

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 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 services and investment holding.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA:

SSAP 12 (Revised)	"Income taxes"
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The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for prior period have been restated accordingly.

As a result of the adoption of SSAP 12 (Revised), the balance of accumulated losses at April 1, 2002 has been increased by HK\$481,000, representing the cumulative effect on the results for the years prior to April 1, 2002. The adoption of SSAP 12 (Revised) has resulted in a decrease of HK\$181,000 in the net loss for the year ended March 31, 2004 (2003: increase of HK\$54,000 in the net loss for the year).

## 3. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 goodwill on acquisition less any identified impairment loss.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Taxation

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

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

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

### Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the period of the relevant leases.

### 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, 2004

## 4. 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 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

	2004					Consolidated HK\$'000
	Sales of properties HK\$'000	Rental service HK\$'000	Building management services HK\$'000	Others HK\$'000	Eliminations HK\$'000	
External revenue	87,770	9,392	2,321	-	-	99,483
Inter-segment revenue	-	225	203	-	(428)	-
	<u>87,770</u>	<u>9,617</u>	<u>2,524</u>	<u>-</u>	<u>(428)</u>	<u>99,483</u>
Segment result	34,984	10,986	(779)	-	-	45,191
Unallocated other operating income						3,193
Interest income						34
Unallocated corporate expenses						(9,100)
Impairment loss recognised for investments in securities						(140,400)
Bank borrowings and related accrued interest waived						9,608
Loss from operations						(91,474)
Loss on disposal of a subsidiary	-	(400)	-	-	-	(400)
Finance costs	-	(5,303)	-	(4,877)	-	(10,180)
Loss before taxation						(102,054)
Taxation credit						181
Net loss for the year						<u>(101,873)</u>

Inter-segment revenue are charged at prevailing market rates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 4. TURNOVER AND SEGMENTAL INFORMATION (continued)

### Business segments (continued)

#### Income statement

	2003					
	Sales of	Rental	Building management and agency	Others	Eliminations	Consolidated
	properties	service	services			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(restated)
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	-	(15,642)	-	(2,458)	-	<u>(18,100)</u>
Loss before taxation						(129,903)
Taxation credit						<u>20</u>
Net loss for the year						<u>(129,883)</u>

Inter-segment revenue are charged at prevailing market rates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 4. TURNOVER AND SEGMENTAL INFORMATION (continued)

### Business segments (continued)

#### Balance sheet

	2004		2003	
	Segment assets HK\$'000	Segment liabilities HK\$'000	Segment assets HK\$'000	Segment liabilities HK\$'000 (restated)
Sales of properties	82,042	29,094	45,060	31,258
Rental service	64,228	32,112	144,825	135,549
Building management and agency services	168	653	155	888
Others	-	-	140,400	-
Other corporate assets/liabilities	4,561	80,693	4,166	57,614
	<u>150,999</u>	<u>142,552</u>	<u>334,606</u>	<u>225,309</u>

#### Other information

	2004 HK\$'000	2003 HK\$'000
Capital additions		
Sales of properties	5	21
Rental service	7	117
Other corporate assets	-	130
	<u>12</u>	<u>268</u>
Depreciation		
Sales of properties	24	30
Rental service	9	469
Other corporate assets	87	183
	<u>120</u>	<u>682</u>
Other information		
Allowance for doubtful debts		
Rental service	14	634
Other	500	-
	<u>514</u>	<u>634</u>
Loss on disposal of tangible fixed assets other than properties		
Sales of properties	96	-
Other	150	17
	<u>246</u>	<u>17</u>
Surplus (deficit) arising from revaluation of investment properties		
Rental service	9,700	(79,600)
Reversal of (allowance for) estimated loss on properties held for sale		
Sales of properties	37,771	(13,446)
	<u>37,771</u>	<u>(13,446)</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 5. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	463	515
Allowance for doubtful debts	514	634
Cost of properties held for sale recognised as an expense	771	6,554
Depreciation	120	682
Loss on disposal of tangible fixed assets other than properties	246	17
Rental expense	554	166
Staff costs		
- Directors' emoluments ( <i>note 7a</i> )	5,151	8,546
- Staff wages and salaries	6,306	8,984
- Provident fund	62	293
- Staff messing and welfare	6	22
	<u>11,525</u>	<u>17,845</u>
Unrealised holding loss on investments in securities	-	289
and after crediting:		
Dividend income	10	-
Gain on disposal of investments in securities	293	583
Rental income, net of outgoings of approximately HK\$483,000 (2003: HK\$433,000)	8,909	17,369
Unclaimed obligations recognised as income	<u>-</u>	<u>1,646</u>

## 6. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings wholly repayable within five years	(10,180)	(16,773)
Interest on other borrowings	<u>-</u>	<u>(1,327)</u>
	<u>(10,180)</u>	<u>(18,100)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 7. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments are analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive	-	-
Non-executive	-	-
Independent non-executive	483	520
	<u>483</u>	<u>520</u>
Other emoluments:		
Salaries and other benefits to executive directors	4,667	8,000
Contributions to retirement benefit scheme	1	26
	<u>4,668</u>	<u>8,026</u>
Total directors' emoluments	<u><u>5,151</u></u>	<u><u>8,546</u></u>

The emoluments of the directors were within the following bands:

	2004 Number of directors	2003 Number of directors
Nil to HK\$1,000,000	11	11
HK\$1,500,001 to HK\$2,000,000	1	-
HK\$2,000,001 to HK\$2,500,000	1	-
HK\$3,000,001 to HK\$3,500,000	-	1
HK\$4,000,001 to HK\$4,500,000	-	1
	<u>13</u>	<u>13</u>

(b) Employees' emoluments

The five highest paid individuals included 3 (2003: 3) directors, details of whose emoluments are included in the amounts disclosed in (a) above. The emoluments of the remaining 2 (2003: 2) highest paid individuals are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	1,348	1,500
Retirement benefit scheme contributions	72	78
	<u>1,420</u>	<u>1,578</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, 2004

## 8. TAXATION CREDIT

	2004 HK\$'000	2003 HK\$'000 (restated)
The credit comprises:		
Overprovision in prior year		
- Hong Kong Profits Tax	-	74
Deferred taxation ( <i>note 26</i> )		
- current year	231	(54)
- attributable to a change in tax rate	(50)	-
	<u>181</u>	<u>(54)</u>
	<u>181</u>	<u>20</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year.

The taxation credit for the year can be reconciled to the loss before taxation per consolidated income statement as follows:-

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	<u>(102,054)</u>	<u>(129,903)</u>
Tax at the domestic income tax rate of 17.5% (2003: 16%)	17,859	20,784
Tax effect of income not taxable for tax purpose	16,407	3,584
Tax effect of expenses not deductible for tax purpose	(25,881)	(18,136)
Tax effect of tax losses not recognised	(8,715)	(6,516)
Utilisation of tax losses previously not recognised	271	229
Increase in opening deferred taxation liability resulting from an increase in applicable tax rate	(50)	-
Overprovision in prior year	-	74
Others	290	1
Taxation credit for the year	<u>181</u>	<u>20</u>

## 9. DIVIDEND

Dividend for preference shares of approximately HK\$1,036,000 (2003: HK\$1,126,000) was appropriated during the year to the preference shareholders in accordance with the rights of preference shareholders of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 10. LOSS PER SHARE

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000 (restated)
Net loss for the year	(101,873)	(129,883)
Dividend on preference shares	(1,036)	(1,126)
Loss for the purposes of basic loss per share	<u>(102,909)</u>	<u>(131,009)</u>
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>3,663,121,235</u>	<u>3,319,537,087</u>

No change has been made to the loss per share figure reported for 2003 as a result of the prior period adjustment set out in note 2 because the effect to this figure is insignificant.

The computation of diluted loss per share for the year ended March 31, 2004 and March 31, 2003 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.

## 11. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
At April 1, 2003	142,940
Disposal of a subsidiary	(640)
Disposals	(89,000)
Surplus arising from revaluation	9,700
At March 31, 2004	<u>63,000</u>

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

	2004 HK\$'000	2003 HK\$'000
Properties situated in Hong Kong and held under:		
- Long leases	-	89,640
- Medium-term leases	63,000	53,300
	<u>63,000</u>	<u>142,940</u>

The investment properties were revalued at March 31, 2004 by CB Richard Ellis Limited, a firm of independent professional valuers, on an open market value basis, resulting in a surplus of HK\$9,700,000 (2003: deficit of HK\$79,600,000) which has been credited (charged) to the consolidated income statement.

At the balance sheet date, investment properties amounting to approximately HK\$49,877,000 (2003: HK\$93,888,000) were rented out under operating leases. Particulars of the investment properties are set out on page 51 of the annual report.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 12. 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, 2003	9,391	3,965	701	14,057
Additions	12	-	-	12
Disposal of a subsidiary	(4)	-	-	(4)
Disposals	<u>(8,408)</u>	<u>(1,826)</u>	<u>-</u>	<u>(10,234)</u>
<b>At March 31, 2004</b>	<b><u>991</u></b>	<b><u>2,139</u></b>	<b><u>701</u></b>	<b><u>3,831</u></b>
<b>Depreciation</b>				
At April 1, 2003	8,912	3,965	588	13,465
Charge for the year	81	-	39	120
Eliminated on disposal of a subsidiary	(4)	-	-	(4)
Eliminated on disposals	<u>(8,162)</u>	<u>(1,826)</u>	<u>-</u>	<u>(9,988)</u>
<b>At March 31, 2004</b>	<b><u>827</u></b>	<b><u>2,139</u></b>	<b><u>627</u></b>	<b><u>3,593</u></b>
<b>Net Book Values</b>				
<b>At March 31, 2004</b>	<b><u>164</u></b>	<b><u>-</u></b>	<b><u>74</u></b>	<b><u>238</u></b>
At March 31, 2003	<u>479</u>	<u>-</u>	<u>113</u>	<u>592</u>

## 13. GOODWILL

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>Cost</b>	
Balance at April 1, 2003 and at March 31, 2004	25,675
<b>Amortisation and Impairment</b>	
Balance at April 1, 2003 and at March 31, 2004	<u>25,675</u>
<b>Net Book Value</b>	
At March 31, 2004 and 2003	<u><u>-</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	1,071,061	1,071,061
Amounts due from subsidiaries	1,691,444	1,709,239
Less: Impairment losses recognised	(2,291,911)	(2,291,911)
	<u>470,594</u>	<u>488,389</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.

The amounts due from subsidiaries are unsecured and do not have fixed repayment terms. Of the amounts due from subsidiaries of approximately HK\$35,058,000 (2003: HK\$41,053,000) is interest bearing at prevailing market rates and the remaining balances are non-interest bearing. In the opinion of the directors of the Company, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current assets.

Particulars of the Company's principal subsidiaries at March 31, 2004 are set out in note 33.

## 15. INTERESTS IN AN ASSOCIATE

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	-	-
Premium arising from acquisition of an associate	23,441	23,441
Accumulated amortisation of goodwill	(5,860)	(5,860)
Impairment loss recognised in respect of goodwill	(17,581)	(17,581)
	<u>-</u>	<u>-</u>

Particulars of the Company's associate at March 31, 2004 are set out in note 34.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 16. INVESTMENTS IN SECURITIES

### THE GROUP

	Investment securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities:						
Listed	-	-	-	470	-	470
Unlisted ( <i>Note</i> )	140,400	140,400	-	-	140,400	140,400
Less: Impairment loss recognised	(140,400)	-	-	-	(140,400)	-
	<u>-</u>	<u>140,400</u>	<u>-</u>	<u>470</u>	<u>-</u>	<u>140,870</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>470</u>	<u>-</u>	<u>470</u>
Carrying amount analysed for reporting purposes as:						
Current	-	-	-	470	-	470
Non-current	-	140,400	-	-	-	140,400
	<u>-</u>	<u>140,400</u>	<u>-</u>	<u>470</u>	<u>-</u>	<u>140,870</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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 16. INVESTMENTS IN SECURITIES (continued)

*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 22, 2004 prepared by Grant Sherman Appraisal Limited, a firm of independent valuers, in respect of the value of Hong Kong Satellite as at March 31, 2004. 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. On this basis, the directors of the Company identified an impairment loss of HK\$140,400,000 on the investment securities.

## 17. PROPERTIES HELD FOR SALE

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Properties situated in Hong Kong and held under:		
– Long leases	<u>82,000</u>	<u>45,000</u>

The above properties are stated at net realisable value with reference to valuations carried out by a firm of independent professional valuers.

## 18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$1,075,000 (2003: HK\$987,000) which comprises mainly rental receivables. Monthly rents 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	
	2004 HK\$'000	2003 HK\$'000
Within 60 days	679	750
Between 61 – 90 days	156	198
Over 90 days	<u>240</u>	<u>39</u>
	<u>1,075</u>	<u>987</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 19. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Trade payables with age of 91 days or above	80	80
Accrued bank loan interest	12,823	16,485
Other payables	3,655	7,833
	<u>16,558</u>	<u>24,398</u>

## 20. AMOUNT DUE TO A DIRECTOR

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unsecured and non-interest bearing	6,125	8,016	6,125	716
Less: Amount due within one year shown under current liabilities	<u>(2,400)</u>	<u>-</u>	<u>(2,400)</u>	<u>-</u>
Amount due after one year	<u>3,725</u>	<u>8,016</u>	<u>3,725</u>	<u>716</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 21. BANK BORROWINGS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Bank loans	116,035	186,728
Bank overdrafts	-	95
	<u>116,035</u>	<u>186,823</u>
Analysed as:		
Secured	81,793	168,316
Unsecured	34,242	18,507
	<u>116,035</u>	<u>186,823</u>
The bank borrowings bear interest at prevailing market rates and were repayable as follows:		
Within one year	38,873	186,823
Between one to two years	21,970	-
Between two to five years	23,020	-
More than five years	32,172	-
	<u>116,035</u>	<u>186,823</u>
Less: Amounts due within one year and included in current liabilities	<u>(38,873)</u>	<u>(186,823)</u>
Amounts due after one year	<u>77,162</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 22. SHARE CAPITAL

### (a) Ordinary shares

	Number of shares		Share capital	
	2004 '000	2003 '000	2004 HK\$'000	2003 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At the beginning and 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	3,654,498	3,201,020	365,450	320,102
Exercise of the conversion rights of convertible redeemable non-voting preference shares ("Preference Shares") (note i)	10,000	453,478	1,000	45,348
Exercise of share options (note ii)	<u>11,600</u>	<u>-</u>	<u>1,160</u>	<u>-</u>
At the end of the year	<u>3,676,098</u>	<u>3,654,498</u>	<u>367,610</u>	<u>365,450</u>

### (b) Preference Shares

	Number of shares			
	2004	2003		
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>
Issued and fully paid:				
At the beginning of the year	104	120	104,000	120,000
Issue of shares	-	33	-	33,000
Conversion of shares (note i)	<u>(1)</u>	<u>(49)</u>	<u>(1,000)</u>	<u>(49,000)</u>
At the end of the year	<u>103</u>	<u>104</u>	<u>103,000</u>	<u>104,000</u>
Total share capital			<u>470,610</u>	<u>469,450</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 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.

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

- (i) During the year, 1 Preference Share was converted into 10,000,000 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 22. SHARE CAPITAL (continued)

- (ii) During the year, 11,600,000 option shares were exercised resulting in issue of 11,600,000 ordinary shares of HK\$0.1 each of the Company. The issued ordinary shares ranked *pari passu* in all respects with the then existing ordinary shares of the Company.

The holder of the Preference Shares has indicated that it currently has no intention to serve notice to the Company on the third anniversary from the date of issue of the Preference Shares to redeem all or any part of the Preference Shares.

## 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 in place of the Old Share Option Scheme. 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, 2002 and 2003	78,500,000
Exercise of option shares	(11,600,000)
Lapsed during the year	(25,700,000)
Cancelled during the year	(22,200,000)
	<hr/>
Balance at March 31, 2004	<u>19,000,000</u>

Details of the outstanding option shares under the Old Share Option Scheme as at March 31, 2004 comprises:

Date of option shares granted	Exercisable period	Number of total option shares granted	Exercise price HK\$
August 1, 2001	February 1, 2002 to January 31, 2005	15,000,000	0.255
December 8, 2001	June 8, 2002 to June 7, 2005	4,000,000	0.378
		<hr/>	
		<u>19,000,000</u>	

The vesting period for option shares granted is six months from date of acceptance of the grant of the option shares to the third anniversary of the date of acceptance of the grant.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 23. SHARE OPTION SCHEME (continued)

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

Outstanding at April 1, 2002 and 2003	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at March 31, 2004
<u>71,100,000</u>	<u>(11,600,000)</u>	<u>(25,700,000)</u>	<u>(22,200,000)</u>	<u>11,600,000</u>

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options.

The consideration received during the year was Nil (2003: Nil).

The share prices on the dates of issue of shares upon exercise of options on January 2, 2004 and January 12, 2004 were HK\$0.295 and HK\$0.345, respectively.

## 24. RESERVES

Included in the Group's accumulated losses is an amount of losses of HK\$11,581,000 (2003: HK\$11,581,000) which is attributable to the Group's share of results of its associates.

	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, 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)
	<u>748,283</u>	<u>1,114,686</u>	<u>(2,311,520)</u>	<u>(448,551)</u>
At March 31, 2003	748,283	1,114,686	(2,311,520)	(448,551)
Issue of shares	899	-	-	899
Net loss for the year	-	-	(14,092)	(14,092)
Preference share dividend	-	-	(1,036)	(1,036)
	<u>749,182</u>	<u>1,114,686</u>	<u>(2,326,648)</u>	<u>(462,780)</u>
At March 31, 2004	<u>749,182</u>	<u>1,114,686</u>	<u>(2,326,648)</u>	<u>(462,780)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 24. RESERVES (continued)

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.

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, 2004 and 2003.

## 25. 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.

## 26. DEFERRED TAXATION

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

### THE GROUP

	Accelerated tax depreciation HK\$'000
At April 1, 2002	
– as previously reported	–
– adjustment on adoption of SSAP 12 (Revised)	(481)
	<hr/>
– as restated	(481)
Charge to consolidated income statement	(54)
	<hr/>
At March 31, 2003	(535)
Credit to consolidated income statement	231
Effect of change in tax rate	(50)
	<hr/>
At March 31, 2004	<u>(354)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 26. DEFERRED TAXATION (continued)

At the balance sheet date, the Group and the Company had unused tax losses of approximately HK\$617,886,000 (2003: HK\$548,925,000) and HK\$3,196,000 (2003: HK\$2,113,000) respectively available for offset against future profits. No deferred taxation asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

## 27. DISPOSAL OF SUBSIDIARIES

In November 2003, the Group disposed of its subsidiary, Deep Plan Investments Limited, to an independent third party.

	2004 HK\$'000	2003 HK\$'000
<b>Net Liabilities Disposed of</b>		
Investment property	640	-
Trade and other receivables	4	-
Trade and other payables	(1)	-
Deposits received	(12)	-
Amounts due to immediate holding companies	(1,666)	(26,803)
	<u>(1,035)</u>	<u>(26,803)</u>
Assignment of intercompany accounts	1,666	26,803
(Loss) gain on disposal of subsidiaries	(400)	5,500
	<u>231</u>	<u>5,500</u>
<b>Satisfied by:</b>		
Cash	231	5,000
Deferred consideration	-	500
	<u>231</u>	<u>5,500</u>
<b>Net cash inflow arising on disposal:</b>		
Cash consideration	231	5,500
Less: Balance included in trade and other receivables	-	(500)
	<u>231</u>	<u>5,000</u>

The subsidiaries disposed of in 2004 and 2003 did not contribute significantly to the Group's cashflows or operating results.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 28. MAJOR NON-CASH TRANSACTION

In 2003, 33 Preference Shares were issued to Mr. Chu Yu Lin, David as settlement of the amount of HK\$33,000,000 due to him by a subsidiary.

## 29. PLEDGE OF ASSETS

At March 31, 2004, the general credit facilities of the Group were secured by the Group's investment properties and properties held for sale with a carrying value of HK\$63,000,000 (2003: HK\$89,000,000) and HK\$82,000,000 (2003: HK\$45,000,000), respectively.

## 30. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	<u>452</u>	<u>-</u>

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term of one to two years.

### The Group as lessor

Property rental income earned during the year was approximately HK\$9 million (2003: HK\$18 million). Certain of the Group's properties are held for rental purposes. With a carrying amount of HK\$89 million (2003: HK\$73 million) have been disposed of during the year, the remaining properties are expected to generate rental yields of approximately 7%, 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	
	2004 HK\$'000	2003 HK\$'000
Within one year	8,137	11,760
In the second to fifth year inclusive	<u>4,117</u>	<u>4,611</u>
	<u>12,254</u>	<u>16,371</u>

## 31. CONTINGENT LIABILITIES

At March 31, 2004, the Company provided guarantees to banks to the extent of approximately HK\$203,750,000 (2003: HK\$203,750,000) in respect of banking facilities granted to certain subsidiaries and an aggregate amount of approximately HK\$64,575,000 (2003: HK\$94,483,000) was utilised by those subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 32. RELATED PARTY TRANSACTIONS

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

Name of company/director	Nature of transaction	2004 HK'000	2003 HK\$'000
Cymbeline Limited	Rental expenses paid by the Group ( <i>notes a and c</i> )	72	96
Good Harvest Securities Company Limited	Rental income received by the Group ( <i>notes b and c</i> )	62	219
Mr. Chu Yu Lin, David	Rental income received by the Group ( <i>note c</i> )	42	148
	Interest expenses paid by the Group ( <i>note d</i> )	-	1,327
	Preference share dividend paid ( <i>note e</i> )	1,030	716
	Issue of the Preference Shares by the Company	-	33,000
		<u>          </u>	<u>          </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) The above transactions were carried out with reference to the market price.
- (d) The interest expenses were calculated at prevailing market rates.
- (e) 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, 2004

## 33. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at March 31, 2004 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
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
Mass Come Development Limited	Hong Kong	100%	Ordinary HK\$200,000	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
Tucknam Property Management Limited	Hong Kong	100%	Ordinary HK\$10,000	Property management but has become inactive during the year

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 33. 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
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
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 but has become inactive during the year

\* 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, 2004 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.

## 34. ASSOCIATE

Particulars of the principal associate held indirectly by the Company at March 31, 2004 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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

## 35. 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\$270,000 (2003: HK\$450,000) to the schemes by the Group at rates specified in the rules of the schemes less forfeitures of approximately HK\$207,000 (2003: HK\$131,000) 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\$nil (2003: HK\$6,000).