



# GOLD-FACE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0396)

## ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2003

### RESULTS

The board of directors (the “Directors”) of Gold-Face Holdings Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st March 2003 together with comparative figures for the previous year as follows:—

	NOTES	Continuing operations		Discontinuing operation		Total	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	1	365,561	493,206	3,722	28,465	369,283	521,671
Cost of sales		(391,441)	(381,766)	(1,260)	(8,774)	(392,701)	(390,540)
Gross profit		(25,880)	111,440	2,462	19,691	(23,418)	131,131
Allowance for arbitration	2	(105,343)	(5,002)	—	—	(105,343)	(5,002)
Allowances for bad and doubtful debts	3	(99,423)	—	—	—	(99,423)	—
Deficit on revaluation of leasehold land and buildings	4	(3,597)	(1,333)	—	—	(3,597)	(1,333)
Impairment loss recognised in respect of property, plant and equipment	4	(14,920)	—	—	—	(14,920)	—
Impairment loss recognised in respect of properties under development	5	(439,615)	—	—	—	(439,615)	—
Impairment loss recognised in respect of properties held for future development	6	(54,634)	—	—	—	(54,634)	—
Impairment loss recognised in respect of investments in securities	7	(600)	—	—	—	(600)	—
Impairment loss recognised in respect of properties held for sale	8	(66,076)	—	—	—	(66,076)	—
Write off of long outstanding payable		4,940	—	—	—	4,940	—
Other operating income		9,442	16,962	—	—	9,442	16,962
Operating expenses		(106,188)	(66,042)	(7,998)	(27,273)	(114,186)	(93,315)
Write off of goodwill reserve	9	(6,595)	—	—	—	(6,595)	—
Write back of provision on short term land use right previously charged to income statement		—	5,207	—	—	—	5,207
Write back of provision on short term leasehold buildings previously charged to income statement		—	2,842	—	—	—	2,842

(Loss) profit from operations	10	<b>(908,489)</b>	64,074	<b>(5,536)</b>	(7,582)	<b>(914,025)</b>	56,492
Finance costs	11	<b>(68,606)</b>	(55,773)	<b>(276)</b>	(902)	<b>(68,882)</b>	(56,675)
		<b>(977,095)</b>	8,301	<b>(5,812)</b>	(8,484)	<b>(982,907)</b>	(183)
Share of results of associates		<b>(727)</b>	(1,636)	–	–	<b>(727)</b>	(1,636)
Allowances for amounts due from associates		<b>(32,448)</b>	–	–	–	<b>(32,448)</b>	–
Loss before taxation		<b>(1,010,270)</b>	6,665	<b>(5,812)</b>	(8,484)	<b>(1,016,082)</b>	(1,819)
Taxation credit	12	<b>21,178</b>	3,427	–	–	<b>21,178</b>	3,427
(Loss) profit before minority interests		<b>(989,092)</b>	10,092	<b>(5,812)</b>	(8,484)	<b>(994,904)</b>	1,608
Minority interests		<b>(160)</b>	(1,306)	–	–	<b>(160)</b>	(1,306)
Net (loss) profit for the year		<b>(989,252)</b>	8,786	<b>(5,812)</b>	(8,484)	<b>(995,064)</b>	302
(Loss) earnings per share							
Basic	13					<b>(105.77€)</b>	<b>0.03¢</b>

## 1. TURNOVER AND BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes the Group is currently organised into five (2002: six) operating divisions – property dealing, property leasing, power plant, financial services and property management services. These divisions are the basis on which the Group reports its primary segment information. During the year, the Group ceased its restaurant business.

Segment information about these businesses is presented below.

### 2003

	Property dealing HK\$'000	Property leasing HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property management HK\$'000	Total continuing operations HK\$'000	Discontinuing operation-restaurant HK\$'000	Consolidated HK\$'000
TURNOVER	<u>235,137</u>	<u>97,002</u>	<u>21,417</u>	<u>10,249</u>	<u>1,756</u>	<u>365,561</u>	<u>3,722</u>	<u>369,283</u>
RESULT								
Segment result	<u>(640,795)</u>	<u>(152,075)</u>	<u>1,885</u>	<u>(98,316)</u>	<u>(4)</u>	<u>(889,305)</u>	<u>(24,120)</u>	<u>(913,425)</u>
Impairment loss recognised in respect of investments in securities								(600)
Finance costs								<u>(68,882)</u>
Share of results of associates								<u>(982,907)</u>
Allowances for amounts due from associates								<u>(727)</u>
								<u>(32,448)</u>
Loss before taxation								<u>(1,016,082)</u>
Taxation credit								<u>21,178</u>
Loss before minority interests								<u>(994,904)</u>
Minority interests								<u>(160)</u>
Net loss for the year								<u><u>(995,064)</u></u>

	Property dealing HK\$'000	Property leasing HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property management HK\$'000	Others HK\$'000	Discontinuing operation- restaurant HK\$'000	Consolidated HK\$'000
BALANCE SHEET								
ASSETS								
Segment assets	489,661	832,606	19,989	115,621	580	–	267	1,458,724
Unallocated corporate assets								49,785
Consolidated total assets								<u>1,508,509</u>
LIABILITIES								
Segment liabilities	243,401	169,893	5,148	17,880	192	–	5,304	441,818
Unallocated corporate liabilities								1,288,294
Consolidated total liabilities								<u>1,730,112</u>
OTHER INFORMATION								
Additions to property, plant and equipment	20	2,316	136	–	169	42	146	2,829
Allowance for arbitration	(105,343)	–	–	–	–	–	–	(105,343)
Allowances for bad and doubtful debts	–	–	–	(99,423)	–	–	–	(99,423)
Deficit on revaluation of leasehold land and buildings	–	–	–	–	–	(3,597)	–	(3,597)
Depreciation and amortisation	5	1,725	1,830	2	79	282	1,767	5,690
Impairment loss recognised in respect of property, plant and equipment	–	–	–	–	–	–	(14,920)	(14,920)
Impairment loss recognised in respect of properties under development	(439,615)	–	–	–	–	–	–	(439,615)
Impairment loss recognised in respect of properties held for future development	(54,634)	–	–	–	–	–	–	(54,634)
Impairment loss recognised in respect of investments in securities	–	–	–	–	–	(600)	–	(600)
Impairment loss recognised in respect of properties held for sale	(66,076)	–	–	–	–	–	–	(66,076)
Loss on disposal of property, plant and equipment	–	(1,245)	–	–	(2)	(1,628)	(1,433)	(4,308)
Write off of long outstanding payable	4,940	–	–	–	–	–	–	4,940

2002

	Property dealing HK\$'000	Property leasing HK\$'000	Restaurant HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property management HK\$'000	Consolidated HK\$'000	
TURNOVER	<u>411,673</u>	<u>49,395</u>	<u>28,465</u>	<u>22,854</u>	<u>7,461</u>	<u>1,823</u>	<u>521,671</u>	
RESULT								
Segment result	<u>27,832</u>	<u>18,250</u>	<u>(7,582)</u>	<u>13,558</u>	<u>4,309</u>	<u>125</u>	<u>56,492</u>	
Finance costs							<u>(56,675)</u>	
Share of results of associates							<u>(183)</u>	
Loss before taxation							<u>(1,636)</u>	
Taxation							<u>(1,819)</u>	
Profit before minority interests							<u>3,427</u>	
Minority interests							<u>1,608</u>	
Net profit for the year							<u>(1,306)</u>	
							<u>302</u>	
	Property dealing HK\$'000	Property leasing HK\$'000	Restaurant HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property management HK\$'000	Others HK\$'000	Consolidated HK\$'000
BALANCE SHEET								
ASSETS								
Segment assets	1,189,846	859,109	20,770	13,881	157,281	702	-	2,241,589
Unallocated corporate assets								<u>80,406</u>
Consolidated total assets								<u>2,321,995</u>
LIABILITIES								
Segment liabilities	212,545	126,759	7,844	4,955	14,145	98		366,346
Unallocated corporate liabilities								<u>1,126,384</u>
Consolidated total liabilities								<u>1,492,730</u>
OTHER INFORMATION								
Additions to property, plant and equipment	482	422	20,025	5,802	3	131	-	26,865
Deficit on revaluation of leasehold land and buildings	-	-	-	-	-	-	(1,333)	(1,333)
Depreciation and amortisation	898	1,683	1,628	975	6	45	896	6,131
Write back of provision on short term land use right previously charged to income statement	-	-	-	5,207	-	-	-	5,207
Write back of provision on short term leasehold buildings previously charged to income statement	-	-	-	<u>2,842</u>	-	-	-	<u>2,842</u>

## Geographical segments

The Group's power plant business is carried out in the PRC, and the financial services and property management business are carried out in Hong Kong. Property dealing and leasing business are carried out in Hong Kong, the UK, and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2003 HK\$ '000	2002 HK\$ '000
Hong Kong	266,588	441,006
The UK	33,889	47,308
The PRC	68,806	33,357
	<u>369,283</u>	<u>521,671</u>

Revenue from the Group's discontinuing restaurant business of HK\$3.7 million (2002: HK\$28.5 million) was derived from the UK.

## 2. ALLOWANCE FOR ARBITRATION

In prior years, one of the Group's suppliers had issued legal proceedings against one of the Company's subsidiaries. These proceedings related to compensation claimed by this supplier for damages as a result of prolongation of construction works amounting to HK\$75,000,000. This subsidiary had issued a counter claim against this supplier. Amount due to the supplier was provided as at 31st March, 2002 in accordance with the terms of the original contract entered into between the Group and the supplier. In the opinion of the directors, it was not possible to estimate the likely outcome from the arbitration and, accordingly, no provision was made as at 31st March, 2002 for the amount additionally claimed by the supplier. Pursuant to the Final Award published by the Arbitrator on 24th March, 2003, this subsidiary has to pay an additional amount of HK\$62,200,000 to this supplier. This amount was fully provided for as of 31st March, 2003. In addition, legal and professional fees incurred by the Group for the arbitration, amounting to HK\$23,222,000 (2002: HK\$5,002,000), were also included in the allowance for arbitration.

In addition, legal costs claimed by the supplier in the sum of HK\$19,921,000 was served on this subsidiary on 19th January, 2004. this amount was fully provided for in the financial statements as of 31st March, 2003.

## 3. ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

Included in the allowance for bad and doubtful debts of HK\$99,423,000 for the year ended 31st March, 2003 is a write off of the net balance of a personal loan to an individual (the "Debtor") of HK\$51,209,000. This amount has been netted off against amounts payable to a company owned by the Debtor in other group companies through current accounts with these group companies as further detailed in note 5. Also three mortgage loans due from three other individuals, with an aggregate amount of HK\$3,489,000, have been assigned to the Debtor, of which no documentary evidence was available. These amounts have been offset with each other and presented as a net balance on the balance sheet, which was fully provided for as bad debts at 31st March, 2003.

In addition, an amount of HK\$6,323,000 was included in the allowance for bad and doubtful debts, of which HK\$981,000 representing sales discounts granted to an individual according to the supplementary agreements entered into between the Group and this individual in February 1999. The directors are of the opinion that the remaining balance of HK\$5,342,000 also representing sales discounts granted to two other employees of the Group though no supplementary agreements between the Group and these employees are available.

#### 4. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Furniture, fixtures, plant and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST OR VALUATION				
At 1st April, 2002	42,489	66,039	8,885	117,413
Exchange adjustments	–	91	52	143
Additions	–	2,400	429	2,829
Disposals	–	(7,797)	(564)	(8,361)
Deficit on valuation	(5,509)	–	–	(5,509)
At 31st March, 2003	<u>36,980</u>	<u>60,733</u>	<u>8,802</u>	<u>106,515</u>
Comprising:				
At cost	–	60,733	8,802	69,535
At valuation – 2003	<u>36,980</u>	<u>–</u>	<u>–</u>	<u>36,980</u>
	<u>36,980</u>	<u>60,733</u>	<u>8,802</u>	<u>106,515</u>
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSS				
At 1st April, 2002	–	33,614	8,071	41,685
Exchange adjustments	–	405	23	428
Provided for the year	1,611	3,800	279	5,690
Eliminated on disposals	–	(3,394)	(564)	(3,958)
Eliminated on valuation	(1,611)	–	–	(1,611)
Impairment loss recognised	–	14,920	–	14,920
At 31st March, 2003	<u>–</u>	<u>49,345</u>	<u>7,809</u>	<u>57,154</u>
NET BOOK VALUES				
At 31st March, 2003	<u>36,980</u>	<u>11,388</u>	<u>993</u>	<u>49,361</u>
At 31st March, 2002	<u>42,489</u>	<u>32,425</u>	<u>814</u>	<u>75,728</u>
The net book value of properties of the Group comprises:				
		<b>2003</b>		2002
		<b><i>HK\$'000</i></b>		<b><i>HK\$'000</i></b>
Leasehold properties in Hong Kong under				
long leases		21,300		25,250
medium term leases		7,100		8,660
Short term leasehold buildings in the PRC		8,580		8,579
		<u>36,980</u>		<u>42,489</u>

All leasehold land and buildings situated in Hong Kong and the PRC were valued by C S Surveyors Limited, at 31st March, 2003 on an open market value basis.

Due to the liquidation of an overseas subsidiary, the directors determined that the assets of that subsidiary were impaired. Accordingly, an impairment loss of HK\$14,920,000 (2002: nil), representing the net book value of furniture and equipment of the subsidiary, has been recognised.

The net deficit arising on revaluation of the leasehold land and buildings amounting to HK\$3,898,000 of which a deficit of HK\$301,000 is charged to the other property revaluation reserve, a deficit of HK\$3,597,000, being the excess of the deficit over the attributable surplus previously recognised, is charged to the income statement.

Had the land and buildings of the Group been carried at cost less accumulated depreciation and amortisation and impairment loss, the carrying value would have been stated at HK\$48,057,000 (2002: HK\$49,946,000).

## 5. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
The properties under development are due for completion:		
Within one year	204,740	674,572
More than one year	170,868	385,188
	<u>375,608</u>	<u>1,059,760</u>

The carrying value of properties under development of the Group comprises:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Leasehold properties under medium term leases in		
Hong Kong	362,195	944,589
The PRC	13,413	21,589
Freehold properties in the UK	-	93,582
	<u>375,608</u>	<u>1,059,760</u>

Total interest capitalised and included in properties under development as at 31st March, 2003 amounted to HK\$172,868,000 (2002: HK\$194,468,000).

At 31st March, 2003, an impairment loss of HK\$439,615,000 (2002: nil) was provided, which represents the write down of the carrying amount of the properties under development to the estimated net realisable values.

Included in the properties under development of HK\$147,841,000, with HK\$132,011,000 within current assets and HK\$15,830,000 within non-current assets, as at 31st March, 2003 were attributable to work performed by five construction contractors. The Debtor is a director and a shareholder of the three of the five construction contractors. Total aggregate value of HK\$109,810,000 was paid to these three construction contractors of which HK\$25 million was settled by setting off against the Debtors' personal loan account maintained with a subsidiary of the Company as explained in note 3. Construction contract with one of these three construction contractors was not available, with an aggregate of HK\$18 million was paid up to the construction contractor to 31st March, 2003. In addition, an aggregate of HK\$38,031,000 was paid to the remaining two of the five construction contractors of which HK\$37,352,000 was settled by setting off against the Debtors' personal loan account. Construction contract with one of these two construction contractors was not available.

## 6. PROPERTIES HELD FOR FUTURE DEVELOPMENT

The carrying value of properties held for future development comprises:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Leasehold properties under medium term leases in Hong Kong	<u>71,265</u>	<u>100,846</u>

At 31st March, 2003, an impairment loss of HK\$54,634,000 (2002: nil) was provided, which represents the write down of the carrying amount properties held for future development to the estimated net realisable values. Included in this amount was an impairment loss of HK\$10,393,000 on a property held by a subsidiary, Epsom Prince Limited, acquired by the Group during the year.

## 7. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	<i>HKS'000</i>	<i>HKS'000</i>
Investment securities:		
Unlisted shares, at cost	2,025	2,025
Impairment loss	(600)	–
Other investments:		
Shares listed outside Hong Kong, at market value	1,331	680
	<u>2,756</u>	<u>2,705</u>

The directors consider that the investments are worth at least their carrying values.

The impairment loss represents the write down of the carrying amount of unlisted investment to its estimated net realisable value.

## 8. PROPERTIES HELD FOR SALE

### THE GROUP

At 31st March, 2003, an impairment loss of HK\$66,076,000 was provided, which represents the write down of the carrying amount of certain properties held for sale to the estimated net realisable values.

At 31st March, 2003, the amount of properties held for sale stated at net realisable value was HK\$48,177,000 (2002: HK\$25,000,000).

The titles of properties held for sale with an aggregate net book value of HK\$11,600,000 (2002: HK\$10,102,000) at 31st March, 2003 are registered in the names of Mr. Tai Chi Wah and two independent third parties. Mr. Tai Chi Wah has executed two declarations of trust, which were not stamped nor signed by any witnesses, under which he is allegedly holding two of the properties on behalf of a subsidiary of the Company. The other two independent third parties executed an agreement and a memo respectively which indicated that they hold the properties on behalf of a subsidiary of the Company. Pursuant to the legal advice received in December 2003, since the aforesaid declarations of trust, agreement and memo had not been stamped under the Hong Kong Stamp Duty Ordinance nor registered at the Hong Kong Land Registry, they would be absolutely null and void against a subsequent bona fide purchaser or mortgage for valuable consideration to all intents and purposes, even though he may have had actual or constructive notice of aforesaid declarations of trust, agreement or memo. Even if the aforesaid declarations of trust, agreement and memo are stamped now and then presented to the Hong Kong Land Registry for registration, it will still rank in priority subsequent to all documents which have been registered at Hong Kong Land Registry. However, in the opinion of the directors, the Group had titles on these properties and two of the properties were sold subsequent to the year end.

The legal title of a property held for sale amounting to HK\$720,000 as at 31st March, 2003 has not been transferred to the Group as the outstanding purchase consideration has not yet been settled by the Group.

## 9. WRITE OFF OF GOODWILL RESERVE

The write off mainly represented the recognition of the diminution in value of subsidiaries.



## 10. (LOSS) PROFIT FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
(Loss) profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	1,600	1,067
Underprovision in prior years	–	233
Depreciation and amortisation	5,690	6,131
Loss on disposal of property, plant and equipment	4,308	168
Operating lease rentals for land and buildings	5,814	5,910
Operating lease rentals for equipment and motor vehicle	382	–
Staff costs, including directors' remuneration:		
Retirement benefit scheme contributions	760	470
Salaries and other allowances	15,991	36,025
	<b>16,751</b>	<b>36,495</b>
Unrealised holding loss on investments in securities	–	1,398
and after crediting:		
Gain on disposal of investments in securities	–	10,697
Gain on disposal of investment properties	–	12,000
Gain on disposal of properties held for future development	632	–
Gain on disposal of properties through disposal of an associate	–	5,233
Gain on disposal of properties through disposal of a subsidiary	–	2,331
Interest income from bank deposits	166	450
Rental income	52,036	49,395
Less: Outgoings	(3,368)	(2,468)
Net rental income	48,668	46,927
Unrealised holding gain on investments in securities	651	–
	<b><u>          </u></b>	<b><u>          </u></b>

## 11. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	88,546	91,004
Bank borrowings not wholly repayable within five years	–	13,043
Convertible debentures	7,529	6,911
Other borrowings	841	8,230
	<b>96,916</b>	<b>119,188</b>
Less: Amount capitalised to properties under development		
during the year	(13,610)	(53,152)
Amount charged to cost of sales	(14,424)	(9,361)
	<b><u>          </u></b>	<b><u>          </u></b>
	<b><u>68,882</u></b>	<b><u>56,675</u></b>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying an average capitalisation rate of 6.24% (2002: 6.7%) to expenditure on qualifying assets.

## 12. TAXATION CREDIT

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The credit (charge) comprises:		
Hong Kong Profits Tax		
Current year	–	(2,875)
Overprovision in prior years	21,464	6,797
Overseas taxation		
Current year	<u>(286)</u>	<u>(495)</u>
	<u>21,178</u>	<u>3,427</u>

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profit for the year.

For the year ended 31st March 2003, no provision for Hong Kong Profits Tax was made as the Group had no assessable profits for that year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

In March 2003, the Hong Kong government announced that the rate for Hong Kong Profits Tax will be increased from 16 per cent. to 17.5 per cent. with effect from the 2003/2004 year of assessment. No adjustment has been made in these financial statements for this post balance sheet date change in tax rate.

The surplus or deficit arising on revaluation of the Group's investment properties and leasehold land and buildings situated in Hong Kong does not constitute a timing difference for taxation purposes as any profit realised on their subsequent disposal would not be subject to taxation. It is the Group's intention to hold the investment properties situated in the PRC for long term investment purpose to generate rental income and the Group does not expect that the potential deferred taxation liability will crystallise in the foreseeable future and therefore no deferred taxation is provided on the valuation surplus on these investment properties. No provision is made for deferred tax on gains recognised on revaluing investment properties in the UK to their market value unless the Group has entered into a binding agreement to sell the assets concerned. The investment properties in the UK were sold in April 2003 for GBP24,000,000. Based on this figure, the Group will have a capital gain tax liability in the UK of GBP2,700,000 for the year ended 31st March, 2004.

As at the balance sheet date, a potential deferred taxation asset of approximately HK\$82,447,000 (2002: HK\$11,968,000) in respect of estimated tax losses has not been recognised in the financial statements.

On 20th October, 2002, one of the Company's subsidiaries, Ever Prospect Limited, entered into agreement with an agent in the PRC (the "Agent") under which the Agent is responsible for arranging the construction and sales of the Group's properties located in the PRC. In return, the Group will pay an agency fee to the Agent based on a fixed percentage on the turnover. During the year, this subsidiary started the pre-sale of the properties under development. However, the provisions of profits tax and sales tax were not calculated based on the prevailing rules and regulations in the PRC. The provisions for profits tax and sales tax, amounting to HK\$1,462,000 and HK\$441,000 respectively at 31st March, 2003, were based on the amounts agreed with the tax authorities in the PRC by the Company's Agent.

## 13. (LOSS) EARNINGS PER SHARE

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net (loss) profit for the year and (loss) earnings for the purposes of basic (loss) earnings per share	<u>(995,064)</u>	<u>302</u>
	<b>Number of shares</b>	
Weighted average number of shares for the purpose of basic (loss) earnings per share	<u>940,766,969</u>	<u>941,138,017</u>

No diluted loss per share was presented as the conversion of the outstanding convertible debentures at an assumed conversion price of HK\$0.85 would have had an anti-dilutive effect.

No diluted earnings per share were presented for the year ended 31st March, 2002 as the exercise price of the outstanding warrants was higher than the market price per share and the conversion of the outstanding debentures at an assumed conversion price of HK\$0.85 would have had an anti-dilutive effect in last year. The subscription rights attached to the 2001 warrants expired on 30th September, 2001.

## **EXECUTIVE DIRECTOR'S STATEMENT**

Income of the Group for the year was derived mainly from sale of properties in its Villa Pinada and Aegean development in Hong Kong, revenues from property investments in Dongguan, PRC and rental income from Newport project located in the United Kingdom. Subsequent to the balance sheet date, the Group sold the property in Newport for GBP 24 million. Unfortunately on 17th May 2003, banks appointed receivers and Managers over various subsidiaries and assets of the Company, which include its property development projects in Villa Pinada and Aegean. Shares of the Company were suspended from trading on the Stock Exchange of Hong Kong Limited ("SEHK") on 19th May 2003.

Subsequently, the Group was forced to dispose of substantial amount of assets as stated at the balance sheet as at 31st March 2003 to reduce debt and maintain operation of the Company. The scale of operations of the Group has been reduced significantly.

As announced by the Company on 11th February 2004, the Company and a subsidiary of Wang On Group Limited ("Wang On") entered into a loan agreement on 5th February 2004 pursuant to which the Company was provided with a loan facility (with right to convert into shares of the Company) of HK\$3 million. Since then, the Company and Wang On have continued the discussion in relation to the possibility of Wang on investing in the Company. In addition, another potential investor has appointed an investment advisor to discuss a takeover proposal to rescue the Company which had been submitted to the SEHK. Up to the date when the directors approved the 2003 annual report, no conclusion has been reached from the discussions with the two aforesaid investors.

## **FINANCIAL REVIEW AND REPORT OF THE MANAGEMENT**

### **BUSINESS REVIEW**

Group turnover amounted to HK\$369 million, representing a decline of 29% when compared to HK\$522 million recorded last year. Out of this total turnover, continuing operations for this year contributed HK\$365 million compared with last year's amount of HK\$493 million, or a drop of 26%. The Group's restaurant business was closed down during the financial year.

The Group recorded HK\$23 million gross loss for the year compared to gross profit of HK\$131 million last year. The decrease was mainly due to the adverse economic environment and negative property sentiment in Hong Kong during the year especially after the Iraq war followed by the outbreak of SARS. A net loss of HK\$995 million was recorded for the financial year due to an impairment loss of HK\$560 million recognized on the property interests, allowances for loans receivable of HK\$99 million; finance costs of HK\$69 million and operating expenses of HK\$114 million.

The huge impairment loss recognized on the property interest was because the Company adopted the disposal value for the properties, after the banks appointed Receivers and Managers. Most properties were disposed of after the balance sheet date by the company in order to meet the creditor's demand for repayment of loans secured against the properties.

## BUSINESS DEVELOPMENT

As at the balance sheet date, the Group had property portfolio valued at HK\$1,317 million analyzed as follows:

<b>Property Portfolio by location</b>	<b>As at 31 March 2003</b> <i>(HK\$ million)</i>
United Kingdom	455
PRC	58
Hong Kong	804
<b>Total portfolio</b>	<b>1,317</b>

<b>Major Property Projects:</b>	<b>As at 31st March 2003</b> <i>(HK\$ million)</i>
Newport in United Kingdom (Subsequently disposed of)	295
Villa Pinada (Receivers and Managers appointed)	266
Aegean (Receivers and Managers appointed)	121
<b>Total:</b>	<b>682</b>

Receivers and managers were appointed over various assets pledged to banks and over several subsidiaries, namely True Gold Investments Limited, Profit Nations Limited and Gold-Face Finance Limited. Although a substantial surge has been seen in the Hong Kong property market recently, the Group has not benefited from the recovery as most property assets were sold to repay bank loans during the period from April 2003 to December 2003.

<b>Classified under Balance Sheet</b>	<b>As at 31 March 2003</b> <i>HK\$ million</i>
Investment property	784
Land and building	37
Properties under development	376
Properties held for future development	71
Properties held for sale	49
	<b>1,317</b>

## FINANCIAL RESOURCES AND LIQUIDITY

Aggregate bank and other borrowings increased slightly to HK\$1,277 million (2002 HK\$1,225 million). However, trade and other payables were increased significantly to HK\$352 million from HK\$130 million as recorded last year.

As at 31 March 2003, total shareholders' funds of the Group was a deficits of HK\$223 million compared to last year's positive funds of HK\$828 million, representing a substantial drop of 127%.

The survival and continued operation of the Group depends heavily on the availability of additional and sufficient funding from new investors and the support of all trade creditors and bankers.

## LATEST DEVELOPMENT

The Company is currently in negotiation with potential investors to rescue the Company and a rescue proposal had been submitted to the SEHK on late December 2004 and is currently under review by the SEHK.

## **PERSONNEL**

The Group's employee headcount reduced from approximately 180 at the end of last year to 40 staff at the end of this year. The number of employees was further reduced after the balance sheet date. Staff costs and retirement benefits scheme contribution paid for the year were HK\$760,000 compared to HK\$470,000 last year representing an increase of 62%.

Current number of employee has reduced to less than 20.

## **AUDIT COMMITTEE**

The Audit Committee members hold meetings during the year to discuss the financial position and review the financial statements of the Group. The members had held numerous meetings with professionals and auditors to discuss issues on accounting and internal controls.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year with the Code of Best Practice as set out in the Listing Rules. The annual results for the year have been reviewed by the Audit Committee of the Company.

## **ANNUAL REPORT**

The 2003 annual report containing all the information required by the Listing Rules of SEHK is expected to be published on the Exchange's website on or before 24th January 2005, and printed copies will be sent to shareholders on or about 25th January 2005.

## **PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE**

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) as soon as possible.

## **APPRECIATION**

The company would like to take this opportunity to thank our bankers and other creditors for their continued support and all our staff for their royalty and quality work under high pressure.

On behalf of the Board  
**Tai Seow Yoke Peng**  
*Executive Director*

As at the date of this announcement, the Board comprises Ms. Tai Seow Yoke Peng and Mr. Ng Yat Cheung as executive directors and Mr. Wan Tai Min, Tommy and Mr. Leung Shu Yin, William as independent non-executive directors.

Hong Kong, 6th January 2004

Please also refer to the published version of this announcement in The Standard dated 7 January 2005.