1. GENERAL INFORMATION

The Company is incorporated in Hong Kong with limited liability and has its shares listed on the Stock Exchange. On 26 August 2002, the name of the Company was changed from imGO Limited 建聯通有限公司 to Shanghai Land Holdings Limited 上海地產控股有限公司. The trading of the Company's shares on the Stock Exchange has been suspended since 2 June 2003 at the request of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are property investment, hotel investment and property development in the PRC. The Group was engaged in wireless technology investment and property investment activities in Hong Kong in the previous year.

On 29 May 2003, it was widely reported that Mr. Chau, the Chairman of the Company and a controlling shareholder of the Company, had been arrested in the PRC. Madam Mo Yuk Ping, the general manager of the Company and the ex-director of certain subsidiaries of the Company, was questioned by the ICAC and subsequently released on bail on 3 June 2003 with bail set at HK$10,000,000. Between 25 May 2003 and 5 June 2003, the remaining Board members were informed that Hongxin and Longbai were engaged in two purported loan transactions in the PRC in which the two subsidiaries purportedly borrowed an aggregate amount of RMB650,000,000 and then deposited and/or advanced funds largely equivalent to the purported loans to two PRC entities.

On 5 June 2003, a notice of the meeting of directors was given to all directors of the Company pursuant to the Company's Articles of Association. The Company held a meeting of the Board on 6 June 2003 which was attended by one Executive Director (Mr. Koo Hoi Yan, Donald) and four Non-Executive Directors (Ms. Fan Cho Man, Mr. Tan Lim Heng, Mr. Liu Lit Man and Mr. Mok Chiu Kuen) (collectively the "HK Directors"). A quorum was therefore present and the HK Directors unanimously resolved that the Company's solicitors should apply to the Court for the appointment of receivers to protect the assets of the Company. The Receivers were appointed on 7 June 2003 pursuant to the Order of the High Court of Hong Kong, inter alia, to take all appropriate actions to preserve the assets of the Company, to carry on the businesses of the Company and to do all such other things as reasonably necessary for the purpose of protecting the value of the Company's assets and its businesses.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a. Disclaimers of liabilities by the Receivers and the Board

The Receivers were appointed on 7 June 2003 and do not have detailed knowledge of the financial and operational affairs of the Group, particularly, in relation to transactions entered into by the Group prior to their appointment. The books and records of the Group in Hong Kong have been seized by the ICAC for the purpose of conducting its investigation. Furthermore, certain original documents of Longbai are not available and the Receivers have only had limited access to the books and records of Hongxin, both wholly-owned subsidiaries of the Company. Such documents and records are currently kept by Shanghai Nongkai in the PRC. The Receivers are in the process of gathering information on the Group from various sources including the ICAC. Notwithstanding the Receivers' continued efforts in ascertaining the affairs of the Group, the Receivers did not have access to all necessary books and records to prepare accurate and complete financial statements for the Group. Owing to the recent developments of the Company, including the limited access to the books and records of the Group and the identification of two purported loan transactions in the PRC, the Board is also unable to give an unqualified representation on the accuracy and completeness of the financial statements of the Group.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Continued)*

a. Disclaimers of liabilities by the Receivers and the Board *(Continued)*

As such, the Receivers and the Board are unable to give an unqualified representation that all transactions affecting the Group during the year ended 30 June 2003 have been included in the financial statements and also as to whether the financial statements present a true and fair view of the Group's operations and the cash flows for the year ended 30 June 2003 and financial position as at 30 June 2003. The Receivers therefore disclaim any liabilities on the financial statements of the Group in relation to the affairs of the Group for the year ended 30 June 2003. Further, the Board at a meeting on 27 October 2003 has resolved to disclaim any liabilities in respect of the financial statements of the Group for the year ended 30 June 2003.

b. Accounting records and documents of subsidiaries

The accounting records and relevant documents of Hongxin and certain original documents of Longbai are currently kept by Shanghai Nongkai in the PRC and the Receivers have only had limited access to these records and/or documents. As a consequence, they have been unable to satisfy themselves as to whether certain balances relating to Hongxin and Longbai have been properly accounted for in the financial statements.

Bowyer appointed Shanghai Nongkai as manager to act on its behalf for all matters relating to the leasing of its investment properties at a monthly fee of RMB200 and to act as trustee to receive income and to make payments of expenses related thereto for the period from 31 December 2002 to 31 December 2004. Shanghai Nongkai is responsible for preparing a monthly financial report in respect of the leasing status and cash position of Bowyer's investment properties. However, the Receivers have not yet been able to obtain sufficient information and documents from Shanghai Nongkai to ascertain whether certain balances relating to Bowyer have been properly accounted for in the financial statements.

c. Hongxin and Longbai

The Receivers have taken over the management of all the Company's subsidiaries on 13 June 2003, except for Hongxin and Longbai. The Receivers have applied to the Shanghai AIC to replace the board of directors and legal representatives of Hongxin and Longbai and are now awaiting the Shanghai AIC's approval of the proposed replacements. They have also lodged police reports against the existing legal representatives of Hongxin and Longbai for contract fraud and deception. The Receivers' PRC legal advisors are of the opinion that the Receivers, acting as the shareholders of Hongxin and Longbai, should soon be in a position to exercise the shareholders' rights to secure control of the management and operations of Hongxin and Longbai upon completion of the registration procedures required by the Shanghai AIC.

The major assets of Hongxin and Longbai, being the property under development and hotel properties respectively, were allegedly secured against two purported loans advanced thereto. As a result of the decrease in the carrying values of the property under development and hotel properties at 30 June 2003 to HK$198,000,000 and HK$361,000,000 respectively, both Hongxin and Longbai have net liabilities at 30 June 2003. According to the information made available to the Receivers, funds largely equivalent to the purported loans were deposited and/or advanced to two PRC entities as detailed in Notes 21c(ii) and 21g to the financial statements. Should these receivables become irrecoverable and the proceeds from realisation of the above properties be insufficient to cover the purported loans and outstanding interest as explained in Note 34e to the financial statements, Hongxin and Longbai might have a going concern problem.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Continued)*

d. Measurement basis

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of certain fixed assets and non-trading securities, as explained in the principal accounting policies as set out below.

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants ("HKSA") which became effective for the current year. The new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these new and revised SSAPs are summarised as follows:

SSAP 1 (Revised) "Presentation of financial statements"

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 29 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) "Foreign currency translation"

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the income statements of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no significant effect on the financial statements.

SSAP 15 (Revised) "Cash flow statements"

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates ruling at the balance sheet date, and the definition of cash and cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policy for "Cash and cash equivalents" in Note 4t to the financial statements.

SSAP 33 "Discontinuing operations"

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. This SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of this SSAP is that more extensive disclosures concerning the Group's discontinuing operations are now included in the consolidated income statement and Note 8 to the financial statements.

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(Continued)*

SSAP 34 "Employee benefits"

SSAP 34 prescribes the recognition and measurement criteria apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has had no effect on the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as disclosed in Note 27 to the financial statements. These share option scheme disclosures are similar to the disclosures required in accordance with the Listing Rules previously included in the Directors' Report, which are now included in the notes to the financial statements as a consequence of the adoption of this SSAP. Further details are included in the accounting policy for "Employee benefits" in Note 4p to the financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

These financial statements have been prepared in accordance with all applicable SSAPs and Interpretations issued by the HKSA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

b. Basis of consolidation

(i) The consolidated financial statements include the financial statements of the Company and all its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the effective dates of the acquisition or disposal, as appropriate. All material intra-group transactions and balances within the Group are eliminated on consolidation.

(ii) Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated income statement when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill that has not been recognised in the consolidated income statement and any relevant reserves as appropriate.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c. Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

d. Non-trading securities

Non-trading securities are stated in the balance sheet at the higher of their aggregate fair value and/or the exercise price under the Put Option Agreement. Changes in valuation are dealt with in the investment revaluation reserve until the securities are sold, or otherwise disposed of, or until there is objective evidence that the securities are impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the income statement.

Profits or losses on disposal of non-trading securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the securities and are accounted for in the income statement as they arise.

e. Investment properties

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

Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. The net surplus or deficit on revaluation is taken to investment property revaluation reserve except when a deficit arises, whereupon it is charged to the income statement, if and to the extent that it exceeds the amount held in investment property revaluation reserve immediately prior to the revaluation; and when a surplus arises, it is credited to the income statement, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the income statement. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is transferred to the income statement for the year.

No depreciation is provided for investment properties with an unexpired lease term over 20 years.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f. Hotel properties

Hotel properties, which represent interests in land and buildings and their integral fixed plant and machinery which are used collectively for hotel operations, are stated at their open market values based on independent professional valuations at the balance sheet date.

No depreciation is provided in respect of hotel properties held on leases of more than 20 years. It is the Group's policy to maintain the hotel properties in such condition that their residue value is not currently diminished by the passage of time. Accordingly, the directors consider that the lives of these assets and their residual values are such that any depreciation would be insignificant. The related maintenance and repairs expenditure is charged to the income statement when incurred.

g. Property under development

Property under development held for investment purpose is stated at cost less impairment losses. Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period.

No depreciation will be provided until the development is completed and ready for use and reclassified to appropriate category of fixed assets.

h. Other fixed assets and depreciation

Other fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of other fixed assets comprises the purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the other fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the other fixed assets, the expenditure is capitalised as an additional cost of the assets.

Depreciation of other fixed assets is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, taken as being between three and ten years.

On disposal of other fixed assets, the gain or loss on disposal is determined as the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the income statement.

i. Impairment of assets

At each balance sheet date, both internal and external sources of information are reviewed to consider whether there is any indication that assets may have been impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the carrying amount of an asset to its recoverable amount. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price. Such impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i. Impairment of assets *(Continued)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

j. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis while net realisable value is based on the estimated selling prices less direct selling costs.

k. Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, revenue is recognised in the income statement as follows:

(i) Rental income receivable under operating leases is recognised in the income statement in equal installments over the accounting periods covered by the respective lease terms;

(ii) Revenue from hotel investment is recognised when services are rendered; and

(iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the effective interest rate applicable.

l. Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the respective lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the respective lease terms.

m. Taxation

The charge for taxation is based on the results for the period as adjusted for items that are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

n. Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of the Group's overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

o. Provisions and liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group and the Company have 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 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.

p. 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 Funds for all Hong Kong employees as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

(iii) 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 that is without realistic possibility of withdrawal.

4. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

p. Employee benefits *(Continued)*

(iv) Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the subsidiaries' PRC staff are to be made monthly to a government agency based on 29.5% of the standard salary set by the provincial government, of which 22.5% is borne by the subsidiaries and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The contributions are charged to the income statement when incurred.

q. Share option scheme

The Company operates a share option scheme for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage the participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The financial impact of share options granted under the share option scheme is not recorded in the Company's nor the Group's balance sheets until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

r. Borrowing costs

Borrowing costs are expensed in the income statement 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 a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of the qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

s. Related parties

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.

t. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

u. Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables, fixed assets and operating cash. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, financial and corporate income and expenses.

5. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents income from hotel investment and rental income from investment properties earned during the year and is analysed as follows:

Business segments

Business segment analysis is chosen as the primary reporting format as the Group's results were principally affected by property investment, hotel investment and property development activities during the current year and property investment and wireless technology investment activities in the previous year.

	Hotel investment		Property investment		Property development		Wireless technology investment		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	13,290	–	1,816	11,954	–	–	–	–	15,106	11,954
Segment results	3,058	–	1,445	8,655	–	–	(181)	(19,478)	4,322	(10,823)
Interest income									26,737	50,486
Unallocated administrative expenses net of other revenue									(31,874)	(18,788)
Profit/(loss) from operations									(815)	20,875
Loss on disposal of subsidiaries	–	–	–	(40,297)	–	–	–	–	–	(40,297)
Impairment losses on non-trading securities	–	–	–	–	–	–	–	(26,266)	–	(26,266)
Deficit on revaluation of investment and hotel properties	(111,500)	–	(12,360)	–	–	–	–	–	(123,860)	–
Impairment losses on property under development	–	–	–	–	(136,925)	–	–	–	(136,925)	–
Negative goodwill recognised as income	3,171	–	309	–	–	–	–	–	3,480	–
Finance costs									(2,716)	–
Loss from ordinary activities before taxation									(260,836)	(45,688)
Taxation	–	–	(477)	(564)	–	–	–	–	(477)	(564)
Loss attributable to shareholders									(261,313)	(46,252)

5. TURNOVER AND SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

	Hotel investment		Property investment		Property development		Wireless technology investment		Unallocated		Consolidated	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	610,904	–	23,862	–	855,640	–	–	101,684	–	–	1,490,406	101,684
Unallocated assets											1,247,597	2,252,172
Total assets											2,738,003	2,353,856
Segment liabilities	(337,465)	–	(1,711)	–	(293,867)	–	–	–	–	–	(633,043)	–
Unallocated liabilities											(16,489)	(4,072)
Total liabilities											(649,532)	(4,072)
Other segment information:												
Capital expenditure incurred during the year	474,284	–	45,360	–	334,925	–	–	79,672	4,080	131	858,649	79,803
Depreciation	202	–	–	–	–	–	–	–	1,283	1,195	1,485	1,195

Geographical segments

No geographical analysis is provided as the property investment, hotel investment and property development activities for the year ended 30 June 2003 were all carried out in the PRC. All property investment activities for the year ended 30 June 2002 were carried out in Hong Kong. The wireless technology investment segment did not generate any revenue during both financial years.

6. OTHER REVENUE

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Interest income	26,737	50,486
Sundry income	1,234	337
	27,971	50,823

7. PROFIT/(LOSS) FROM OPERATIONS

The profit/(loss) from operations is arrived at after charging/(crediting):

		The Group	
		2003	**2002**
	Note	*HK$'000*	*HK$'000*
Staff costs, including retirement scheme contributions of HK$163,000 (2002: HK$183,000) and excluding directors' remuneration		9,441	18,990
Depreciation	17	1,485	1,195
Operating lease charges – office rental		4,790	2,443
– equipment rental		23	23
		4,813	2,466
Auditors' remuneration		500	416
Impairment losses on other fixed assets		–	763
Cost of services rendered		5,096	–
Rental income from investment properties less outgoings of HK$356,000 (2002: HK$603,000)		(1,460)	(11,351)
(Gain)/loss on disposal of other fixed assets		(17)	436

8. DISCONTINUED OPERATIONS

a. Pursuant to a resolution passed at an extraordinary general meeting held on 25 March 2003, the Company exercised its rights under the Put Option Agreement to dispose of all the wireless technology companies held by the Group to Investor imGO for a consideration equal to the aggregate net book values of the investments of US$13,037,500 (equivalent to approximately HK$101,684,000). The exercise of the Put Option was completed on 28 March 2003 and there was no profit or loss arising from the disposal. There was also no tax charge or credit arising from the disposal. The proceeds were received on 1 April 2003.

The above cash inflow of approximately HK$101,684,000 was however placed with the Company's subsidiary, Great Hero Limited, and HK$53,157,294 of which was subsequently transferred to GCL for and on behalf of Hongxin without proper cause, details of which are set out in Note 21b to the financial statements.

The carrying amounts of the total assets and total liabilities disposed of are detailed in Note 29c to the financial statements.

The turnover, other revenue, expenses, results and cash flows of the discontinued operations of the wireless technology segment included in the financial statements are as follows:

	1 July 2002 to 28 March 2003	**Year ended 30 June 2002**
	HK$'000	*HK$'000*
Turnover	–	–
Direct expenses	–	–
	–	–
Other revenue	–	–
Administrative expenses	(181)	(19,478)
Impairment losses on non-trading securities	–	(26,266)
Loss attributable to shareholders	(181)	(45,744)
Net cash outflow from operating activities	(181)	(19,478)
Net cash outflow from investing activities	–	(79,672)
Total net cash outflow	(181)	(99,150)

8. DISCONTINUED OPERATIONS *(Continued)*

b. During the year ended 30 June 2002, the Group discontinued its property investment activities in Hong Kong following the disposal of its equity interest in each of its three wholly-owned subsidiaries that held the properties, Supreme Goal Investments Limited, W.C.H. Limited and Wanchai Property Investment Limited, for a total consideration of HK$606,042,000. The transfer of equity interest was completed and the proceeds were received on 21 November 2001 which resulted in a loss on disposal of subsidiaries of HK$40,297,000. There was no tax charge or credit arising from the disposal.

The carrying amounts of the total assets and total liabilities disposed of are detailed in Note 29c to the financial statements.

The turnover, other revenue, expenses, results and cash flows of the discontinued operations of the property investment activities in the Hong Kong segment included in the financial statements are as follows:

	1 July 2001 to 21 November 2001 *HK$'000*
Turnover	11,954
Direct expenses	(603)
	11,351
Other revenue	155
Other operating expenses	(309)
Administrative expenses	(2,542)
Profit from ordinary activities before taxation	8,655
Taxation	(564)
Profit attributable to shareholders	8,091
Net cash inflow from operating activities	8,091

9. IMPAIRMENT LOSSES ON NON-TRADING SECURITIES

Impairment losses on non-trading securities in 2002 represented the write down of the Group's and the Company's equity interests in the wireless technology companies and a convertible debt advanced to a wireless technology company.

10. FINANCE COSTS

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Interest expenses on loans wholly repayable within five years		
– Purported loans	2,338	–
– Secured bank loans	378	–
	2,716	–

11. TAXATION

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Hong Kong	–	564
Elsewhere in the PRC	477	–
	477	564

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits for the current year. Hong Kong profits tax in 2002 was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong for that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

12. DIRECTORS' REMUNERATION

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

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Fees	1,744	1,235
Salaries, allowances and benefits in kind	2,300	461
Retirement scheme contributions	15	–
	4,059	1,696

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

12. DIRECTORS' REMUNERATION *(Continued)*

In the previous year, benefits in kind included the value of the Options granted to certain directors under the Company's share option scheme as approved by the shareholders on 23 October 2001. On 20 June 2002, an unconditional cash offer was made by BOCI Asia Limited, on behalf of New Nongkai to all Optionholders to surrender and cancel their Options under the share option scheme for a consideration of HK$0.07 for each Option. As all the Optionholders accepted the cash offer, the Options were valued at the offer price of HK$0.07 for each Option.

Included in the above are the following remunerations paid to Independent Non-Executive Directors:

	2003	**2002**
	HK$'000	*HK$'000*
Fees	195	312
Benefits in kind	–	301
	195	613

The number of directors whose remuneration falls within the following bands is as follows:

	Number of directors	
	2003	**2002**
HK$Nil – HK$1,000,000	18	17
HK$2,000,001 – HK$2,500,000	1	–
	19	17

13. REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest remuneration, two of them are directors of the Company (2002: none of them was a director of the Company). The aggregate of the remuneration in respect of the three (2002: five) non-director, highest paid individuals is as follows:

	2003	**2002**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,569	12,121
Bonuses	61	5,954
Retirement scheme contributions	34	82
	1,664	18,157

13. REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The number of non-director, highest paid individuals whose remuneration falls within the following bands is as follows:

	Number of individuals 2003	2002
HK$Nil – HK$1,000,000	3	–
HK$1,500,001 – HK$2,000,000	–	3
HK$4,500,001 – HK$5,000,000	–	1
HK$8,000,001 – HK$8,500,000	–	1
	3	5

14. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The Group's loss attributable to shareholders included a profit of HK$11,182,000 (2002: a loss of HK$46,252,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders for the year of HK$261,313,000 (2002: HK$46,252,000) and on 3,051,438,765 (2002: 3,051,438,765) ordinary shares in issue during the year.

No diluted loss per share is presented as the potential issue of ordinary shares in connection with the Company's share options did not give rise to an increase in loss per share and therefore had no dilutive effect on the calculation of diluted loss per share.

16. NON-TRADING SECURITIES

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At fair value:				
Club debenture	2,000	2,000	2,000	2,000
Unlisted equity securities	–	99,734	–	–
Unlisted debt securities	–	1,950	–	–
	2,000	103,684	2,000	2,000

Unlisted equity securities and debt securities at 30 June 2002 represented the Group's equity interests in five technology companies and convertible debt advanced to one of them. Pursuant to the terms of the Put Option Agreement, the Company exercised the Put Option to dispose of all the wireless technology investments held by the Group to Investor imGO for a consideration equal to the aggregate net book value of the investments of US$13,037,500 (equivalent to approximately HK$101,684,000) plus reimbursement of certain agreed related expenses during the year.

16. NON-TRADING SECURITIES *(Continued)*

Included in the unlisted equity securities at 30 June 2002 was the Group's interest in a technology company, China Greens Limited, a company incorporated in the Cayman Islands, in which the Group had a 50% interest in the issued preference shares thereof (being 27.6% of total issued share capital) at that date. This investment was accounted for as non-trading security rather than as an associate using the equity method of accounting, as the investment was acquired and held exclusively prior to its subsequent disposal.

17. FIXED ASSETS

The Group

	Investment properties	Hotel properties	Property under development	Other fixed assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:					
At 1 July 2002	–	–	–	2,891	2,891
Acquisition of subsidiaries	45,360	472,500	330,750	8,746	857,356
Additions	–	–	4,175	4,153	8,328
Disposals	–	–	–	(423)	(423)
Deficit on revaluation	(12,360)	(111,500)	–	–	(123,860)
At 30 June 2003	33,000	361,000	334,925	15,367	744,292
Accumulated depreciation and impairment:					
At 1 July 2002	–	–	–	2,160	2,160
Acquisition of subsidiaries	–	–	–	7,035	7,035
Charge for the year	–	–	–	1,485	1,485
Impairment during the year recognised in the consolidated income statement	–	–	136,925	–	136,925
Disposals	–	–	–	(71)	(71)
At 30 June 2003	–	–	136,925	10,609	147,534
Net book value:					
At 30 June 2003	33,000	361,000	198,000	4,758	596,758
At 30 June 2002	–	–	–	731	731
Analysis of cost or valuation:					
At cost	–	–	334,925	15,367	350,292
At valuation	33,000	361,000	–	–	394,000
	33,000	361,000	334,925	15,367	744,292

17. FIXED ASSETS *(Continued)*

The Company

	Other fixed assets
	HK$'000
Cost:	
At 1 July 2002	2,891
Transfer to a subsidiary	(2,891)
At 30 June 2003	–
Accumulated depreciation:	
At 1 July 2002	2,160
Charge for the year	35
Transfer to a subsidiary	(2,195)
At 30 June 2003	–
Net book value:	
At 30 June 2003	–
At 30 June 2002	731

The Group's properties are situated in the PRC and are held under the following lease terms:

	HK$'000
At cost or valuation:	
Long term lease	334,925
Medium term lease	394,000
	728,925

a. Investment properties

The Group's investment properties, held by Bowyer, were revalued at 30 June 2003 by DTZ Debenham Tie Leung Limited ("DTZ Debenham"), an independent professionally qualified property valuer, on an open market basis in their existing state and subject to any existing tenancies. As a result of the appraisal, a deficit on revaluation of HK$12,360,000 was charged to the consolidated income statement. The investment properties are leased to third parties under operating leases, further details of which are set out in Note 32a to the financial statements.

Location	Lease expiry	Use	Approximate floor area *(sq.m.)*	The Group's interest
Units 202, 501, 503, 504, 505, 506, 705, 907, 908 and the whole of level 30	23 February 2044	Commercial	2,455.93	100%
Car parks on 2 basement levels Jun Ling Plaza 500 Chengdu North Road, Huangpu District, Shanghai, the PRC	23 February 2044	Car park	2,009.28	100%

17. FIXED ASSETS *(Continued)*

b. Hotel properties

The Group's hotel properties, held by Longbai, were revalued at 30 June 2003 by DTZ Debenham, on an open market in their existing state. As a result of the appraisal, a deficit on revaluation of HK$111,500,000 was charged to the consolidated income statement.

The hotel properties have allegedly been pledged to the SRCC for a loan of RMB350,000,000 (equivalent to HK$330,750,000) purportedly granted to Longbai, details of which are set out in Note 24b to the financial statements.

Location	Lease expiry	Use	Approximate floor area *(sq.m.)*	The Group's interest
2451 Hong Qiao Road, Chang Ning District, Shanghai, the PRC	27 August 2035	Tourism	31,365	100%

c. Property under development

The Group's property under development, held by Hongxin, was valued at the higher of net selling price and value in use. The net selling price at 30 June 2003 was revalued by DTZ Debenham, on an open market value basis, as a bare site with a site area of 96,317 square metres and the development potential of a gross floor area of 105,949 square metres. As a result, impairment losses of HK$136,925,000 were charged to the consolidated income statement.

The property under development has allegedly been pledged to the SRCC for a loan of RMB300,000,000 (equivalent to HK$283,500,000) purportedly granted to Hongxin, details of which are set out in Note 24a to the financial statements.

Location	Lease expiry	Use	Stage of completion	Estimated completion date*	The Group's interest
Lot Number 26, Wuzhong Road, Hong Qiao Town, Shanghai, the PRC	7 March 2066	Residential	Two occupiers yet to vacate	December 2005	100%

* Pursuant to the Supplementary Document No. (2002) 499 issued by the Shanghai Housing and Land Resources Administrative Bureau on 5 September 2002 (上海市房屋土地資源管理局文件滬房地產用[2002]499號－關於同意閔行區虹橋鎮吳中路26號地塊延長建設期限通知), the building convenant period has been extended to December 2005. The Receivers and the Board considered that any further capital expenditure on the property under development is currently deemed inappropriate.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2003	**2002**
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	1,159,033	105,295
Less: Provision for doubtful debts	(809)	(814)
	1,158,224	104,481

18. INTERESTS IN SUBSIDIARIES *(Continued)*

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Percentage of equity interest attributable to the Company 2003	2002	Nominal value of issued ordinary/ registered share capital	Principal activities
Gold Favour Limited ("Gold Favour")	Hong Kong/ Hong Kong	100	–	Ordinary HK$2	Provision of nominee and secretarial services
Capital Sky Limited ("Capital Sky")	BVI/ Hong Kong	100	–	Ordinary US$1	Investment holding
Remix Holdings Limited	BVI/ Hong Kong	100	–	Ordinary US$1	Investment holding
China Horizon Limited ("China Horizon")	BVI/ Hong Kong	100	–	Ordinary US$1	Investment holding
City King Limited	BVI/ Hong Kong	100	–	Ordinary US$1	Investment in money market funds
Profitex Investments Limited	Hong Kong/ Hong Kong	100	100	Ordinary HK$2	Provision of management services
Finance Achieve Limited	BVI	100	–	Ordinary US$1	Not yet commenced business
Great Hero Limited	Hong Kong/ Hong Kong	100	–	Ordinary HK$2	Money lending
King Success Holdings Limited	BVI/ Hong Kong	100	–	Ordinary US$1	Investment holding
Bowyer Profits Limited	BVI/PRC	100	–	Ordinary US$1	Property investment
Eastern Talent Limited	BVI	100	–	Ordinary US$1	Not yet commenced business
Prospect Profits Limited	BVI	100	–	Ordinary US$1	Not yet commenced business
Eastar Development Limited ("Eastar")	BVI/ Hong Kong	100	–	Ordinary US$1	Investment holding
China Honest Limited	Hong Kong/ Hong Kong	100	–	Ordinary HK$10,000,000	Investment holding

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity interest attributable to the Company 2003	2002	Nominal value of issued ordinary/ registered share capital	Principal activities
Shanghai Hongxin Real Estate Development Company Limited	PRC/PRC	100	–	Registered capital US$30,000,000	Property development
Hip Yick Profits Limited ("Hip Yick")	BVI/ Hong Kong	100	–	Ordinary US$1	Investment holding
Shanghai Yihe Longbai Hotel Limited	PRC/PRC	100	–	Registered capital JPY2,255,000,000	Hotel Investment
imGO NDC Ventures Ltd.	Labuan/Korea	–	100	Ordinary US$1	Investment holding
imGO Green Army Investments Limited	BVI/PRC	–	100	Ordinary US$1	Investment holding
imGO IP Infusion Investments Limited	BVI/USA	–	100	Ordinary US$1	Investment holding
imGO InfoTalk Investments Limited	BVI/ Hong Kong	–	100	Ordinary US$1	Investment holding
imGO iSilk Investments Limited	BVI/ Hong Kong	–	100	Ordinary US$1	Investment holding

Notes:

a. All subsidiaries are indirectly held by the Company except for Gold Favour and Capital Sky.

b. In November 2002, China Horizon acquired the entire issued share capital of Bowyer from Mr. Yu Ling at a consideration of HK$33,333,000 including the assignment of a shareholder's loan. Thereafter, China Horizon transferred the investments in Bowyer to King Success at cost on 28 February 2003.

c. In March 2003, King Success acquired the entire issued share capital of Hip Yick and the entire outstanding shareholder's loan to Hip Yick from Ms. Yu Kwo ("Ms. Yu") for a total consideration of RMB400,000,000 (equivalent to approximately HK$381,000,000) (the "Consideration"). Hip Yick is an investment holding company whose sole asset is an investment in a wholly-owned subsidiary, Longbai, which operates the hotel properties. Ms. Yu personally agreed to furnish a profit guarantee to King Success that the net profit after taxation of Longbai for the financial year ending 31 December 2003 shall not be less than RMB20,000,000 (equivalent to HK$18,900,000). King Success retained HK$10,000,000 out of the Consideration and is supposed to pay the amount less the shortfall in profit, if any, to Ms. Yu after 30 business days of the issue of the audited accounts of Longbai for the year ending 31 December 2003.

d. In February 2003, King Success acquired the entire issued share capital of Eastar and the entire outstanding shareholder's loan to Eastar from Mr. Siu Yim Wah for a total consideration of RMB350,000,000 (equivalent to approximately HK$330,762,000). Eastar is an investment holding company whose major asset is an investment in an indirect wholly-owned subsidiary, Hongxin which owns the property under development.

19. NEGATIVE GOODWILL

The amounts of the negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Note	2003 *HK$'000*
Cost:		
Acquisition of subsidiaries and as at 30 June 2003	29b	117,616
Accumulated recognition as income:		
Recognised as income during the year and as at 30 June 2003		3,480
Net book value:		
At 30 June 2003		114,136

20. INVENTORIES

	The Group 2003 *HK$'000*	2002 *HK$'000*
Food and beverages	295	–
Hotel consumables	1,061	–
	1,356	–

Inventories were carried at cost at 30 June 2003.

21. DEBTORS, DEPOSITS AND PREPAYMENTS

	Notes	The Group 2003 HK$'000	The Group 2002 HK$'000	The Company 2003 HK$'000	The Company 2002 HK$'000
Trade debtors with aging analysis	a				
0 – 30 days		514	–	–	–
31 – 60 days		106	–	–	–
61 – 90 days		352	–	–	–
More than 90 days		452	–	–	–
		1,424	–	–	–
Interest receivable		129	2,293	42	2,293
Deposits, prepayments and other receivables					
– Deposit to GCL	b	53,157	–	–	–
– Deposit and advance to Fuyou Securities Brokerage Co., Limited (富友證券經紀有限責任公司) ("Fuyou")	c	369,968	–	–	–
– Advance to Shanghai Mechanic International Trading Limited (上海機械國際貿易有限公司) ("Shanghai Mechanic")	d	210,650	–	–	–
– Prepayment of Hongxin	e	4,168	–	–	–
– Others	f	7,838	4,594	307	1,297
Short term loan receivable:					
– Advance to Shanghai Huatip Trading Limited (上海華疊貿易有限公司) ("Huatip")	g	283,500	–	–	–
		930,834	6,887	349	3,590

Notes:

a. The Group allows an average credit period of 60 days to its customers.

b. Hongxin entered into an agreement on 4 April 2003 with GCL. Pursuant to this agreement, Hongxin paid RMB56,251,105 (equivalent to HK$53,157,294) to GCL as a 30% deposit for the acquisition of construction materials for the Group's property under development. The Receivers considered that no services have actually been provided by GCL and accordingly have commenced a legal action against GCL to recover the deposit, details of which are set out in Note 34b to the financial statements. As at the date of this report, no repayment has been received and the Receivers and the Board are unable to ascertain whether there are sufficient assets in GCL to recover the deposit.

c. Deposit and advance to Fuyou

(i) According to the information made available to the Receivers, Hongxin placed a deposit of RMB44,500,000 (equivalent to approximately HK$42,053,000) to Fuyou on 19 May 2003 for the acquisition of the PRC government bonds and relevant investments to be managed by Fuyou for a period from 19 May 2003 to 18 May 2004. Fuyou should repay the principal together with interest at 6.5% per annum to Hongxin upon expiry of the said period, with a penalty levied on early termination.

(ii) A sum of RMB347,000,000 (equivalent to HK$327,915,000) was advanced to Fuyou by Longbai on 29 April 2003.

The Receivers have met with representatives of Fuyou but have not been able to obtain further information nor confirmation on the balances/amounts repayable by Fuyou as at 30 June 2003 and to ascertain whether these amounts are fully recoverable. The Receivers have demanded a refund of such amounts from Fuyou and have initiated legal actions in the PRC to pursue their recovery.

21. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes: *(Continued)*

d. On 30 May 2003, Hongxin advanced a sum of RMB222,910,000 (equivalent to approximately HK$210,650,000) to Shanghai Mechanic. The Receivers and the Board have not been able to obtain Shanghai Mechanic's confirmation on this loan, and no repayment has been received up to the date of this report. As a result, the Receivers and the Board are unable to ascertain whether this amount is fully recoverable. The Company, through the Receivers, has initiated legal proceedings in the PRC to recover this amount.

e. The nature of the prepayment of Hongxin cannot be verified.

f. Others included an amount of HK$2,386,000 (2002: HK$2,578,000) which represents deposits paid in accordance with tenancy agreements and is thus expected to be recovered after the expiration of the respective leases.

g. Pursuant to a loan agreement dated 13 May 2003, Hongxin advanced a sum of RMB300,000,000 (equivalent to HK$283,500,000) to Huatip, a company established in the PRC. The loan together with interest at 10% per annum was due for repayment on 11 July 2003. The Receivers and the Board have not been able to obtain additional information in this regard. The Company, through the Receivers, has initiated legal action in the PRC against Huatip for full repayment of this amount. As at the date of this report, there are no records of the loan having been repaid by Huatip and the Receivers and the Board are unable to ascertain whether this amount is fully recoverable.

22. CASH, BANK BALANCES AND DEPOSITS

		The Group		The Company	
		2003	**2002**	**2003**	**2002**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances:					
– Bowyer account	a	3,518	–	–	–
– Hongxin and Longbai account	b	78,820	–	–	–
– Others		43,308	2,636	9,564	2,636
		125,646	2,636	9,564	2,636
Deposits with original maturity period within three months when placed		1,195,545	2,239,918	1,195,545	2,239,918
		1,321,191	2,242,554	1,205,109	2,242,554

Notes:

a. Included in cash and bank balances of Bowyer is a balance of RMB3,647,000 (equivalent to approximately HK$3,446,000) maintained in a bank account with the Shanghai Branch of Guangdong Development Bank registered in the name of and operated by Shanghai Nongkai as manager for leasing matters, details of which are set out in Note 33c to the financial statements.

b. The Receivers are unable to ascertain whether the cash and bank balances of Hongxin and Longbai are fairly stated in the financial statements and are free of any charges.

23. CREDITORS AND ACCRUALS

		The Group		The Company	
		2003	**2002**	**2003**	**2002**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors with aging analysis					
0 – 30 days		1,322	1,549	1,017	1,097
31 – 60 days		130	–	–	–
61 – 90 days		347	–	–	–
More than 90 days		303	–	–	–
		2,102	1,549	1,017	1,097
Accrued expenses and other payables	a	21,432	2,523	3,699	2,475
Retention consideration	b	10,000	–	–	–
Rental deposits and rental received in advance		378	–	–	–
		33,912	4,072	4,716	3,572

Notes:

a. Included in accrued expenses and other payables of the Group is an amount of HK$10,367,000 payable by Hongxin. The Receivers have not been able to obtain any information or confirmation for this amount.

b. The retention consideration of HK$10,000,000 was withheld by King Success on the acquisition of its subsidiaries, Hip Yick and Longbai, details of which are set out in Note 18c to the financial statements.

24. PURPORTED LOANS

		The Group	
		2003	**2002**
	Notes	*HK$'000*	*HK$'000*
Repayable:			
Within one year	a	283,500	–
In the third to fifth years, inclusive	b	330,750	–
		614,250	–
Less: Amount included under current liabilities		(283,500)	–
		330,750	–

24. PURPORTED LOANS *(Continued)*

Notes:

a. Pursuant to a purported loan agreement dated 27 March 2003 signed by the legal representative of Hongxin in the PRC, the Group's property under development was purportedly pledged as the alleged security for a loan of RMB300,000,000 (equivalent to HK$283,500,000) purportedly granted from the SRCC to Hongxin for a term of one year commencing from 27 March 2003 with interest payable quarterly and charged at an interest rate of 5.31% per annum. The Receivers have met the representatives of the SRCC who declined to provide information on this purported loan. Neither further information nor confirmation has been received from the SRCC up to the date of this report.

b. Pursuant to a purported loan agreement dated 11 April 2003 signed by the legal representative of Longbai in the PRC, the Group's hotel properties were purportedly pledged as the alleged security for a loan of RMB350,000,000 (equivalent to HK$330,750,000) purportedly granted from the SRCC to Longbai for a term of five years commencing from 18 April 2003 with interest payable quarterly and charged at an interest rate of 5.58% per annum. The Receivers have met the representatives of the SRCC who declined to provide information on this purported loan. Neither further information nor confirmation has been received from the SRCC up to the date of this report.

c. The Receivers believe that the above purported loans had not been duly authorised and approved by the Board.

25. DEFERRED TAXATION

No provision for deferred tax has been made as the Group and the Company had net deferred tax assets, which comprise principally the tax effect of the future benefit of the accumulated tax losses carried forward, the future realisation of which is uncertain.

The principal components of the unprovided deferred tax assets/(liabilities) of the Group and of the Company are as follows:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accelerated depreciation allowances	(175)	–	–	–
Tax losses	3,541	597	597	597
	3,366	597	597	597

26. SHARE CAPITAL

	2003		2002	
	No. of shares		**No. of shares**	
	in '000	*HK$'000*	*in '000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.50 each	40,000,000	20,000,000	40,000,000	20,000,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	3,051,439	1,525,720	3,051,439	1,525,720

27. SHARE OPTION SCHEME

The Company adopted a share option scheme that was approved by the shareholders on 23 October 2001 to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage the participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and its shareholders as a whole. Pursuant to the share option scheme, all directors, full time employees and any other persons who, in the sole discretion of the Board, have contributed to the Group are eligible to participate in the share option scheme.

The share option scheme provides that the subscription price of the Options will be not less than the higher of (i) the closing price of the Shares on the date of grant of the Options; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

The total number of securities available for issue under the share option scheme is 305,143,876 Shares, representing 10% of the issued share capital of the Company as at the date of this Annual Report.

The maximum entitlement of each participant under the share option scheme in any 12-month period must not exceed 1% of the Shares in issue.

The Company will specify the period within which the Options must be exercised at the time of grant. This period must expire no later than 10 years from the date of grant of the Options. The amount payable on acceptance of the Options is HK$1.00. No Options may be granted under the share option scheme after the tenth anniversary of 23 October 2001, the date of adoption of the share option scheme.

Options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

The movements of Options during the year are as follows:

	No. of Options					
Name of Directors	At 1 July 2002	Cancelled during the year	At 30 June 2003	Date of grant of Options	Exercise price of Options *HK$*	Price of the Shares at grant date of Options *HK$*
Tan Lim Heng	300,000	(300,000)	–	27 November 2001	0.75	0.57
Kjell Anders Fredrik Sörme (resigned on 11 July 2002)	300,000	(300,000)	–	27 November 2001	0.75	0.57
David Michael Norman (resigned on 11 July 2002)	300,000	(300,000)	–	27 November 2001	0.75	0.57
William Ping Tai (resigned on 11 July 2002)	4,000,000	(4,000,000)	–	27 November 2001	0.75	0.57
	4,900,000	(4,900,000)	–			

27. SHARE OPTION SCHEME *(Continued)*

A total of 55,500,000 Options to subscribe for the Shares at a subscription price of HK$0.75 each were granted to certain directors and the employees pursuant to the share option scheme. All Options were granted on 27 November 2001. Each of the Optionholders is entitled to exercise 25% of his Options after 27 November 2002 and each subsequent year at the subscription price of HK$0.75 each. The Options are exercisable on a cumulative basis until the expiry date on 27 May 2006, six months after the fourth anniversary of the grant.

On 20 June 2002, an Option Offer was made by BOCI Asia Limited, on behalf of New Nongkai (formerly known as Global Town Limited), to all Optionholders. All the Optionholders accepted the cash offer and 50,600,000 Options were cancelled before 30 June 2002 with 4,900,000 Options remaining outstanding as at 1 July 2002. The remaining 4,900,000 Options were cancelled on or before 11 July 2002.

No Options of the Company were granted, exercised and lapsed during the year or outstanding at 30 June 2003.

28. RESERVES

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share premium				
At 1 July and 30 June	1,830,548	1,830,548	1,830,548	1,830,548
Capital contribution reserve				
At 1 July and 30 June	11,800	11,800	11,800	11,800
General reserve				
At 1 July and 30 June	5,542	5,542	5,542	5,542
Investment revaluation reserve				
At 1 July	1,500	1,500	1,500	1,500
Revaluation deficit	–	(7,799)	–	(7,799)
Impairment losses	–	7,799	–	7,799
At 30 June	1,500	1,500	1,500	1,500
Accumulated losses				
At 1 July	(1,025,326)	(979,074)	(1,025,326)	(979,074)
Profit/(loss) for the year	(261,313)	(46,252)	11,182	(46,252)
At 30 June	(1,286,639)	(1,025,326)	(1,014,144)	(1,025,326)
Total reserves	562,751	824,064	835,246	824,064

28. RESERVES *(Continued)*

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance. The general reserve, investment revaluation reserve and capital contribution reserve have been set up and will be dealt with in accordance with the accounting principles generally accepted in Hong Kong.

There were no distributable reserves of the Company as at 30 June 2003 calculated under Section 79B of the Hong Kong Companies Ordinance (2002: Nil).

PRC laws and regulations require wholly foreign owned enterprises to provide for certain statutory funds, namely, the reserve fund and staff and workers' bonus and welfare fund, which are appropriated from the net profit after taxation but before dividend distribution. Each PRC subsidiary is required to allocate at least 10% of its net profit to the reserve fund until the balance of such fund has reached 50% of its registered capital. Appropriation to the staff and workers' bonus and welfare fund is at the discretion of the subsidiaries' directors.

The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase the capital of the subsidiary. The staff and workers' bonus and welfare fund can only be used for special bonuses or collective welfare of the subsidiary's employees, and assets acquired through this fund shall not be taken as the subsidiary's assets. Appropriations to the staff and workers' bonus and welfare fund have been included as expenses and the balance of the fund as a liability of the Group.

During the year, the subsidiaries in the PRC did not appropriate any amount to these statutory reserve funds as they did not earn any net profit after taxation.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in Note 3 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating, investing and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities and interest received is now included in cash flows from investing activities. The presentation of the 2002 comparative consolidated cash flow statement has been restated to accord with the new layout.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

b. Acquisition of subsidiaries

	Notes	2003 HK$'000	2002 HK$'000
Net assets acquired:			
Investment properties	17	45,360	–
Hotel properties	17	472,500	–
Property under development	17	330,750	–
Other fixed assets	17	1,711	–
Inventories		1,421	–
Debtors, deposits and prepayments		57,585	–
Cash and bank balances		22,293	–
Creditors and accruals		(18,980)	–
Secured bank loans		(48,573)	–
Tax payable		(1,356)	–
		862,711	–
Negative goodwill on acquisition	19	(117,616)	–
		745,095	–
Satisfied by:			
Cash		735,095	–
Other payables	23b	10,000	–
		745,095	–

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003 HK$'000	2002 HK$'000
Cash consideration	(735,095)	–
Cash and cash equivalents acquired	(26,280)	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(761,375)	–

Since their acquisition, the subsidiaries contributed HK$15,106,000 to the Group's turnover and HK$255,152,000 to the Group's loss from ordinary activities before taxation for the year ended 30 June 2003.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

c. Disposal of subsidiaries

	Note	2003 *HK$'000*	2002 *HK$'000*
Net assets disposed of:			
Unlisted equity and debt securities		101,684	–
Investment properties		–	622,553
Debtors, deposits and prepayments		–	1,951
Cash and bank balances		–	40,115
Creditors and accruals		–	(8,897)
Tax payable		–	(383)
Minority interests		–	(9,000)
		101,684	646,339
Loss on disposal of subsidiaries	8	–	(40,297)
		101,684	606,042
Satisfied by:			
Cash received		101,684	606,042

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2003 *HK$'000*	2002 *HK$'000*
Cash consideration received	101,684	606,042
Cash and bank balances disposed of	–	(40,115)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	101,684	565,927

The results of the subsidiaries disposed of during the years ended 30 June 2003 and 2002 are set out in Note 8 to the financial statements.

30. STAFF RETIREMENT SCHEMES

For Hong Kong employees, mandatory contributions to a master trust Mandatory Provident Fund scheme operated by a subsidiary of the Company, are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK$20,000 and the Group's contributions are charged to the consolidated income statement when incurred.

For the PRC employees, contributions to relevant pension funds managed by PRC local governments have been made by the respective PRC subsidiaries.

31. COMMITMENTS

As at 30 June 2003, the Group and the Company had the following capital commitments:

	The Group		The Company	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not yet provided for	633	–	–	–
Authorised, but not yet contracted for	661,500	–	–	–
	662,133	–	–	–

During the year, the Group entered into the Conditional Agreement dated 25 April 2003 to acquire Dé Oriental London from Fortune Harbour, details of which are set out in Note 33b to the financial statements.

32. OPERATING LEASE ARRANGEMENTS

a. As lessor

The Group leases its investment properties (Note 17a to the financial statements) under operating lease arrangements and the terms of the leases generally do not exceed four years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

In addition, the Group also sub-lets its office properties under sub-tenancy agreements for terms of two to three years.

As at 30 June 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Investment properties		Sub-tenancy of office properties		Total	
	2003	2002	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	1,373	–	4,589	–	5,962	–
Later than one year, but not later than five years	425	–	3,251	–	3,676	–
	1,798	–	7,840	–	9,638	–

32. OPERATING LEASE ARRANGEMENTS *(Continued)*

b. As lessee

The Group leases the office properties, staff quarters and certain office equipment under operating lease arrangements and the terms of the leases are ranging from two to five years.

As at 30 June 2003, the total future minimum lease payments under non-cancellable operating leases in respect of the office properties, staff quarters and certain office equipment of the Group and the Company were payable as follows:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	7,911	7,042	23	1,189
Later than one year, but not later than five years	5,608	13,373	33	–
	13,519	20,415	56	1,189

33. RELATED PARTY TRANSACTIONS

The related party transactions disclosed below are prepared based on the information available to the Receivers and the Board. The Receivers and the Board are not able to verify the completeness, accuracy and/or the pricing policy of the related party transactions:

a. Profitex entered into sub-tenancy agreements with two affiliated companies, which were Worldmark, a wholly-owned subsidiary of Shanghai Merchants, in which Mr. Chau had approximately 63.18% beneficial equity interest at the time of execution of the relevant sublease, and Shun Loong, a company wholly-owned by Mr. Chau at that time, on arm's length terms and based on the actual rental paid by Profitex to the independent landlord. Profitex also entered into a management agreement with Worldmark for the provision of human resources, administration and secretarial services for a monthly management fee calculated on a cost basis. The rental income and management fee income from these companies during the year and the balance due from these companies as at 30 June 2003 are as follows:

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Rental income from Worldmark	515	–
Rental income from Shun Loong	391	–
Management fee from Worldmark	429	–
Rental receivable from Worldmark	113	–
Rental receivable from Shun Loong	629	–

Rentals receivable from Worldmark and Shun Loong are unsecured, interest bearing at 12% per annum compounded daily and repayable on demand.

33. RELATED PARTY TRANSACTIONS *(Continued)*

b. On 25 April 2003, King Success entered into the Conditional Agreement with Fortune Harbour and Mr. Chau, pursuant to which (inter alia) King Success conditionally agreed to purchase and, Fortune Harbour conditionally agreed to sell (i) the entire issued share capital and the entire shareholder's loan as at Completion of Artic Star; and (ii) the entire issued share capital and the entire shareholder's loan as at Completion of Hero Palace, for a consideration of RMB700,000,000 (equivalent to HK$661,500,000), subject to downward adjustment. Mr. Chau, as a guarantor to King Success for Fortune Harbour, has agreed to provide certain undertakings and warranties to King Success pursuant to the Proposed Transaction.

Artic Star and Hero Palace are holding companies holding an aggregate of a 100% equity interest in Shanghai Paullee Real Estate Development Co., Ltd (上海寶域房地產發展有限公司), a wholly foreign owned enterprise established in the PRC which in turn wholly owns the Development. Upon completion of the Development, Dé Oriental London will comprise two inter-connected 25-storey residential buildings, a four-storey service apartment building, a clubhouse and carparks.

Mr. Chau is the Chairman and the beneficial controlling shareholder of the Company and Fortune Harbour is wholly owned by Mr. Chau. Accordingly, Fortune Harbour is a connected person of the Company under the Listing Rules. The Proposed Transaction constitutes a discloseable and connected transaction for the Company under the Listing Rules and requires approval from the Independent Shareholders other than Mr. Chan at an extraordinary general meeting whereby Mr. Chau and his associates would abstain from voting in respect of the resolution approving the Proposed Transaction. Details of the Proposed Transaction were disclosed in the press announcement dated 28 April 2003 and a circular of the Company dated 19 May 2003.

On 2 June 2003, the Company announced that the extraordinary general meeting originally scheduled to be held on 3 June 2003 to consider and approve the Conditional Agreement was postponed until further notice. As the passing by the Independent Shareholders of an ordinary resolution at the extraordinary general meeting approving the Conditional Agreement was one of the condition precedents of the Proposed Transaction, the Proposed Transaction has not been completed and is now put on hold until further notice.

c. Pursuant to the management agreement made on 11 April 2001, Bowyer appointed Shanghai Nongkai as manager to act on its behalf for all matters relating to the leasing affairs in its investment properties at a monthly fee of RMB200. During the year, Bowyer and Shanghai Nongkai entered into another agreement on 31 December 2002 to further appoint Shanghai Nongkai to act as the trustee for a period from 31 December 2002 to 31 December 2004 for its investment properties, empowering Shanghai Nongkai to open a separate bank account to deposit all income received and to make payments of expenses in respect of Bowyer's investment properties. During the year ended 30 June 2003, the Group paid Shanghai Nongkai management fee of RMB2,000 (2002: Nil).

d. As described in Note 16 to the financial statements, the Company entered into the Put Option Agreement in 2002 with a former substantial shareholder of the Company and disposed of all the Group's interests in wireless technology investments during the year.

e. In the previous year, certain subsidiaries of the Group entered into tenancy agreements with affiliated companies on an arm's length basis with reference to the market rent then. The rental income received from these affiliated companies amounted to HK$7,977,000 for the year ended 30 June 2002.

33. RELATED PARTY TRANSACTIONS *(Continued)*

f. In the previous year, an affiliated company was appointed as manager of the investment properties in Hong Kong, owned by certain subsidiaries of the Group, under property management agreements with the Company for the provision of building management, estate management, financial management and periodic reports to the Company. A management fee of HK$1,551,000 was paid for the year ended 30 June 2002.

g. In the previous year, banking services including, inter alia, cheque clearing, account services in a variety of currencies, nominee and custodian services, were provided by an affiliated company, in the ordinary course of business and on normal commercial terms to the Group. The bank interest income received from the affiliated company amounted to HK$20,762,000 for the year ended 30 June 2002.

h. As disclosed in Note 8b to the financial statements, the Company exercised the options granted by a former substantial shareholder of the Company to sell its entire interest in certain wholly-owned subsidiaries, which owned the Group's investment properties in Hong Kong, in 2002.

i. In the previous year, the Company invested US$3,000,000 in a technology company in which a director of the Company has a minority equity interest.

34. LITIGATION AND CONTINGENT LIABILITIES

a. The Receivers have commenced legal proceedings for and on behalf of the Company against, among others, Mr. Chau for the recovery of certain misappropriated funds. A writ of summons was filed by the Company in the Court on 23 July 2003 to claim US$34,200,000 from, among others, Mr. Chau, being money which the Company claims Mr. Chau and others between 22 April 2003 and 30 May 2003 wrongfully misappropriated for their own use and purpose or transferred from the bank accounts of the Company to some third parties through the bank accounts of the Company's subsidiaries without the authority or approval of the Company. On 21 August 2003, the Company obtained judgment in default against Mr. Chau in the amount of US$34,200,000 (equivalent to HK$266,760,000) plus interest.

Consequently and pursuant to the August Order, the Receivers were appointed as Chau's Receivers of Chau's Assets. The Receivers are empowered to take into their control Chau's Assets with powers to manage the same in order to preserve the value thereof and to apply the same in satisfaction of the Judgment Debt. The Solicitors, purporting to be acting for Mr. Chau, filed a copy of the notice to act in the Court on 11 September 2003 and is seeking to set aside Chau's Application, which will be heard on 18 November 2003. In connection with Chau's Application, the Company through the Receivers applied to the Court for an order to set aside the notice to act by the Solicitors as well as Chau's Application. The Company's application is scheduled to be heard by the Court on 5 November 2003. Apart from this, on 10 October 2003, the Solicitors applied to the Court for an order that Chau's Receivers be directed not to, without the leave of the Court and pending the final determination of Chau's Application, effect or cause or allow or allow to effect any sale or disposition of any of the shares of the companies listed in the August Order (as Chau's Assets) and other assets of Mr. Chau, the market value of which exceeds HK$20,000. The Court granted an order on 15 October 2003 pursuant to which the Receivers (in the capacity of Chau's Receivers) are required to give seven days' notice to the Solicitors of any intended application to the Court to approve any intended sale or disposal of Chau's Assets. The order is valid until Chau's Application is dealt with or further order is made by the Court.

b. The Company, through the Receivers, has also commenced legal proceedings against GCL, a company incorporated in the BVI. A writ of summons was filed by the Company in the Court on 17 July 2003 to claim HK$53,157,294 from GCL, being money received by GCL on 4 April 2003 which belongs to the Company. As GCL failed to file any notice of intention to defend the legal proceedings within the time allotted, the Company obtained judgment in default against GCL on 5 August 2003 in the amount of HK$53,157,294 plus interest. Consequently, the Receivers were appointed as the joint and several provisional liquidators of GCL on 20 August 2003 by the High Court of the BVI.

34. LITIGATION AND CONTINGENT LIABILITIES *(Continued)*

c. Profitex has commenced legal proceedings against Shun Loong. A writ of summons was filed by Profitex in the Court on 17 October 2003 to claim an aggregate sum of HK$2,214,769 from Shun Loong for rent in arrears, air-conditioning, management and electricity charges and other payments outstanding as of 30 September 2003 for its breach of the sub-tenancy agreement entered into with Profitex on 23 May 2003.

d. The Company, through the Receivers, has applied to the Higher Court of Shanghai, the PRC (上海市高級人民法院), to commence legal proceedings against various recipients who received funds of approximately RMB914,400,000 from Hongxin and Longbai. The Higher Court of Shanghai, the PRC, is processing the Company's applications.

e. As explained in Note 24c to the financial statements, the Receivers considered that the purported loans of Hongxin and Longbai had not been duly authorised and approved by the Board and they have written to Shanghai Nongkai to abstain from instructing Hongxin and Longbai in making interest payments. The Receivers have also written to the Higher Court of Shanghai, the PRC, to request for equal protection of the assets of Hongxin and Longbai to prevent any party from wrongfully claiming the two subsidiaries' assets. In accordance with the purported loan agreements signed by Hongxin and Longbai, interest payments of approximately RMB113,580,000 (equivalent to approximately HK$107,333,000) are required in the event of early termination of the purported loan agreements.

35. SUBSEQUENT EVENTS

a. According to the press announcements issued by New Nongkai's Receivers dated 25 June 2003, 25 July 2003, 26 August 2003 and 2 October 2003, New Nongkai's Receivers have entered into discussions with parties who have expressed an interest in acquiring the 2,288,521,317 ordinary shares representing approximately 75% of the issued share capital of the Company beneficially owned by New Nongkai. At the time of this report, the sale of New Nongkai's shares in the Company has not taken place. If a sale of all or some of such shares does take place, it is possible that such sale may result in the purchaser(s) making a general offer for all of the Company's issued shares in accordance with the Takeovers Code.

b. The Receivers have formulated a preliminary proposal which involves, in broad terms, the Company taking an assignment of the Loan and subsequently selling New Nongkai's controlling shareholding in the Company (which may or may not be combined with proposing a special cash distribution to all shareholders of the Company). The loan assignment will only be implemented after (and subject to) agreement of the terms of the loan assignment with BOCHK following determination of and compliance with all applicable rules and regulations and with the final approval of the Court.

36. COMPARATIVE AMOUNTS

As further explained in Note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of the financial statements and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

37. ULTIMATE HOLDING COMPANY

New Nongkai, incorporated in the BVI, was the ultimate holding company as at 30 June 2003 and is currently in receivership.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 27 October 2003.