At the end of the year	<u>104</u>	<u>120</u>	<u>104,000</u>	<u>120,000</u>
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Total share capital

<u>469,450</u>	<u>440,102</u>
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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

**22. SHARE CAPITAL (continued)**

The Preference Shares are issued with the following principal rights and restrictions:

- (a) the Preference Shares will confer upon its holder the right to receive, in priority to the holders of any other class of shares in the capital of the Company, a fixed cumulative cash dividend payable on the principal amount outstanding under the Preference Shares at the rate of 1% per annum;
- (b) unless previously converted, the Company may by written notice to a holder of the Preference Shares redeem all but not part of the Preference Shares at their total outstanding principal amount on the third anniversary from the date of issue of the Preference Shares;
- (c) unless previously converted or redeemed, a holder of the Preference Shares may convert all or any part of the principal amount of the Preference Shares into ordinary shares at a conversion price which is the lower of (i) HK\$0.40 and (ii) the average of the 10 lowest daily closing prices per ordinary share on the Stock Exchange during the 30 days immediately prior to the date of issue of conversion notice (subject to adjustments) at any time from the business day after the date of issue of the Preference Shares but prior to the seventh business day before the third anniversary of the date of issue of the Preference Shares;
- (d) on a return of capital on a winding-up or otherwise, the Preference Shares will rank in priority to any other class of shares in the capital of the Company provided that the assets of the Company available for distribution to its members will be applied first towards arrears of accruals of the fixed dividend payable on the Preference Shares before repaying the capital paid up on any Preference Shares or any other class of shares in the capital of the Company;
- (e) all ordinary shares to be issued on conversion of the Preference Shares will be issued free from all claims, charges, lien, encumbrances and equities and be identical and will rank *pari passu* in all respects with the ordinary shares then in issue;
- (f) a holder of the Preference Shares will not be entitled to attend or vote at any general meetings of the Company by reason only of it being a holder of the Preference Shares, except on a resolution of the ordinary shareholders to vary or abrogate the rights of the holders of Preference Shares;
- (g) no application will be made for the listing of or permission to deal in any of the Preference Shares on the Stock Exchange or any other stock exchange; and
- (h) the Preference Shares may be assigned or transferred with the prior approval from the Stock Exchange, if so required.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

**22. SHARE CAPITAL** *(continued)*

Changes in the share capital of the Company during the year are as follows:

- (i) During the year, 49 Preference Shares were converted into 453,477,633 ordinary shares of HK\$0.1 each of the Company. The converted ordinary shares ranked *pari passu* in all respects with the then existing ordinary shares of the Company.
- (ii) Pursuant to the subscription agreement dated January 4, 2002, an additional of 33 Preference Shares were subscribed as settlement of the amount of HK\$33,000,000 due to Mr. Chu Yu Lin, David ("Mr. Chu") by a subsidiary.

**23. SHARE OPTION SCHEME**

The share option scheme adopted by the Company on September 11, 1996 ("Old Share Option Scheme") was terminated on August 26, 2002.

A new share option scheme ("New Share Option Scheme") was approved and adopted on August 26, 2002 by the Company. The purpose of the New Share Option Scheme is to provide incentives or rewards to the eligible persons as defined in the scheme for their contribution or would be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employee and attract human resources that are valuable to the Group. No options have been granted under the New Share Option Scheme since its adoption.

The movements of option shares granted under the Old Share Option Scheme are as follows:

	Number of option shares
Balance at April 1, 2001	135,100,000
Exercise of option shares	(124,900,000)
Granted during the year	68,300,000
	<hr/>
Balance at March 31, 2002 and 2003	<u>78,500,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

**23. SHARE OPTION SCHEME (continued)**

Details of the outstanding option shares under the Old Share Option Scheme as at March 31, 2003 comprises:

Date of option shares granted	Exercisable period	Number of total option shares granted	Exercise price HK\$
October 20, 1999	April 28, 2000 to April 27, 2003	20,000,000	0.170
February 1, 2000	August 28, 2000 to August 27, 2003	5,700,000	0.228
March 2, 2001	September 15, 2001 to September 14, 2004	3,000,000	0.100
May 16, 2001	November 18, 2001 to November 17, 2004	13,400,000	0.100
August 1, 2001	February 1, 2002 to January 31, 2005	32,400,000	0.255
December 8, 2001	June 8, 2002 to June 7, 2005	4,000,000	0.378
		<u>78,500,000</u>	

Details of the option shares held by the directors included in the above table are as follows:

Outstanding at April 1, 2001	Granted during the year	Exercised during the year	Outstanding at March 31, 2002 and 2003
<u>117,100,000</u>	<u>60,000,000</u>	<u>(106,000,000)</u>	<u>71,100,000</u>

No charge is recognised in the income statement in respect of the value of share options granted.

The consideration received during the year was HK\$Nil.

The share prices on the dates of issue of shares upon exercise of options on June 6, 2001, June 7, 2001, June 8, 2001, June 14, 2001, January 7, 2002, January 10, 2002, January 16, 2002, January 24, 2002, February 1, 2002, February 8, 2002, February 26, 2002, March 11, 2002, March 19, 2002 and March 20, 2002 were HK\$0.25, HK\$0.29, HK\$0.295, HK\$0.265, HK\$0.63, HK\$0.69, HK\$0.76, HK\$0.65, HK\$0.72, HK\$0.65, HK\$0.62, HK\$0.54, HK\$0.47 and HK\$0.425.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 24. RESERVES

Included in the Group's accumulated losses is the following amount which is attributable to the Group's share of results of its associates:

	<i>HK\$'000</i>
At April 1, 2001	(8,758)
Share of results for the year	(2,814)
	<hr/>
At March 31, 2002	(11,572)
Disposal for the year	(9)
	<hr/>
At March 31, 2003	<u>(11,581)</u>

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>				
At April 1, 2001	497,348	1,029,761	(1,917,388)	(390,279)
Issue of shares	247,756	84,925	-	332,681
Expenses on issue of shares	(473)	-	-	(473)
Net loss for the year	-	-	(174,108)	(174,108)
Preference share dividend	-	-	(136)	(136)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 2002	744,631	1,114,686	(2,091,632)	(232,315)
Issue of shares	3,652	-	-	3,652
Net loss for the year	-	-	(218,762)	(218,762)
Preference share dividend	-	-	(1,126)	(1,126)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 2003	<u>748,283</u>	<u>1,114,686</u>	<u>(2,311,520)</u>	<u>(448,551)</u>

The contributed surplus of the Company represents the aggregate of the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's ordinary shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's ordinary shares on the Stock Exchange and the difference between the estimated fair value of the Company's ordinary shares issued as purchase consideration of a subsidiary at the date of acquisition in 2002 over the nominal value of the Company's ordinary share.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

**24. RESERVES (continued)**

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

In the opinion of the directors, the Company had no reserves available for distribution to shareholders at March 31, 2003 and 2002.

**25. AMOUNT DUE TO A DIRECTOR**

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Interest bearing at prevailing market rates (2002: non-interest bearing) (note a)	-	33,000	-	33,000
Non-interest bearing (note b)	8,016	7,213	716	7,213
	<u>8,016</u>	<u>40,213</u>	<u>716</u>	<u>40,213</u>

Notes:

- (a) The amount bore interest since April 1, 2002 and was converted into 33 Preference Shares during the year (see note 22 (ii)).
- (b) The amount due is unsecured and it is the intention of the director not to demand repayment of the amount in the next twelve months from the balance sheet date and accordingly, the amount is shown as a non-current liability.

**26. AMOUNTS DUE TO SUBSIDIARIES****THE COMPANY**

The amounts are unsecured, non-interest bearing and do not have fixed repayment terms. No part of the amounts will be repayable within the next twelve months and, accordingly, the amounts are shown as non-current liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

**27. UNPROVIDED DEFERRED TAXATION**

At the balance sheet date, the Group had the following deferred taxation asset which has not been recognised in the financial statements as it is not certain whether the potential taxation benefit will be realised in the foreseeable future.

The major components of the Group's deferred taxation asset not recognised are analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:		
Differences between tax allowances and accounting depreciation	274	326
Tax losses available to set off future assessable profits	<u>87,828</u>	<u>95,531</u>
Deferred taxation asset not recognised	<u><u>88,102</u></u>	<u><u>95,857</u></u>

The amount of net unprovided potential deferred taxation (charge) credit for the year is analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:		
Differences between tax allowances and accounting depreciation	(52)	(75)
Reversal of tax losses	(9,809)	-
Tax losses incurred	<u>2,106</u>	<u>12,524</u>
Net deferred taxation (charge) credit not recognised	<u><u>(7,755)</u></u>	<u><u>12,449</u></u>

A deferred tax asset has not been recognised in the financial statements in respect of tax loss available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

Deferred taxation has not been provided on the revaluation deficit or surplus arising from the valuation of the investment properties as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation deficit or surplus does not constitute a timing difference for taxation purpose.

The Company did not have any significant unprovided deferred taxation at the balance sheet date or during the year.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

**28. ACQUISITION OF A SUBSIDIARY**

In 2002, the Group acquired 100% of the issued share capital of Fine Straight Investments Limited for a consideration of HK\$104,675,000 calculated by reference to market price of the Company's ordinary shares on the completion date. This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was approximately HK\$25,675,000. The profit after taxation of Fine Straight Investments Limited included in the consolidated income statement in 2002 amounted to approximately HK\$146,000.

	2003 HK\$'000	2002 HK\$'000
<b>Net Assets Acquired</b>		
Investment properties	-	79,430
Trade and other receivables	-	1,011
Bank balances and cash	-	655
Trade and other payables	-	(3,128)
Taxation payable	-	(58)
	<hr/>	<hr/>
	-	77,910
Goodwill	-	25,675
	<hr/>	<hr/>
Consideration satisfied by issue of 197,500,000 new ordinary shares of HK\$0.1 each in the Company at HK\$0.53 per share as quoted on the Stock Exchange on the completion date of the transaction, less guaranteed net assets compensation receivable of approximately HK\$1,090,000	<hr/> -	<hr/> 103,585
Net cash inflow arising on acquisition		
Bank balances and cash acquired	<hr/> -	<hr/> 655

The subsidiary acquired in 2002 contributed approximately HK\$175,000 to the Group's net operating cash flows and paid approximately HK\$13,000 in respect of taxation.

The subsidiary acquired in 2002 contributed approximately HK\$468,000 to the Group's turnover and approximately HK\$169,000 to the Group's profit from operations.

On May 1, 2002, the Company entered into a conditional agreement to acquire 80% equity interest and sale loan of Sky Citi-Link ATNT (Holdings) Limited at a consideration of HK\$59 million from an independent third party. The consideration was to be satisfied by the Company issuing a total of 107,272,727 new ordinary shares of HK\$0.1 each at a price of HK\$0.55 per share. The transaction has been lapsed on August 7, 2002 since certain conditions under the agreement had not been satisfied.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 29. DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
<b>Net Liabilities Disposed of</b>		
Amounts due to immediate holding companies	(26,803)	-
Assignment of intercompany accounts	26,803	-
Gain on disposal of subsidiaries	5,500	-
	<u>5,500</u>	<u>-</u>
Total consideration	<u>5,500</u>	<u>-</u>
Satisfied by:		
Cash	5,000	-
Deferred consideration	500	-
	<u>5,500</u>	<u>-</u>
Net cash inflow arising on disposal:		
Cash consideration	5,500	-
Less: Balance included in trade and other receivables	(500)	-
	<u>5,000</u>	<u>-</u>

The deferred consideration will be settled in cash by the purchaser on or before December 31, 2003.

The subsidiaries disposed of during the year did not contribute significantly to the Group's cashflows.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended March 31, 2003*

### 30. MAJOR NON-CASH TRANSACTIONS

During the year, 33 Preference Shares were issued to Mr. Chu as settlement of the amount of HK\$33,000,000 due to him by a subsidiary.

In 2002, amounts of approximately HK\$139,090,000 in respect of bank loans and interest were assigned to Mr. Chu pursuant to the assignments dated January 4, 2002.

In 2002, new ordinary shares with a total value of approximately HK\$14,537,000 were issued as fully paid as settlement of certain creditors.

In 2002, new ordinary shares with a total value of approximately HK\$104,675,000 were issued as fully paid as settlement for the acquisition of a subsidiary.

In 2002, new ordinary shares with a total value of approximately HK\$101,400,000 were issued as fully paid as partial settlement for the acquisition of an investment in securities.

In 2002, the Company entered into a subscription agreement pursuant to which the Company issued to Mr. Chu 283 Preference Shares for a total consideration of HK\$283,000,000 to settle an equivalent amount of bank borrowings assigned to him.

### 31. PLEDGE OF ASSETS

At March 31, 2003, the general credit facilities of the Group are secured by the Group's investment properties and properties held for sale with an aggregate carrying value of HK\$89,000,000 (2002: HK\$219,400,000) and HK\$45,000,000 (2002: HK\$65,000,000), respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

**32. OPERATING LEASE COMMITMENTS**

Property rental income earned during the year was approximately HK\$18 million (2002: HK\$18 million). Certain of the Group's properties are held for rental purposes. With a carrying amount of HK\$73 million have been disposed of during the year, the remaining properties are expected to generate rental yields of approximately 6% to 11%, on an ongoing basis. Leases are generally negotiated for an average terms of one to two 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	11,760	22,217
In the second to fifth year inclusive	<u>4,611</u>	<u>7,495</u>
	<u><u>16,371</u></u>	<u><u>29,712</u></u>

As set out in note 38, certain of the Group's properties which are held for rental purposes would be disposed of subsequent to the balance sheet date. Accordingly, the amount of future minimum lease payments which fall within one year and in the second to fifth year inclusive will be reduced by approximately HK\$3,071,000 and HK\$1,893,000, respectively.

**33. CONTINGENT LIABILITIES**

At March 31, 2003, the Company provided guarantees to banks to the extent of approximately HK\$203,750,000 (2002: HK\$203,750,000) in respect of banking facilities granted to certain subsidiaries and an aggregate amount of approximately HK\$94,483,000 (2002: HK\$114,186,000) was utilised by those subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 34. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

Name of company/director	Nature of transaction	2003 HK'000	2002 HK\$'000
Cymbeline Limited	Rental expenses paid by the Group (notes a and d)	96	96
Good Harvest Securities Company Limited	Rental income received by the Group (notes b and d)	219	312
Hong Kong Satellite	Interest expenses paid by the Group (notes c and e)	-	109
Mr. Chu	Rental income received by the Group (note d)	148	159
	Interest expenses paid by the Group (note e)	1,327	-
	Purchase of investment in securities (note f)	-	101,400
	Preference share dividend paid (note g)	716	136
	Issue of the Preference Shares by the Company	<u>33,000</u>	<u>283,000</u>

Notes:

- (a) Mr. Chan King Hung has a beneficial interest in Cymbeline Limited.
- (b) Mrs. Chu Ho Miu Hing has a beneficial interest in Good Harvest Securities Company Limited.
- (c) Mr. Chu and Mrs. Chu Ho Miu Hing have beneficial interest in Hong Kong Satellite.
- (d) The above transactions were carried out with reference to the market price.
- (e) The interest expenses were calculated at prevailing market rates.
- (f) The consideration for the purchase of investment in securities paid to Mr. Chu was determined with reference to the valuation of the business of Hong Kong Satellite performed by an independent professional valuer.
- (g) The preference share dividend was calculated at 1% per annum on the aggregate par value of the Preference Shares outstanding.

In addition, certain banking facilities of the Group are secured by personal guarantees given by Messrs. Chan King Hung and Chu Yu Lin, David and Mrs. Chu Ho Miu Hing, on which no charge was paid by the Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 35. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation and operation	Percentage of nominal value of issued share capital held by the Company	Issued and fully paid up share capital	Principal activities
Calorie Limited	Hong Kong	100%	Ordinary HK\$20,000 Deferred * HK\$14,000	Investment holding
Deep Plan Investments Limited	Hong Kong	100%	Ordinary HK\$10,000	Property investment
Fine Point Properties Limited	Hong Kong	100%	Ordinary HK\$1,955 Deferred * HK\$45	Investment holding
Fine Straight Investments Limited	Hong Kong	100%	Ordinary HK\$2 Deferred * HK\$10,000	Property investment and provision of building management services
Mass Come Development Limited	Hong Kong	100%	Ordinary HK\$200,000	Property investment and provision of building management services
Rich Mode Development Limited	Hong Kong	100%	Ordinary HK\$10,000	Property investment and provision of building management services but has become inactive during the year
Sanmark Investments Limited	Hong Kong	100%	Ordinary HK\$200 Deferred * HK\$82	Property trading
Star Cherry Investments Limited	British Virgin Islands	100%	Ordinary US\$100	Investment holding

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 35. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operation	Percentage of nominal value of issued share capital held by the Company	Issued and fully paid up share capital	Principal activities
Tucknam Property Management Limited	Hong Kong	100%	Ordinary HK\$10,000	Property management
WTF Digital Technology Limited	British Virgin Islands	100%	Ordinary US\$100	Investment holding
Wah Tak Fung (B.V.I.) Limited **	British Virgin Islands	100%	Ordinary US\$1,000,000	Investment holding
Wah Tak Fung Management & Agency Limited	Hong Kong	100%	Ordinary HK\$10,000	Provision of agency services but has become inactive during the year
WTF Technology Limited	Hong Kong	100%	Ordinary HK\$2	Investment holding
Well Trade Development Limited	Hong Kong	100%	Ordinary HK\$2 Deferred * HK\$2	Property investment and provision of building management services
WTF (Finance) Limited	Hong Kong	100%	Ordinary HK\$100	Group financing

\* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distributions on winding up.

\*\* Directly held by the Company.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list discloses only the particulars of those subsidiaries as at March 31, 2003 which principally affect the results or assets of the Group.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

## 36. ASSOCIATES

Particulars of the associate held indirectly by the Company at March 31, 2003 is as follows:

Name of associate	Place of incorporation	Percentage of nominal value of issued share capital held indirectly by the Company	Issued and fully paid up share capital	Principal activities
M.POS (HK) Limited	Hong Kong	25%	Ordinary HK\$10,000	Provision of mobile point of sale service

## 37. RETIREMENT BENEFIT SCHEME

With the implementation of Mandatory Provident Fund Scheme in Hong Kong on December 1, 2000, the Group has maintained the defined contribution scheme registered under the Occupational Retirement Schemes Ordinance ("ORSO Scheme") and has obtained an exemption satisfying the requirements of the Mandatory Provident Fund Scheme Ordinance ("MPFO").

To comply with MPFO, a Mandatory Provident Fund Scheme with voluntary contributions has been established. Existing ORSO Scheme Members has been given a one-off choice on the MPF Exempted ORSO Scheme and the MPF Scheme. New Employees must join MPF Scheme when it commenced on December 1, 2000.

The amount charged to the income statement represents contributions payable of approximately HK\$450,000 (2002: HK\$444,000) to the schemes by the Group at rates specified in the rules of the schemes less forfeitures of approximately HK\$131,000 (2002: HK\$73,000) arising from employees leaving the Group prior to completion of qualifying service period.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefits schemes and which are available to reduce the contributions payable in future years was approximately HK\$6,000 (2002: HK\$31,000).

## 38. POST BALANCE SHEET EVENTS

- (a) On April 16, 2003, a wholly-owned subsidiary of the Company entered into a legally binding provisional agreement with an independent third party to sell an investment property of the Group for a total consideration of HK\$61 million. The transaction was completed on July 12, 2003 and the proceeds arising from such disposal was applied towards repayment of the relevant bank loan of the Group.
- (b) On May 7, 2003, a wholly-owned subsidiary of the Company entered into a legally binding provisional agreement with an independent third party to sell an investment property of the Group for a total consideration of HK\$26 million. The transaction will be completed on or before October 15, 2003 and the proceeds arising from such disposal will be applied towards repayment of the relevant bank loan of the Group.