

Notes to the Accounts

For the year ended 31st March 2001

1. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of certain properties, investment properties and quoted investments.

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary or an associated company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

Notes to the Accounts

For the year ended 31st March 2001

1. PRINCIPAL ACCOUNTING POLICIES – continued

(b) Associated companies – continued

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

In arriving at the Group's share of results and net asset value of the associated companies, the hotel properties owned by the associated companies were valued based on their open market value. In addition, no depreciation is provided on hotel properties held on lease of more than 20 years as the directors consider that the value of the hotel properties would not materially diminish over time due to the fact that hotel properties would be maintained in a continuous state of proper repair and improvements would be made thereto from time to time.

The Group's share of revaluation surplus of the hotel properties owned by associated companies is accounted for as other properties revaluation reserve in the consolidated accounts of the Group. Subsequent decreases in valuation are first set off against surplus from earlier valuations and debited to operating profit thereafter. Any subsequent increases are credited to operating profit up to the amount previously debited.

Certain associated companies have their financial year ended on 31st December which are not co-terminous with that of the Company. Accordingly, these companies have been equity accounted for based on the audited results for the nine months up to 31st December and the management accounts for the remaining period.

(c) Capital reserve or goodwill

Capital reserve or goodwill arising on consolidation represents the excess or deficit of the fair value of the net assets of the subsidiaries or associated companies at the date of acquisition over the cost of investment. Capital reserve or goodwill is credited to or written off directly against reserves in the year in which it arises.

Notes to the Accounts

For the year ended 31st March 2001

1. PRINCIPAL ACCOUNTING POLICIES – continued

(d) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their long term investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and debited to operating profit thereafter. Any subsequent increases are credited to operating profit up to the amount previously debited.

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

(ii) *Other tangible fixed assets*

Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation of other tangible fixed assets is calculated to write off their costs on a straight line basis over their estimated useful lives to the Group. The principal annual rates of depreciation are as follows:

Furniture, fixtures and equipment	10% - 20%
Motor vehicles and others	10% - 20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account.

Notes to the Accounts

For the year ended 31st March 2001

1. PRINCIPAL ACCOUNTING POLICIES – continued

(d) Fixed assets – continued

(ii) *Other tangible fixed assets – continued*

The carrying amounts of other tangible fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount. The amount of the reduction to recoverable amount is charged to the profit and loss account.

The gains or losses on disposal of other tangible fixed assets are the difference between the net sales proceeds and the carrying amount of the relevant assets, and are recognised in the profit and loss account.

(e) Properties held for/under development

Properties held for/under development comprise land at cost or, in the case of properties previously held by the Group for other purposes, carrying value as at the date of reclassification, and development costs including construction expenditure and attributable interest and professional charges capitalised during the development period, less incidental rental income.

(f) Investments

Long term investments are stated at cost less any provision made to the extent that the directors consider significant permanent diminution in value has taken place. The carrying amounts of these investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments should be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

Quoted and unquoted investments held for trading purposes are carried at fair value on a portfolio basis. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of these investments are recognised in the profit and loss account. Profits or losses on disposal of these investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

Notes to the Accounts

For the year ended 31st March 2001

1. PRINCIPAL ACCOUNTING POLICIES – continued

(g) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost represents the acquisition cost or, in the case of properties previously held by the Group for other purposes, carrying value as at the date of reclassification. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Revenue recognition

Revenue from pre-sale of properties are recognised by reference to the stage of completion of construction work, which is measured by reference to the proportion of construction costs incurred up to the balance sheet date to the estimated total construction costs to completion with due allowance for contingent.

Revenues from the sale of property interests and securities trading are recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Rental income is recognised on a time proportion basis in accordance with the terms and conditions of the tenancy agreements.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(j) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account.

Notes to the Accounts

For the year ended 31st March 2001

1. PRINCIPAL ACCOUNTING POLICIES – continued

(k) Taxation

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

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are taken directly to the exchange reserve.

(m) Retirement benefit costs

The Company has set up a Mandatory Provident Fund (“MPF”) Scheme by participating in a master trust scheme provided by an independent MPF service provider to comply with the requirements under the MPF Ordinance. Contributions paid and payable by the Company to the scheme are charged to the profit and loss account.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to be readied for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

Notes to the Accounts

For the year ended 31st March 2001

2. REVENUE AND TURNOVER

The Group is principally engaged in property development and investment, securities investment and trading and investment holding. Revenues recognised during the year are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Pre-sale of property interests	591,210	—
Sale of property interests	—	240,425
Rental income	92,759	91,659
Proceeds from securities trading	2,566	39,788
Dividend income from quoted investments	<u>253</u>	<u>273</u>
Turnover	<u>686,788</u>	<u>372,145</u>
Interest income	5,177	7,905
Other income	<u>6,078</u>	<u>2,786</u>
Other revenues	<u>11,255</u>	<u>10,691</u>
Total revenues	<u>698,043</u>	<u>382,836</u>

Notes to the Accounts

For the year ended 31st March 2001

2. REVENUE AND TURNOVER – continued

An analysis of turnover and contribution to profit from operations of the Group for the year by principal activities is as follows:

	Group			
	Turnover		Contribution to profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Principal activities:				
Rental income	92,759	91,659	87,381	86,167
Property development and investment	591,210	240,425	175,139	(20,814)
Securities investment and trading	2,819	40,061	(6,085)	36,923
	<u>686,788</u>	<u>372,145</u>	256,435	102,276
Other revenues			11,255	10,691
Administration expenses			<u>(56,990)</u>	<u>(40,731)</u>
			<u>210,700</u>	<u>72,236</u>

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated profit from operations of the Group are attributable to markets outside Hong Kong.

Notes to the Accounts

For the year ended 31st March 2001

3. PROFIT FROM OPERATIONS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Profit from operations is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties	92,759	91,659
Less: outgoings	<u>(3,260)</u>	<u>(1,389)</u>
Net rental income from investment properties	89,499	90,270
Realised and unrealised gains on quoted investments	<u>—</u>	<u>35,022</u>
Charging		
Auditors' remuneration		
— current year	1,072	900
— underprovision in previous year	<u>159</u>	<u>137</u>
	1,231	1,037
Operating leases of land and buildings	977	—
Depreciation of fixed assets	6,156	4,810
Bad debts written off	2,293	4,103
Staff costs	23,555	20,191
Realised and unrealised losses on quoted investments	6,338	—
Loss on disposal of fixed assets	<u>4,770</u>	<u>291</u>

Notes to the Accounts

For the year ended 31st March 2001

4. FINANCE COSTS

Finance costs comprise the following:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts:		
— wholly payable within five years	53,706	68,815
— not wholly payable within five years	30,304	874
Interest on other loans:		
— wholly payable within five years	<u>41</u>	<u>477</u>
Total borrowing costs incurred	84,051	70,166
Less: Amounts capitalised in properties held for/under development (note 14)	<u>(35,597)</u>	<u>(25,875)</u>
	48,454	44,291
Bank facilities arrangement fee	<u>1,663</u>	<u>2,753</u>
	<u><u>50,117</u></u>	<u><u>47,044</u></u>

5. WRITE DOWN IN VALUE OF LISTED SECURITIES

During the year, the Group ceased to have significant influence in the management of Paul Y. -ITC Construction Holdings Limited ("Paul Y. -ITC"). Accordingly, the Group's investment in Paul Y. -ITC has been reclassified from an associated company to other investments under current assets. As a result of the reclassification, the carrying value of the investment in Paul Y. -ITC, which was previously stated at the Group's share of net assets, has been written down to the market value as at the balance sheet date. The write down in value of the above mentioned securities amounted to HK\$466,137,000, and was charged to the extent of HK\$333,670,000 against the profit and loss account for the year and HK\$132,467,000 (note 21) against the Group's reserves.

Notes to the Accounts

For the year ended 31st March 2001

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax		
— under provision in prior years	—	762
Overseas taxation		
— current	30	53
— under provision in prior years	<u>347</u>	<u>—</u>
	377	815
Share of taxation attributable to associated companies	<u>4,354</u>	<u>19,641</u>
	<u><u>4,731</u></u>	<u><u>20,456</u></u>

Deferred taxation (credit)/charge for the year has not been provided in respect of the following:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Accelerated depreciation allowance	28	(843)
Other timing differences	<u>(2,365)</u>	<u>3,133</u>
	<u><u>(2,337)</u></u>	<u><u>2,290</u></u>

7. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the (loss)/profit attributable to shareholders is a profit of HK\$3,881,000 (2000: HK\$116,000) which is dealt with in the Company's own accounts.

Notes to the Accounts

For the year ended 31st March 2001

8. RETIREMENT BENEFIT COSTS

Pursuant to the MPF Scheme Ordinance which became effective on 1st December 2000, all employees of the Group in Hong Kong aged between 18 and 65 are enrolled in a MPF Scheme.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers according to the MPF Scheme Ordinance (the "MPF contribution"). The employees also contribute a corresponding amount to the MPF Scheme from 31st December 2000 if their relevant income is more than HK\$4,000 per month. The MPF contribution are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

The MPF contribution made by the Group during the year amounted to HK\$140,000 of which HK\$33,000 remains payable as at 31st March 2001.

9. (LOSS)/EARNINGS PER SHARE

The calculations of the basic and diluted (loss)/earnings per share are based on the following data:

	Group	
	2001	2000
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of the calculation of basic (loss)/earnings per share	(274,743)	83,465
Adjustment to the share of results of an associated company based on the dilution of this associated company's loss per share	<u>—</u>	<u>(5,581)</u>
(Loss)/earnings for the purpose of the calculation of diluted (loss)/earnings per share	<u>(274,743)</u>	<u>77,884</u>

Notes to the Accounts

For the year ended 31st March 2001

9. (LOSS)/EARNINGS PER SHARE – continued

	2001	2000
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic (loss)/earnings per share	1,286,482,836	1,286,482,836
Effect of dilutive potential ordinary shares – share options	<u>4,290,243</u>	<u>562,564</u>
Weighted average number of ordinary shares for the purpose of the calculation of diluted (loss)/earnings per share	<u>1,290,773,079</u>	<u>1,287,045,400</u>

For the year ended 31st March 2001, diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees	96	96
Salaries, allowances and benefits in kind	9,652	8,513
MPF contribution	<u>16</u>	<u>—</u>
	<u>9,764</u>	<u>8,609</u>

Directors' fees include HK\$36,000 (2000: HK\$36,000) paid to the independent non-executive directors.

Notes to the Accounts

For the year ended 31st March 2001

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2001	2000
HK\$		
0 - 1,000,000	5	4
1,000,001 - 1,500,000	2	2
1,500,001 - 2,000,000	—	1
2,000,001 - 2,500,000	1	—
4,000,001 - 4,500,000	1	—
4,500,001 - 5,000,000	—	1

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the years ended 31st March 2001 and 31st March 2000.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2000: four) directors whose emoluments are reflected in the analysis presented in note 10(a) above. The emoluments payable to the remaining one (2000: one) individual during the year are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Salaries and other benefits	1,527	939
MPF contribution	4	—
	<u>1,531</u>	<u>939</u>

Notes to the Accounts

For the year ended 31st March 2001

11. FIXED ASSETS — GROUP

	Investment properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and others HK\$'000	Total HK\$'000
Cost or valuation				
At 1st April 2000	2,034,580	20,614	15,273	2,070,467
Additions	—	5,518	32,103	37,621
Acquisition of subsidiaries	—	111	832	943
Adjustment on revaluation (note 21)	(102,580)	—	—	(102,580)
Disposals	—	(17,269)	—	(17,269)
Disposal of subsidiaries	—	—	(32,103)	(32,103)
At 31st March 2001	<u>1,932,000</u>	<u>8,974</u>	<u>16,105</u>	<u>1,957,079</u>
Accumulated depreciation				
At 1st April 2000	—	10,486	13,818	24,304
Charge for the year	—	3,037	3,119	6,156
Acquisition of subsidiaries	—	94	768	862
Disposals	—	(10,599)	—	(10,599)
Disposal of subsidiaries	—	—	(2,676)	(2,676)
At 31st March 2001	<u>—</u>	<u>3,018</u>	<u>15,029</u>	<u>18,047</u>
Net book value				
At 31st March 2001	<u><u>1,932,000</u></u>	<u><u>5,956</u></u>	<u><u>1,076</u></u>	<u><u>1,939,032</u></u>
At 31st March 2000	<u><u>2,034,580</u></u>	<u><u>10,128</u></u>	<u><u>1,455</u></u>	<u><u>2,046,163</u></u>

Notes to the Accounts

For the year ended 31st March 2001

11. FIXED ASSETS — GROUP — continued

The analysis of the cost or valuation of the above assets at 31st March 2001 is as follows:

	Investment properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and others HK\$'000	Total HK\$'000
At cost	—	8,974	16,105	25,079
At 2001 professional valuation	<u>1,932,000</u>	<u>—</u>	<u>—</u>	<u>1,932,000</u>
	<u><u>1,932,000</u></u>	<u><u>8,974</u></u>	<u><u>16,105</u></u>	<u><u>1,957,079</u></u>

The Group's interests in investment properties are analysed as follows:

	2001 HK\$'000	2000 HK\$'000
In Hong Kong, held on leases of over 50 years	<u>1,924,100</u>	2,026,780
Outside Hong Kong, held on leases of over 50 years	<u>7,900</u>	<u>7,800</u>
	<u><u>1,932,000</u></u>	<u><u>2,034,580</u></u>

Investment properties were revalued at 31st March 2001 on the basis of their open market value by independent property valuers, DTZ Debenham Tie Leung Limited.

Particulars of the Group's principal investment properties are set out on page 72.

At 31st March 2001, the carrying value of investment properties pledged as security for banking facilities granted to the Group (note 22) amounted to HK\$1,912,800,000 (2000: HK\$2,013,940,000).

Notes to the Accounts

For the year ended 31st March 2001

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares at cost	938,181	938,181
Amounts due from subsidiaries	<u>1,038,598</u>	<u>1,048,397</u>
	<u>1,976,779</u>	<u>1,986,578</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Particulars of principal subsidiaries are set out in note 28 to the accounts.

STATEMENT PURSUANT TO PARAGRAPH 25 OF THE TENTH SCHEDULE OF THE COMPANIES ORDINANCE

The following subsidiary's financial year is not co-terminous with that of the Company:

	Accounting date of subsidiary	Length of accounting period of subsidiary	Reason for using different accounting date
南華投資股份有限公司	31st December	12 months	Compliance with local regulations

Notes to the Accounts

For the year ended 31st March 2001

13. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	688,887	1,247,616
Amounts due from associated companies	523,444	444,495
Amounts due to associated companies	<u>(51)</u>	<u>(51)</u>
	<u>1,212,280</u>	<u>1,692,060</u>

Particulars of principal associated companies are set out in note 29 to the accounts.

The amounts due from and due to associated companies are unsecured, non-interest bearing and have no fixed terms of repayment.

Information on material associated companies

The financial information of the associated company, New Unity Holdings Ltd., whose result and financial position are material in the context of the Group's accounts, is summarised below.

The financial year ends for the principal subsidiaries of New Unity Holdings Ltd. are not co-terminous with that of the Company, and the information set out on page 51 is compiled based on information extracted from the audited consolidated accounts for the year ended 31st December 2000 and the unaudited consolidated management accounts for the remaining three months period to 31st March 2001, adjusted to comply with the Group's accounting policies.

Notes to the Accounts

For the year ended 31st March 2001

13. INVESTMENTS IN ASSOCIATED COMPANIES – continued

	New Unity Holdings Ltd.	
	2001	2000
	HK\$'000	HK\$'000
Profit and loss account		
— Year ended 31st March		
Turnover	823,124	730,918
Profit before taxation	70,640	10,595
Profit after taxation and minority interest	<u>66,388</u>	<u>8,824</u>
Profit attributable to the Group	<u>33,194</u>	<u>4,412</u>
Balance sheet — As at 31st March		
Long term assets	<u>4,668,630</u>	<u>4,614,504</u>
Current assets	226,713	248,726
Current liabilities	<u>(319,882)</u>	<u>(382,625)</u>
	<u>(93,169)</u>	<u>(133,899)</u>
Long term liabilities	<u>(3,180,475)</u>	<u>(3,152,007)</u>
Shareholders' funds	<u>1,394,986</u>	<u>1,328,598</u>
Net assets attributable to the Group	<u>697,493</u>	<u>664,299</u>

Notes to the Accounts

For the year ended 31st March 2001

14. PROPERTIES HELD FOR/UNDER DEVELOPMENT

	Group	
	2001 HK\$'000	2000 HK\$'000
Cost		
Balance brought forward	1,303,696	1,138,984
Additions	258,546	294,499
Disposals	<u>(463,729)</u>	<u>(129,787)</u>
	1,098,513	1,303,696
Transfer to properties held for sale (note 17)	<u>(371,734)</u>	<u>—</u>
Balance carried forward	<u><u>726,779</u></u>	<u><u>1,303,696</u></u>
Held on:		
Leases of over 50 years	205,856	827,641
Leases of between 10 to 50 years	<u>520,923</u>	<u>476,055</u>
	<u><u>726,779</u></u>	<u><u>1,303,696</u></u>

All the properties held for/under development are situated in Hong Kong. Particulars of the Group's principal properties held for/under development are set out on page 72.

Included in additions during the year are interest capitalised of HK\$35,597,000 (2000: HK\$25,875,000).

Notes to the Accounts

For the year ended 31st March 2001

15. LONG TERM INVESTMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Unquoted investments, at cost net of provision	<u>3,424</u>	<u>3,058</u>

16. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Accounts and other receivables, deposits and prepayments include rental receivable, proceeds receivable from pre-sale of property interests, other receivables and other deposits.

At 31st March 2001, rental receivable including related interests amounted to HK\$8,147,000 (2000: HK\$10,719,000) and the ageing analysis was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current	4,120	3,321
31 - 60 days	537	2,087
61 - 90 days	539	2,092
Over 90 days	<u>2,951</u>	<u>3,219</u>
	<u>8,147</u>	<u>10,719</u>

Proceeds receivable from pre-sale of property interests included in accounts and other receivables, deposits and prepayments amounted to HK\$417,719,000 which is current in accordance with the terms of the sale and purchase agreements.

17. PROPERTIES HELD FOR SALE

All properties held for sale are situated in Hong Kong and pledged as security for banking facilities granted to the Group (note 22). Particulars of the Group's properties held for sale are set out on page 73.

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18. OTHER INVESTMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Quoted investments, at fair value		
— Hong Kong	63,560	10,759
— Overseas	<u>74</u>	<u>452</u>
	<u>63,634</u>	<u>11,211</u>
Unquoted investments, at fair value		
— Overseas	<u>1,517</u>	<u>1,638</u>
	<u>65,151</u>	<u>12,849</u>

19. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in the accounts payable, deposits received and accrued charges are rental deposits and construction costs payable and accruals.

Rental deposits amounting to HK\$24,479,000 (2000: HK\$24,701,000) are repayable when the tenancy contracts lapse.

At 31st March 2001, the ageing analysis of the construction costs payable were as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current	2,128	—
31 - 60 days	<u>53</u>	<u>—</u>
	<u>2,181</u>	<u>—</u>

Construction cost accruals including retention money amounted to HK\$48,273,000 (2000: HK\$5,831,000) and are payable in accordance with the terms of the construction contracts.

Notes to the Accounts

For the year ended 31st March 2001

20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Value	
	2001	2000	2001 HK\$'000	2000 HK\$'000
Authorised:				
Balance brought forward and carried forward	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
Balance brought forward and carried forward	<u>1,286,482,836</u>	<u>1,286,482,836</u>	<u>128,648</u>	<u>128,648</u>

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and capital.

Under the share option scheme adopted by the Company on 8th September 1998, 79,682,000 and 24,518,000 share options were granted to certain directors of the Company and employees of the Group respectively during the year ended 31st March 2000. These share options are exercisable during the period from 21st March 2000 to 20th March 2003 and entitle the holders thereof to subscribe for ordinary shares of HK\$0.10 each of the Company at a subscription price of HK\$0.68 per share (subject to adjustment). None of these share options were exercised and no other share options were granted during the year.

Notes to the Accounts

For the year ended 31st March 2001

21. RESERVES

Group

	Special reserve	Share premium	Capital redemption reserve	Revaluation reserve — investment properties	Revaluation reserve — properties held for/ under development	Revaluation reserve — other properties	Capital reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 1999	435,421	929,824	129	1,415,163	58,305	—	197,362	4,422	483,834	3,524,460
Deficit arising on revaluation	—	—	—	(13,128)	—	—	—	—	—	(13,128)
Translation of accounts of a foreign subsidiary	—	—	—	—	—	—	—	2,380	—	2,380
Capital reserve arising on acquisition of subsidiaries and an associated company	—	—	—	—	—	—	25,072	—	—	25,072
Share of post- acquisition reserve movements of associated companies	—	—	—	—	—	433,867	(7,309)	(12,160)	—	414,398
Profit for the year	—	—	—	—	—	—	—	—	83,465	83,465
Dividend	—	—	—	—	—	—	—	—	(12,865)	(12,865)
At 31st March 2000	<u>435,421</u>	<u>929,824</u>	<u>129</u>	<u>1,402,035</u>	<u>58,305</u>	<u>433,867</u>	<u>215,125</u>	<u>(5,358)</u>	<u>554,434</u>	<u>4,023,782</u>
Retained by:										
Company and subsidiaries	435,421	929,824	129	1,402,035	58,305	—	114,269	(7,934)	513,482	3,445,531
Associated companies	—	—	—	—	—	433,867	100,856	2,576	40,952	578,251
	<u>435,421</u>	<u>929,824</u>	<u>129</u>	<u>1,402,035</u>	<u>58,305</u>	<u>433,867</u>	<u>215,125</u>	<u>(5,358)</u>	<u>554,434</u>	<u>4,023,782</u>

Notes to the Accounts

For the year ended 31st March 2001

21. RESERVES – continued

Group – continued

	Special reserve	Share premium	Capital redemption reserve	Revaluation reserve — investment properties	Revaluation reserve — properties held for/ under development	Revaluation reserve — other properties	Capital reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2000	435,421	929,824	129	1,402,035	58,305	433,867	215,125	(5,358)	554,434	4,023,782
Deficit arising on revaluation (note 11)	—	—	—	(102,580)	—	—	—	—	—	(102,580)
Revaluation reserve realised upon disposal of properties	—	—	—	—	(32,557)	—	—	—	—	(32,557)
Translation of accounts of a foreign subsidiary	—	—	—	—	—	—	—	(3,825)	—	(3,825)
Goodwill arising on acquisition of subsidiaries	—	—	—	—	—	—	(250)	—	—	(250)
Reserves released upon reclassification of an associated company	—	—	—	—	—	—	(138,973)	6,506	—	(132,467)
Share of post-acquisition reserve movements of an associated company	—	—	—	—	—	—	(1,749)	(9,082)	—	(10,831)
Loss for the year	—	—	—	—	—	—	—	—	(274,743)	(274,743)
At 31st March 2001	435,421	929,824	129	1,299,455	25,748	433,867	74,153	(11,759)	279,691	3,466,529
Retained by:										
Company and subsidiaries	435,421	929,824	129	1,299,455	25,748	—	(2,265)	(11,759)	101,089	2,777,642
Associated companies	—	—	—	—	—	433,867	76,418	—	178,602	688,887
	435,421	929,824	129	1,299,455	25,748	433,867	74,153	(11,759)	279,691	3,466,529

Notes to the Accounts

For the year ended 31st March 2001

21. RESERVES – continued

Company

	Special reserve	Share premium	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 1999	795,885	929,824	129	70,815	1,796,653
Profit for the year	—	—	—	116	116
Dividend	—	—	—	(12,865)	(12,865)
At 31st March 2000	795,885	929,824	129	58,066	1,783,904
Profit for the year	—	—	—	3,881	3,881
At 31st March 2001	<u>795,885</u>	<u>929,824</u>	<u>129</u>	<u>61,947</u>	<u>1,787,785</u>

The special reserve arose from the scheme of arrangement which became effective on 12th May 1992 and is distributable under the Companies Act 1981 of Bermuda.

As at 31st March 2001, the reserves of the Company available for distribution amounted to HK\$857,832,000 (2000: HK\$853,951,000).

Notes to the Accounts

For the year ended 31st March 2001

22. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured bank overdrafts	14,875	14,958	—	—
Secured bank loans				
— current portion	354,939	39,591	—	—
— long term portion	483,268	870,948	—	60,000
Unsecured bank loans				
— current portion	<u>60,000</u>	<u>—</u>	<u>60,000</u>	<u>—</u>
	<u>913,082</u>	<u>925,497</u>	<u>60,000</u>	<u>60,000</u>

The analysis of the above is as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans and overdrafts				
Wholly repayable within five years	379,131	421,966	60,000	60,000
Not wholly repayable within five years	<u>533,951</u>	<u>503,531</u>	<u>—</u>	<u>—</u>
	913,082	925,497	60,000	60,000
Current portion	<u>429,814</u>	<u>54,549</u>	<u>60,000</u>	<u>—</u>
	<u>483,268</u>	<u>870,948</u>	<u>—</u>	<u>60,000</u>

Notes to the Accounts

For the year ended 31st March 2001

22. BANK LOANS AND OVERDRAFTS – continued

At 31st March 2001, the Group's bank loans and overdrafts were repayable as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
On demand or within one year	429,814	54,549
More than one year but not exceeding two years	54,752	457,664
More than two years but not exceeding five years	206,734	184,435
Over five years	<u>221,782</u>	<u>228,849</u>
	<u>913,082</u>	<u>925,497</u>

The above bank loans and overdrafts were secured by first charges on certain investment properties and other specific assets of the Group, a mortgage of the Company's shares in subsidiaries, and corporate guarantees from the Company.

23. DEFERRED TAXATION

The potential deferred tax (asset)/liability not provided for in the accounts amounted to:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Accelerated depreciation allowances	196	168
Tax losses	<u>(16,693)</u>	<u>(14,328)</u>
	<u>(16,497)</u>	<u>(14,160)</u>

No recognition for deferred taxation has been made in the accounts as it is uncertain that the deferred tax asset will crystallise in the foreseeable future.

The revaluation of investment properties does not constitute a timing difference for deferred taxation purposes as realisation of the revaluation surplus would not result in a taxation liability.

Notes to the Accounts

For the year ended 31st March 2001

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001 HK\$'000	2000 HK\$'000
(Loss)/profit before taxation	(191,291)	103,882
Share of results of associated companies	18,204	(78,690)
Loss on disposal of interests in subsidiaries	27	19,056
Write down in value of listed securities	333,670	—
Revaluation reserve released upon disposal of property interests	(59,195)	—
Interest income	(5,177)	(7,905)
Interest expenses	48,454	44,291
Dividends received from quoted investments	(253)	(273)
Unclaimed dividends forfeited	(276)	(301)
Write back of provision for permanent diminution in value of long term investments	—	(1,628)
Depreciation of fixed assets	6,156	4,810
Loss on disposal of fixed assets	4,770	291
Decrease in properties held for/under development	835,463	—
(Increase)/decrease in accounts and other receivables, deposits and prepayments	(469,907)	20,690
(Increase)/decrease in properties held for sale	(371,734)	97,000
Decrease/(increase) in unquoted investment	121	(70)
(Decrease)/increase in accounts payable, deposits received and accrued charges	<u>(6,586)</u>	<u>1,469</u>
Net cash inflow from operating activities	<u><u>142,446</u></u>	<u><u>202,622</u></u>

Notes to the Accounts

For the year ended 31st March 2001

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

(b) Purchase of subsidiaries — Group

	2001 HK\$'000
Net assets acquired	
Fixed assets	81
Long term investments	366
Cash and bank balances	16
Accounts payable and accrued charges	<u>(27)</u>
	436
Goodwill	<u>250</u>
	<u>686</u>
Consideration satisfied by cash	<u>686</u>
Analysis of the net cash outflow in respect of the purchase of subsidiaries:	
	2001 HK\$'000
Cash consideration	686
Cash and bank balances acquired	<u>(16)</u>
Net cash outflow in respect of the purchase of subsidiaries	<u>670</u>

The net cash flows of the subsidiaries acquired during the year are not material to the Group as a whole.

Notes to the Accounts

For the year ended 31st March 2001

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

(c) Disposal of subsidiaries — Group

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of		
Fixed assets	29,427	—
Properties held for/under development	—	129,787
Accounts payable and accrued charges	—	(858)
Exchange reserves	—	(1,449)
	<u>29,427</u>	<u>127,480</u>
Loss on disposal	<u>(27)</u>	<u>(19,056)</u>
Consideration satisfied by cash in respect of the disposal of subsidiaries	<u>29,400</u>	<u>108,424</u>

Notes to the Accounts

For the year ended 31st March 2001

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – continued

(d) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Bank loans HK\$'000	Minority interests HK\$'000	Bank deposits pledged for banking facilities HK\$'000	Total HK\$'000
At 1st April 1999	1,058,472	825,647	142,513	56,282	2,082,914
Bank loans raised	—	177,616	—	—	177,616
Repayment of bank loans	—	(92,724)	—	—	(92,724)
Contributions from minority shareholders	—	—	10,440	—	10,440
Interest due to minority shareholders*	—	—	39	—	39
Decrease in bank deposits pledged	—	—	—	(57)	(57)
Loss for the year attributable to minority shareholders*	—	—	(39)	—	(39)
At 31st March 2000	1,058,472	910,539	152,953	56,225	2,178,189
Bank loans raised	—	112,248	—	—	112,248
Repayment of bank loans	—	(124,580)	—	—	(124,580)
Contributions from minority shareholders	—	—	26,414	—	26,414
Interest due to minority shareholders*	—	—	41	—	41
Revaluation reserve attributable to minority shareholders realised upon disposal of properties*	—	—	(26,638)	—	(26,638)
Decrease in bank deposits pledged	—	—	—	(56,225)	(56,225)
Profit for the year attributable to minority shareholders*	—	—	78,721	—	78,721
At 31st March 2001	<u>1,058,472</u>	<u>898,207</u>	<u>231,491</u>	<u>—</u>	<u>2,188,170</u>

* representing non cash transactions.

Notes to the Accounts

For the year ended 31st March 2001

25. CONTINGENT LIABILITIES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of banking facilities granted to associated companies	492,300	594,994	492,300	594,994
Guarantees given to banks in respect of banking facilities granted to subsidiaries	<u>—</u>	<u>—</u>	<u>783,003</u>	<u>777,369</u>

26. COMMITMENTS

(a) Capital commitments for properties held for/under development and long term investments

	Group	
	2001	2000
	HK\$'000	HK\$'000
Contracted but not provided	<u>10,148</u>	<u>156,685</u>

(b) Commitments under operating leases

At 31st March 2001, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings		
Within one year	<u>—</u>	<u>—</u>
In the second to fifth year inclusive	<u>2,576</u>	<u>—</u>

Notes to the Accounts

For the year ended 31st March 2001

27. ULTIMATE HOLDING COMPANY

The directors regard United Goal Development Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31st March 2001 are set out below:

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2001	2000	
<i>Shares held directly:</i>					
Asean Resources Limited	Hong Kong	5,000 ordinary shares of HK\$0.2 each	100	100	Investment holding
<i>Shares held indirectly:</i>					
15691 Yukon Inc.	Canada	1 common share of C\$1	100	100	Investment holding
Asean Resources Finance Limited	Hong Kong	100,000 ordinary shares of HK\$1,000 each	100	100	Provision of financial services
Billion Venture Limited	Hong Kong	100 ordinary shares of HK\$1 each	100	100	Property investment
Broadtrade Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Champion Worldwide Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Chesta Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Cityroy (IOM) Limited	Isle of Man	2 ordinary shares of GBP 1 each	100	100	Yacht investment
Cityroy Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Investment holding

Notes to the Accounts

For the year ended 31st March 2001

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2001	2000	
<i>Shares held indirectly: – continued</i>					
Cityscope Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property development
Conington Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Securities dealing
Golden Union Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Goldyne Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Investment holding
Grands Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Holding of club debenture
Grandwoods Limited	British Virgin Islands	1 ordinary share of US\$1	100	—	Renting property
Hin Kei Investment Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	100	Property development
Lipro Prosper Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
南華投資股份有限公司	Taiwan	1,000,000 ordinary shares of NT\$100 each	100	100	Investment holding in Taiwan
Regal Trophy Limited	British Virgin Islands	20 ordinary shares of US\$1 each	55	55	Investment holding
Starry Land Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property development
Starward Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Investment holding

Notes to the Accounts

For the year ended 31st March 2001

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2001	2000	
<i>Shares held indirectly: – continued</i>					
Sun Prosper Company Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	100	100	Property development
Sunshine Tower Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	100	Property investment
TBM (H.K.) Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	100	Holding of berthing rights and club debentures
Verywell Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Provision of management services
Winning Hong Kong Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Investment holding
Winsworld Properties Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Property investment
Wiseson Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Property investment
Wonderlite Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Securities dealing
World Glory Properties Limited	Hong Kong	2 ordinary shares of HK\$1 each	55	55	Property development

Except 南華投資股份有限公司, all the above subsidiaries operate in Hong Kong and are audited by PricewaterhouseCoopers, Hong Kong. The net assets of subsidiary not audited by PricewaterhouseCoopers, Hong Kong amounted to approximately 0.1% of the Group's net assets.

Notes to the Accounts

For the year ended 31st March 2001

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

The above table includes 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.

29. PARTICULARS OF PRINCIPAL ASSOCIATED COMPANIES

The principal associated companies of the Company as at 31st March 2001 are set out below:

Name of associated company	Place of incorporation	Particulars of issued share capital	Percentage holding		Principal activities
			2001	2000	
<i>Shares held indirectly:</i>					
Broad Reach Company Limited	Hong Kong	100 ordinary shares of HK\$1 each	50	50	Property development
Chishore Enterprise Inc.	British Virgin Islands	100 ordinary shares of US\$1 each	31	31	Investment holding
Ferguson Hotel Holdings Limited	Hong Kong	27,500,000 ordinary shares of HK\$10 each	47.7	47.7	Investment holding
Gold Return Resources Ltd.	British Virgin Islands	10 ordinary shares of US\$1 each	20	20	Investment holding
Hotel Nikko Hong Kong Limited	Hong Kong	2 ordinary shares of HK\$1 each	47.7	47.7	Hotel ownership
New Unity Holdings Ltd.	British Virgin Islands	2 ordinary shares of US\$1 each	50	50	Investment holding
Queensway Hotel Holdings Limited	Hong Kong	100,000 ordinary shares of HK\$10 each	24.8	24.8	Investment holding
Queensway Hotel Limited	Hong Kong	100,000 ordinary shares of HK\$10 each	24.8	24.8	Hotel ownership

Notes to the Accounts

For the year ended 31st March 2001

29. PARTICULARS OF PRINCIPAL ASSOCIATED COMPANIES – continued

All the above associated companies are principally operated in Hong Kong and are audited by PricewaterhouseCoopers, Hong Kong.

The above table includes the associated companies 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 associated companies would, in the opinion of the directors, result in particulars of excessive length.

30. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18th July 2001.