

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended September 30, 2001

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended March 31, 2001, except as described below.

In the Period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new accounting policy.

In adopting SSAP No. 30 "Business Combinations", the Group has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured, in accordance with the requirements of SSAP No. 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant subsidiary and the date of adoption of SSAP No. 30 has been recognised retrospectively. The adoption of this SSAP does not have any effect on the results of the Period or the previous corresponding period. The effect of this change has resulted in an increase of approximately HK\$1,345,000 in accumulated losses at April 1, 2000 and the profit attributable to shareholders for the year ended March 31, 2001. Goodwill arising on acquisitions after April 1, 2001 is capitalised and amortised over its estimated useful life of not more than twenty years. Negative goodwill arising on acquisitions after April 1, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

The comparative figures have been restated in order to conform with the accounting policies adopted in the Group's annual financial statements for the year ended March 31, 2001.

2. SEGMENT INFORMATION

	Turnover		Contribution to loss before taxation	
	Six months ended		Six months ended	
	September 30, 2001 (unaudited)	September 30, 2000 (unaudited)	September 30, 2001 (unaudited)	September 30, 2000 (unaudited) (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segments				
Sale of properties	13,089	11,330	8,009	1,902
Holiday resort operation	4,417	5,237	(2,783)	(3,030)
	<u>17,506</u>	<u>16,567</u>	<u>5,226</u>	<u>(1,128)</u>
Interest income			1,330	1,579
Corporate expenses			(1,514)	(1,124)
Finance costs			(13,802)	(19,544)
Share of results of an associate			(13)	(41)
Loss before taxation			<u>(8,773)</u>	<u>(20,258)</u>

Geographical segments

All the Group's turnover and the contribution to loss before taxation were derived from the PRC.

3. PROFIT/(LOSS) FROM OPERATIONS

	Six months ended	
	September 30, 2001 (unaudited) HK\$'000	September 30, 2000 (unaudited) HK\$'000
Profit/(loss) from operations has been arrived at after charging:		
Depreciation	1,458	2,414
and after crediting:		
Interest income from:		
– bank and other deposits	35	40
– loan receivable	1,295	1,539
	<u>1,295</u>	<u>1,539</u>

4. FINANCE COSTS

	Six months ended	
	September 30, 2001 (unaudited) HK\$'000	September 30, 2000 (unaudited) HK\$'000
Interest on:		
– debentures	(6,621)	(10,051)
– amount due to a related company	(7,181)	(9,493)
	<u>(13,802)</u>	<u>(19,544)</u>

5. TAXATION

No provision for Hong Kong Profits Tax has been made as there were no estimated assessable profits for both periods.

The charge for the Period represents the taxation arising in the PRC calculated at the rates prevailing in the PRC.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's unaudited consolidated loss attributable to shareholders of approximately HK\$8,794,000 (2000: HK\$20,345,000) and on 2,751,720,884 (2000: 2,751,720,884) ordinary shares in issue during the Period.

No diluted loss per share has been presented as the exercise of warrants, share options and debentures does not have any dilutive effect.

7. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment at a cost of approximately HK\$3,484,000.

8. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) HK\$'000
Share of net assets	—	—
Amounts due from unconsolidated subsidiaries, net of provision of HK\$90,388,000	<u>726,570</u>	<u>772,772</u>
	<u>726,570</u>	<u>772,772</u>

The Group has an equity interest of 80% in Canlibol and its wholly-owned subsidiary, 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 were 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.

At the balance sheet date, the investment in unconsolidated subsidiaries is stated at fair value.

9. TRADE RECEIVABLES

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 at the reporting date:

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) HK\$'000
0 – 30 days	2,241	4,746
31 – 90 days	1,407	2,661
91 – 180 days	2,042	280
> 180 days	<u>2,304</u>	<u>2,591</u>
	<u>7,994</u>	<u>10,278</u>

10. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) HK\$'000
0 – 90 days	564	425
91 – 180 days	27	113
> 180 days	172	193
	<u>763</u>	<u>731</u>

11. SHARE CAPITAL

There were no movements in the issued share capital of the Company in either the Period or the year ended March 31, 2001.

12. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	(Goodwill) capital reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At April 1, 2000							
– as previously reported	564,363	666	(1,138)	514,191	8,918	(278,134)	808,866
– restatement of goodwill arising from acquisition of subsidiaries as an asset and retrospective recognition of past accumulated amortisation	—	—	1,345	—	—	(1,345)	—
– as restated	564,363	666	207	514,191	8,918	(279,479)	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
Exchange difference arising on translation of financial statements of foreign subsidiaries	—	—	—	—	40	—	40
Profit attributable to shareholders (as restated)	—	—	—	—	—	32,621	32,621
At March 31, 2001	564,363	666	586	514,191	10,718	(246,858)	843,666
Share of reserve by a minority shareholder of a subsidiary	—	—	(586)	—	—	—	(586)
Exchange difference arising on translation of financial statements of foreign subsidiaries	—	—	—	—	(260)	—	(260)
Loss attributable to shareholders	—	—	—	—	—	(8,794)	(8,794)
At September 30, 2001	<u>564,363</u>	<u>666</u>	<u>—</u>	<u>514,191</u>	<u>10,458</u>	<u>(255,652)</u>	<u>834,026</u>

13. CONTINGENCY AND COMMITMENTS

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 September 30, 2001, the aggregate amount of mortgage loans guaranteed by the Group was approximately HK\$22,634,000 (March 31, 2001: HK\$15,441,000).

Capital commitments

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) HK\$'000
Contracted for but not provided in the financial statements in respect of property development projects	100,136	117,849
Authorised but not contracted for in respect of property development projects	<u>6,166</u>	<u>4,210</u>
	<u>106,302</u>	<u>122,059</u>

14. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	September 30, 2001 (unaudited) HK\$'000	September 30, 2000 (unaudited) HK\$'000
Interest received from minority shareholders of subsidiaries (note b)	2,911	3,316
Interest paid to a related company (note b)	7,181	9,439
Management fee paid to a related company (note c)	300	300
Secretarial fee paid to a related company (note d)	160	160
Reimbursement of expenses paid by a related company (note e)	<u>177</u>	<u>—</u>

Notes:

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