NOTES TO FINANCIAL STATEMENTS

31 March 2001

1. CORPORATE INFORMATION

During the year the Group was involved in property development and investment.

2. BASIS OF PRESENTATION

The Group sustained a net loss attributable to shareholders of HK$1,124 million for the year ended 31 March 2001 (2000: Loss of HK$52 million). As at that date, the Group had consolidated net current liabilities of HK$361 million (2000: HK$370 million), consolidated accumulated losses of HK$826 million (2000: HK$171 million) and a consolidated deficiency in assets of HK$108 million (2000: net assets of HK$688 million). During the year, the net asset value of the Group further deteriorated, which was largely due to the loss on disposal of a property under redevelopment and the provisions made for losses on restructuring relating to the assets disposal programme subsequent to the balance sheet date. The details of the Assets Disposal Programme are explained below.

The Group recorded consolidated indebtedness of HK$651 million (2000: HK$789 million) as at 31 March 2001, which comprised a bank loan of HK$177 million (2000: HK$160 million), secured and unsecured promissory notes of HK$377 million (2000: HK$302 million), a secured convertible note of HK$85 million (2000: HK$220 million) and other borrowings of HK$12 million (2000: HK$107 million).

Of the total indebtedness, the Group defaulted on the repayment of the bank loan of HK$177 million (the "Old Borrowing"). On 27 December 2000, the bank served notice to the Group to declare the bank loan to be immediately due and repayable. Accordingly, the Old Borrowing has been classified as a current liability in the consolidated balance sheet of the Group. In addition, a secured promissory note of HK$55.8 million reached maturity in June 2000. The note holder has not served any notice for the immediate repayment of the note. Based on the terms of the respective borrowing documents, the remaining indebtedness of the Group of HK$418.2 million was not due as at 31 March 2001. None of the financial creditors of the Group's other indebtedness has served notice to the Group to declare the related borrowings to be immediately due and repayable. Accordingly, the remaining indebtedness has been stated in the consolidated balance sheet of the Group in accordance with the original repayment terms of the respective borrowing documents.

I. Debt Restructuring

The Group has adopted continuous proactive measures, including asset disposals and capital fund raising (the "Debt Restructuring Exercises") during the year and subsequent to the balance sheet date, with an objective to reduce the Group's overall gearing level. Following the resolutions passed at the extraordinary general meeting of the Company on 4 July 2001 for the approval by the independent shareholders of the Debt Restructuring Exercises and the fulfillment of the terms and conditions as set out in the related debt restructuring agreements, the Debt Restructuring Exercises were completed on 18 September 2001. The principal elements of the Debt Restructuring Exercises are summarised below.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

2. BASIS OF PRESENTATION (continued)

I. Debt Restructuring (continued)

(i) Asset disposals

On 17 April 2001, the Company formally entered into a series of agreements with a number of group companies of Cheung Kong Holdings Limited (the "Cheung Kong Group"). Pursuant to these agreements (the "Disposal Agreements"), the Group agreed to dispose of certain equity investments and properties, including (i) a 49% interest in Cheung Wo Hing Fung Enterprises Limited ("Cheung Wo"), (ii) a 100% interest in Wise Method Limited ("Wise Method"), (iii) certain non-residential leasehold land (the "Lands") and (iv) the sub-participation interest in 49% of Cheung Kong (China Property Development) Limited (the "Hainan Investment") for a consideration of HK$234 million. Upon completion of the Disposal Agreements on 18 September 2001, the resulting net proceeds were used to offset part of the Group's indebtedness to the Cheung Kong Group of the same amount. Further details about the Group's indebtedness to the Cheung Kong Group are disclosed in notes 24 and 25 to the financial statements.

(ii) Capital fund raising

On 17 April 2001, the Company formally entered into subscription agreements (the "Cheung Kong Share Subscription Agreements") with the Cheung Kong Group for the subscription of the Company's share capital for HK$186 million. In particular, the Cheung Kong Group agreed to:

(i) subscribe for 400,000,000 'A' Preference shares of the Company at HK$0.25 per 'A' Preference share;

(ii) subscribe for 284,000,000 'B' Preference shares of the Company at HK$0.25 per 'B' Preference share; and

(iii) subscribe for 60,000,000 new ordinary shares of the Company at HK$0.25 each.

On 17 September 2001, the subscription by the Cheung Kong Group for 60,000,000 new ordinary shares of the Company at HK$0.25 each was cancelled by a cancellation agreement entered into on that date. As a result, part of the HK$15 million indebtedness to the Cheung Kong Group, which was intended to be offset by the proceeds of the subscription remains outstanding as at the date of this report. The remaining outstanding amount was satisfied by way of a promissory note of HK$15 million issued to the Cheung Kong Group with a maturity date of 18 September 2003. The remaining Cheung Kong Subscription Agreements were completed on 18 September 2001. The adjusted net proceeds of HK$171 million was used to offset the remaining indebtedness of the Group to the Cheung Kong Group.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

2. BASIS OF PRESENTATION (continued)

I. Debt Restructuring (continued)

(ii) Capital fund raising (continued)

Pursuant to another share subscription agreement dated 17 April 2001 and the related supplemental agreement dated 29 May 2001 (the "RMAL Subscription Agreement") entered into by the Company and Regent Medal Assets Corp. ("RMAL"), RMAL agreed to subscribe for 80 million new ordinary shares of the Company at HK$0.25 each payable in cash. The RMAL Subscription Agreement was also duly completed on 18 September 2001. The resulting gross proceeds of HK$20 million were used to settle the Group's indebtedness and as general working capital of the Group.

Further details of Debt Restructuring Exercises were contained in the Company's circular dated 11 June 2001.

II. Capital Financing

On 14 May 2001, the Company placed, through a placing agent, 80,000,000 new ordinary shares of the Company at HK$0.25 each to not less than six independent professional and institutional investors. The net proceeds of HK$19,000,000 from the placement were used to reduce the Group's debts and as general working capital.

III. Debt Refinancing

On 19 May 2001, the Group obtained a bank loan of HK$175 million (the "New Borrowing"). The New Borrowing is structured into a HK$100 million instalment loan, repayable by 120 equal monthly instalments of approximately HK$1.2 million, and a ten-year term loan of HK$75 million. The New Borrowing is secured by certain properties of the Group. The Old Borrowing was repaid in full, together with all the related accrued interest, by the proceeds from the New Borrowing and the placement.

On 14 September 2001, the Group obtained a secured bank overdraft facility of HK$81 million. On 18 September 2001, the Company drew down the whole facility to repay a promissory note due to an independent third party, together with the accrued interest thereon.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

2. BASIS OF PRESENTATION (continued)

Set out below is a summary condensed pro forma consolidated balance sheet of the Group as at 31 March 2001 prepared as if the above transactions had been completed as at 31 March 2001.

As at 31 March 2001

		Pro forma adjustments	Pro forma adjusted balances
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	350,824	—	350,824
CURRENT ASSETS	240,273	(209,207)	31,066
CURRENT LIABILITIES	(601,506)	498,079	(103,427)
NET CURRENT LIABILITIES	(361,233)	288,872	(72,361)
TOTAL ASSETS LESS CURRENT LIABILITIES	(10,409)	288,872	278,463
NON-CURRENT LIABILITIES	(97,195)	(78,872)	(176,067)
NET ASSETS/(DEFICIENCY IN ASSETS)	(107,604)	210,000	102,396

In addition to the above, the directors of the Company are contemplating the launch of various fund raising exercises with a view to provide additional working capital to the Group.

On the basis that continual financial support from the Group's current principal bank and additional capital injection to the Group are forthcoming, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

If the going concern basis were not be appropriate, adjustments would have to be made to restate the values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

The goodwill or capital reserve arising on consolidation of subsidiaries and on acquisition of associates represents the excess or shortfall of the purchase consideration paid over/under the fair values ascribed to the net underlying assets acquired at the date of acquisition and is eliminated against or credited to reserves in the year of acquisition.

On disposal of subsidiaries or associates, the relevant portion of attributable goodwill or capital reserve previously eliminated against or credited to reserves is charged/credited to the profit and loss account and is included in the calculation of the gain or loss on disposal.

Subsidiaries

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

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

An interest in a subsidiary is stated at the lower of cost and net realisable value in the consolidated financial statements, if in the opinion of the directors, the control of the subsidiary is intended to be temporary.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associate

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of the associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting.

The results of the associate are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interest in the associate is stated at cost less any provision for diminution in value other than that considered to be temporary deemed necessary by the directors.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repair and maintenance costs, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost thereof.

Depreciation is calculated on a straight-line basis to write off the cost of each asset over its estimated useful life at a rate of 15% per annum.

Property under redevelopment

Property under redevelopment represents interest in land held for redevelopment and is stated at the aggregate of the carrying value of the land and redevelopment costs incurred, less permanent diminution in value deemed necessary by the directors. Redevelopment costs incurred include capitalised interest charges, construction expenditure and other direct costs.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Other investments

Other investments are investments in securities which are not classified as investment securities and are stated at fair value, on an individual basis, at the balance sheet date. The gains or losses arising from changes in fair value of these investments are credited and charged to profit and loss account for the period in which they arise.

The profit or loss on disposal of other investments is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount.

Properties held for resale

Properties held for resale are stated at the lower of cost and market value on an individual property basis.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

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

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme being effective, the Group operated a defined contributions retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the MPF Scheme, except that when an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions.

Borrowing costs

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

Revenue recognition

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

(a) rental income, on the straight-line basis over the lease terms;

(b) management fees and consultancy service income, in the period in which the services are rendered; and

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use. For the purpose of the consolidated cash flow statement, 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 advance.

4. RELATED PARTY TRANSACTION

In addition to the related party transactions disclosed elsewhere in the financial statements, as at 31 March 2001, the Group had an outstanding promissory note of HK$63 million payable to a third party, further details of which are set out in note 24 to the financial statements. This promissory note is guaranteed by Tem Fat Hing Fung (Holdings) Limited ("TFHF"), a substantial shareholder of the Company.

5. TURNOVER

Turnover represents the gross rental income and management fees derived from the investment properties during the year.

6. PROVISIONS FOR LOSSES ON RESTRUCTURING

Subsequent to the balance sheet date, on 17 April 2001, as part of the debt restructuring exercises, the Company entered into the Disposal Agreements with the Cheung Kong Group to dispose of certain investments and properties of the Group. Further details of the Disposal Agreements are set out in note 31 (a)(1), (2), (3) and (4) to the financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	2001	2000
	HK$'000	*HK$'000*
Depreciation	4	—
Auditors' remuneration	430	418
Staff costs (including directors' remuneration):		
Wages and salaries	4,717	2,854
Pension costs	372	86
	5,089	2,940
Interest income	(81)	(263)
Exchange gains, net	—	(408)

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

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

	2001	2000
	HK$'000	*HK$'000*
Fees:		
Executive	—	120
Non-executive	—	20
Independent non-executive	300	367
	300	507
Salaries and other emoluments - executive	1,465	586
	1,765	1,093

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS (continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	**2000**
Nil to HK$1,000,000	8	8
HK$1,000,001 to HK$1,500,000	1	—
	9	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2000: Nil).

Five highest paid employees

The five highest paid employees during the year included two Directors (2000: one), details of whose remuneration are set out above. The details of the remuneration of the remaining three (2000: four) non-director, highest paid employees are as follows:

	2001	**2000**
	HK$'000	***HK$'000***
Salaries, allowances and benefits in kind	1,406	1,453
Pension scheme contributions	35	68
	1,441	1,521

The remuneration of the non-director, highest paid employees fell within the following band:

	Number of employees	
	2001	**2000**
Nil to HK$1,000,000	3	4

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

9. FINANCE COSTS

	2001	2000
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	94,138	56,353
Interest capitalised in property under redevelopment *(note 15)*	—	(644)
	94,138	55,709

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

No provision for deferred tax has been made as the net effect of all timing differences is insignificant (2000: Nil).

The principal component of an unrecognised deferred tax asset is as follows:

	Group		Company	
	2001	2000	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax losses	32,973	21,991	32,065	22,171

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK$1,117,483,000 (2000: HK$53,547,000).

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the year of HK$1,124,387,000 (2000: HK$52,305,000), and the weighted average of 404,088,810 (2000: 111,436,732) ordinary shares in issue during the year.

The comparative amount of the loss per share has been adjusted for the effect of the rights issue of 396,000,000 shares of the Company during the year.

The diluted loss per share for the years ended 31 March 2001 and 31 March 2000 has not been presented as the outstanding convertible note during both years had an anti-dilutive effect on the basic loss.

13. FIXED ASSETS

	Group and Company
	HK$'000
Cost	
Additions during the year and at 31 March 2001	28
Accumulated depreciation	
Charged for the year and at 31 March 2001	(4)
At 31 March 2001	24

14. INVESTMENT PROPERTIES

	Group	
	2001	**2000**
	HK$'000	***HK$'000***
At beginning of the year	395,800	—
Additions	—	800
Acquisition of a subsidiary	—	375,000
Revaluation surplus/(deficit) *(note 27)*	(45,000)	20,000
At 31 March 2001	350,800	395,800

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

14. INVESTMENT PROPERTIES (continued)

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

	HK$'000
Long term lease	350,000
Medium term lease	800
	350,800

The investment properties were revalued by DTZ Debenham Tie Leung Limited, professional property valuers, on an open market value, existing use basis at 31 March 2001.

Certain of the above investment properties with an aggregate carrying value of HK$350,000,000 are pledged to secure the Group's bank loan (note 25).

15. PROPERTY UNDER REDEVELOPMENT

	Group and Company	
	2001	**2000**
	HK$'000	*HK$'000*
At beginning of the year	486,129	485,185
Additions	215	300
Disposals	(486,344)	—
Interest capitalised *(note 9)*	—	644
At 31 March	—	486,129
The analysis of cost or valuation is as follows:		
At cost	—	12,129
At 1995 valuation	—	474,000
	—	486,129

The property under redevelopment represents a parcel of medium term leasehold land situated at 29 - 51 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong (the "Property"), which was revalued on an open market value basis by independent professional valuers, Prudential Surveyors Limited, on 31 March 1995.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

15. PROPERTY UNDER REDEVELOPMENT (continued)

Pursuant to a letter from the Town Planning Board dated 22 May 1997, the Town Planning Board has approved, with conditions, a proposed redevelopment of the Property into a commercial complex comprising various facilities, including a hotel, serviced apartments, banks, restaurants, retail shops and ancillary parking. On 23 January 1998, the Group entered into a joint venture agreement (the "JV Agreement") with the Cheung Kong Group in connection with the redevelopment of the Property. Subsequently, an application for amendments for the aforesaid approved development plan of the Property, including an increase in total gross floor areas of the serviced apartments and decrease in total gross floor area of both the hotel and the commercial components, has been submitted to the Town Planning Board. The Town Planning Board approved the amendments to the aforesaid approved development plan on 6 August 1998.

On 24 October 2000, the Company entered into an agreement with the Cheung Kong Group for the disposal of the Property at a consideration of HK$147,000,000. The transaction constituted a discloseable transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The difference between the carrying value of the Property at the date of disposal and the sales consideration of HK$339,344,000 was charged to the profit and loss account. In the opinion of the Company's directors, the Company's rights and obligations under the JV Agreement were released and the JV Agreement was cancelled upon completion of the transaction.

16. INTERESTS IN SUBSIDIARIES

	Group		Company	
	2001	**2000**	**2001**	**2000**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Unlisted shares, at cost	—	—	413,621	413,621
Due from subsidiaries	246,183	—	419,687	176,129
Due to subsidiaries	—	—	(15,509)	—
	246,183	—	817,799	589,750
Less: Provision for diminution in value	(177,983)	—	(567,321)	—
	68,200	—	250,478	589,750

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK2,757,000 due from a subsidiary in the prior year, which bore interest at 12% per annum.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Can Do Enterprises Limited	Hong Kong	HK$2	100	—	Dormant
Genuine Glory Investments Limited	Hong Kong	HK$2	100	—	Property investment
Luan Feng Development Limited	British Virgin Islands/ Hong Kong	US$1	100	—	Investment holding
Master Profit Limited	British Virgin Islands/ Hong Kong	US$1	100	—	Investment holding
Perfect Manor Limited	Hong Kong	HK$2	—	100	Property investment
Tem Fat Hing Fung (China) Limited	British Virgin Islands/ Hong Kong	US$1	100	—	Investment holding
Fair Nice Investment Limited	British Virgin Islands	US$1	100	—	Dormant
Tiptop Assets Limited	British Virgin Islands	US$1	100	—	Dormant
High Revenue International Limited	British Virgin Islands	US$1	100	—	Dormant
Wise Method Limited *(note i)*	British Virgin Islands	US$1	100	—	Investment holding
Crownity Limited *(note i)*	Hong Kong	HK$2	—	100	Property investment

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

16. INTERESTS IN SUBSIDIARIES (continued)

Note:

(i) Wise Method Limited ("Wise Method") and Crownity Limited ("Crownity")

On 22 September 1999, the Company entered into a sale and purchase agreement (the "Wise Method Agreement") with the Cheung Kong Group for the acquisition of the entire equity interest in Wise Method and its shareholders loan (the "Acquisition") at a consideration of HK$215,000,000. The principal asset of the Acquisition is the entire equity interest in Crownity which holds 151 units and 79 carpark spaces of Cheung Fat Gardens located at No. 28 Lane 290, Panyu Road, Changning District, Shanghai, the People's Republic of China (the "PRC"). The Acquisition was completed on 2 March 2001. The total consideration of the Acquisition was revised from HK$215,000,000 to HK$246,183,000 in accordance with the terms and conditions as stated in the Wise Method Agreement. The remaining balance, excluding the deposit paid of HK$80,000,000 in prior year, was satisfied by the issuance of a 6% promissory note of HK$166,183,000. Upon completion of the Acquisition on 2 March 2001, the Company intended to hold the investments on a temporary basis. The investments were subsequently disposed of on 18 September 2001. As a result, they are excluded from the Group consolidation. Further details are set out in note 31 to the financial statements.

17. INTEREST IN AN ASSOCIATE

	Group		Company	
	2001	**2000**	**2001**	**2000**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Share of net assets	280,334	380,229	—	—
Provision for diminution in value	(269,917)	—	—	—
	10,417	380,229	—	—
Due from an associate	153,183	153,183	68,729	68,729
	163,600	533,412	68,729	68,729

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

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

17. INTEREST IN AN ASSOCIATE (continued)

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group 2001	2000	Principal activity
Cheung Wo Hing Fung Enterprises Limited **	Corporate	British Virgin Islands/ Hong Kong	49	49	Investment holding

** Not audited by Ernst & Young

Cheung Wo is the foreign partner of Shanghai Westgate Mall Company Limited, a cooperative joint venture (the "JV") in the PRC with a tenure of 30 years, which is engaged in property development and investment and is the developer of a 22-storey office tower surmounting a 10-storey retail podium and a 3-level basement located at 1038, Nanjing Xi Lu, Jingan District, Shanghai, the PRC.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

17. INTEREST IN AN ASSOCIATE (continued)

Details of the consolidated net assets and the post-acquisition results of Cheung Wo attributable to the Group as at 31 March 2001 and for the year then ended, as extracted from the management accounts of Cheung Wo as at 31 March 2001 after taking into Group consolidation adjustments, are analysed as follows:

	2001	2000
	HK$'000	*HK$'000*
Fixed assets	1,953,536	2,155,243
Other long term assets	3,874	3,874
Current assets	52,572	46,785
Current liabilities	(401,203)	(365,312)
Long term liabilities	(1,036,669)	(1,064,612)
	572,110	775,978
Net assets shared by the Group	280,334	380,229
Turnover	128,402	35,821
Loss for the year	38,482	3,494
Revaluation deficit on investment properties	165,213	—
Loss shared by the Group	99,811	1,712

As at 31 March 2001, the Company had contingent liabilities in respect of counter indemnities granted to the other beneficial shareholders of the associate, details of which are set out in note 30 to the financial statements.

Interest in an associate was disposed of subsequent to the balance sheet date and the details of which are set out in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

18. DEPOSIT

The deposit in last year was a partial payment made by the Company for the acquisition of a subsidiary, Wise Method. The Acquisition was completed on 2 March 2001. The related details are set out in note 16 to the financial statements.

19. PROPERTIES HELD FOR RESALE

On 24 October 2000, the Company entered into an agreement with the Cheung Kong Group for the acquisition of nineteen pieces or parcels of non-residential land at Tuen Mun and Yuen Long (the "Lands") at a total consideration of HK$65,000,000. The purchase consideration was financed partly by the proceeds of the Group's property under development and the issue of a promissory note of HK$45,000,000. The details of the related promissory note are set out in note 25 to the financial statements. The Lands was disposed of subsequent to the balance sheet date and the details of which are set out in note 31 to the financial statements.

20. OTHER INVESTMENT

	Group		Company	
	2001	**2000**	**2001**	**2000**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Unlisted, outside Hong Kong	1,200	—	1,200	—

Included in other investment as at 31 March 2001 is a sub-participation interest in 49% of the economic interests and economic liabilities of the Cheung Kong (China Property Development) Limited in Hainan Yangpu Land Development Company Limited ("Hainan Investment") of HK$1,200,000 being the value the Hainan Investment was disposed of sebsequent to the balance sheet date. Further details of the disposal are disclosed in note 31 to the financial statements. The investment was acquried from the Cheung Kong Group on 24 October 2000. Hainan Investment is beneficially owned as to 10% by the Cheung Kong Group. The principal business activity of Hainan Investment is land development in Hainan Province, the PRC.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

21. ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. The ageing analysis of the accounts receivable is as follows:

	Group	
	2001	**2000**
	HK$'000	***HK$'000***
Outstanding balances with ages:		
Within 1 month	1,411	970
1 to 3 months	1,605	1,046
Over 3 months	815	136
	3,831	2,152

22. CASH AND BANK BALANCES

Cash and bank balances as at 31 March 2001 are not restricted as to their use.

23. DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free, and have no fixed terms of repayment.

24. PROMISSORY NOTE PAYABLE

The promissory note is obtained from the Cheung Kong Group. It is interest-free, repayable within one year and secured by the following:

(i) 30 ordinary shares, representing a 30% interest, of Cheung Wo, the associate of the Company; and

(ii) a corporate guarantee from TFHF, the Company's substantial shareholder.

Pursuant to the completion of Debt Restructuring Exercises on 18 September 2001, the promissory note payable was repaid in full.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

25. INTEREST-BEARING BANK LOAN AND OTHER BORROWINGS

	Group		Company	
	2001	**2000**	**2001**	**2000**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Bank loan, secured	177,012	159,500	—	—
Other borrowings:				
Secured	—	40,000	—	40,000
Unsecured	12,195	67,935	12,195	67,935
	12,195	107,935	12,195	107,935
Promissory notes payable:				
Secured	314,024	139,000	314,024	139,000
Unsecured	—	100,000	—	100,000
	314,024	239,000	314,024	239,000
Secured convertible note	85,000	220,000	85,000	220,000
Total bank loan and other borrowings	588,231	726,435	411,219	566,935
Portion classified as current liabilities	(491,036)	(289,000)	(314,024)	(279,000)
Long term portion	97,195	437,435	97,195	287,935

Included in the promissory notes payable and convertible note of the Group and the Company were a total amount of HK$343,183,000 (2000: HK$260,000,000) obtained from the Cheung Kong Group.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

25. INTEREST-BEARING BANK LOAN AND OTHER BORROWINGS (continued)

Bank loan

	Group	
	2001	**2000**
	HK$'000	***HK$'000***
The bank loan is repayable:		
Within one year	177,012	10,000
In the second year	—	10,000
In the third to fifth years, inclusive	—	30,000
Beyond five years	—	109,500
	177,012	159,500

The bank loan is secured by certain of the Group's investment properties with an aggregate carrying value of HK$350,000,000 (note 14) and an assignment of the rental income derived therefrom.

Other borrowings

	Group and Company	
	2001	**2000**
	HK$'000	***HK$'000***
Other borrowings are repayable:		
Within one year	—	40,000
In the second year	12,195	67,935
	12,195	107,935

Other borrowings in the prior year of HK$40,000,000 were secured by the Group's interest in property under redevelopment (note 15). Upon disposal of the property under redevelopment during the year, the whole amount was repaid. Other borrowing in current year bears interest at a rate of 3% per month, is unsecured, and has no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

25. INTEREST-BEARING BANK LOAN AND OTHER BORROWINGS (continued)

Promissory notes payable

All of the above promissory notes are repayable within one year and bear interest at commercial rates. Certain promissory notes are secured by the entire issued share capital of five subsidiaries, Master Profit Limited, Perfect Manor Limited, Tem Fat Hing Fung (China) Limited, Wise Method Limited and Crownity Limited, the Company's interests in Lands and the Group's interest in Hainan Investment.

Convertible note

On 31 January 2000, the Company issued a convertible note for an aggregate principal amount of HK$220,000,000 at par. The note carries interest at a rate of 6% per annum and is repayable on 31 January 2002. The holder of the note has the option to convert the note into shares of HK$0.25 each of the Company at the conversion price of HK$2.50 per share (subject to adjustments) at any time before 31 January 2002. The convertible note is secured by 19 ordinary shares, representing a 19% interest, of Cheung Wo Hing Fung Enterprises Limited, the associate of the Company, and the assignment of the shareholder's loan due therefrom. During the year, the Company used the proceeds from a rights issue to repay a total of HK$135,000,000 to the note holder.

Pursuant to the rights issue during the year, as set out in note 26, the conversion price of the convertible note was adjusted from HK$2.50 to HK$2.214.

As further explained in note 2 to the financial statements, pursuant to the bank loan agreement, the Group was default in repayment of a bank loan. Upon completion of the Debt Restructuring Exercises, the bank loan, other borrowings, promissory notes payable and convertible note were either repaid in full or the terms of repayment were rescheduled.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

26. SHARE CAPITAL

Shares

	2001	2000
	HK$'000	*HK$'000*
Authorised:		
3,920,000,000 (2000: 800,000,000) ordinary shares of HK$0.25 each	980,000	200,000
Issued and fully paid:		
594,000,000 (2000: 198,000,000) ordinary shares of HK$0.25 each	148,500	49,500

Pursuant to an ordinary resolution passed at the extraordinary general meeting held on 28 August 2000, the authorized share capital of the Company was increased from HK$200,000,000 to HK$980,000,000 by the creation of 3,120,000,000 new ordinary shares of HK$0.25 each ranking pari passu in all respects with the then existing ordinary shares.

On 3 October 2000, 396,000,000 ordinary shares of HK$0.25 each were issued for cash at HK$0.90 per share by way of a rights issue on the basis of two rights shares for every existing share held. The proceeds from the issue of the rights shares of HK$348.6 million were partly used for partial redemption of the Company's convertible note to the extent of HK$135 million, repayment of promissory notes of HK$179 million and the remaining as general working capital of the Company.

Pursuant to a special resolution passed at the extraordinary general meeting held on 4 July 2001, the authorized share capital of the Company was further increased from HK$980,000,000 to HK$1,151,000,000 by the creation of 684,000,000 redeemable convertible preference shares divided into 400,000,000 redeemable convertible preference shares (" 'A' Convertible Preference Shares") and 284,000,000 redeemable convertible preference shares (" 'B' Convertible Preference Shares") both of nominal value of HK$0.25 each (collectively known as the "Preference Shares"). On the same date, a special resolution was proposed to the shareholders of the Company to amend the articles of association of the Company for the purpose of the issue of redeemable convertible preference shares.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

26. SHARE CAPITAL (continued)

Redeemable convertible preference shares

On 18 September 2001, the Preference Shares were allotted and issued in full to the Cheung Kong Group and RNA Holdings Limited ("RNA"). The Preference Shares carry no dividend distribution to the preference shares holders. The Preference Shares carry a right to be converted into fully paid ordinary shares at an initial conversion price of HK$0.90, HK$1.50 and HK$2.50 during conversion periods I, II and III, respectively, as set out below:

	'A' Preference Shares	**'B' Preference Shares**
Conversion period I	not more than HK$33,333,327 equivalent nominal value shall become convertible within a period of 12 months from the date of issue	not more than HK$23,666,661 equivalent nominal value shall become convertible with a period of 12 months from the date of issue
Conversion period II	not more than another HK$33,333,333 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue	not more than another HK$23,666,664 shall become convertible with a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue
Conversion period III	the balance of HK$33,333,340 equivalent nominal value shall become convertible within the 25th month up to the end of the 36th month after the date of issue	the balance of HK$23,666,675 equivalent nominal value shall become convertible within the 25th month up to the end of the 36th month after the date of issue

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

26. SHARE CAPITAL (continued)

Redeemable convertible preference shares (continued)

Unless previously purchased and cancelled or redeemed by the Company in accordance with the terms and conditions of the Preference Shares, the Preference Shares may be redeemed by the preference shares holders at any time 50 years after the date of issue at the redemption value of HK$1.00 per Preference Share.

Upon full conversion of the Preference Shares into ordinary shares of the Company at a predetermined conversion price as stipulated in the Cheung Kong Share Subscription Agreements, an aggregate of approximately 124,133,324 ordinary shares of the Company will be issued which represents approximately 20.89% of the Company's existing issued share capital of 594,000,000 ordinary shares as at 31 March 2001 and approximately 17.29% of the Company's enlarged share capital of 718,133,324.

Share options

Under a share option scheme (the "Scheme") approved and adopted in the extraordinary general meeting held on 13 December 1999, the directors may, on or before 12 December 2009, at their discretion invite any full time employees, including full-time executive directors, of the Group to take up options to subscribe for ordinary shares of HK$0.25 each of the Company subject to terms and conditions stipulated in the Scheme.

On 22 June 2001, the Company granted 33,700,000 share options in favour of its executives and directors. The options entitle the holders to subscribe for ordinary shares of the Company of HK$0.25 each exercisable at any time not later than 12 December 2009. The exercise price is adjustable under the provisions of the Scheme.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

27. RESERVES

Group

	Share premium account HK$'000	Investment property revaluation reserve HK$'000	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 1999	3,374	—	469,965	—	6,000	—	(118,798)	360,541
Rights issue of new shares	297,000	—	—	—	—	—	—	297,000
Share issue expenses	(5,562)	—	—	—	—	—	—	(5,562)
Surplus on revaluation	—	20,000	—	—	—	—	—	20,000
Capital reserve on acquisition of subsidiaries	—	—	—	—	—	22,296	—	22,296
Goodwill on acquisition of an associate	—	—	—	—	—	(3,172)	—	(3,172)
Loss for the year	—	—	—	—	—	—	(52,305)	(52,305)
At 31 March 2000 and beginning of year	294,812	20,000	469,965	—	6,000	19,124	(171,103)	638,798
Rights issue of new shares	257,400	—	—	—	—	—	—	257,400
Share issue expenses	(7,831)	—	—	—	—	—	—	(7,831)
Deficit on revaluation	—	(20,000)	—	—	—	—	—	(20,000)
Release upon disposal of a property under redevelopment	—	—	(469,965)	—	—	—	469,965	—
Arising from an associate	—	—	—	(84)	—	—	—	(84)
Loss for the year	—	—	—	—	—	—	(1,124,387)	(1,124,387)
At 31 March 2001	544,381	—	—	(84)	6,000	19,124	(825,525)	(256,104)

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

27. RESERVES (continued)

Losses are accumulated in the Group as follows:

	2001 *HK$'000*	2000 *HK$'000*
Company and subsidiaries	(724,005)	(169,394)
An associate	(101,520)	(1,709)
	(825,525)	(171,103)

Company

	Share premium account *HK$'000*	Property revaluation reserve *HK$'000*	General reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance at 1 April 1999	3,374	469,965	6,000	(118,798)	360,541
Rights issue of new shares	297,000	—	—	—	297,000
Share issue expenses	(5,562)	—	—	—	(5,562)
Loss for the year	—	—	—	(53,547)	(53,547)
At 31 March 2000 and beginning of year	294,812	469,965	6,000	(172,345)	598,432
Rights issue of new shares	257,400	—	—	—	257,400
Share issue expenses	(7,831)	—	—	—	(7,831)
Loss for the year	—	—	—	(1,117,483)	(1,117,483)
Release upon disposal of a property under redevelopment	—	(469,965)	—	469,965	—
At 31 March 2001	544,381	—	6,000	(819,863)	(269,482)

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities

	2001 *HK$'000*	2000 *HK$'000*
Profit/(loss) from operating activities	(930,420)	5,663
Interest income	(81)	(263)
Depreciation	4	—
Deficit on revaluation of investment properties	25,000	—
Loss on disposal of a property under redevelopment	339,344	—
Provisions for losses on restructuring	590,700	—
Decrease/(increase) in prepayments, deposits and other receivables	1,629	(2,123)
Decrease/(increase) in accounts receivable	(1,679)	1,293
Decrease in other payables and accruals	(5,313)	(3,823)
Increase/(decrease) in amounts due to related companies	871	(1,207)
Net cash inflow/(outflow) from operating activities	20,055	(460)

(b) Analysis of changes in financing during the year

	Share capital (including share premium) *HK$'000*	Bank loan and other borrowings *HK$'000*
At 1 April 1999	19,874	103,110
Cash inflow from financing activities, net	324,438	88,325
Acquisition of subsidiaries	—	378,000
Issue of a convertible note on acquisition of an associate	—	220,000
At 31 March 2000 and beginning of year	344,312	789,435
Cash inflow/(outflow) from financing activities, net	348,569	(349,387)
Issue of promissory notes on acquisition of interest in a subsidiary and other investment - *Note 28 (d)(ii)*	—	211,183
At 31 March 2001	692,881	651,231

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of subsidiaries

	2001	2000
	HK$'000	*HK$'000*
Net assets acquired:		
Investment properties	—	375,000
Interest in an associate	—	318,296
Accounts receivable	—	3,438
Other payables and accruals	—	(9,135)
Tax payable	—	(229)
Bank loan	—	(167,000)
Promissory note payable	—	(72,000)
	—	448,370
Capital reserve on acquisition	—	(22,296)
	—	426,074
Satisfied by:		
Cash	—	287,074
Promissory notes	—	139,000
	—	426,074

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

	2001	2000
	HK$'000	*HK$'000*
Balance of consideration paid	—	(287,074)
Net cash outflow in respect of the acquisition of subsidiaries	—	(287,074)

The subsidiaries acquired in the prior year contributed HK$19,038,000 to the Group's net operating cash inflow, paid HK$13,128,000 in respect of the net returns on investments and servicing of finance, paid HK$7,500,000 on financing activities, but had no significant impact in respect of tax and investing activities in that year.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Major non-cash transactions

(i) Acquisition of an associate

In the prior year, the Company acquired certain interests in an associate, including a share of net assets of HK$148,100,000 and an advance of HK$68,728,000, for a total consideration of HK$220,000,000, which was satisfied by issuing a convertible note of the same amount. Goodwill on this acquisition amounted to HK$3,172,000.

(ii) Acquisition of interest in a subsidiary and other investment

The acquisition of interest in a subsidiary and other investment during the year were financed by the issuance of promissory notes of HK$166,183,000 and of HK$45,000,000, respectively.

29. CAPITAL COMMITMENTS

	Group and Company	
	2001	**2000**
	HK$'000	***HK$'000***
Contracted, but not provided for:		
Acquisition of a subsidiary	400,000 *(note)*	135,000

Note:

On 14 September 2000, the Group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited ("Growing China"), a company incorporated in the British Virgin Islands at a consideration of HK$400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chengdu, Sichuan Province, the PRC. The consideration of HK$340 million is expected to be satisfied by the issue and allotment of approximately 301 million new ordinary shares of the Company and the balance of HK$60 million in cash. The agreement has not become unconditional and parties to the agreement agreed on 19 December 2000 with a supplemental agreement to extend the long stop date of the agreement to such date as the parties may agree in writing, and details of the extension were announced by the Company on the even date. In the opinion of the directors of the Company, unless the parties mutually agree to complete the agreement, no payment under the agreement will be made within the next twelve months from the date of this report.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

30. CONTINGENT LIABILITIES

Corporate guarantee

As at 31 March 2001, the Company had contingent liabilities in respect of corporate guarantees of approximately HK$177,012,000 given to a bank in connection to a banking facility granted to a subsidiary for the bank borrowing obtained during the year.

Counter indemnities

As at 31 March 2001, the Company had contingent liabilities in respect of counter indemnities granted to the other beneficial shareholders of the Company's associate to indemnify up to 49% of the obligations of these shareholders under the guarantees issued in connection with a loan facility of up to US$139 million (approximately HK$1,088 million) granted to the associate's joint venture. As at 31 March 2001, US$110 million (approximately HK$855 million) of this loan facility was utilised. Upon completion of the Debt Restructuring Exercises on 18 September 2001, the counter indemnities were released.

Litigation

The Group has been involved in litigation in the District Court in respect of allegations by certain creditors of the Company for the outstanding amount of approximately HK$482,000 payable to them. The Company had made adequate but not excessive provision for these creditors at the balance sheet date. In the opinion of the directors of the Company, all these amounts will be settled upon completion of the fund raising and debt restructuring exercises and the litigation should have no material adverse effect on the Group.

31. POST BALANCE SHEET EVENTS

(a) Disposal Agreements and Cheung Kong Share Subscription Agreements

Disposal Agreements with Cheung Kong Group

Subsequent to the balance sheet date on 17 April 2001, the Company entered into the Disposal Agreements with the Cheung Kong Group to dispose of certain investments and properties (the "Properties") of the Group at an aggregate consideration of HK$234 million (the "Disposals"). The Disposals were completed on 18 September 2001. Details of the Properties that were disposed of are as follows:

1. **49% equity interest in Cheung Wo**

   The Group disposed of Cheung Wo at a consideration of HK$163,600,000. The difference of HK$269,917,000 between the carrying value of Cheung Wo at the date of the agreement and the sales consideration was charged to the current year profit and loss account as a provision for loss on restructuring. Further details are set out in note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

31. POST BALANCE SHEET EVENTS (continued)

2. 100% equity interest in Wise Method

The Company disposed of the entire equity interest in Wise Method to the Cheung Kong Group at a total consideration of HK$68,200,000. The difference of HK$177,983,000 between the carrying value of Wise Method at the date of agreement and the sales consideration was charged to the profit and loss account as a provision for loss on restructuring. Further details are set out in note 16 to the financial statements.

3. The Lands

The Lands were disposed of to the Cheung Kong Group at a consideration of HK$1,000,000. The difference of HK$64,000,000 between the purchase cost and the sales consideration was charged to the profit and loss account as a provision for loss on restructuring. Further details of the Lands are set out in note 19 to the financial statements.

4. The Hainan Investment

The Company disposed of Hainan Investment to the Cheung Kong Group at a consideration of HK$1,200,000. The difference of HK$78,800,000 between the carrying value of the Hainan Investment at the date of agreement and the sales consideration was charged to the profit and loss account as a provision for loss on restructuring. Further details are set out in note 20 to the financial statements.

The consideration of all these transactions was arrived at after arm's length negotiations between the parties to the Disposal Agreements taking into account the overall financial impact to the Group in relation to the Disposal Agreements on the debt restructuring exercise. The proceeds from the disposal of Properties have been used to offset part of the Group's indebtedness to the Cheung Kong Group.

The Disposals have enabled the Group to reduce its debt and its interest burden. The Company's directors are of the opinion that the terms of the Disposal Agreements are fair and reasonable as far as the shareholders are concerned and in the interests of the Group as a whole.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

31. POST BALANCE SHEET EVENTS (continued)

Cheung Kong Share Subscription Agreements

On the same date, the Company also entered into Cheung Kong Share Subscription Agreements with the Cheung Kong Group (the "Subscriptions"). The Subscriptions by the Cheung Kong Group resulted in a net inflow of funds of approximately HK$171 million to the Group. The subscription was completed on 18 September 2001 and the proceeds have been used to offset the borrowings obtained from Cheung Kong Group. Details of the Subscriptions are listed out in note 2 to the financial statements.

Pursuant to the Cheung Kong Share Subscription Agreements, TFHF, a substantial shareholder of the Company, and RNA, a related company of the Company, agreed to acquire or procure its group companies to acquire from the Cheung Kong Group for all 'A' Preference shares and 'B' Preference shares to be issued by the Company, respectively. By virtue of TFHF and RNA being connected persons of the Company at the time of entering into the Subscription Agreements, the proposed transfer of the Preference Shares to TFHF and RNA by the Cheung Kong Group pursuant to the preference shares subscription agreement renders the subscription of Preference Shares a connected transaction for the Company under the Listing Rules. Approval from the independent shareholders of the Company and RNA was obtained at the extraordinary meeting held on 4 July 2001.

On 18 September 2001, the proposed transfer of the Preference Shares to TFHF ceased to be valid because of the non-fulfillment of terms and conditions by TFHF. However, the remaining terms and conditions of the Cheung Kong Subscription Agreements were satisfied and completed. The 'A' Convertible Preference Shares of 400,000,000 and 'B' Convertible Preference Shares of 284,000,000 have been issued and allotted in full to the Cheung Kong Group and RNA, respectively, details of which are set out in note 26 to the financial statements.

In the opinion of the directors of the Company, the completion of the Subscriptions would allow the Company to increase its shareholders' base and improve its financial position.

(b) Conditional share subscription with RMAL

Details of the conditional share subscription with RMAL are set out in note 2 to the financial statements. The RMAL Subscription was completed on 18 September 2001 and the ordinary shares were issued and allotted in full to RMAL.

(c) Placement

Further details of the placement are set out in note 2 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 March 2001

31. POST BALANCE SHEET EVENTS (continued)

(d) Grant of share option

As further detailed in note 26 to the financial statements, subsequent to the balance sheet date, on 22 June 2001, the Company granted 33,700,000 share options in favour of certain directors of the Company. The options entitle the holders to subscribe for ordinary shares of the Company of HK$0.25 each exercisable at any time before 12 December 2009.

(e) Acquisition of an investment

On 24 September 2001, the Company entered into a conditional agreement with independent third parties (the “Vendors”) to acquire a 30% interest in an investment (the “Investment”) engaged in the provision of network based information services, via the internet, to the participants in the shipping and logistic industry in Hong Kong and in the Mainland (the “Acquisition”). The service provided by the Investment is expected to be lauched in May 2002. The consideration for the Acquisition is HK$48 million which is determined by reference to the fair market value of the Investment estimated by an independent professional valuer of HK$160 million. The consideration was satisfied by cash of HK$21.2 million upon signing the agreement and the balance was satisfied by way of issue of 107,200,000 new ordinary shares of the Company at the agreed issue price of HK$0.25 each on 3 October 2001. The Acquisition was completed and 107,200,000 new ordinary shares were issued and allotted in full to the Vendors by the Company.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 4 October 2001.