金 榜 集 團 控 股 有 限 公 司

GOLDBOND GROUP HOLDINGS LIMITED

2004

Annual Report

Contents

Company Information

EXECUTIVE DIRECTORS

Mr. Wong Yu Lung, Charles
Mr. Ko Po Ming
Ms. Loh Jiah Yee, Katherine
Mr. Lan Ning
Mr. Kee Wah Sze

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Ho Fai
Mr. Zhang Xiao Shu

SECRETARY

Mr. Li Sang, Edward

AUDITORS

KPMG

LEGAL ADVISERS

Deacons
Iu, Lai & Li

BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
International Bank of Asia Limited
CITIC Ka Wah Bank Limited

REGISTERED OFFICE

Unit 3902A, 39/F., Tower 1
Lippo Centre
89 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1901-5, 19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

RESULTS AND DIVIDEND

Turnover of the Group for the year ended 31 March 2004 was approximately HK$23,392,000 (2003: HK$23,175,000). The Group recorded a profit attributable to shareholders of approximately HK$32,501,000 (2003: loss of HK$72,162,000), which was mainly contributed by the reversal of the deficit on revaluation of the Group's investment properties and operating profit from leasing of the investment properties.

The Board did not recommend the payment of a dividend in respect of the year ended 31 March 2004 (2003: HK$ nil).

BUSINESS REVIEW

The principal business of the Group is property development and investment and other investments in Hong Kong and the People's Republic of China (the "PRC").

Golden Plaza, Hong Kong

During the year under review, the turnover of the Group was mainly contributed by the rental income derived from the Golden Plaza, No. 745-747 Nathan Road, Kowloon. As at 31 March 2004, approximately 77% of the total gross floor area of Golden Plaza has been rented, while the remaining 23% was vacant due to planned renovation programme scheduled to be completed by the end of 2004. The Board expects that the renovation will create a new and modernized outlook and thus increase the rental yield in the coming years.

With the gradual increasing consuming power in Hong Kong and the Individual Visit Scheme implemented by the PRC, Golden Plaza, being an established niche market for wedding and auxiliary businesses, is expected to contribute a satisfactory return to the Group.

Nanjing International Center

In December 2003, the Group entered into a conditional agreement (as supplemented) for the acquisition of a 25% equity interest in Nanjing City Plaza Construction Co., Ltd. at a consideration of HK$91,000,000, of which HK$90,000,000 was settled in cash and HK$1,000,000 was settled by the issue of 5,000,000 new ordinary shares of the Company at HK$0.20 each (the "Consideration Shares"). The Group also provided a shareholder's loan of HK$10,000,000 to Nanjing City Plaza Construction Co., Ltd. Its principal asset is a 66.96% equity interest in Nanjing International Group Ltd ("Nanjing International"), a joint stock limited liability company incorporated in the PRC, which holds and develops Nanjing International Center. The Nanjing International Center is planned to be developed in two phases. Phase I is under construction and is expected to be completed by 2006, comprising a shopping mall, a hotel, serviced apartments, residential units and office premises with a total gross floor area of approximately 228,000 square meters. Phase II is at planning stage, and will be built into a 73-storey building with a total gross floor area of approximately 218,000 square meters, comprising a hotel, serviced apartments and office premises. The acquisition was completed in February 2004. The superstructure work of the shopping mall of Phase I was already completed in early June 2004. The pre-sale/ lease of Phase I is scheduled to begin in the second half of 2004 while the shopping mall will commence operation in the last quarter of 2005. The Board believes that the investment in the Nanjing International Center will improve the Group's financial performance and broaden its earning bases. The Group is expected to be benefited in terms of dividend income in 2007.

Gobi Fund

In December 2003, the Group entered into a subscription agreement to subscribe for 12 units of the Gobi Fund at a consideration of US$6,000,000. The target capitalization of the Gobi Fund is US$75,000,000 divided into 150 units. Gobi Fund, sponsored and managed by Gobi Partners, Inc., is a venture capital fund focusing on early investments in the PRC's digital media business, such as telecommunications, internet and broadcasting. The other strategic subscribers of the Gobi Fund include NTT DoCoMo, Inc., IBM World Trade Corporation and Gobi Partners, Inc.. As at 31 March 2004, the Group has already paid US$1,500,000 while the balance of consideration will be payable over a period of five years.

The Board believes that the subscription of the Gobi Fund provides an opportunity for the Group to participate in the investments in the fast growing digital media field in the PRC.

Rongzhong

In March 2004, the Group entered into a conditional agreement (as supplemented) for the subscription of 3,725 new shares of Rongzhong Group Limited, representing 37.25% of its issued share capital at a consideration of RMB62,000,000. The Rongzhong companies currently consist of five companies located in Wuhan, Guangzhou, Chongqing, Changsha and Chengdu, which provide loan guarantee services for individuals mainly in relation to six types of products: (1) consumables; (2) educational funds; (3) residential renovations; (4) travels and wedding functions; (5) new and second hand cars; and (6) new and second hand properties. Shareholders approved the subscription and related agreements at the extraordinary general meeting held on 2 June 2004. The completion of the transaction is subject to the fulfillment or, as the case may be, waiver of all conditions precedent as set out in the circular dated 14 May 2004.

The Board considers that the entering into of the subscription agreement as a strategic move for the Group to venture into the PRC loan guarantee industry. In particular the Rongzhong companies mainly engage in the provision of loan guarantee services for consumables. As consumption in the PRC is expected to increase, it will provide an opportunity for the Group to capture the potential growth in this market and therefore the Board considers it to be beneficial to the Group and the shareholders as a whole.

FINANCIAL REVIEW

For the year under review, the Group recorded a profit attributable to shareholders of approximately HK$32,501,000, which was mainly contributed by the reversal of the deficit on revaluation of the Group's investment properties of HK$34,650,000 and operating profit from leasing of the investment properties of approximately HK$4,000,000. As at 31 March 2004, the Group had net assets value of approximately HK$298,109,000 which represented an increase of approximately HK$165,086,000 over last year end. Such increase was mainly contributed by the completion of the Open Offer in January 2004, of which the Group raised net proceeds (after deducting expenses) of approximately HK$131,585,000 and the profit attributable to the shareholders of approximately HK$32,501,000.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2004, the Group had outstanding borrowings of HK$202,461,000 comprising secured bank borrowings of HK$190,765,000 and unsecured loan due to a related company of HK$11,696,000. The secured bank borrowings bear interest with reference to HIBOR (Hong Kong Interbank Offered Rate) and will be repayable by instalments till 2013. The unsecured loan due to a related company bears interest at 3% and will be repayable within one year. The Group also has a new banking facility of HK$36,000,000 granted by a bank in Hong Kong which is secured by the pledged deposits of HK$20,000,000. Such banking facility was not utilized during the year. All of the Group's borrowings are denominated in Hong Kong dollars. The Group maintained an adequate liquidity cash and bank balances of HK$9,583,000 as at the year end date.

In December 2003, the Company completed an open offer by issuing 1,325,952,000 offer shares at a price of HK$0.10 per share (the "Offer Shares") on the basis of four Offer Shares for every one ordinary share held by the shareholders of the Company (the "Open Offer"). The net proceeds of approximately of HK$131,585,000 had been used as to HK$100,000,000 for the acquisition of 25% equity interest in Nanjing City Plaza Construction Co., Ltd. and the shareholder's loan and the remaining balance as general working capital purposes.

Details of the Open Offer are set on in the circular dated 12 November 2003, the prospectus dated 28 November 2003 and the supplemental prospectus dated 8 December 2003.

The gearing ratio, measured as total liabilities to total assets, decreased from 63.11% (restated) for the year ended 31 March 2003 to 42.62% for the year ended 31 March 2004.

CAPITAL STRUCTURE

As at 31 March 2004, the numbers of issued ordinary shares and preference shares of the Company were 1,662,440,000 and 68,400,000 respectively.

In April 2003, special resolutions were passed at an extraordinary general meeting of the Company to implement a capital reorganisation (the "Capital Reorganisation") which, in summary, involved the following:

(a) a reduction of (i) the issued ordinary share capital of the Company of HK$828,720,000 divided into 3,314,880,000 shares of HK$0.25 each to HK$33,148,800 divided into 3,314,880,000 shares of HK$0.01 each and (ii) the issued preference share capital of HK$171,000,000 divided into 684,000,000 preference shares of HK$0.25 each to HK$6,840,000 divided into 684,000,000 preference shares of HK$0.01 each (the "Capital Reduction").

The credit of HK$959,731,000 resulting from the Capital Reduction of the Company would be set off, to the extent permitted and subject to the conditions imposed by the High Court of Hong Kong Special Administration Region (the "Court"), against the accumulated losses of the Company;

(b) a sub-division of the authorised but unissued ordinary share of HK$0.25 each into 25 ordinary shares of HK$0.01 each (the "Share Sub-division");

(c) an increase of the authorised ordinary share capital of the Company to the original amount of HK$2,500,000,000, by the creation of not less than 79,557,120,000 new ordinary shares of HK$0.01 each (the "Capital Increase"); and

(d) the consolidation of 10 ordinary shares of HK$0.01 each and 10 preference shares of HK$0.01 each after such Capital Reduction into one new consolidated share of HK$0.10 (the "Consolidated Shares") and one new consolidated preference share of HK$0.10 (the "Consolidated Preference Shares") respectively (the "Share Consolidation").

Further details of the Capital Reorganisation are also set out in the circular of the Company dated 19 March 2003.

In June 2003, by an order of the Court (the "Court Order"), the Capital Reduction was confirmed, the Capital Reorganization became effective on 26 June 2003.

During the year, the Company issued and allotted 1,330,952,000 Consolidated Shares, which were attributed to:

1. issuance and allotment of 1,325,952,000 Consolidated Shares pursuant to the Open Offer in December 2003;

2. issuance of 5,000,000 Consolidated Shares being partial consideration for acquisition of the 25% equity interest in Nanjing City Plaza Construction Co., Ltd. in February 2004.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2004, the general credit banking facilities granted to the Group were secured by:

(i) a legal charge over the investment properties with an aggregate carrying value of HK$370,000,000 (2003: HK$335,000,000);

(ii) the assignment of the rental income derived therefrom;

(iii) a share charge of a subsidiary, Perfect Manor Limited;

(iv) a fixed deposit of HK$20,000,000 plus accrued interest; and

(v) subordination of shareholder's loan of Perfect Manor Limited.

CONTINGENT LIABILITY

At the balance sheet date, there was a contingent liability of the Group's jointly controlled entity in respect of a counter guarantee for banking facilities drawn by the Group's jointly controlled entity amounted to RMB118,000,000.

EMPLOYMENT AND REMUNERATION POLICY

At 31 March 2004, the Group's total number of staff was 20 (2003:12). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The Group has set up the share option scheme for the purpose of providing incentives to executive directors and employees. There was no share options granted to or exercised by eligible persons during the year under review.

The Group also operates a defined contribution mandatory provident fund retirement benefits scheme in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group including the review of the financial statements.

By Order of the Board

Loh Jiah Yee, Katherine
Director

Hong Kong, 8 July 2004

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Wong Yu Lung, Charles

Mr. Wong, aged 54, joined the Company as an Executive Director in January 2003. Mr. Wong has been the Vice Chairman of the Company since July 2003 and is primarily responsible for corporate strategic planning of the Group. He is a businessman who has been engaged in consumer products logistic business for more than 30 years.

Mr. Ko Po Ming

Mr. Ko, aged 45, joined the Company as an Independent Non-Executive Director in February 2003 and re-designated as an Executive Director in July 2003. Mr. Ko is responsible for management and corporate strategic planning of the Group. At present, he is also the Chairman and Chief Executive Officer of Goldbond Capital Holdings Limited. He has over 21 years of experience in banking and corporate finance. He is an Independent Non-Executive Director of iMerchants Limited, Tianjin Capital Environmental Protection Company Limited and Golden Eagle Asset Management Company Limited respectively. Mr. Ko is also a member of the Listing Committee of the Main Board and GEM Board of the Stock Exchange of Hong Kong Limited.

Ms. Loh Jiah Yee, Katherine

Ms. Loh, aged 40, joined the Company as an Executive Director in January 2003. Ms. Loh has been the Chief Executive Officer of the Company since July 2003 and is responsible for business development, investment, administration and finance of the Group. She is currently the Chief Operating Officer of the Goldbond Capital Holdings Limited and the Chairman of the Gobi Fund Inc., a venture capital fund mainly focuses on early stage investment in PRC's digital media sector. She is also the Chief Executive Officer of an investment company mainly engaged in, among other things, investments in both listed and non-listed companies. She has more than 11 years of experience in finance and investment banking and is a qualified chartered accountant in Canada.

Mr. Lan Ning

Mr. Lan, aged 41, joined the Company as an Executive Director in January 2003, is responsible for business investment and development of the Group. He is a Senior Director of China Poly Group Corporation and the founder and Chairman of Guangzhou Poly Investment Limited in the PRC. He has experience in a range of business, including trading, property development and investment, asset management, real estate development, corporate restructuring and making the PRC and overseas strategic investments.

Mr. Kee Wah Sze

Mr. Kee, aged 56, joined the Company as an Executive Director in January 2003, is responsible for management and legal aspect of the Group. He is a practicing solicitor in Hong Kong and the senior partner of Messrs. Michael Cheuk, Wong & Kee. He has over 20 years of experience in legal field and has extensive legal practice in commercial and corporate laws both in Hong Kong and the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Ho Fai

Mr. Ma, aged 53, joined the Company as an Independent Non-Executive Director in February 2003. He is a partner of Woo, Kwan, Lee & Lo. He was also admitted as a solicitor in England and Wales, Australian Capital Territory and Singapore. He is a China-Appointed Attesting Officer in Hong Kong. In addition, he is an Independent Non-Executive Director of Far East Hotels & Entertainment Limited, a company listed on the Stock Exchange of Hong Kong Limited.

Mr. Zhang Xiao Shu

Mr. Zhang, aged 60, joined the Company as an Independent Non-Executive Director in July 2003. He was the Vice President and Managing Director of China Insurance (Holdings) Company Limited and China Insurance H.K. (Holdings) Company Limited ("CIHK"). He has over 20 years of experience in service and finance industry. Mr. Zhang was born in Shanghai where he worked until 1992 when he became the Managing Director and vice chairman of China Travel Service (Holdings) Hong Kong Limited and the Vice Chairman and General Manager of China Travel Service (Hong Kong) Limited. Then he joined CIHK as Vice President and Managing Director in 1997. Mr. Zhang has been also the Vice Chairman of China Insurance International Holdings Company Limited, the Chairman of CIG-WH International (Holdings) Limited, both companies are listed on The Stock Exchange of Hong Kong Limited and a director of China International Reinsurance Company Limited, China Insurance Group Securities Limited, Toplap Investments Limited and China Insurance Group Assets Management Limited.

The directors ("Directors") of Goldbond Group Holdings Limited (the "Company") have pleasure in submitting their annual report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities and other particulars of the subsidiaries are set out in note 12 on the financial statements.

SEGMENT INFORMATION

The Group's turnover and profit from operating activities for the year ended 31 March 2004 were derived from property development and investment in Hong Kong. No segment analysis is provided as the Group's operating results are almost entirely attributable to its property investment activities in Hong Kong.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 March 2004 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 16 to 20.

The Directors did not recommend the payment of a dividend in respect of the year ended 31 March 2004.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 63 of the annual report.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Company and the Group are set out in note 11 on the financial statements.

SHARE CAPITAL

Details of movement in share capital of the Company during the year, together with reasons thereof, are set out in note 22 on the financial statements.

RESERVES

Movements during the year in the reserves of the Company and the Group are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

As 31 March 2004, the Company had no distributable reserve as calculated under Section 79B of the Hong Kong Companies Ordinance. The Company's share premium account may be distributed by way of fully paid up bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover and purchases attributable to the Group's five largest customers and suppliers, respectively, were both less than 30% during the year ended 31 March 2004.

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Executive Directors:

Mr. Wong Yu Lung, Charles
Mr. Ko Po Ming
Ms. Loh Jiah Yee, Katherine
Mr. Kee Wah Sze
Mr. Lan Ning
Mr. Yeung Sau Chung (resigned on 28 July 2003)

Independent non-executive directors:

Mr. Ma Ho Fai
Mr. Zhang Xiao Shu (appointed on 3 July 2003)

In accordance with articles 117 and 118 of the Company's articles of association, Ms. Loh Jiah Yee, Katherine and Mr. Kee Wah Sze will retire by rotation and, being eligible, will offer themselves for re-election.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on page 8 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries was entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2004, the interests of the Directors in the issued share capital of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO were as follows:

Name of Director	Number of shares of the Company held as corporate interest
Mr. Wong Yu Lung, Charles	497,232,000
Mr. Kee Wah Sze	472,589,643
Ms. Loh Jiah Yee, Katherine	404,770,143
Mr. Ko Po Ming	65,881,800

Save as disclosed above, at 31 March 2004, none of the Directors or chief executives or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company, any of its subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

SHARE OPTION SCHEME

Details of the Company's share option schemes during the year are set out in note 21 on the financial statements.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "share option scheme" above, at no time during the year was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interests in the Company's issued shares at 31 March 2004 amounting to 5% or more of the ordinary shares in issue:

Name	Number of shares held	Percentage of the Company's share capital
Allied Luck Trading Limited (Note 1)	497,232,000	29.91%
Ace Solomon Investments Limited (Note 2)	338,888,343	20.39%
Canasia Profits Corporation (Note 3)	133,701,300	8.04%

Note 1: Allied Luck Trading Limited is beneficially owned as to 50% by Mr. Wong Yu Lung, Charles and as to 50% by Mrs. Wong Fang, Pik Chun, the spouse of Mr. Wong.

Note 2: Ace Solomon Investments Limited is beneficially owned as to 11% by Mr. Wong Yu Lung, Charles, 46% by Mr. Kee Wah Sze and 43% by Ms. Loh Jiah Yee, Katherine.

Note 3: Canasia Profits Corporation is wholly owned by Mr. Kee Wah Sze.

Save as disclosed above, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

CONNECTED TRANSACTION

(1) During the year, an option agreement was entered into between a wholly-owned subsidiary of the Company, Perfect Honour Limited, and Wah Link Investments Limited ("Wah Link") of which Wah Link agreed to grant to Perfect Honour Limited the option to require Wah Link to purchase all the interests of Perfect Honour Limited in Rongzhong Group Limited. The option shall be exercised by Perfect Honour Limited during a period of three years commencing from the date on which the conditions precedent under the option agreement have been fulfilled. Wah Link is beneficially owned as to 51% by a family member of Mr. Wong Yu Lung, Charles ("Mr. Wong"), a substantial shareholder of the Company and as to 49% by Mrs. Wong, the spouse of Mr. Wong. Thus Wah Link is a connected person to the Group.

(2) During the year, a convertible note subscription agreement was entered into between the Company and Wah Link of which Wah Link agreed to subscribe for the convertible note in the principle amount of $70,000,000 at its face value. The conversion price is $0.170 per ordinary share (subject to adjustment) and the principal amount of the convertible note will be automatically redeemed on the third anniversary of the issue date of the convertible note.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 29 on the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2004 are set out in note 18 on the financial statements.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 64 of the annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund Scheme. Particulars of which are set out in note 26 on the financial statements.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the non-executive Directors are not appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive Directors.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Loh Jiah Yee, Katherine
Director

Hong Kong, 8 July 2004

Auditors' report to the shareholders of
Goldbond Group Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 16 to 62 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2004 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong, 8 July 2004

Consolidated Profit and Loss Account (For the year ended 31 March 2004)

(Expressed in Hong Kong dollars)

	Notes	2004 $'000	2003 (restated) $'000
Turnover	2	**23,392**	23,175
Direct outgoings		**(629)**	(322)
		22,763	22,853
Other revenue	3	**1,186**	2,529
Other net loss	3	**(1,978)**	(2,272)
Administrative expenses		**(16,597)**	(5,644)
Other operating expenses	4(c)	**(1,875)**	(2,668)
Gain on disposal of an associate		**–**	5,112
Provision for impairment in value of other investments	14	**–**	(60,000)
Deficit on revaluation of investment properties reversed/(charged)	11	**34,650**	(15,080)
Profit/(loss) from operations		**38,149**	(55,170)
Finance costs	4(a)	**(4,324)**	(15,792)
Share of losses of jointly controlled entities		**(400)**	–
Profit/(loss) from ordinary activities before taxation	4	**33,425**	(70,962)
Income tax	5(a)	**(924)**	(1,200)
Profit/(loss) attributable to shareholders	8, 23	**32,501**	(72,162)
Earnings/(loss) per share	9		
Basic		**3.85 cents**	(14.35) cents
Diluted		**3.79 cents**	N/A

The notes on pages 24 to 62 form part of these financial statements.

(Expressed in Hong Kong dollars)

	Notes	2004 $'000	2003 (restated) $'000
Non-current assets			
Fixed assets	11(a)	**370,876**	336,146
Interests in jointly controlled entities	13	**92,524**	–
Other investments	14	**14,700**	3,000
		478,100	339,146
Current assets			
Trading securities	15	**–**	2,840
Amounts due from jointly controlled entities	13	**10,063**	–
Trade and other receivables	16	**1,746**	5,527
Current tax recoverable	20(a)	**67**	–
Pledged deposits	18	**20,000**	–
Cash and cash equivalents	17	**9,583**	13,102
		41,459	21,469
Current liabilities			
Interest-bearing bank loans and other borrowings	18	**12,773**	10,992
Amounts due to related companies	19	**12,078**	13,616
Other payables and accruals		**15,699**	17,654
Current tax payable	20(a)	**–**	950
		40,550	43,212
Net current assets/(liabilities)		**909**	(21,743)
Total assets less current liabilities		**479,009**	317,403
Non-current liabilities			
Interest-bearing bank loans and other borrowings	18	**(177,992)**	(181,912)
Deferred taxation	20(b)	**(2,908)**	(2,468)
		(180,900)	(184,380)
		298,109	133,023

(Expressed in Hong Kong dollars)

	Notes	2004 $'000	2003 (restated) $'000
Capital and reserves			
Share capital	22	**173,084**	999,720
Reserves	23	**125,025**	(866,697)
		298,109	133,023

Approved and authorised for issue by the board of directors on 8 July 2004

Loh Jiah Yee, Katherine
Director

Kee Wah Sze
Director

The notes on pages 24 to 62 form part of these financial statements.

(Expressed in Hong Kong dollars)

	Notes	2004 $'000	2003 $'000
Non-current assets			
Fixed assets	11(b)	**412**	346
Interests in subsidiaries	12	**313,955**	324,241
Other investments	14	**3,000**	3,000
		317,367	327,587
Current assets			
Amounts due from subsidiaries	12	**–**	10,992
Trade and other receivables	16	**135**	375
Pledged deposits	18	**20,000**	–
Cash and cash equivalents	17	**6,725**	10,603
		26,860	21,970
Current liabilities			
Interest-bearing bank loans and other borrowings	18	**–**	10,992
Amount due to a subsidiary	12	**32,232**	–
Amounts due to related companies	19	**12,078**	13,616
Other payables and accruals		**8,986**	7,471
		53,296	32,079
Net current liabilities		**(26,436)**	(10,109)
Total assets less current liabilities		**290,931**	317,478
Non-current liabilities			
Interest-bearing bank loans and other borrowings	18	**–**	(181,912)
		290,931	135,566

(Expressed in Hong Kong dollars)

	Notes	2004 $'000	2003 $'000
Capital and reserves			
Share capital	22	**173,084**	999,720
Reserves	23	**117,847**	(864,154)
		290,931	135,566

Approved and authorised for issue by the board of directors on 8 July 2004

Loh Jiah Yee, Katherine
Director

Kee Wah Sze
Director

The notes on pages 24 to 62 form part of these financial statements.

Consolidated Statement of Changes in Equity (For the year ended 31 March 2004)

(Expressed in Hong Kong dollars)

	Notes	2004 $'000	2003 (restated) $'000
Shareholders' equity at the beginning of the year			
As previously reported		**135,491**	127,075
Prior year adjustments arising from changes in accounting policy for deferred tax	10, 23	**(2,468)**	(2,268)
As restated		**133,023**	124,807
Surplus on revaluation of other investments not recognised in the profit and loss account		**–**	3,000
Net profit/(loss) for the year	23		
As previously reported			(71,962)
Prior year adjustments arising from changes in accounting policy for deferred tax	10		(200)
As restated		**32,501**	(72,162)
Movements in share capital and reserves	22, 23		
– Issue of new ordinary shares under the placement of the consideration shares		**1,000**	60,000
– Issue of new ordinary shares under rights issue		**–**	18,416
– Issue of new ordinary shares under the Open Offer		**132,595**	–
– Share issue expenses		**(1,010)**	(1,038)
Net increase in share capital and reserves arising from capital transactions		**132,585**	77,378
Shareholders' equity at the end of the year		**298,109**	133,023

The notes on pages 24 to 62 form part of these financial statements.

	Notes	2004 $'000	2003 $'000
Operating activities			
Profit/(loss) from ordinary activities before taxation		**33,425**	(70,962)
Adjustments for:			
– Interest income		**(229)**	(1,656)
– Depreciation		**119**	16
– Provision for impairment in value of other investments		**–**	60,000
– Deficit on revaluation of investment properties (reversed)/charged		**(34,650)**	15,080
– Finance costs		**4,324**	15,792
– Net gain on disposal of a subsidiary	24	**(10)**	–
– Gain on disposal of an associate		**–**	(5,112)
– Net realised and unrealised loss on trading securities carried at fair value		**1,988**	2,272
– Provisions for bad and doubtful debts		**1,875**	2,612
– Share of losses of jointly controlled entities		**400**	–
Operating results before changes in working capital		**7,242**	18,042
Decrease in amounts due to related companies		**(1,890)**	–
Decrease/(increase) in trade and other receivables		**1,916**	(3,100)
Decrease in other payables and accruals		**(1,955)**	(616)
Cash generated from operations		**5,313**	14,326
Hong Kong profits tax paid		**(1,643)**	(50)
Net cash from operating activities		**3,670**	14,276

(Expressed in Hong Kong dollars)

	Notes	2004 $'000	2003 $'000
Investing activities			
Payments for purchase of fixed assets		**(199)**	(512)
Payments for acquisition of a jointly controlled entity	24	**(91,782)**	–
Amounts due from jointly controlled entities		**(10,000)**	–
Payments for acquisition of other investments		**(11,700)**	–
Proceeds from disposal of trading securities		**852**	–
Interest received		**166**	1,656
Net cash (used in)/from investing activities		**(112,663)**	1,144
Financing activities			
Gross proceeds from issue of shares		**132,595**	18,416
Share issue expenses paid		**(1,010)**	(1,038)
Proceeds from new bank loans		**200,000**	24,321
Repayment of promissory notes		**–**	(15,000)
Repayment of loan from a related company		**–**	(89,526)
Loan from a related company		**–**	11,696
Repayment of convertible bonds		**–**	(60,000)
Payment of loan interest		**(3,972)**	–
Other borrowing costs paid		**–**	(18,283)
Repayment of bank loans		**(202,139)**	–
Placement of pledged deposits		**(20,000)**	–
Net cash from/(used in) financing activities		**105,474**	(129,414)
Net decrease in cash and cash equivalents		**(3,519)**	(113,994)
Cash and cash equivalents at the beginning of the year		**13,102**	127,096
Cash and cash equivalents at the end of the year	17	**9,583**	13,102

The notes on pages 24 to 62 form part of these financial statements.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. 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.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it 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 group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the group for the year are also separately presented in the profit and loss account.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the group until the minority's share of losses previously absorbed by the group has been recovered.

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it 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 profit and loss account as they arise.

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the group and other parties, where the contractual arrangement establishes that the group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the group's share of the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the group's share of the post acquisition results of the jointly controlled entity for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e). When the group's share of losses exceeds the carrying amount of the jointly controlled entity, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred obligations in respect of the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entities except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

In respect of acquisitions of jointly controlled entities, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(j)) is included in the carrying amount of the interests in jointly controlled entities.

On disposal of a controlled subsidiary or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

(f) Other investments in securities

The company's and the group's policies for investments in securities other than investments in subsidiaries and jointly controlled entities are as follows:

(i) Other investments for trading purposes are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(ii) Non-trading other investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.

(iii) Transfers from the investment revaluation reserve to the profit and loss account as a result of impairment is reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and

– furniture, fixtures and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

(h) Leased assets

(i) Assets held for use in operating leases

Where the group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the group's depreciation policies, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies, as set out in note 1(o).

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(ii) Operating lease charges

Where the group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

(i) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) Depreciation is calculated to write off the cost of other fixed assets over their estimated useful lives on a straight-line basis as follows:

Furniture, fixtures and other fixed assets	3 to 5 years

(iii) Goodwill arising on the acquisition of jointly controlled entities is amortised on a straight-line basis over its estimated useful life of 20 years.

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than investment properties carried at revalued amounts);

– investments in subsidiaries and jointly controlled entities (except for those accounted for at fair value under notes 1(c) & (d)); and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset (including positive goodwill taken directly to reserves) exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(k) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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 stated at their present values.

(ii) Contributions to Mandatory Provident Fund Schemes as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

(iii) 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.

(iv) 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.

(m) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income tax (Continued)

(iii) (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income tax (Continued)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company or the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable.

(ii) Management fee income

Management fee income is recognised in the profit and loss account when the management service is rendered.

(iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Foreign currency assets, being equity investments are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

The results of enterprises outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year, balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of an enterprise outside Hong Kong, the cumulative amount of the exchange differences which relate to that enterprise is included in the calculation of the profit or loss on disposal.

(q) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(s) Segment reporting

The group's operating results are almost entirely attributable to its property investment activities in Hong Kong. Segment assets and liabilities are based on geographical location of those assets and liabilities. Other than the interests in jointly controlled entities and the investments in the Gobi Fund which are outside Hong Kong, all the group's assets and liabilities are located in Hong Kong. Accordingly, no segmental analysis is provided.

2 TURNOVER

The principal activity of the group is property development and investment.

Turnover represents the gross rental income derived from the investment properties situated in Hong Kong during the year.

3 OTHER REVENUE AND OTHER NET LOSS

	2004	2003
	$'000	$'000
Other revenue		
Management fee income	**489**	–
Interest income	**229**	1,656
Rentals receivable from other assets, other than those relating to investment properties	**181**	252
Others	**287**	621
	1,186	2,529
Other net loss		
Net realised and unrealised loss on trading securities carried at fair value	**(1,988)**	(2,272)
Net gain on disposal of a subsidiary	**10**	–
	(1,978)	(2,272)

(Expressed in Hong Kong dollars)

4 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging/ (crediting):

		2004 $'000	2003 $'000
(a)	Finance costs:		
	Interest on bank loans and other borrowings wholly repayable within five years	**1,821**	9,652
	Interest on bank loans repayable beyond five years	**2,503**	3,140
	Premium paid on redemption of convertible bonds	**–**	3,000
		4,324	15,792
(b)	Staff costs (including directors' remuneration (note 6)):		
	– Salaries, wages and other benefits	**8,101**	1,257
	– Retirement costs	**153**	16
		8,254	1,273
(c)	Other operating expenses:		
	Provision for bad and doubtful debts	**1,875**	2,612
	Miscellaneous	**–**	56
		1,875	2,668
(d)	Other items:		
	Auditors' remuneration	**604**	390
	Depreciation	**119**	16
	Rentals receivable from investment properties less direct outgoings of $629,000 (2003: $322,000)	**(22,763)**	(22,853)

(Expressed in Hong Kong dollars)

5 INCOME TAX

(a) Taxation in the consolidated profit and loss account represents:

	2004	2003 (restated)
	$'000	$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**828**	1,000
Over-provision in respect of prior years	**(202)**	–
	626	1,000
Deferred tax		
Origination and reversal of temporary differences	**209**	200
Effect of increase in tax rate on deferred tax balances at the beginning of the year	**231**	–
	440	200
Share of jointly controlled entities' taxation	**(142)**	–
Total income tax expense	**924**	1,200

Income tax for subsidiaries or jointly controlled entities established and operating in the People's Republic of China other than Hong Kong (the "PRC") is calculated based on the applicable rates of income tax ruling in the relevant provinces in the PRC. The effect of increase in tax rate on the deferred tax balances relates to the anticipated change in the tax rate applicable to certain PRC subsidiaries and jointly controlled entities of the group according to the expected manner of realisation of the respective temporary differences.

In March 2003, the Hong Kong Government announced an increase in the Profits Tax rate applicable to the group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the group's financial statements for the year ended 31 March 2004. Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 March 2004 is calculated at 17.5% (2003: 16%) of the estimated assessable profits for the year.

(Expressed in Hong Kong dollars)

5 INCOME TAX (Continued)

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2004 $'000	2003 (restated) $'000
Profit/(loss) before tax	**33,425**	(70,962)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**5,787**	(11,354)
Tax effect of non-deductible expenses	**1,616**	4,976
Tax effect of non-taxable revenue	**(6,746)**	(9,464)
Tax effect of unused tax losses not recognised	**238**	17,042
Effect on opening deferred tax balances resulting from an increase in tax rate during the year	**231**	–
Over-provision in respect of prior years	**(202)**	–
Actual tax expense	**924**	1,200

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2004 $'000	2003 $'000
Fees:		
– Executive	**138**	–
– Independent non-executive	**135**	–
	273	–
Salaries and other emoluments:		
– Executive	**4,510**	896
Retirement costs	**44**	16
	4,827	912

(Expressed in Hong Kong dollars)

6 DIRECTORS' REMUNERATION (Continued)

The remuneration of the directors is within the following bands:

	Number of directors	
	2004	2003
$Nil to $1,000,000	**5**	7
$1,000,001 to $1,500,000	**2**	–
	7	7

There were no amounts paid during 2004 (2003: $Nil) to the directors in connection with their retirement from employment with the company, or inducement to join. There was no any arrangement under which a director waived or agreed to waive any remuneration in 2004 (2003: $Nil).

No share options were granted during the year ended 31 March 2004 (2003: Nil). The details of the share option scheme is disclosed in note 21.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the group during the year included four directors of the company (2003: five), details of whose remuneration are set out in note 6 above. The remuneration of the remaining one (2003: Nil) individual is as follows:

	2004	2003
	$'000	$'000
Salaries and other emoluments	**746**	–
Retirement costs	**12**	–
	758	–

The remuneration of the one (2003: Nil) individual is within the band of $Nil to $1,000,000.

8 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the company is $22,780,000 (2003: loss of $72,175,000).

(Expressed in Hong Kong dollars)

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders for the year of $32,501,000 (2003 (restated): loss of $72,162,000), and the weighted average of 843,843,000 (2003: 502,959,000) ordinary shares in issue during the year, after adjusting for the effects of the Open Offer Shares and the Consideration Shares (see note 22) during the year. The weighted average number of ordinary shares in issue for the year ended 31 March 2003 was restated because there was share consideration resulting from the Capital Reduction during the year as set out in note 22.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of $32,501,000 and weighted average number of 857,547,000 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares for the year ended 31 March 2004.

The exercise of the subscription rights conferred by the redeemable convertible preference shares would not have any dilutive effect on the loss per share for the year ended 31 March 2003.

(c) Reconciliations

	2004 Number of shares '000
Weighted average number of ordinary shares used in calculating basic earnings per share	843,843
Effect of dilutive potential ordinary shares in respect of preference shares	13,704
Weighted average number of ordinary shares used in calculating diluted earnings per share	857,547

(Expressed in Hong Kong dollars)

10 CHANGE IN ACCOUNTING POLICY

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. With effect from 1 April 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) issued by the Hong Kong Society of Accountants, the group adopted a new policy for deferred tax as set out in note 1(m). As a result of the adoption of this accounting policy, the group's profit for the year has been decreased by $440,000 (2003: $200,000) and the net assets as at the year end have been decreased by $2,908,000 (2003: $2,468,000).

The new accounting policy has been adopted retrospectively, with the opening balances of accumulated losses and reserves and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

(Expressed in Hong Kong dollars)

11 FIXED ASSETS

(a) The group

	Furniture, fixtures and other fixed assets $'000	Investment properties $'000	Total $'000
Cost or valuation:			
At 1 April 2003	362	335,800	336,162
Additions	199	–	199
Surplus on revaluation	–	34,650	34,650
At 31 March 2004	**561**	**370,450**	**371,011**
Representing:			
Cost	561	–	561
Valuation – 2004	–	370,450	370,450
	561	**370,450**	**371,011**
Accumulated depreciation:			
At 1 April 2003	16	–	16
Charge for the year	119	–	119
At 31 March 2004	**135**	**–**	**135**
Net book value:			
At 31 March 2004	**426**	**370,450**	**370,876**
At 31 March 2003	346	335,800	336,146

(Expressed in Hong Kong dollars)

11 FIXED ASSETS (Continued)

(b) The company

	Furniture, fixtures and other fixed assets $'000
Cost:	
At 1 April 2003	362
Additions	181
At 31 March 2004	**543**
Accumulated depreciation:	
At 1 April 2003	16
Charge for the year	115
At 31 March 2004	**131**
Net book value:	
At 31 March 2004	**412**
At 31 March 2003	346

(c) An analysis of the net book value of properties is as follows:

The group's investment properties are situated in Hong Kong and are held under the following lease terms:

	2004 $'000	2003 $'000
Long leases	**370,000**	335,000
Medium-term leases	**450**	800
	370,450	335,800

(Expressed in Hong Kong dollars)

11 FIXED ASSETS (Continued)

(d) Investment properties of the group situated in Hong Kong were revalued by Chesterton Petty Limited ("Chesterton"), independent professional qualified valuers, who have among their Members of the Hong Kong Institute of Surveyors, on an open market value basis at 31 March 2004. By reference to the revaluation report issued by Chesterton dated 15 June 2004 and the prevailing market conditions, the directors consider that a revaluation surplus of $34,650,000 be reversed to the consolidated profit and loss account (2003: deficit of $15,080,000).

(e) Certain of the above investment properties with an aggregate carrying value of $370,000,000 (2003: $335,000,000) have been pledged to a bank for certain bank loans (note 18).

(f) The group leases out investment properties under operating lease arrangements, with leases negotiated for an average period of one to two years. The terms of the leases generally require the tenants to place rental deposits and provide for periodic rent adjustments according to the then prevailing market conditions. None of the leases includes contingent rentals.

At 31 March 2004, the group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The group	
	2004	2003
	$'000	$'000
Within one year	**15,442**	18,953
After one year but within five years	**1,917**	8,388
	17,359	27,341

(Expressed in Hong Kong dollars)

12 INTERESTS IN SUBSIDIARIES

	The company	
	2004	2003
	$'000	$'000
Unlisted shares, at cost	**197,075**	197,075
Amounts due from subsidiaries	**121,845**	301,750
	318,920	498,825
Less: impairment loss	**(4,965)**	(163,592)
	313,955	335,233
Portion classified as current assets	**–**	(10,992)
	313,955	324,241

As at 31 March 2003, other than an amount of $10,992,000 due from a subsidiary which was repayable within one year, the remaining balances due from subsidiaries are unsecured, interest-free and not repayable within twelve months following the balance sheet date.

Additionally, the company has an amount due to a subsidiary of $32,232,000 as at 31 March 2004 (2003: $Nil), which is unsecured, interest-free and has no fixed terms of repayment.

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the consolidated financial statements.

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the company	Proportion of nominal value of issued capital/ registered capital held by a subsidiary	Principal activities
Apex Honour Limited	British Virgin Islands/ Hong Kong	US$1	–	100%	Dormant
Can Do Enterprises Limited	Hong Kong	$2	100%	–	Investment holding

(Expressed in Hong Kong dollars)

12 INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the company	a subsidiary	Principal activities
Dragon Express Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Genuine Glory Investments Limited	Hong Kong	$2	100%	–	Property holding
Goldbond Poly Investment Holdings Limited	Hong Kong	$1,000	90%	–	Dormant
Master Profit Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Metro Fair Investments Limited	Hong Kong	$2	–	100%	Property holding
On Speed Management Limited	Hong Kong	$2	100%	–	Property management
Perfect Honour Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Dormant
Perfect Manor Limited	Hong Kong	$2	–	100%	Property investment
Sino Dynasty Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding

(Expressed in Hong Kong dollars)

13 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The group	
	2004	2003
	$'000	$'000
Share of net assets	**57,856**	–
Goodwill on acquisition	**34,668**	–
Amounts due from jointly controlled entities	**10,063**	–
	102,587	–
Portion classified as current assets	**(10,063)**	–
	92,524	–

During the year, the group entered into an unsecured shareholders' loan agreement with a jointly controlled entity, Nanjing City Plaza Construction Co., Ltd. ("Nanjing City Plaza"). Pursuant to the agreement, the group advanced a sum of $10,000,000 to Nanjing City Plaza at an interest rate of 2% per annum above the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited. The amount is repayable in full on 26 February 2005. At the balance sheet date, the outstanding loan and interest receivable from the jointly controlled entity amounted to $10,000,000 and approximately $63,000 respectively.

(Expressed in Hong Kong dollars)

13 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

(a) Particulars of jointly controlled entities at 31 March 2004 are as follows:

Name of jointly controlled entity	Place of incorporation/ operations	Issue and fully paid capital/ registered capital	Proportion of nominal value of issued capital/registered capital: group's effective interest	held by a subsidiary	held by a jointly controlled entity	Principal activity
Ace Intelligent Consultants Limited	British Virgin Islands/ Hong Kong	US$100	25%	25%	–	Dormant
Nanjing City Plaza Construction Co., Ltd.*# 南京國際商城建設有限公司*#	The PRC	US$10,000,000	25%	25%	–	Investment holding
Nanjing International Group Limited*## ("NIGL") 南京國際集團股份有限公司*##	The PRC	RMB371,237,500	16.74%	–	66.96%	Property development
南京國際集團廣告展覽中心*#	The PRC	RMB2,000,000	16.74%	–	66.96%	Dormant

\# An equity joint venture established in the PRC.

\## A joint stock company established in the PRC.

* These jointly controlled entities have a financial year ending 31 December. The consolidated financial statements have been adjusted for material transactions, if any, between the jointly controlled entities and the group between 1 January and 31 March.

(Expressed in Hong Kong dollars)

13 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

(b) The consolidated financial information of Nanjing City Plaza and its subsidiaries, which were acquired in February 2004, as extracted from its latest financial statements for the year ended 31 December 2003 are summarised below:

	Year ended 31 December 2003 RMB'000
Net loss attributable to shareholders	(1,431)

	At 31 December 2003 RMB'000
Assets and liabilities	
Non-current assets	309,340
Current assets	944,907
Current liabilities	(440,718)
Non-current liabilities	(325,470)
Minority interests	(267,168)
	220,891

Included in current liabilities and non-current liabilities are bank loans of RMB306,050,000, which are secured by the following:

(i) Certain cash and bank balances of Nanjing City Plaza and its subsidiaries amounting to $150,000,000 as at 31 December 2003 were pledged to a bank as security for a bank loan amounted to RMB143,800,000.

(ii) Land use rights with an aggregate carrying value of RMB3,705,000 were used to secure bank loans of RMB12,000,000. The loan will be expired on 13 August 2004.

The consolidated financial statements of Nanjing City Plaza are expressed in Renminbi.

(Expressed in Hong Kong dollars)

14 OTHER INVESTMENTS

	The group		The company	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Investment in unlisted funds	**11,700**	–	**–**	–
Unlisted equity securities	**–**	60,000	**–**	–
Less: impairment loss	**–**	(60,000)	**–**	–
	11,700	–	**–**	–
Club debentures	**3,000**	3,000	**3,000**	3,000
	14,700	3,000	**3,000**	3,000

The group's investment in unlisted funds as at 31 March 2004 represent the first installment paid to subscribe the 12 investment units in the Gobi Fund, a venture capital fund focusing on early stage investments in digital media business, such as telecommunications, internet and broadcasting in the PRC.

Club debentures held were revalued by the directors during the year taking into account the prevailing saleable value of the debentures and is after deduction of renomination fee and other direct expenses.

15 TRADING SECURITIES

	The group	
	2004	2003
	$'000	$'000
Equity securities listed in Hong Kong, at market value	**–**	2,840

16 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Accounts receivable	**655**	4,061	**–**	–
Prepayments, deposits and other receivables	**1,091**	1,466	**135**	375
	1,746	5,527	**135**	375

(Expressed in Hong Kong dollars)

16 TRADE AND OTHER RECEIVABLES (Continued)

The group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. An ageing analysis of accounts receivable based on invoice date, net of provisions for doubtful debts, is as follows:

	The group	
	2004	2003
	$'000	$'000
Outstanding balances aged:		
– Within 1 month	**451**	1,675
– More than 1 month but less than 3 months	**185**	1,179
– Over 3 months	**19**	1,207
	655	4,061

All of the trade and other receivables are expected to be recoverable within one year.

17 CASH AND CASH EQUIVALENTS

	The group		The company	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**9,583**	2,152	**6,725**	596
Time deposits	**–**	10,950	**–**	10,007
	9,583	13,102	**6,725**	10,603

18 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	The group		The company	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Secured bank loans	**190,765**	192,904	**–**	192,904
Portion classified as current liabilities	**(12,773)**	(10,992)	**–**	(10,992)
Long-term portion	**177,992**	181,912	**–**	181,912

(Expressed in Hong Kong dollars)

18 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

Bank loans

	The group		The company	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Bank loans are repayable:				
– Within one year	**12,773**	10,992	**–**	10,992
– In the second year	**13,412**	11,383	**–**	11,383
– In the third to fifth year, inclusive	**40,722**	30,261	**–**	30,261
– Beyond five years	**123,858**	140,268	**–**	140,268
	190,765	192,904	**–**	192,904

During the year, a subsidiary borrowed bank loans which are secured by the investment properties of the group with an aggregate carrying value of $370,000,000 (note 11(e)), together with the assignment of the rental income derived therefrom and a corporate guarantee of $200,000,000 given by the company. The new bank loans were applied to refinance the company's indebtedness.

As at 31 March 2004, the group had a new banking facility of $36,000,000 granted by a bank in Hong Kong, which is secured by pledged deposits totalling $20,000,000. Such banking facility was not utilised during the year.

19 AMOUNTS DUE TO RELATED COMPANIES

Included in the amounts due to related companies is an unsecured loan of $11,696,000 obtained from a related company, which is under common directorship. The loan bears interest at a rate of 3% per annum and is repayable on or before 14 July 2004.

(Expressed in Hong Kong dollars)

20 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The group	
	2004	2003
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	**828**	1,000
Provisional Profits Tax paid	**(895)**	(50)
Amount of taxation (recoverable)/payable	**(67)**	950

The above amounts are expected to be settled within one year.

(b) Deferred tax liabilities recognised:

Deferred tax liabilities recognised in the consolidated balance sheet represent depreciation allowances in excess of related depreciation and the movements during the year are as follows:

	The group
	$'000
At 1 April 2002 (restated)	2,268
Charged to consolidated profit and loss account	200
At 31 March 2003 (restated)	2,468
At 1 April 2003	2,468
Charged to consolidated profit and loss account	440
At 31 March 2004	**2,908**

(c) Deferred tax assets unrecognised:

	The group		The company	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Deductible temporary differences	**–**	2,272	**–**	–
Tax losses	**103,656**	291,945	**98,646**	99,161
	103,656	294,217	**98,646**	99,161

(Expressed in Hong Kong dollars)

20 INCOME TAX IN THE BALANCE SHEET (Continued)

(c) (Continued)

The company and the group have not recognised the deferred tax assets in respect of the future benefit of tax losses as it is not probable that the company and the group will generate sufficient future taxable profits against which the accumulated tax losses may be off-set in the foreseeable future. The tax losses do not expire under the current tax legislation.

21 SHARE OPTION SCHEME

The company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants, including the company's directors and other eligible participants of the group. The Scheme became effective on 18 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On 29 August 2003, amendments were made for giving clarity to the Scheme.

The maximum number of shares which may be issued upon exercise of all outstanding options granted but not yet exercised under the Scheme and any other share option schemes shall not in aggregate exceed 30 percent of the shares in issue of the company from time to time. The total number of shares may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes must not in aggregate exceed 10 percent of shares in issue as at the date of approval of the Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the company for the time being.

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with $1.0 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the date upon which the option is granted and accepted and ends on the expiry date of the option as may be determined by the directors, which shall not be later than ten years after the date of offer.

The subscription price of a share option is determined by the directors, but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

All outstanding share options granted prior to 18 September 2002 under another share option scheme which was terminated on 16 September 2002 were cancelled during the year ended 31 March 2003. No further share options have been granted under the Scheme to the eligible participants since that date.

(Expressed in Hong Kong dollars)

22 SHARE CAPITAL

Shares

	Note	**2004** Number of shares '000	**2004** Amount $'000	2003 Number of shares '000	2003 Amount $'000
Authorised:					
Ordinary shares of $0.10 each	(a)	**25,000,000**	**2,500,000**		
Ordinary shares of $0.25 each				10,000,000	2,500,000
'A' redeemable convertible Preference Shares of $0.10 each	(a)	**40,000**	**4,000**		
'A' redeemable convertible Preference Shares of $0.25 each				400,000	100,000
'B' redeemable convertible Preference Shares of $0.10 each	(a)	**28,400**	**2,840**		
'B' redeemable convertible Preference Shares of $0.25 each				284,000	71,000

(Expressed in Hong Kong dollars)

22 SHARE CAPITAL (Continued)

Shares (Continued)

		Ordinary shares		'A' Preference shares		'B' Preference shares		
		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Total
	Note	'000	$'000	'000	$'000	'000	$'000	$'000
Issued and fully paid:								
At 1 April 2002		1,233,280	308,320	400,000	100,000	284,000	71,000	479,320
Issue of new shares		240,000	60,000	–	–	–	–	60,000
Open offer and bonus shares issued		1,841,600	460,400	–	–	–	–	460,400
At 31 March 2003		3,314,880	828,720	400,000	100,000	284,000	71,000	999,720
At 1 April 2003		3,314,880	828,720	400,000	100,000	284,000	71,000	999,720
Capital Reduction	(a)	(2,983,392)	(795,571)	(360,000)	(96,000)	(255,600)	(68,160)	(959,731)
Open Offer Shares issued	(b)	1,325,952	132,595	–	–	–	–	132,595
Consideration Shares issued	(c)	5,000	500	–	–	–	–	500
At 31 March 2004		**1,662,440**	**166,244**	**40,000**	**4,000**	**28,400**	**2,840**	**173,084**

Notes:

(a) On 11 April 2003, special resolutions were passed at an extraordinary general meeting of the company to implement a capital reorganisation which was approved by the Court on 26 June 2003, which involved a reduction of the issued ordinary share capital of the company of $828,720,000 divided into 3,314,880,000 ordinary shares of $0.25 each to $33,148,800 divided into 3,314,880,000 ordinary shares of $0.01 each and the issued preference share capital of $171,000,000 divided into 684,000,000 preference shares of $0.25 each to $6,840,000 divided into 684,000,000 preference shares of $0.01 each (the "Capital Reduction").

The following matters took immediate effect after the Capital Reduction:

(i) sub-dividing each authorised but unissued ordinary share of $0.25 into 25 ordinary shares of $0.01 each;

(ii) increasing the authorised ordinary share capital to $2,500,000,000 by the creation of not less than 79,557,120,000 new ordinary shares of $0.01 each; and

(iii) consolidating the 250,000,000,000 ordinary shares of $0.01 each and the 684,000,000 preference shares of $0.01 each into 25,000,000,000 ordinary shares of $0.10 each and 68,400,000 preference shares of $0.1 each respectively.

(Expressed in Hong Kong dollars)

22 SHARE CAPITAL (Continued)

Shares (Continued)

Notes: (Continued)

(b) On 22 December 2003, the company issued additional ordinary share capital at par of $132,595,000 divided into 1,325,952,000 ordinary shares of $0.10 each by an Open Offer (the "Open Offer Shares") on the basis of four Open Offer Shares for every existing ordinary share held by the qualifying shareholders. The proceeds of $132,595,000, before the share issue expenses of $1,010,000 (note 23), were credited to the company's share capital.

(c) Pursuant to an agreement with the shareholder of Nanjing City Plaza to acquire a 25% equity interest of Nanjing City Plaza, the company issued additional share capital of 5,000,000 ordinary shares (the "Consideration Shares") at a price of $0.20 each on 27 February 2004. The price of the Consideration Shares was determined with reference to the closing price of the company's ordinary shares on the Stock Exchange on 28 November 2003.

Redeemable convertible preference shares

The Preference Shares carry no right to dividend distributions to the holders. The Preference Shares carry a right to be converted into fully paid ordinary shares at initial conversion prices of $0.36, $0.60 and $1.00 during Conversion Periods I, II and III, respectively, as set out below.

	'A' Preference Shares	**'B' Preference Shares**
Conversion period I	not more than $1,333,332 equivalent nominal value shall become convertible within a period of 12 months from the date of issue	not more than $946,665 equivalent nominal value shall become convertible within a period of 12 months from the date of issue
Conversion period II	not more than $1,333,332 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue	not more than $946,665 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue
Conversion period III	the balance of $1,333,336 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue	the balance of $946,670 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue

Pursuant to the terms and conditions of the Preference Shares, the Preference Shares may be redeemed by the holders of the Preference Shares at any time subsequent to 50 years after the date of issue at the redemption value of $10.00 per Preference Share.

No Preference Shares were converted or redeemed during the year. Upon full conversion of the Preference Shares into ordinary shares of the company at the predetermined conversion price set out above, an aggregate of approximately 12,413,326 ordinary shares of the company would be issued, which represents approximately 0.75% of the company's existing issued share capital of 1,662,440,000 ordinary shares and approximately 0.74% of the company's enlarged share capital of 1,674,853,326.

(Expressed in Hong Kong dollars)

23 RESERVES

The group

	Share premium	Investment revaluation reserve	General reserve	Capital reserve	Special capital reserve	Accumulated losses (restated)	Total (restated)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2002							
– as previously reported	541,245	–	6,000	5,000	–	(904,490)	(352,245)
– prior year adjustments in respect of deferred tax (note 10)	–	–	–	–	–	(2,268)	(2,268)
As restated	541,245	–	6,000	5,000	–	(906,758)	(354,513)
Bonus share issue	(441,984)	–	–	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	–	–	3,000
Loss for the year	–	–	–	–	–	(72,162)	(72,162)
At 31 March 2003	98,223	3,000	6,000	5,000	–	(978,920)	(866,697)
At 1 April 2003							
– as previously reported	98,223	3,000	6,000	5,000	–	(976,452)	(864,229)
– prior year adjustments in respect of deferred tax (note 10)	–	–	–	–	–	(2,468)	(2,468)
As restated	98,223	3,000	6,000	5,000	–	(978,920)	(866,697)
Capital Reduction (note 22)	–	–	–	–	64,788	894,943	959,731
Share issue expenses (note 22)	(1,010)	–	–	–	–	–	(1,010)
Consideration Shares issued (note 22)	500	–	–	–	–	–	500
Profit for the year	–	–	–	–	–	32,501	32,501
At 31 March 2004	**97,713**	**3,000**	**6,000**	**5,000**	**64,788**	**(51,476)**	**125,025**

(Expressed in Hong Kong dollars)

23 RESERVES (Continued)

Included in the accumulated losses as at 31 March 2004 is a loss of $258,000 (2003: $Nil) attributable to the group's jointly controlled entities.

Negative goodwill in respect of acquisitions made prior to 1 April 2001 was credited directly to the capital reserve. The remaining negative goodwill included in the capital reserve will not be released to the profit and loss account unless the respective subsidiaries are disposed of by the group (note 1(e)).

The application of the share premium reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance. The application of the special capital reserve is governed by the order issued by the Court dated 26 June 2003 in connection with the Capital Reduction, details of the conditions governing the application of such reserve are as follows:

1. the company shall be at liberty to apply the special capital reserve for the same purposes as a share premium account may be applied;

2. the limit in respect of the special capital reserve may be reduced by the amount of any increase, after the effective date of the Capital Reduction, in the paid up share capital or the amount standing to the credit of the share premium account of the company as the result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits; and

3. the limit in respect of the special capital reserve may be reduced upon the reversal or extinguishment of the originating events creating the reserve.

(Expressed in Hong Kong dollars)

23 RESERVES (Continued)

The company

	Share premium $'000	Investment revaluation reserve $'000	General reserve $'000	Special capital reserve $'000	Accumulated losses $'000	Total $'000
At 1 April 2002	541,245	–	6,000	–	(899,202)	(351,957)
Bonus share issue	(441,984)	–	–	–	–	(441,984)
Share issue expenses	(1,038)	–	–	–	–	(1,038)
Surplus on revaluation of other investments	–	3,000	–	–	–	3,000
Loss for the year	–	–	–	–	(72,175)	(72,175)
At 31 March 2003	98,223	3,000	6,000	–	(971,377)	(864,154)
At 1 April 2003	98,223	3,000	6,000	–	(971,377)	(864,154)
Capital Reduction (note 22)	–	–	–	64,788	894,943	959,731
Share issue expenses (note 22)	(1,010)	–	–	–	–	(1,010)
Consideration Shares issued (note 22)	500	–	–	–	–	500
Profit for the year	–	–	–	–	22,780	22,780
At 31 March 2004	**97,713**	**3,000**	**6,000**	**64,788**	**(53,654)**	**117,847**

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Subsidiary disposed

	2004 $'000
Net liabilities disposed of:	
Creditors and accrued charges	–
Satisfied by:	
– Cash consideration	10

(b) Non-cash transaction

Payments for the acquisition of a jointly controlled entity of $91,782,000 represent the cash consideration of $90,000,000 and the direct costs associated with the acquisition of $1,782,000. In addition, the company issued the Consideration Shares of $1,000,000 divided into 5,000,000 shares at $0.20 each.

(Expressed in Hong Kong dollars)

25 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2004 not provided for in the financial statements were as follows:

	Notes	**2004** **$'000**	2003 $'000
Contracted, but not provided for			
The group			
Acquisition of a subsidiary	(i)	**400,000**	400,000
Construction of properties under development	(ii)	**159,930**	–
Acquisition of other investments	(iii)	**35,100**	–
		595,030	400,000
The company			
Acquisition of a subsidiary	(i)	**400,000**	400,000
The group's share of capital commitments of jointly controlled entities			
Construction of properties under development	(ii)	**159,930**	–

Notes:

(i) In 2000, the group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited ("Growing China"), a company incorporated in the British Virgin Islands, at a consideration of $400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chendu in the Sichuan Province, the PRC. Part of the consideration of $340,000,000 is expected to be satisfied by the issue and allotment of approximately 301,000,000 new ordinary shares of the company and the remaining balance of $60,000,000 in cash. The agreement has yet to become unconditional and parties to the agreement agreed on 19 December 2000 to extend the long stop date of the agreement to such date as the parties may agree in writing. In the opinion of the directors of the company, unless the parties mutually agree to complete the acquisition, no payment under the agreement will be made within the next twelve months from the date of this report.

(ii) Amounts relating to the group's share of capital commitments of jointly controlled entities themselves for the year ended 31 March 2004 included in the above amounted to $159,930,000 (2003: $Nil).

(Expressed in Hong Kong dollars)

25 COMMITMENTS (Continued)

(a) (Continued)

Notes: (Continued)

(iii) On 11 December 2003, the group entered into a subscription agreement with Gobi Fund Inc. and Gobi Partners, Inc. and agreed to subscribe for 12 units of the Gobi Fund at an aggregate consideration of US$6,000,000 (equivalent to approximately $46,800,000). As at 31 March 2004, the group paid US$1,500,000 (equivalent to approximately $11,700,000) which represent the first installment paid to subscribe the Gobi Fund (note 14).

(b) At 31 March 2004, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2004	2003
	$'000	$'000
The group		
Within 1 year	**246**	–
After 1 year but within 5 years	**350**	–
	596	–
The company		
Within 1 year	**33**	–

26 RETIREMENT BENEFITS SCHEME

The group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the group and administered by an independent trustee. Under the MPF Scheme, the group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees.

(Expressed in Hong Kong dollars)

27 MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions, which the directors consider material to the group during the year, are summarised as follows:

	Notes	2004 $'000	2003 $'000
Subscription of the Open Offer Shares	(a)	**64,816**	–
Legal and professional fee paid to related companies		**834**	–
Rental expense paid to a related company		**219**	–
Interest income from a jointly controlled entity	(b)	**63**	–
Interest expense to a related company	(b)	**351**	31

Notes:

(a) During the year, the company issued an additional ordinary share capital of $132,595,000 by issuing 1,325,952,000 Open Offer Shares (note 22(b)). The Open Offer was under-subscribed. Ace Solomon Investments Limited and Allied Luck Trading Limited, companies under common directorship, subscribed for the under-subscribed approximately 648,160,000 shares at par value of $0.10 each.

(b) Balances with related parties at 31 March are included in amounts due from/to the respective parties in the balance sheets. These balances are interest free and have no fixed terms of repayment, except those disclosed in notes 13 and 19.

28 CONTINGENT LIABILITY

At the balance sheet date, there was a contingent liability of the group's jointly controlled entity in respect of a counter guarantee for banking facilities drawn by the group's jointly controlled entity amounted to RMB118,000,000.

29 POST BALANCE SHEET EVENTS

Pursuant to a subscription agreement dated 19 March 2004 and the supplemental agreement dated 30 March 2004, and subsequent approval by the company's shareholders at an extraordinary general meeting on 2 June 2004, a wholly owned subsidiary of the company agreed to acquire a 37.25% equity interest of Rongzhong Group Limited. The consideration was agreed at RMB62,000,000 payable in cash. In relation to this subscription, the company entered into a convertible note subscription agreement with Wah Link Investments Limited ("Wah Link"), a company under common directorship, whereby Wah Link agreed to subscribe to the company's convertible note in the principal amount of $70,000,000. The completion of the transaction is subject to the fulfilment or, as the case may be, waiver of all conditions precedents as set out in the company's circular dated 14 May 2004.

30 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

(Expressed in Hong Kong dollars)

RESULTS

	Year ended 31 March				
	2004	2003 (restated)	2002	2001	2000
	$ Million	$ Million	$ Million	$ Million	$ Million
Turnover	**23.4**	23.2	23.1	23.2	22.7
Profit/(loss) from ordinary activities before taxation	**33.4**	(71.0)	(79.0)	(1,124.3)	(51.8)
Taxation	**(0.9)**	(1.2)	–	(0.1)	(0.5)
Profit/(loss) attributable to shareholders	**32.5**	(72.2)	(79.0)	(1,124.4)	(52.3)

ASSETS AND LIABILITIES

	As at 31 March				
	2004	2003 (restated)	2002	2001	2000
	$ Million	$ Million	$ Million	$ Million	$ Million
Total assets	**519.5**	360.5	482.9	591.1	1,500.8
Total liabilities	**(221.4)**	(227.5)	(355.8)	(698.7)	(812.5)
Net assets/(liabilities)	**298.1**	133.0	127.1	(107.6)	688.3

Principal Properties

A. INVESTMENT PROPERTIES

	Location	Tenure of lease	Group's interest	Existing use
1.	Various shop units on the basement, ground, first, second and third floors and the exterior walls of Golden Plaza, 745-747 Nathan Road, Mongkok Kowloon Hong Kong	Long term	100%	Retail shops
2.	Fifth floor and roof 116 Shanghai Street Kowloon Hong Kong	Medium term	100%	Residential purpose

B. PROPERTIES UNDER DEVELOPMENT

Location	Site area (square meter)	Gross floor area (square meter)	Use	Stage of completion	Expected date of completion	Effective %
Nanjing International Center Tongjia Avenue (North) Zhongyanlu (West) Zhongyanmen Jiedao, Gulou District Nanjing, the PRC	35,422	Phase I – 228,000	Residential, office and hotel	Superstructure completed	2006	16.74%
		Phase II – 218,000	Office and hotel	Planning stage	2008	16.74%