

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Group are engaged in the business of investment holding, property development and holiday resort operation.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and conform with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

Where the Group holds more than half of the issued share capital of subsidiaries but is not in a position to control the composition of the board of directors or equivalent governing body of these subsidiaries, these subsidiaries are excluded from the consolidation. Such investments in unconsolidated subsidiaries are dealt with as investments in securities unless the Group is in a position to exercise significant influence and equity account for these unconsolidated subsidiaries, and are stated at the amount at which it would have been included under the equity method of accounting at the date on which the Group ceases to have control and significant influence.

All significant inter-company transactions and balances between Group enterprises have been eliminated on consolidation.

The results of subsidiaries acquired, disposed or deconsolidated of during the year are included in the consolidated income statement from or up to the effective dates of acquisition, disposal or deconsolidation respectively.

For the year ended March 31, 2001

2. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Goodwill and capital reserve

Goodwill or capital reserve arising on the acquisition of a subsidiary or an associate, which represents the excess or shortfall of the purchase consideration over the Group's share of the fair value ascribed to the separable net assets of the subsidiary or associate at the date of acquisition, is written off or credited directly to reserves respectively in the year of acquisition.

On disposal of an investment in a subsidiary or an associate, the attributable amount of goodwill or capital reserve previously written off against or credited to reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in the financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associate during the year. In the consolidated balance sheet, interest in an associate is stated at the Group's share of the net assets of its associate.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates *(continued)*

When the Group transacts with its associate, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations 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 asset, the expenditure is capitalised as an additional cost of the asset.

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

Depreciation is provided to write off the cost of the assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired term of the relevant lease
Buildings	Over the estimated useful lives or the unexpired term of the relevant lease, whichever is shorter
Furniture, fixtures and office equipment	10 – 20%
Leasehold improvements	10 – 20%
Motor vehicles	20%

For the year ended March 31, 2001

2. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Properties under development

Properties under development are stated at cost, less provision for impairment in value, if necessary. Cost comprises the cost of acquisition of the properties under development together with direct costs attributable to the development of the properties (net of rental income and guaranteed income received and receivable during the period of development) and borrowing costs capitalised during the period of development.

Properties under development which are sold in advance of completion or are due for completion within one year from the balance sheet date with the intention for sale when completed are included in the balance sheet as current assets. All other properties under development are included in the balance sheet as non-current assets.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost, which comprises direct purchase cost or expenditure incurred for the construction and, when applicable, other incidental expenses that have been incurred in bringing the properties to their present location and condition, is calculated using the weighted average method. Net realisable value represents the actual or estimated selling price in the ordinary course of business less all related selling and marketing costs.

Inventories

Inventories consist of food and beverage and consumable items and are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advances.

Revenue recognition

Sales of properties are recognised when unconditional sale and purchase agreements have been signed during the year and legal completion of the transactions takes place prior to the approval of the financial statements.

When properties under development are sold in advance of completion, income is recognised over the course of the development only when income can be anticipated with reasonable certainty and is computed as a proportion of the total estimated income to completion and the sale deposits received from the pre-sale, whichever is the lower; the proportion used being that of the construction costs incurred at the balance sheet date to estimated total construction costs.

For the year ended March 31, 2001

2. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Revenue recognition *(continued)*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income from properties under operating leases is recognised on a straight line basis over the period of the relevant leases.

Service income is recognised when services are rendered.

Operating leases

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

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under 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.

Foreign currencies

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

On consolidation, the financial statements of foreign subsidiaries are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in the translation reserve.

For the year ended March 31, 2001

3. TURNOVER

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover for the year comprises:		
Proceeds from sales of properties	29,172	20,802
Rental income	—	15,343
Holiday resort operation	9,556	9,667
	<u>38,728</u>	<u>45,812</u>

Notes to the Financial Statements

For the year ended March 31, 2001

3. **TURNOVER** (continued)

The Group's turnover and contribution to profit (loss) before taxation, analysed by principal activity and by geographical area are as follows:

	2001		2000	
	Contribution to profit before taxation		Contribution to loss before taxation	
	Turnover	to profit before taxation	Turnover	to loss before taxation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) By principal activity:				
Property investment and development	29,172	(18,512)	36,145	12,564
Holiday resort operation	9,556	(5,683)	9,667	(9,250)
	<u>38,728</u>	<u>(24,195)</u>	<u>45,812</u>	<u>3,314</u>
Net gain arising on disposal and deconsolidation of subsidiaries		93,437		16,067
Reversal of (provision for) impairment in value of properties under development		2,892		(27,156)
Finance costs		(36,806)		(17,008)
Corporate expenses		(3,282)		(3,363)
Provision for doubtful recovery of amounts under indemnity		—		(32,580)
Share of results of an associate		(75)		(66)
Profit (loss) before taxation		<u>31,971</u>		<u>(60,792)</u>

For the year ended March 31, 2001

3. TURNOVER (continued)

	2001		2000	
	Turnover	Contribution to profit before taxation	Turnover	Contribution to loss before taxation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(b) By geographical area:				
The People's Republic of China other than Hong Kong (the "PRC")	38,728	53,535	30,470	(66,764)
Hong Kong	—	(21,564)	15,342	5,972
	<u>38,728</u>	<u>31,971</u>	<u>45,812</u>	<u>(60,792)</u>

4. OTHER REVENUE

	2001	2000
	HK\$'000	HK\$'000
Other revenue for the year includes:		
Interest income from:		
– bank and other deposits	94	77
– loan receivable	3,104	2,615
	<u>3,104</u>	<u>2,615</u>

For the year ended March 31, 2001

5. LOSS FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	684	629
Depreciation	4,327	9,287
Operating lease rentals in respect of rented premises	79	79
Staff costs, including directors' remuneration (<i>note (i)</i>), and retirement benefit scheme contributions (<i>note (ii)</i>)	3,851	3,651
and after crediting:		
Gross rental income less nil outgoings (<i>2000: HK\$838,000</i>)	<u>—</u>	<u>14,505</u>

(i) Information regarding directors' and employees' emoluments

	2001 HK\$'000	2000 HK\$'000
Directors' emoluments		
Directors' fees:		
Executive	317	300
Non-executive	200	200
	<u>517</u>	<u>500</u>
Other emoluments	<u>—</u>	<u>—</u>
	<u>517</u>	<u>500</u>

The emoluments of the six (*2000: seven*) directors fall within the band from nil to HK\$1,000,000.

5. LOSS FROM OPERATIONS (continued)

- (i) Information regarding directors' and employees' emoluments (continued)

Employees' emoluments

All five highest paid individuals of the Group for both years are directors of the Company, details of whose emoluments are set out above.

- (ii) Retirement benefit scheme contributions

	2001 HK\$'000	2000 HK\$'000
Retirement benefit scheme contributions to the Group's defined contribution schemes	2	9
Less: Forfeited contributions	—	—
	<u>2</u>	<u>9</u>

The Company operated defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes were held separately from those of the Group in funds under the control of the independent trustees.

The cost charged to the income statement represented contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group in the future years are reduced by the amount of forfeited contributions.

At March 31, 2000 and March 31, 2001, no outstanding forfeited contributions, which arose upon employees leaving the retirement benefit schemes, were available to reduce the contributions payable in the future years.

For the year ended March 31, 2001

6. FINANCE COSTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on:		
– bank and other borrowings wholly repayable within five years	—	(6,649)
– debentures	(18,524)	(33,521)
– amount due to a related company	(18,282)	(11,937)
	(36,806)	(52,107)
Less: Debenture interest waived	—	30,857
Amount capitalised in properties under development	—	4,242
	<u>(36,806)</u>	<u>(17,008)</u>

7. NET GAIN ARISING ON DISPOSAL AND DECONSOLIDATION OF SUBSIDIARIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Gain on disposal of subsidiaries	2,302	16,067
Gain on deconsolidation of subsidiaries	181,523	—
Provision for amounts due from unconsolidated subsidiaries	(90,388)	—
	<u>93,437</u>	<u>16,067</u>

8. PROVISION FOR DOUBTFUL RECOVERY OF AMOUNTS UNDER INDEMNITY

The amount represented the provision for doubtful recovery of amounts under indemnity given by the vendor of a subsidiary in respect of withholding tax imposed on interest expenses paid by that subsidiary to various parties situated outside the PRC.

For the year ended March 31, 2001

9. TAXATION

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 16% (2000: 16%) of the estimated assessable profit		
– current year	—	(1,464)
– underprovision in prior years	—	(1)
	<u>—</u>	<u>(1,465)</u>
Provision for deferred taxation as a result of the reversal of provision for impairment in value of properties under development (<i>note 32</i>)	—	(1,000)
	<u>—</u>	<u>(1,000)</u>
	<u>—</u>	<u>(2,465)</u>

Details of deferred taxation provided and significant potential unprovided deferred taxation assets are set out in note 32.

10. PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to shareholders of approximately HK\$31,276,000 (2000: a loss of approximately HK\$60,225,000) for the year, a loss of approximately HK\$70,707,000 (2000: a profit of HK\$542,182,000) has been dealt with in the financial statements of the Company.

11. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings per share is based on the Group's consolidated profit attributable to shareholders of approximately HK\$31,276,000 (2000: a loss of approximately HK\$60,225,000) and on 2,751,720,884 (2000: weighted average number of 2,751,720,194) ordinary shares in issue during the year.

For the year ended March 31, 2001

11. EARNINGS (LOSS) PER SHARE *(continued)*

Diluted earnings (loss) per share has not been presented for either year as it is assumed that no warrants, share options and debentures are exercised as their exercise prices are higher than the average market price of the Company's shares during both years.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At April 1, 2000	38,089	36,035	17,351	2,116	93,591
Additions	160	117	239	—	516
Disposals	—	(773)	(5,790)	(335)	(6,898)
At March 31, 2001	38,249	35,379	11,800	1,781	87,209
DEPRECIATION					
At April 1, 2000	32,345	23,872	14,862	1,649	72,728
Provided for the year	986	1,992	1,267	82	4,327
Eliminated on disposals	—	(753)	(5,788)	(315)	(6,856)
At March 31, 2001	33,331	25,111	10,341	1,416	70,199
NET BOOK VALUES					
At March 31, 2001	4,918	10,268	1,459	365	17,010
At March 31, 2000	5,744	12,163	2,489	467	20,863

The leasehold land and buildings are situated in the PRC and are held under medium-term leases.

For the year ended March 31, 2001

13. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
At the beginning of the year	1,379,409	1,547,530
Acquired on acquisition of subsidiaries	—	23,000
Additions	3,449	16,090
Guaranteed income capitalised	(92,480)	(92,775)
Deconsolidation of subsidiaries (note 36)	(946,648)	—
Eliminated on disposal of a subsidiary	(5,087)	—
Interest capitalised	—	4,242
	338,643	1,498,087
Reversal of (provision for) impairment in value	2,892	(27,156)
	341,535	1,470,931
Completed and transferred to properties held for sale included in current assets	(253)	(91,522)
At the end of the year	<u>341,282</u>	<u>1,379,409</u>

Notes to the Financial Statements

For the year ended March 31, 2001

13. PROPERTIES UNDER DEVELOPMENT *(continued)*

The properties under development are situated in the PRC and held under land use rights for:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Terms not less than 50 years	13,000	224,000
Terms expiring within 50 years	<u>328,282</u>	<u>1,155,409</u>
	<u>341,282</u>	<u>1,379,409</u>

Included in properties under development is interest capitalised of approximately HK\$25,907,000 (2000: HK\$97,657,000) at a capitalisation rate of 8% (2000: 7%).

Details of properties under development are set out on page 78.

For the year ended March 31, 2001

14. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	—	—
Amounts due from unconsolidated subsidiaries, net of provision of HK\$90,388,000 (note 7)	<u>772,772</u>	<u>—</u>
	<u><u>772,772</u></u>	<u><u>—</u></u>

The Group has an equity interest of 80% in Canlibol Holdings Limited (“Canlibol”) and its wholly-owned subsidiary, Beijing Peony Garden Apartment House Co., Ltd. (“Beijing Peony”) (collectively referred to as the “Canlibol Group”), which are engaged in property development.

Since January 2001, the Group has been unable to exercise its rights as a controlling shareholder of the Canlibol Group, which significantly impairs the Group’s control over the Canlibol Group’s assets and operations for the foreseeable future or the Group’s ability to exercise significant influence over the financial and operating policy decisions of the Canlibol Group. Against this background, the results of the Canlibol Group for the six months ended September 30, 2000 based on unaudited management accounts have been consolidated in the consolidated income statement for the Group. Because the Group has been unable to obtain any financial information of the Canlibol Group for the period subsequent to September 30, 2000, the directors considered that for accounting purpose the Canlibol Group should be deconsolidated from the Group’s financial statements from October 1, 2000. The net loss of the Canlibol Group for the period up to deconsolidation dealt with in the consolidated income statement was approximately HK\$54,000.

The directors of the Company believe that the Group has no other material obligations or commitments in the Canlibol Group that require either adjustments to or disclosure in these financial statements.

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15. INVESTMENTS IN SUBSIDIARIES

THE COMPANY
2001 & 2000
HK\$'000

Unlisted shares, at cost	<u>227</u>
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Particulars of the principal subsidiaries of the Company as at March 31, 2001 are set out in note 44.

16. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current assets.

17. INTEREST IN AN ASSOCIATE

THE GROUP
2001 2000
HK\$'000 HK\$'000

Share of net assets	<u>57</u>	<u>132</u>
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At March 31, 2001, the Group held 42.44% (2000: 42.44%) equity interest in Sun Bright Development Company Limited, a private limited company incorporated in Hong Kong which is engaged as an investment holding company.

18. AMOUNT DUE FROM AN ASSOCIATE

THE GROUP AND THE COMPANY

The amount is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, no demand of repayment by the Group and the Company will be made in the next twelve months. Accordingly, the amount is shown as a non-current asset.

19. PROPERTIES HELD FOR SALE
THE GROUP

At March 31, 2001, the properties held for sale were situated in the PRC and were held under long leases. The properties were carried at net realisable value at the balance sheet date.

20. INVENTORIES
THE GROUP

All inventories at the balance sheet date represented catering goods of the holiday resort division and were carried at cost.

21. TRADE RECEIVABLES
THE GROUP

The Group allows on average a credit period of 30 days to its trade customers of the holiday resort operation. The credit policy on the receivables arising from the sales of properties is determined in accordance with the sale and purchase agreements with the purchasers.

The following is an aged analysis of trade receivables:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	4,746	882
31 – 90 days	2,661	538
91 – 180 days	280	3
More than 180 days	2,591	1,952
	<u>10,278</u>	<u>3,375</u>

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES
THE GROUP

Included in deposits, prepayments and other receivables is an amount of approximately HK\$31,857,000 (2000: HK\$29,057,000) due from a minority shareholder of a subsidiary. The amount is unsecured, bears interest at 1% over Hong Kong prime interest rate and has no fixed terms of repayment.

For the year ended March 31, 2001

**23. TRADE PAYABLES
THE GROUP**

The following is an aged analysis of trade payables:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
0 – 90 days	425	556
91 – 180 days	113	31
More than 180 days	193	213
	<u>731</u>	<u>800</u>

24. SHARE CAPITAL

	Number of ordinary shares of HK\$0.02 each	Amount <i>HK\$'000</i>
<i>Authorised:</i>		
At March 31, 2000 and at March 31, 2001	<u>10,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At April 1, 1999	2,751,718,660	55,034
Upon exercise of warrants	<u>2,224</u>	<u>—</u>
At March 31, 2000 and at March 31, 2001	<u>2,751,720,884</u>	<u>55,034</u>

In prior year, the Company issued and allotted an aggregate of 2,224 ordinary shares of HK\$0.02 each for cash at HK\$0.20 per share as a result of the exercise of the Company's warrants. The shares issued rank pari passu in all respects with the then existing shares of the Company.

25. WARRANTS

At April 1, 1999, the Company had an outstanding amount of warrants of HK\$110,058,481.60 entitling the holders thereof to subscribe in cash for fully paid ordinary shares of HK\$0.02 each in the Company at a subscription price of HK\$0.20 each, subject to adjustment, on or before December 31, 1999.

In prior year, a total amount of warrants of HK\$444.80 was exercised at a subscription price of HK\$0.20 per share, resulting in the issue by the Company of 2,224 ordinary shares of HK\$0.02 each in the Company.

On December 31, 1999, all outstanding warrants were lapsed upon the expiry of the exercisable period of warrants.

26. SHARE OPTIONS

The Company has a share option scheme under which the directors might grant options to employees of the Company or its subsidiaries, including directors of any of such companies, to subscribe for shares in the Company. The subscription price would not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's share, whichever is higher. The maximum number of shares in respect of which options might be granted under this scheme might not exceed 10% of the issued share capital of the Company from time to time. An option might be exercised at any time within ten years from the date of issue of the relevant options.

For the year ended March 31, 2001

26. SHARE OPTIONS *(continued)*

Details of the share options granted under the share option scheme are as follows:

Date of grant	Exercise price HK\$	Number of share options		
		Outstanding at April 1, 2000	Waived and cancelled during the year	Outstanding at March 31, 2001

October 3, 1997	0.360	229,667,580	(229,667,580)	—
December 24, 1997	0.308	45,500,000	(45,500,000)	—

All share options in issue were waived by the option holders and cancelled on May 2, 2000.

No share options were granted or exercised during the year.

27. RESERVES

	Share premium HK\$'000	Leasehold land and building revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP									
At April 1, 1999	564,363	77,120	24,528	666	1,756	502,588	8,916	(295,029)	884,908
Depreciation attributable to revaluation surplus	—	(89)	—	—	—	—	—	89	—
Reserves realised upon disposal of subsidiaries	—	(77,031)	(24,528)	—	(3,022)	11,603	—	77,031	(15,947)
Goodwill arising on acquisition of subsidiaries	—	—	—	—	(100)	—	—	—	(100)
Share of reserve by a minority shareholder of a subsidiary	—	—	—	—	228	—	—	—	228
Exchange difference on translation of financial statements of foreign subsidiaries	—	—	—	—	—	—	2	—	2
Loss attributable to shareholders	—	—	—	—	—	—	—	(60,225)	(60,225)
At March 31, 2000	564,363	—	—	666	(1,138)	514,191	8,918	(278,134)	808,866
Reserve realised upon disposal of a subsidiary	—	—	—	—	—	—	1,760	—	1,760
Share of reserve by a minority shareholder of a subsidiary	—	—	—	—	379	—	—	—	379
Goodwill reversed upon deconsolidation of subsidiaries	—	—	—	—	1,345	—	—	—	1,345
Exchange difference on translation of financial statements of foreign subsidiaries	—	—	—	—	—	—	40	—	40
Profit attributable to shareholders	—	—	—	—	—	—	—	31,276	31,276
At March 31, 2001	564,363	—	—	666	586	514,191	10,718	(246,858)	843,666
Attributable to:									
– the Company and subsidiaries	564,363	—	—	666	(1,138)	514,191	8,918	(277,569)	809,431
– an associate	—	—	—	—	—	—	—	(565)	(565)
At March 31, 2000	564,363	—	—	666	(1,138)	514,191	8,918	(278,134)	808,866
Attributable to:									
– the Company and subsidiaries	564,363	—	—	666	586	514,191	10,718	(246,218)	844,306
– an associate	—	—	—	—	—	—	—	(640)	(640)
At March 31, 2001	564,363	—	—	666	586	514,191	10,718	(246,858)	843,666
THE COMPANY									
At April 1, 1999	564,363	—	—	666	—	514,191	—	(902,944)	176,276
Net profit for the year	—	—	—	—	—	—	—	542,182	542,182
At March 31, 2000	564,363	—	—	666	—	514,191	—	(360,762)	718,458
Net loss for the year	—	—	—	—	—	—	—	(70,707)	(70,707)
At March 31, 2001	564,363	—	—	666	—	514,191	—	(431,469)	647,751

For the year ended March 31, 2001

27. RESERVES (continued)

The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

The contributed surplus of the Company represents the difference between the consolidated net assets of the Company's subsidiaries at July 7, 1992, the date on which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, less any dividends subsequently paid out of pre-reorganisation profits and amounts utilised on redemption of shares.

Under the company law in Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the reserves available for distribution to shareholders of the Company are as follows:

	2001	2000
	HK\$'000	HK\$'000
Contributed surplus	514,191	514,191
Accumulated losses	(431,469)	(360,762)
	<u>82,722</u>	<u>153,429</u>

28. DEBENTURES

THE GROUP AND THE COMPANY

The debentures were issued on December 1, 1997 as a partial consideration for the acquisition of 80% equity interest in Canlibol, bear interest at 10% per annum payable annually in arrears and are repayable after five years from the date of issue. The Company may redeem the debentures, either in cash and/or by issue of ordinary shares of the Company, at an initial price of HK\$2.50 per share, subject to adjustment, with an annually compounded increment of 17.5% calculated on a daily basis, at any time before the repayment date.

Pursuant to a Deed of Cancellation and Undertaking dated January 28, 1999 and a Set-off and Cancellation Agreement dated October 30, 1999 ("Set-off Agreement") entered into between the Group and Rise Rich Development Limited, the Group has the rights to set off the accrued debentures interest against the guaranteed income receivable, and to cancel any outstanding debentures to the extent the guaranteed income receivable exceeds the accrued debentures interest.

During the year, pursuant to the Set-off Agreement, the Group has taken the rights to cancel the debentures held by debenture holders of approximately HK\$73,956,000 (2000: HK\$101,246,000) by setting off against the net amount of the guaranteed income receivable of approximately HK\$92,480,000 and accrued debenture interest of approximately HK\$18,524,000.

29. AMOUNTS DUE TO SUBSIDIARIES

THE COMPANY

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment from the subsidiaries will be made in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

For the year ended March 31, 2001

30. AMOUNTS DUE TO RELATED COMPANIES/A RELATED COMPANY

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest bearing at prevailing market rates	167,108	165,187	167,108	165,187
Interest-free	9,600	—	—	—
	<u>176,708</u>	<u>165,187</u>	<u>167,108</u>	<u>165,187</u>

The amounts are due to a subsidiary of Emperor International Holdings Limited, a substantial shareholder of the Company, and a company in which a director of the Company has an interest. The amounts are unsecured and have no fixed terms of repayment.

These related companies have agreed not to demand repayment of the amounts until the Group and the Company are financially capable to do so. In the opinion of the directors, no demand for repayment from these related companies will be made in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

31. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment from the minority shareholders of subsidiaries will be made in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

The amounts advanced to the subsidiaries by the respective minority shareholders of subsidiaries are considered as part of their contributions, together with paid up capital, made to finance the operations of these subsidiaries. The minority shareholders of subsidiaries agreed that these advances can be used to make good the minority shareholders' respective share of the losses incurred by these subsidiaries to the extent of the amounts advanced to them, if requested by the Group to do so.

For the year ended March 31, 2001

32. DEFERRED TAXATION

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
At the beginning of the year	10,500	9,500
Provided as a result of the reversal of provision for impairment in value of properties under development (note 9)	—	1,000
Reversed upon deconsolidation of subsidiaries (note 36)	<u>(10,500)</u>	<u>—</u>
At the end of the year	<u>—</u>	<u>10,500</u>

At the balance sheet date, the major components of the net potential deferred taxation asset not recognised for in the financial statements were analysed as follows:

	THE GROUP AND THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Tax losses	<u>13,096</u>	<u>9,628</u>

For the year ended March 31, 2001

32. DEFERRED TAXATION *(continued)*

The major components of the net potential deferred taxation credit (charge) not recognised (provided) for the year in the financial statements were analysed as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Tax losses	3,468	5,049
Excess of depreciation allowance over depreciation expenses	—	(79)
Reversal of unprovided deferred taxation on disposal of subsidiaries	—	(7,953)
	<u> </u>	<u> </u>
Net potential deferred taxation credit (charge)	<u>3,468</u>	<u>(2,983)</u>

The net potential deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

For the year ended March 31, 2001

33. RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit (loss) before taxation	31,971	(60,792)
Depreciation	4,327	9,287
Loss on disposal of property, plant and equipment	42	13
Interest expenses	36,806	17,008
Interest income from bank and other deposits	(3,198)	(2,692)
Net gain arising on disposal and deconsolidation of subsidiaries	(93,437)	(16,067)
(Reversal of) provision for impairment in value of properties under development	(2,892)	27,156
Provision for doubtful recovery of amounts under indemnity	—	32,580
Provision for deposit paid for the purchase of properties	18,740	—
Share of results of an associate	75	66
Decrease in properties held for sale	28,753	15,522
Decrease (increase) in inventories	42	(60)
Increase in trade receivables, deposits, prepayments and other receivables	(10,656)	(8,095)
(Decrease) increase in trade payables, accrued charges and other payables	(4,837)	9,465
Net cash inflow from operating activities	<u>5,736</u>	<u>23,391</u>

Notes to the Financial Statements

For the year ended March 31, 2001

34. PURCHASE OF SUBSIDIARIES

	2001	2000
	HK\$'000	HK\$'000
Net assets acquired:		
Properties under development	—	23,000
Property, plant and equipment	—	435
Trade receivables, deposits, prepayments and other receivables	—	20,413
Bank balances and cash	—	770
Trade payables, accrued charges and other payables	—	(2,372)
Amount due to a fellow subsidiary	—	(74,515)
Amounts due to minority shareholders of subsidiaries	—	(17,098)
Minority interests	—	12,838
	—	(36,529)
Amount due to a fellow subsidiary	—	74,515
Goodwill arising on acquisition of subsidiaries	—	100
	<u>—</u>	<u>38,086</u>
Satisfied by:		
Cash	<u>—</u>	<u>38,086</u>
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Cash consideration paid	—	(38,086)
Bank balances and cash acquired	—	770
	<u>—</u>	<u>(37,316)</u>

For the year ended March 31, 2001

35. DISPOSAL OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Property, plant and equipment	—	34,413
Investment properties	—	622,150
Properties under development	5,087	—
Trade receivables, deposits, prepayments and other receivables	19	13,590
Amount due from holding company	—	817,312
Taxation recoverable	—	62
Bank balances and cash	10	128
Trade payables, accrued charges and other payables	(29)	(19,533)
Taxation payable	—	(49,270)
Bank loans	—	(232,000)
Bank overdrafts	—	(57,203)
Amount due to immediate holding company	(59)	—
Amount due to a related company	—	(76)
Minority interests	197	(176,132)
Attributable reserves realised	1,760	(15,947)
	<u>6,985</u>	<u>937,494</u>
Amount due to immediate holding company disposed of	59	—
Amount due from holding company disposed of	—	(817,312)
Gain on disposal of subsidiaries	2,302	16,067
	<u>9,346</u>	<u>136,249</u>
Satisfied by:		
Cash	<u>9,346</u>	<u>136,249</u>
Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	9,346	136,249
Bank balances and cash disposed of	(10)	(128)
Bank overdrafts disposed of	—	57,203
	<u>9,336</u>	<u>193,324</u>

Notes to the Financial Statements

For the year ended March 31, 2001

35. DISPOSAL OF SUBSIDIARIES *(continued)*

The subsidiary disposed of during the year did not have significant cash flows attributed to the Group.

The subsidiary disposed of during the year contributed profit attributable to shareholders of approximately HK\$2,280,000 to the Group.

36. DECONSOLIDATION OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net liabilities deconsolidated of comprise:		
Properties for development	946,648	—
Bank balances and cash	5	—
Accrued charges and other payables	(33,877)	—
Amount due to immediate holding company	(863,160)	—
Amount due to a minority shareholder of subsidiaries	(226,863)	—
Deferred taxation <i>(note 32)</i>	(10,500)	—
Minority interests	4,879	—
	<u>(182,868)</u>	—
Goodwill reversed upon deconsolidation of subsidiaries <i>(note 27)</i>	1,345	—
Gain on deconsolidation of subsidiaries <i>(note 7)</i>	181,523	—
	<u>—</u>	<u>—</u>

The subsidiaries deconsolidated of during the year did not have significant cash flows attributed to the Group.

Outflow of cash and cash equivalents in respect of deconsolidation of subsidiaries is represented by a decrease in bank balances and cash of approximately HK\$5,000.

For the year ended March 31, 2001

37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans HK\$'000	Debentures HK\$'000	Amounts due to related companies HK\$'000	Minority interests HK\$'000	Amounts due to minority shareholders of subsidiaries HK\$'000
Balance at April 1, 1999	237,800	495,771	59,397	159,089	286,806
Raised during the year	25,000	—	28,851	—	2,244
Repayment during the year	(30,800)	—	—	—	—
Acquired on acquisition of subsidiaries	—	—	—	(12,838)	17,098
Eliminated on disposal of subsidiaries	(232,000)	—	(76)	(176,132)	—
Redemption of debentures	—	(188,515)	77,015	—	—
Cancellation of debentures by setting off against the net amount of guaranteed income receivable and accrued debenture interest	—	(101,246)	—	—	—
Share of reserves by minority shareholders of subsidiaries	—	—	—	(241)	—
Share of results by minority shareholders of subsidiaries	—	—	—	(3,032)	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,032)</u>	<u>—</u>
Balance at March 31, 2000	—	206,010	165,187	(33,154)	306,148
Raised during the year	—	—	11,521	—	—
Repayment during the year	—	—	—	—	(10,767)
Eliminated on disposal of a subsidiary	—	—	—	197	—
Eliminated on deconsolidation of subsidiaries	—	—	—	4,879	(226,863)
Cancellation of debentures by setting off against the net amount of guaranteed income receivable and accrued debenture interest	—	(73,956)	—	—	—
Share of reserve by a minority shareholder of a subsidiary	—	—	—	(379)	—
Share of results by minority shareholders of subsidiaries	—	—	—	695	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>695</u>	<u>—</u>
Balance at March 31, 2001	<u><u>—</u></u>	<u><u>132,054</u></u>	<u><u>176,708</u></u>	<u><u>(27,762)</u></u>	<u><u>68,518</u></u>

Notes to the Financial Statements

For the year ended March 31, 2001

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group cancelled certain debentures of approximately HK\$73,956,000 at par (2000: HK\$101,246,000) by setting off against the net amount of the guaranteed income receivable of approximately HK\$92,480,000 and accrued debenture interest of approximately HK\$18,524,000.

39. CAPITAL COMMITMENTS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Authorised but not contracted for in respect of property development projects	4,210	19,014
Contracted for but not provided in the financial statements, net of deposits paid in respect of property development projects	117,849	320,381
	<u>122,059</u>	<u>339,395</u>

The Company had no significant capital commitments at the balance sheet date.

For the year ended March 31, 2001

40. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had the following commitments payable within the following year under non-cancellable operating leases in respect of rented premises:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
In the second to fifth year inclusive	70	236
Over five years	89	89
	<u>159</u>	<u>325</u>

The Company had no significant operating lease commitments at the balance sheet date.

41. PLEDGE OF ASSETS

The Group and the Company did not pledge any assets as at March 31, 2001.

At March 31, 2000, Beijing Peony, a 80% owned subsidiary of the Company, pledged its properties under development situated in the PRC with a carrying value of approximately HK\$1,039,128,000 to secure the bank loan facility amounting to RMB776,000,000 (equivalent to approximately HK\$725,234,000) granted to this subsidiary. According to the books and records kept by Beijing Peony, the above mentioned bank loan facility had never been utilised in prior year.

42. CONTINGENT LIABILITIES

The Group has given guarantees to a bank in the PRC in respect of the mortgage loans granted to the purchasers of properties sold by the Group, up to the date of issuance of property ownership certificates. At March 31, 2001, the aggregate amount of mortgage loans guaranteed by the Group was approximately HK\$15,441,000 (2000: HK\$6,504,000).

The Company had no significant contingent liabilities at the balance sheet date.

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43. RELATED PARTY TRANSACTIONS

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Rental income received from related companies (<i>note b</i>)	—	6,805
Interest received from minority shareholders of subsidiaries (<i>note d</i>)	6,722	5,636
Printing expenses paid to related companies (<i>note b</i>)	131	121
Secretarial fee paid to a related company (<i>note b</i>)	320	320
Management fee paid to a related company (<i>note c</i>)	600	3,609
Interest paid to a related company (<i>note d</i>)	<u>18,282</u>	<u>11,937</u>

Notes:

- (a) Certain directors and substantial shareholders of the Company have beneficiary interests in the related companies.
- (b) These transactions were carried out after negotiations between the Group and the related parties and on basis of estimated market value as determined by the directors of the Company.
- (c) The management fee was charged on a cost basis.
- (d) The interest received or paid by the Group was calculated by reference to the principal outstanding and at the prevailing market interest rates.

For the year ended March 31, 2001

44. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at March 31, 2001, are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary share/ registered capital	Group's attributable equity interest %	Principal activities
Indirectly held					
Chongqing Emperor Property Development Company Limited	PRC	PRC	HK\$39,000,000	90.00	Property development
Dongguan Emperor Hongfu Villas Commercial Housing Development Company Limited	PRC	PRC	US\$8,880,000	58.00	Property development
Emperor (Shanghai) Company Limited	PRC	PRC	US\$30,000,000	90.00	Property development
Emperor (Xiamen) Real Estate Investments Limited	PRC	PRC	US\$5,000,000	95.00	Property development
Harbour Assets Limited	British Virgin Islands	PRC	US\$1	100.00	Property investment
Xinhui Emperor Property Development Company Limited	PRC	PRC	HK\$24,000,000	100.00	Property development
Xinhui Yuhu Recreation Village Company Limited	PRC	PRC	US\$12,600,000	100.00	Management of a holiday resort

None of the subsidiaries had any loan capital subsisting at March 31, 2001 or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.