

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

1. GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company on 26 October 2001. The directors consider the ultimate holding company as at 31 March 2004 to be Climax Park Limited (“Climax Park”), a company incorporated in the British Virgin Islands (the “BVI”).

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), on 25 April 2002, the Company became the holding company of the companies now comprising the group. The Reorganisation principally involved the exchange of fully-paid shares of the Company with all the issued shares of Sino Prosper Group Limited.

The Company and its subsidiaries (the “Group”) resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group for the years ended 31 March 2003 and 2004 have been prepared on the basis as if the Company had always been the holding company of the Group. The directors consider that this basis provides meaningful information for shareholders as regards the historical performance of the companies comprising the Group.

Details of the Reorganisation are set out in the prospectus (the “Prospectus”) issued by the Company dated 30 April 2002.

The shares of the Company were listed on the Stock Exchange on 15 May 2002.

2. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the principal activities of the Company and its subsidiaries during the year.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties as explained in note 3c below, and in accordance with all Statements of Standard Accounting Practice (“SSAPs”) and Interpretations issued by the Hong Kong Society of Accountants, generally accepted accounting principles in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

In the current year, the Company has adopted for the first time the revised SSAP 12 “Income Taxes” which is effective for accounting periods commencing on or after 1 January 2003. The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax 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. The adoption of SSAP 12 (revised) has had no material effect on the results of the Company for the current or prior financial years, accordingly, no prior year adjustment has been required.

A summary of the significant accounting policies followed by the Company in the preparation of the financial statements is set out below:

a. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group, directly or indirectly, controls more than half of the voting power or holds more than half of the issued share capital or controls the composition of the board of directors or equivalent governing body. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Except for the Reorganisation which was completed on 25 April 2002, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

a. Basis of consolidation (Continued)

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

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case it is stated at fair value with changes in fair value recognised in the income statement as they arise. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

b. Associate

An associate is an entity, not being a subsidiary or jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

In the Company's balance sheet, investments in associates are stated at cost less any provision for impairment losses. Such provision is determined and made for each associate individually. The results of associates are accounted for by the Company to the extent of dividends received and receivable.

c. 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. 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.

3. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

c. **Investment properties (*Continued*)**

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.

d. **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of fixed assets over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Motor vehicles	30%
Furniture, fixtures and equipment	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

e. **Properties under development**

Properties under development are stated at cost less allowances for any possible losses and provision for impairment losses. Cost includes all development expenditure, interest charges and other direct costs attributable to such properties.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, and is limited to the recoverable amount after due allowance for contingencies.

Properties under development which have either been pre-sold or are intended for sale are classified as current assets.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

f. Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, interest charges and other direct costs attributable to such properties until they reach a marketable condition. Net realisable value is estimated by the directors based on prevailing market conditions.

g. Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

h. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

i. Current assets and liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

3. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

j. **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow of economic resources occurs so that outflow is probable, a provision is recognised.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

k. **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

l. **Taxation**

The charge for taxation in the income statement for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

l. Taxation (Continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

n. Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are settled at their present values.

3. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

n. Employee benefits (*Continued*)

- (ii) The Group participates in the mandatory provident fund for its employees in Hong Kong. Contributions to the fund by the Group and the employees are calculated as a percentage of the employees' basic salaries. The retirement benefit cost charged to the income statement represents contributions payable by the Group to the fund. The Group's contributions to the fund are expensed as incurred and the Group's voluntary contributions are reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions. The assets of the fund are held separately from those of the Group in an independently administered fund.
- (iii) The Group's contributions to a local municipal government retirement scheme in the PRC are charged to the income statement as incurred while the local municipal government in the PRC undertakes to assume the retirement obligations of all existing and future retirees of the qualified staff in the PRC.
- (iv) When the Group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.
- (v) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

o. Revenue recognition

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

- (i) Sales of completed properties held for sale are recognised upon the execution of legally binding sales agreements.
- (ii) Sales of properties under development are recognised upon the execution of legally binding sales agreements provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out in "Properties under development".

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

o. Revenue recognition (Continued)

- (iii) Rental income and building management fee income under operating leases are recognised in the period on a straight-line basis over the terms of the leases.
- (iv) Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the interest rate applicable.
- (v) Sundry income is recognised when received.

p. Foreign currencies

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

On consolidation, the balance sheets of the overseas operations which are denominated in currencies other than the Hong Kong dollars are translated at the rates ruling at the balance sheet date whilst the income statements are translated at the average rates for the year. All exchange differences arising on consolidation are dealt with in translation reserve.

q. Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

r. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. TURNOVER AND REVENUES

Turnover represents proceeds received and receivable from the sales of properties in the PRC to outside customers and rental and building management fee income received and receivable from leasing of investment properties less business tax and discounts, if any, during the year, and is analysed as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover:		
Proceeds from sales of properties	28,689	25,416
Rental and building management fee income from leasing of investment properties	607	297
	<u>29,296</u>	<u>25,713</u>
Less: Business tax	(1,465)	(1,286)
	<u>27,831</u>	<u>24,427</u>
Other revenues:		
Bank interest income	–	16
Sundry income	48	39
	<u>48</u>	<u>55</u>
Total revenues	<u>27,879</u>	<u>24,482</u>

Business tax is calculated at 5% on the proceeds received and receivable from the sales of properties and on the rental and building management fee income received and receivable from leasing of investment properties during the year.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

5. SEGMENT INFORMATION

No business segment information (primary segment information) has been disclosed for the years presented as the Group is operating in a single business segment which is property development and investment. Substantially all of the Group's operations are located in the PRC and therefore no geographical segment information has been disclosed for the years presented.

6. PROFIT/(LOSS) FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit/(Loss) from operations has been arrived at after charging:		
Directors' remuneration (note 12)	756	997
Other staff costs (excluding directors):		
Salaries and allowances	1,762	1,347
Retirement benefit scheme contributions	107	76
Total staff costs	2,625	2,420
Auditors' remuneration	315	320
Depreciation of owned fixed assets	90	85
Management fee	–	1,242
Operating lease rentals in respect of land and buildings	1,256	1,077
Net exchange losses	65	91

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank borrowings wholly repayable within one year	4,742	6,000

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the year is based on the net profit attributable to shareholders of approximately HK\$150,000 (2003: net loss of approximately HK\$9,665,000) and on the weighted average number of 800,000,000 ordinary shares (2003: 800,000,000 ordinary shares) in issue or deemed to be in issue throughout the years presented.

Diluted earnings/(loss) per share has not been disclosed as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2004 and 2003.

9. DIVIDENDS

No interim dividend was paid during the year (2003: Nil). The directors do not recommend the payment of any final dividend for the year (2003: Nil).

10. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated net profit attributable to shareholders of approximately HK\$150,000 (2003: net loss of approximately HK\$9,665,000) includes a net loss of approximately HK\$16,629,000 (2003: HK\$3,672,000) which has been dealt with in the financial statements of the Company.

11. TAXATION

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong.

The PRC income tax is calculated at a rate of 33% on the assessable profits arising in the PRC. No provision for PRC income tax has been made as there was no assessable profit during the year.

Under the Implementation Regulations on the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") issued on 27 January 1995, all added value from transfer of real estate in the PRC from 1 January 1994 is subject to LAT at progressive rates up to 60% of the amount of property value appreciation after deduction of certain costs and expenses. An exemption to LAT is applicable to first hand sales contracts entered into on or before 31 December 2000 in respect of those property development contracts or related project proposals signed or approved before 1 January 1994 and whose capital for the development has been injected according to the relevant property development contracts. The Group's properties under development were approved in 1993, accordingly, there was no LAT exposure to the Group for the period from 1 April 1998 to 31 December 2000.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

11. TAXATION (Continued)

All added value arising from sales contracts of the properties under development entered into subsequent to 31 December 2000 is subject to LAT at progressive rates up to 60% of the amount of property value appreciation after deduction of certain costs and expenses.

Deferred tax has not been provided for in the financial statements as the amounts involved are not significant (2003: Nil).

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Directors		
Directors' fees:		
Executive directors	—	—
Independent non-executive directors	—	—
	<u>—</u>	<u>—</u>
	—	—
	<u>—</u>	<u>—</u>
Other emoluments to executive directors:		
Salaries and allowances	744	965
Retirement benefit scheme contributions	12	32
	<u>756</u>	<u>997</u>
Total directors' remunerations	<u>756</u>	<u>997</u>

The aggregate emoluments of each of the directors during the year were less than HK\$1,000,000.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (*Continued*)

Employees

The five highest paid individuals included two directors (2003: three directors) whose emoluments are set out above. The emoluments of the remaining three (2003: two) highest paid, non-director individuals for the year were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and allowances	354	335
Retirement benefit scheme contributions	11	10
	<u>365</u>	<u>345</u>

The aggregate emoluments of each of the above highest paid, non-director individuals during the year were less than HK\$1,000,000.

There were no arrangements under which the directors have waived or agreed to waive any emoluments. No emoluments were paid by the Group to the respective five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

13. RETIREMENT BENEFIT SCHEMES

Effective from 14 March 2002, the Group has implemented a mandatory provident fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Schemes Ordinance in Hong Kong. Both the Group (the employer) and its employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions of employer and employees are subject to a cap of monthly earnings of HK\$20,000 and thereafter contributions are voluntary. The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers.

During the year, the Group contributed to a local Municipal Government retirement scheme to all qualified employees in the PRC. The contributions to such scheme which have been charged to the consolidated income statement represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

During the year, there are no benefits forfeited in accordance with the respective schemes' rules which have been used to reduce the employer's contributions.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

14. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 May 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

No options have been granted and/or exercised since the adoption of the Scheme.

15. INVESTMENT PROPERTIES

	2004 HK\$'000	2003 HK\$'000
As at 1 April 2003/2002	76,500	95,800
Transferred from/(to) completed properties held for sale	48,700	(18,678)
	<u>125,200</u>	<u>77,122</u>
Revaluation increase/(decrease) (note 25)	89,000	(622)
	<u>214,200</u>	<u>76,500</u>

- (a) Pursuant to three transfer contracts dated 12 March 2004 (the “Property Transfer Contracts”), investment properties with an aggregate value of HK\$125,200,000 were transferred from Dalian Dong Gang Real Estate Development Co., Ltd. (“Dalian Dong Gang”), a subsidiary of the Company which was disposed of by the Group on 23 March 2004, to the Company’s wholly-owned subsidiary, Konrich (Asia) Limited (“Konrich”), at an aggregate consideration of HK\$125,200,000. Such investment properties were revalued to approximately HK\$214,200,000 as at 31 March 2004. As of the date of approval of these financial statements, the transfer of the property title (including land use rights) was pending for the completion of relevant registration procedures with the relevant PRC government authorities. The directors believe that the procedures for the transfer will be completed within 6 months from the date of the relevant agreement.

Pursuant to the conditional sale and purchase agreement dated 23 March 2004 (the “Share Transfer Agreement”), Sino Prosper Group Limited, a wholly-owned subsidiary of the Company, disposed of two subsidiaries of the Company, namely, Better Best Limited and World Giant Investments Holdings Limited, to Sun Asset Group Limited, an independent third party, at a consideration of HK\$8,000,000. Better Best Limited was an investment holding company, the principal asset of which was its holding of 95% interest in the entire registered capital of Dalian Dong Gang. Details of the disposal of Better Best Limited and World Giant Investments Holdings Limited are set out in the circular issued by the Company dated 9 June 2004.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

15. INVESTMENT PROPERTIES (Continued)

As at 31 March 2004, the Group's investment properties with an aggregate revalued amount of approximately HK\$126,090,000 were pledged in favour of a bank in the PRC (the "Bank") to secure a loan of approximately RMB70,940,000 (equivalent to approximately HK\$66,723,000) granted by the Bank to the Company's former subsidiary, Dalian Dong Gang, pursuant to the bank loan agreement and pledge agreement (together, the "Pledge Agreements") signed between Dalian Dong Gang and the Bank. According to the bank confirmation received from the Bank, the loan balance amounted to RMB70,940,000 as at 31 March 2004. As of the date of approval of these financial statements, Dalian Dong Gang was still in the process of negotiating with the Bank for renewal of the bank loan and the Bank has not yet released the pledge over the relevant investment properties. The Company has obtained a confirmation dated 28 July 2004 from Dalian Dong Gang which confirms that, inter alia, Dalian Dong Gang has complied with the terms of the Pledge Agreements, including the repayment of loan principal and interest in accordance with the terms of the Pledge Agreements.

According to the legal opinion provided by the Company's PRC legal advisors on 23 July 2004, the following matters, inter alia, were confirmed:

- (i) According to the Property Transfer Contracts, although Konrich has not yet obtained the building ownership certificates (房屋所有權証) of the relevant investment properties, Konrich has become the beneficial owner of the relevant investment properties commencing from the date of signing of the Property Transfer Contracts and the ownership of the relevant investment properties vested with Konrich, and that Dalian Dong Gang only held the relevant investment properties on behalf of Konrich in the capacity of a trustee. Before Konrich obtains the building ownership certificates (房屋所有權証) of the relevant investment properties, Dalian Dong Gang would act on behalf of Konrich to sell and/or lease out the relevant investment properties and is required to inform Konrich on a regular basis in respect of these sale and/or lease transactions, and all income arising from such transactions, including sales proceeds from the sales of the relevant investment properties, rental income from the lease of the relevant investment properties and any other related income would belong to Konrich as the beneficial owner of the relevant investment properties.

15. INVESTMENT PROPERTIES (*Continued*)

- (ii) Pursuant to the Pledge Agreements, certain investment properties held by Konrich were pledged in favour of the Bank as security for a loan of RMB70,940,000 granted by the Bank to Dalian Dong Gang. Dalian Dong Gang is obliged, before the Bank releases the relevant pledge, to comply with the terms of the Pledge Agreements, including the repayment of loan principal and interest in accordance with the terms of the Pledge Agreements, in order to prevent the pledged investment properties from seizure by the Bank and/or restriction from use arising from a breach of the terms of the Pledge Agreements. If Dalian Dong Gang is in breach of the terms of the Pledge Agreements which cause any losses to Konrich, Konrich has the right to pursue claims against Dalian Dong Gang, and Dalian Dong Gang is required to compensate Konrich for any such losses.

Taking into account (i) the directors' belief that the procedures for the transfer of the property title of the relevant investment properties will be completed within 6 months from the date of the relevant agreement; (ii) the legal opinion provided by the Company's PRC legal advisors on 23 July 2004 which confirms, inter alia, that Konrich is the beneficial owner of the investment properties in accordance with the Property Transfer Contracts; and (iii) the confirmation dated 28 July 2004 from Dalian Dong Gang which confirms that Dalian Dong Gang has complied with the terms of the Pledge Agreements, including the repayment of loan principal and interest in accordance with the terms of the Pledge Agreements, the directors of the Company are satisfied that (i) the beneficial ownership of the investment properties vested with the Group and that it is appropriate to recognise the investment properties in the financial statements of the Group as at 31 March 2004; and (ii) Dalian Dong Gang has complied with the terms of the Pledge Agreements and accordingly no provision has been made in the financial statements of the Group as at 31 March 2004 for any liabilities which may arise from the above security given by the Group.

- (b) The investment properties were revalued at their open market value at 31 March 2004 by an independent firm of surveyors, Castores Magi (Hong Kong) Limited, who have among their staff Registered Professional Surveyors, on an open market value basis. This valuation results in a revaluation increase of approximately HK\$89,000,000 (2003: a revaluation decrease of approximately HK\$622,000) which has been taken to the investment properties revaluation reserve. The carrying value of investment properties includes land in the PRC under medium-term lease.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

15. INVESTMENT PROPERTIES (Continued)

- (c) As at the balance sheet date, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	519	582
In the second to fifth year inclusive	—	241
	<u>519</u>	<u>823</u>

16. FIXED ASSETS

	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
At cost:			
As at 1 April 2003	347	262	609
Additions	—	307	307
Through disposal of subsidiaries	(347)	(550)	(897)
	<u>—</u>	<u>19</u>	<u>19</u>
As at 31 March 2004			
Accumulated depreciation:			
As at 1 April 2003	300	144	444
Charge for the year	47	43	90
Through disposal of subsidiaries	(347)	(182)	(529)
	<u>—</u>	<u>5</u>	<u>5</u>
As at 31 March 2004			
Net book value:			
As at 31 March 2004	<u>—</u>	<u>14</u>	<u>14</u>
As at 31 March 2003	<u>47</u>	<u>118</u>	<u>165</u>

17. INVESTMENTS IN SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	78	78
Amounts due from subsidiaries	4,218	20,599
Amounts due to subsidiaries	(4,180)	—
	<u>116</u>	<u>20,677</u>

The amounts due are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts due are unlikely to be repaid within one year and are therefore classified as non-current.

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

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held by the Company		Principal activities
			Direct	Indirect	
Sino Prosper Group Limited	BVI	US\$10,000	100%	—	Investment holding
Access Power Group Limited	BVI	US\$1	—	100%	Provision for marketing and subcontracting services
Joint Profit Group Limited 駿港集團有限公司	Hong Kong	HK\$2	—	100%	Provision of administrative services
Konrich (Asia) Limited * 康裕(亞洲)有限公司	Hong Kong	HK\$2	—	100%	Investment holding
Lighting Charm Limited	BVI	US\$2	—	100%	Investment holding

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest held by the Company		Principal activities
			Direct	Indirect	
Sino Prosper Gas Limited * 中盈燃氣有限公司	Hong Kong	HK\$2	–	100%	Investment holding
Sino Prosper Gas (Luoyang) Limited * 中盈燃氣(洛陽)有限公司	BVI	US\$1	–	100%	Investment holding
Sino Prosper Medical Technology Limited * 中盈醫藥科技有限公司	Hong Kong	HK\$2	–	100%	Investment holding

* Konrich (Asia) Limited, Sino Prosper Gas Limited, Sino Prosper Gas (Luoyang) Limited and Sino Prosper Medical Technology Limited were incorporated by the Company during the year ended 31 March 2004.

Details of the subsidiaries disposed of by the Group during the year ended 31 March 2004 were as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest previously held by the Company		Principal activities
			Direct	Indirect	
Dalian Asia Finance Property Management Consultant Services Co., Ltd. (note (a)) 大連亞太物業行有限公司	PRC	US\$105,000	95.2%	–	Provision for property management services

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest previously held by the Company Indirect	Principal activities
Dalian Dong Gang Real Estate Development Co., Ltd. (note (b)) 大連東港房地產開發有限公司	PRC	US\$5,000,000	95%	Property development
Sino Prosper Group Investments Limited (note (c)) 中盈集團投資有限公司	Hong Kong	HK\$2	100%	Inactive
Better Best Limited (note (d)) 首冠有限公司	BVI	US\$1	100%	Investment holding
World Giant Investments Holdings Limited 世鉅投資控股有限公司	BVI	US\$1	100%	Investment holding

Notes:

- (a) Dalian Asia Finance Property Management Consultant Services Co., Ltd. was established on 12 June 2000 as a Sino-foreign equity joint venture under the laws of the PRC and was owned as to 95.2% by World Giant Investments Holdings Limited.
- (b) Dalian Dong Gang Real Estate Development Co., Ltd. was established on 11 August 1992 and became a Sino-foreign equity joint venture under the laws of the PRC and was owned as to 95% by Better Best Limited.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

- (c) Pursuant to the sale and purchase agreement dated 12 February 2004, the Group disposed of its entire equity interests in Sino Prosper Group Investments Limited at a cash consideration of RMB5,000,000 (equivalent to approximately HK\$4,717,000), further details of which are set out in note 27 to the financial statements. The net loss of Sino Prosper Group Investments Limited for the period from 1 April 2003 to 12 February 2004 (date of disposal), which has been included in the Group's consolidated income statement, amounted to approximately HK\$21,000, representing administrative expenses.
- (d) Pursuant to the conditional sale and purchase agreement dated 23 March 2004, the Group disposed of its entire equity interests in Better Best Limited and World Giant Investments Holdings Limited at a consideration of HK\$8,000,000, to Sun Asset Group Limited. The consideration is satisfied as to HK\$4,000,000 in cash and as to the remaining balance of HK\$4,000,000 by the purchaser issuing a secured promissory note in favour of the Group for the sum of HK\$4,000,000. All amount outstanding under the secured promissory note shall be repaid in one lump sum on 31 December 2004. The performance of the purchaser of its obligations under the secured promissory note is secured by a first fixed charge over the sale shares created by the purchaser in favour of the Group. Details of the disposal of Better Best Limited and World Giant Investments Holdings Limited are set out in the circular issued by the Company dated 9 June 2004.

The aggregate consolidated results of Better Best Limited and World Giant Investments Holdings Limited and their respective subsidiaries for the period from 1 April 2003 to 23 March 2004 (date of disposal), which have been included in the Group's consolidated income statement, were as follows:

Better Best Limited and World Giant Investments Holdings Limited and their respective subsidiaries	Period from 1 April 2003 to 23 March 2004
	HK\$'000
Turnover	27,831
Cost of sales	(19,932)
Gross profit	7,899
Other revenues	47
Selling expenses	(765)
Administrative expenses	(5,289)
Profit from operations	1,892
Finance costs	(4,742)
Loss after taxation and before minority interests	(2,850)
Minority interests	(5,399)
Loss after taxation and minority interests	(8,249)

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

- (e) Details of the aggregate carrying amount of the assets and liabilities of Sino Prosper Group Investments Limited, Better Best Limited and World Giant Investments Holdings Limited and their respective subsidiaries as at the respective dates of disposal and the gain on disposal are set out in note 27 to the financial statements.

18. INVESTMENT IN AN ASSOCIATE

Details of the Group's associate as at 31 March 2004 are as follows:

Name of associate	Place of incorporation/ operations	Issued and fully paid share capital	Percentage of equity interest indirectly held by the Group	Principal activity
Bekwin International Ltd	BVI	US\$100	29%	Investment holding

	2004 HK\$'000	2003 HK\$'000
(a) Investment in an associate		
Unlisted shares, at cost	—	—
Amount due from an associate	331	50
	<hr/>	<hr/>
Amount as shown in the consolidated balance sheet	331	50
Share of post-acquisition results as shown in note (b)	—	—
	<hr/>	<hr/>
	331	50
	<hr/>	<hr/>

As at 31 March 2003 and 2004, the Company held 29% of the issued share capital of Bekwin International Ltd ("Bekwin"), a company incorporated in the BVI with limited liability, through its wholly-owned subsidiary, Lighting Charm Limited. Lighting Charm Limited is a subscriber and a director of Bekwin. During the year ended 31 March 2004, Bekwin has not commenced any business and its operating results as shown in note (b) below are not equity accounted for by the Group as, in the opinion of the directors, the amount is not significant to the Group.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

18. INVESTMENT IN AN ASSOCIATE (Continued)

(a) Investment in an associate (Continued)

The amount due from the associate is unsecured, interest-free and has no fixed terms of repayment.

(b) Results of the associate

	2004 HK\$'000	2003 HK\$'000
Share of loss on ordinary activities before taxation	70	28
Share of taxation	—	—
Net loss attributable to the Group	70	28
Excess portion of loss sharing over cost of investment	(70)	(28)
Share of post-acquisition losses as at 31 March 2004/2003	—	—

The results of the associate are based on its unaudited management accounts for the year ended 31 March 2004. The Group's share of loss of the associate would have been limited to its cost of investment of US\$29, equivalent to approximately HK\$226, if the equity method had been applied.

19. PROPERTIES UNDER DEVELOPMENT

	2004 HK\$'000	2003 HK\$'000
As at 1 April 2003/2002, at cost	92,310	92,284
Exchange realignment	(208)	26
Disposal through disposal of subsidiaries (note 27)	(92,102)	—
As at 31 March 2004/2003, at cost	—	92,310

20. TRADE RECEIVABLES

The Group grants credit terms to purchasers of properties on the merit of individual purchaser's credit. The aged analysis of trade receivables as at the balance sheet date is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0 – 90 days	<u>–</u>	<u>6,144</u>

21. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due is unsecured, interest-free and has no fixed terms of repayment.

22. TRADE PAYABLES

The aged analysis of trade payables as at the balance sheet date is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
1 – 2 years	<u>–</u>	<u>30,072</u>

23. AMOUNT DUE TO A RELATED COMPANY

The amount due to the related company, Pacific Glory Group Holding Limited, is unsecured, interest-free and has no fixed terms of repayment. Mr. Leung Ngai Man, an executive director of the Company, has beneficial interest in the related company.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

24. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
<i>Ordinary shares of HK\$0.10 each:</i>		
As at date of incorporation, as at 31 March 2002 and as at 1 April 2002 (a)	1,000,000	100,000
Share sub-division (b)	9,000,000	—
	<hr/>	<hr/>
<i>Ordinary shares of HK\$0.01 each</i>	10,000,000	100,000
Increase in authorised ordinary share capital (c)	10,000,000	100,000
	<hr/>	<hr/>
	20,000,000	200,000
Increase in authorised ordinary share capital (d)	19,980,000,000	199,800,000
	<hr/>	<hr/>
As at 31 March 2003 and as at 31 March 2004	<u>20,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
<i>Ordinary shares of HK\$0.10 each:</i>		
Issue of shares at nil paid upon incorporation (a)	999,999	—
Issue of shares at nil paid (a)	1	—
	<hr/>	<hr/>
As at 31 March 2002 and as at 1 April 2002	1,000,000	—
Share sub-division (b)	9,000,000	—
	<hr/>	<hr/>
<i>Ordinary shares of HK\$0.01 each:</i>		
Ordinary shares at nil paid	10,000,000	—
Credited as fully paid for the issued nil paid shares (e)	—	100,000
	<hr/>	<hr/>
	10,000,000	100,000
Issue of shares arising from the Reorganisation (e)	10,000,000	100,000
	<hr/>	<hr/>
	20,000,000	200,000
Issue of shares through the Placing and the Public Offer (f)	130,000,000	1,300,000
Capitalisation of share premium (g)	650,000,000	6,500,000
	<hr/>	<hr/>
As at 31 March 2003 and as at 31 March 2004	<u>800,000,000</u>	<u>8,000,000</u>

24. SHARE CAPITAL (*Continued*)

Notes:

- (a) The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company on 26 October 2001 with an initial authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, of which (i) as to 999,999 shares were allotted and issued nil paid to Climax Park and (ii) as to the remaining one share was allotted and issued nil paid to Codan Trust Company (Cayman) Limited on 8 November 2001 and was transferred by Codan Trust Company (Cayman) Limited on the same date to Climax Park.
- (b) On 24 April 2002, a written resolution was passed by the then sole shareholder of the Company to sub-divide each share having a par value of HK\$0.10 each in the share capital of the Company into ten shares.
- (c) Pursuant to a resolution in writing of the then sole shareholder of the Company passed on 25 April 2002, the authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000 by the creation of 10,000,000 shares with a nominal value of HK\$0.01 each.
- (d) Pursuant to another resolution in writing passed by the then sole shareholder of the Company on 25 April 2002, the authorised share capital of the Company was further increased from HK\$200,000 to HK\$200,000,000 by the creation of 19,980,000,000 shares with a nominal value of HK\$0.01 each.
- (e) On 25 April 2002, pursuant to the Reorganisation, further details of which are set out in note 1 to the financial statements, the Company acquired the entire issued share capital of Sino Prosper Group Limited from Climax Park in consideration of (i) allotting and issuing 10,000,000 shares to Climax Park credited as fully paid at par, and (ii) crediting as fully paid at par the 10,000,000 nil paid shares then held by Climax Park.
- (f) On 9 May 2002, the Company issued 130,000,000 ordinary shares of HK\$0.01 each by way of placing and public offer (“the Placing and the Public Offer”) at HK\$0.25 per share for a total cash consideration of approximately HK\$32,500,000 in relation to the listing of the Company’s shares on the Stock Exchange. Accordingly, approximately HK\$31,200,000 was credited to the share premium account (note 25). The Company’s shares were listed on the main board of the Stock Exchange on 15 May 2002. After deducting share issue expenses of approximately HK\$8,335,000, the net cash proceeds were approximately HK\$24,165,000.
- (g) Immediately after the Placing and the Public Offer, share premium of HK\$6,500,000 was capitalised and applied in paying up in full at par 650,000,000 shares with a nominal value of HK\$0.01 each for allotment and issue to the holders of the Company’s shares whose names appear on the register of members of the Company at the close of business on 25 April 2002 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing shareholdings in the Company.

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

25. RESERVES

Group	Share premium HK\$'000	Translation reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 April 2002	–	(13,421)	44,355	80,051	110,985
Exchange differences arising from translation of financial statements of the overseas operations	–	16	–	–	16
Reversal on transfer of investment properties to completed properties held for sale (note 15)	–	–	(8,648)	–	(8,648)
Revaluation decrease (note 15)	–	–	(590)	–	(590)
Issue of shares through the Placing and the Public Offer (note 24(f))	31,200	–	–	–	31,200
Share issue expenses (note 24(f))	(8,335)	–	–	–	(8,335)
Capitalisation of share premium (note 24(g))	(6,500)	–	–	–	(6,500)
Net loss for the year	–	–	–	(9,665)	(9,665)
As at 31 March 2003 and as at 1 April 2003	16,365	(13,405)	35,117	70,386	108,463
Exchange differences arising from translation of financial statements of the overseas operations	–	165	–	–	165
Released on disposals of the overseas operations (note 27)	–	13,240	–	–	13,240
Revaluation increase (note 15)	–	–	89,000	–	89,000
Net profit for the year	–	–	–	150	150
As at 31 March 2004	<u>16,365</u>	<u>–</u>	<u>124,117</u>	<u>70,536</u>	<u>211,018</u>

25. RESERVES (Continued)

Company	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 April 2002	–	–	–
Issue of shares through the Placing and the Public Offer (note 24(f))	31,200	–	31,200
Share issue expenses (note 24(f))	(8,335)	–	(8,335)
Capitalisation of share premium (note 24(g))	(6,500)	–	(6,500)
Net loss for the year	–	(3,672)	(3,672)
As at 31 March 2003 and as at 1 April 2003	16,365	(3,672)	12,693
Net loss for the year	–	(16,629)	(16,629)
As at 31 March 2004	16,365	(20,301)	(3,936)

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of profit/(loss) from operations before taxation and minority interests to net cash generated from/(used in) operating activities

	2004 HK\$'000	2003 HK\$'000
Profit/(Loss) from operations before taxation and minority interests	3,701	(9,901)
Adjustments for:		
Bank interest income	–	(16)
Depreciation	90	85
Gain on disposal of subsidiaries	(10,609)	–
Finance costs	4,742	6,000
Operating loss before changes in working capital	(2,076)	(3,832)
Changes in working capital:		
Completed properties held for sale	13,795	12,314
Trade receivables	(14,132)	29,313
Other receivables and prepayments	(55,561)	4,586
Amount due from ultimate holding company	(6)	(13)
Trade payables	(4,910)	(59,760)
Other payables and accruals	73,039	5,039
Amount due to a director	–	(2,014)
Amount due to a related company	(4)	(17)
Net cash generated from/(used in) operations	10,145	(14,384)
Bank interest received	–	16
Net cash generated from/(used in) operating activities	10,145	(14,368)

b. Major non-cash transactions

- (i) Pursuant to the written resolution passed by the then sole shareholder of the Company on 25 April 2002, 650,000,000 shares with a nominal value of HK\$0.01 each were issued upon the capitalisation of certain sums standing to the credit of the share premium account of the Company.
- (ii) On 25 April 2002, pursuant to the Reorganisation, further details of which are set out in note 1 to the financial statements, the Company acquired the entire issued share capital of Sino Prosper Group Limited from Climax Park in consideration of (i) allotting and issuing 10,000,000 shares to Climax Park credited as fully paid at par, and (ii) crediting as fully paid at par the 10,000,000 nil paid shares then held by Climax Park.

27. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2004, the Group disposed of its entire equity interests in Sino Prosper Group Investments Limited, Better Best Limited and World Giant Investments Holdings Limited, at an aggregate consideration of approximately HK\$12,717,000. Further details of the subsidiaries disposed of are disclosed in note 17 to the financial statements. The aggregate gain of approximately HK\$10,609,000 arising from the disposal of these subsidiaries, being the difference between the aggregate proceeds of the disposal and the aggregate carrying amount of the net assets/(liabilities) of these subsidiaries as at the respective dates of disposal, has been taken to the consolidated income statement. No tax charge or credit arose from the transactions. The aggregate carrying amounts of the assets and liabilities of the subsidiaries disposed of as at the respective dates of disposal were as follows:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Fixed assets	368
Interest in a jointly controlled entity	4,257
Completed properties held for sale	13,997
Deposit paid	29,915
Properties under development	92,102
Trade and other receivables and prepayments	75,807
Cash and bank balances	10,384
Trade and other payables and accruals	(125,279)
Tax payable	(38,116)
Secured bank borrowings	(66,723)
Minority interests	(7,844)
	<hr/>
Group's share of net liabilities disposed of	(11,132)
Release of translation reserve (<i>note 25</i>)	13,240
Gain on disposal of subsidiaries	10,609
	<hr/>
Total consideration	<u>12,717</u>
Satisfied by:	
Cash	8,717
Secured promissory note receivable on 31 December 2004 (<i>note 17(d)</i>)	4,000
	<hr/>
Total consideration	12,717
Less: secured promissory note receivable on 31 December 2004	(4,000)
Less: consideration receivable from the disposal of	
Sino Prosper Group Investments Limited included	
in "other receivables and prepayments"	(1,817)
	<hr/>
Cash consideration received as at 31 March 2004	6,900
Less: Cash and bank balances disposed of	(10,384)
	<hr/>
Net cash outflow arising on disposal of subsidiaries	<u>(3,484)</u>

Notes to the Financial Statements

For the year ended 31 March 2004

(Expressed in Hong Kong dollars)

28. OPERATING LEASE COMMITMENTS

As at 31 March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2004 HK\$'000	2003 HK\$'000
Within one year	–	1,023
In the second to fifth year inclusive	–	2,162
	<u>–</u>	<u>3,185</u>

As at 31 March 2004, the Company had no commitments under operating leases (2003: Nil).

29. MANAGEMENT FEE COMMITMENTS

As at 31 March 2004, the Group and the Company had no commitments under non-cancellable management fee agreements (2003: Nil).

30. OTHER COMMITMENTS

	2004 HK\$'000	2003 HK\$'000
Expenditure contracted for but not provided for in the financial statements in respect of acquisition of land in the PRC	<u>–</u>	<u>3,224</u>

31. BANKING FACILITIES

As at 31 March 2004, the Group had no banking facilities.

As at 31 March 2003, the secured bank borrowings represented a bank loan granted to the Group's former subsidiary amounting to approximately HK\$70,874,000, which was secured by a pledge over the Group's investment properties and completed properties held for sale with carrying values as at 31 March 2003 of approximately HK\$76,500,000 and HK\$27,968,000 respectively, and corporate and personal guarantees granted by the Company and an executive director of the Company respectively.

32. CONTINGENT LIABILITIES

	2004 HK\$'000	2003 HK\$'000
Penalties for late completion of properties (a)	—	8,471
Guarantees given to a bank in respect of mortgage facilities granted to purchasers for the acquisition of the properties (b)	—	80,175
Total contingent liabilities	—	88,646

Notes:

- (a) The relevant parties have not claimed for late completion up to now, in the opinion of the directors, it is unlikely for these parties to make the claims and accordingly, no provision has been made.
- (b) The guarantees given will be released upon the earliest of: (i) registration of mortgage by the purchaser-mortgagors holding the relevant housing ownership certificate; (ii) repayment of loan by the purchaser-mortgagors; and (iii) two years from the date of any breach of obligations by the purchaser-mortgagors.

33. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2004.