

# Notes to the Financial Statements

For the year ended 31st March, 2001

## 1. GENERAL

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

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the business of property development, investment and money lending business in Hong Kong, other regions in the People's Republic of China (the "PRC") and the United Kingdom. During the year, the Company acquired a subsidiary which is engaged in generation and supply of electricity in the PRC.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and other investments.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

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

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 have been eliminated on consolidation.

### **Goodwill**

Goodwill or capital reserve arising on consolidation, which represents the excess or shortfall of the purchase consideration over the fair value ascribed to the separable net assets at the dates of acquisition of subsidiaries or associates is written off or credited to reserves immediately on acquisition.

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

### **Investments in subsidiaries**

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

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for any permanent diminution in value.

### **Investments in associates**

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

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Investments in associates** (continued)

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, investments in associates are stated at the Group's share of the net assets of the associates.

### **Investments in securities**

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by an impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

### **Revenue recognition**

When properties are developed for sale, income is recognised when the properties developed for sale are sold in advance of completion and the outcome of project can be ascertained with reasonable certainty by reference to the progress of the construction. Revenue is recognised over the course of the development and is computed in each year as a proportion of the total estimated revenue of the development. The proportion used is calculated by reference to the proportion of construction costs incurred to date to estimated total construction costs to completion of the development after taking into account due allowance for contingencies.

Income from properties held for sale is recognised when the sales contract signed become unconditional.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the lease terms.

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

Sale of electricity is based on actual and accrued consumption derived from meters read during the year.

Property management fee income is recognised when services are provided.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less depreciation or amortisation. 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 the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Property, plant and equipment** (continued)

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of land and building is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment, other than freehold land, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	50 years or unexpired lease terms, if shorter
Buildings	50 years or unexpired lease terms, if shorter
Furniture, fixtures and equipment	10 – 33 $\frac{1}{3}$ %
Motor vehicles	20%

### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length basis.

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to the property disposed of is credited to the income statement.

No depreciation or amortisation is provided in respect of investment properties which are held on leases with unexpired terms of more than twenty years.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Properties under development for re-sale**

Properties under development, other than those that have been pre-sold, are stated at lower of cost or net realisable value. Properties under development that have been pre-sold are stated at cost plus attributable profits less deposits and instalments received and receivable. Cost comprises the cost of the land together with direct costs attributable to the development of the properties, professional fees and interest charges capitalised during the period of development. Properties under development which are due for completion more than one year from the balance sheet date are shown as non-current assets, while properties under development which are due for completion within one year from the balance sheet date are shown as current assets.

### **Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

### **Capitalisation of borrowing costs**

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

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

### **Properties held for future development**

Properties held for future development are stated at cost less any provision, if necessary, for impairment in value.

### **Convertible debentures**

Convertible debentures are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost, including the premium payable upon the final redemption of the convertible bonds, recognised in the income statement in respect of the convertible debentures is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible debentures for each accounting period.

### **Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

### **Foreign currencies**

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

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

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. 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 financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### Cash equivalents

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

## 3. TURNOVER

Turnover represents the total amounts received and receivable from the sale of properties and properties interest, the leasing of properties, income derived from money lending, sales of electricity and the provision of building management services during the year. The Group's turnover and (loss) profit from operations, analysed by business and geographical segments, were as follows:

	Turnover		(Loss) profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Business segments:				
Property dealing	<b>47,751</b>	437,490	<b>(61,891)</b>	39,053
Property rental	<b>39,585</b>	41,383	<b>10,765</b>	14,524
Interest income from financial services	<b>17,306</b>	11,682	<b>10,051</b>	10,324
Sales of electricity	<b>5,263</b>	–	<b>1,214</b>	–
Property management fee	<b>1,905</b>	1,465	<b>413</b>	178
	<b><u>111,810</u></b>	<u>492,020</u>	<b><u>(39,448)</u></b>	<u>64,079</u>
Geographical segments:				
Hong Kong	<b>96,133</b>	442,798	<b>(40,644)</b>	61,977
The PRC	<b>7,858</b>	2,538	<b>2,176</b>	1,279
The United Kingdom	<b>7,819</b>	46,684	<b>(980)</b>	823
	<b><u>111,810</u></b>	<u>492,020</u>	<b><u>(39,448)</u></b>	<u>64,079</u>

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 4. (LOSS) PROFIT FROM OPERATIONS

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	<b>817</b>	1,240
Underprovision in prior years	<b>273</b>	98
Deficit on revaluation of leasehold land and buildings	<b>337</b>	640
Depreciation and amortisation	<b>4,348</b>	4,503
Loss on disposal of an associate	<b>1,389</b>	–
Loss on disposal of subsidiaries	<b>52</b>	–
Loss on disposal of property, plant and equipment	<b>428</b>	–
Operating lease rentals for:		
Land and buildings	<b>484</b>	298
Equipment and motor vehicle	<b>61</b>	129
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions, net of forfeited contributions of HK\$91,000 (2000: Nil)	<b>561</b>	887
Salaries and other allowances	<b>25,411</b>	24,668
	<b>25,972</b>	25,555
and after crediting:		
Gain on disposal of a subsidiary	–	132
Gain on disposal of investment properties	<b>555</b>	8,693
Gain on disposal of property, plant and equipment	–	221
Interest income from:		
Associates	<b>2,631</b>	2,628
Bank deposits	<b>885</b>	848
Rental income	<b>39,585</b>	41,383
Less: Outgoings	<b>(2,386)</b>	(3,306)
Net rental income	<b>37,199</b>	38,077

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 5. DIRECTORS' AND EMPLOYEES' REMUNERATION

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
<b>Directors</b>		
Fees – independent non-executive directors	<b>572</b>	572
Other emoluments:		
Executive		
Salaries and other benefits	<b>5,277</b>	5,162
Retirement benefits scheme contributions	<b>74</b>	74
	<b>5,351</b>	5,236
	<b>5,923</b>	5,808

Emoluments of the directors were within the following bands:

	<b>Number of directors</b>	
	<b>2001</b>	2000
Nil – HK\$1,000,000	<b>7</b>	8
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	–
HK\$2,500,001 – HK\$3,000,000	<b>1</b>	1

### Employees

The five highest paid individuals of the Group for the year included two (2000: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2000: three) highest paid individuals of the Group, not being directors of the Company, are as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Salaries and other benefits	<b>2,624</b>	2,914
Retirement benefits scheme contributions	<b>99</b>	84
	<b>2,723</b>	2,998

Emoluments of the employees were within the following bands:

	<b>Number of employees</b>	
	<b>2001</b>	2000
Nil – HK\$1,000,000	<b>2</b>	2
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	1

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 6. FINANCE COSTS

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	<b>86,688</b>	85,070
Bank borrowings not wholly repayable within five years	<b>11,689</b>	6,786
Convertible debentures	<b>1,861</b>	–
Other borrowings	<b>5,540</b>	1,798
	<b>105,778</b>	93,654
Less: Amount capitalised to properties under development during the year	<b>(49,374)</b>	(38,753)
	<b>56,404</b>	54,901

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying an average capitalisation rate of 8% (2000: 8.6%) to expenditure on qualifying assets.

## 7. TAXATION

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The (charge) credit comprises:		
Hong Kong Profits Tax		
Overprovision in prior years	<b>129</b>	2,086
Overseas taxation		
Current year	–	(15)
Overprovision in the prior year	<b>1</b>	–
Share of taxation of associates		
Overseas	<b>(159)</b>	(2)
	<b>(29)</b>	2,069

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the year.

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

The surplus or deficit arising on revaluation of the Group's investment properties and leasehold land and buildings situated in Hong Kong do not constitute a timing difference for taxation purposes as any profit realised on their subsequent disposal would not be subject to taxation. It is the Group's intention to hold the investment properties situated in the PRC for long term investment purpose and is not expected that the potential deferred taxation liability will crystallise in the foreseeable future and therefore no deferred taxation is provided on the valuation surplus on these investment properties.



# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 7. TAXATION (continued)

The Group and the Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

## 8. NET (LOSS) PROFIT FOR THE YEAR

Of the Group's net loss for the year of HK\$92,342,000 (2000: profit of HK\$3,026,000), a loss of HK\$100,666,000 (2000: profit of HK\$199,848,000) has been dealt with in the financial statements of the Company.

## 9. (LOSS) EARNINGS PER SHARE

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

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<b>(Loss) earnings</b>		
Net (loss) profit for the year and (loss) earnings for the purposes of basic (loss) earnings per share	<u><b>(92,342)</b></u>	<u>3,026</u>
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic (loss) earnings per share	<u><b>914,170,395</b></u>	<u>833,257,261</u>

No diluted (loss) earnings per share are presented as the exercise price of the outstanding warrants is higher than the market price per share in both years and the conversion of the outstanding convertible debentures at an assumed conversion price of HK\$0.85 would have had an anti-dilutive effect.

## 10. INVESTMENT PROPERTIES

	HK\$'000
<b>THE GROUP</b>	
VALUATION	
At 1st April, 2000	544,400
Currency realignment	(5,500)
Transfer to properties under development	(56,500)
Disposals	(545)
Deficit on valuation	<u>(12,455)</u>
At 31st March, 2001	<u><u>469,400</u></u>

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

### 10. INVESTMENT PROPERTIES (continued)

The net book value of investment properties of the Group comprises:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Leasehold properties under long leases in		
Hong Kong	<b>48,450</b>	52,700
The PRC	<b>36,500</b>	36,500
Leasehold properties under medium term leases in Hong Kong	<b>384,450</b>	393,200
Freehold properties in the United Kingdom	–	62,000
	<b><u>469,400</u></b>	<u>544,400</u>

The investment properties are rented out under operating leases.

The investment properties situated in Hong Kong and the PRC were valued by Chung Sen Surveyors Limited, firm of independent professional valuers, at 31st March, 2001 on an open market value basis.

The titles of investment properties with an aggregate valuation amounting to HK\$12,000,000 (2000: HK\$12,000,000) are registered in the names of four independent third parties who have assigned their rights in the land to a subsidiary of the Company.

The deficit arising on revaluation of the investment properties amounting to HK\$12,455,000 was eliminated against the investment property revaluation reserve.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold land and buildings</b> HK\$'000	<b>Furniture, fixtures and equipment</b> HK\$'000	<b>Motor vehicles</b> HK\$'000	<b>Total</b> HK\$'000
<b>THE GROUP</b>				
COST OR VALUATION				
At 1st April, 2000	38,270	35,864	8,514	82,648
Currency realignment	–	(69)	(20)	(89)
Additions	–	554	534	1,088
On acquisition of a subsidiary	–	9,717	–	9,717
Disposals	–	(492)	(545)	(1,037)
Deficit on valuation	(1,300)	–	–	(1,300)
	<u>36,970</u>	<u>45,574</u>	<u>8,483</u>	<u>91,027</u>
At 31st March, 2001	<u>36,970</u>	<u>45,574</u>	<u>8,483</u>	<u>91,027</u>
Comprising:				
At cost	–	45,574	8,483	54,057
At valuation – 2001	<u>36,970</u>	<u>–</u>	<u>–</u>	<u>36,970</u>
	<u>36,970</u>	<u>45,574</u>	<u>8,483</u>	<u>91,027</u>
DEPRECIATION AND AMORTISATION				
At 1st April, 2000	–	26,419	7,169	33,588
Currency realignment	–	(46)	(20)	(66)
Provided for the year	815	2,651	882	4,348
Eliminated on disposals	–	(60)	(545)	(605)
Eliminated on valuation	(815)	–	–	(815)
	<u>–</u>	<u>28,964</u>	<u>7,486</u>	<u>36,450</u>
At 31st March, 2001	<u>–</u>	<u>28,964</u>	<u>7,486</u>	<u>36,450</u>
NET BOOK VALUES				
At 31st March, 2001	<u>36,970</u>	<u>16,610</u>	<u>997</u>	<u>54,577</u>
At 31st March, 2000	<u>38,270</u>	<u>9,445</u>	<u>1,345</u>	<u>49,060</u>

The net book value of properties of the Group comprises:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Leasehold properties in Hong Kong under long leases	<b>27,200</b>	31,800
medium term leases	<b>9,770</b>	6,470
	<u><b>36,970</b></u>	<u>38,270</u>

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

Leasehold land and buildings situated in Hong Kong were valued by Chung Sen Surveyors Limited, firm of professional valuers, at 31st March, 2001 on an open market value basis.

The deficit arising on revaluation of the leasehold land and buildings amounted to HK\$485,000 of which HK\$148,000 has been eliminated against the other property revaluation reserve and the remaining HK\$337,000, being the excess of the deficit over the attributable surplus previously recognised, is charged to the income statement.

Had the land and buildings of the Group been carried at cost less accumulated depreciation and amortisation, the carrying value would have been stated at HK\$42,398,000 (2000: HK\$43,429,000).

## 12. PROPERTIES UNDER DEVELOPMENT

<b>THE GROUP</b>	
<b>2001</b>	2000
<b>HK\$'000</b>	HK\$'000

The properties under development are due for completion:

Within one year	<b>567,265</b>	549,006
More than one year	<b>430,021</b>	188,953
	<b><u>997,286</u></b>	<u>737,959</u>

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

<b>THE GROUP</b>		
<b>2001</b>	2000	
<b>HK\$'000</b>	HK\$'000	
Leasehold properties under medium term leases in		
Hong Kong	<b>928,911</b>	737,959
The PRC	<b>5,705</b>	–
Freehold properties in the United Kingdom	<b>62,670</b>	–
	<b><u>997,286</u></b>	<u>737,959</u>

During the year, certain properties under development were transferred from investment properties and properties held for future development. Total interest capitalised and included in properties under development as at 31st March, 2001 amounted to HK\$151,960,000 (2000: HK\$102,586,000).

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 13. PROPERTIES HELD FOR FUTURE DEVELOPMENT

The carrying value of properties held for future development of the Group comprises:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Leasehold properties under		
Medium term leases in Hong Kong	<b>99,166</b>	100,872
Long leases in the PRC	–	3,814
	<b>99,166</b>	104,686

## 14. INTEREST IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Unlisted shares	<b>232,276</b>	232,276
Amounts due from subsidiaries	<b>449,051</b>	449,051
Provision	<b>(93,000)</b>	–
	<b>588,327</b>	681,327

The amount of investment cost of unlisted shares is based on the underlying net assets of the subsidiaries at the time they became members of the Group pursuant to the group reorganisation effected on 23rd September, 1993.

The amounts due from subsidiaries are unsecured and have no fixed repayment terms. At 31st March, 2001, an amount of HK\$116,091,000 (2000: HK\$89,612,000) bears interest at commercial rate and the remaining balance is interest free.

Details of the principal subsidiaries at 31st March, 2001 are set out in note 42.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 15. LOANS RECEIVABLE

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Amount due within one year	<b>135,367</b>	51,443
Amount due after one year	<b>92,244</b>	92,544
	<b>227,611</b>	143,987
Less: Amount due within one year shown under current assets	<b>(135,367)</b>	(51,443)
	<b>92,244</b>	92,544
Secured	<b>184,109</b>	126,044
Unsecured	<b>43,502</b>	17,943
	<b>227,611</b>	143,987

The loans bear interest at market rates and are partly secured by properties situated in Hong Kong.

## 16. INTEREST IN ASSOCIATES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets of associates	<b>62,138</b>	36,958
Amounts due from associates	<b>42,432</b>	70,627
	<b>104,570</b>	107,585

The amounts due from associates are unsecured and have no fixed terms of repayment. At 31st March, 2001, an amount of HK\$30,374,000 (2000: HK\$54,421,000) bears interest at commercial rate and the remaining balance is interest free.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 16. INTEREST IN ASSOCIATES (continued)

Details of principal associates, which are all indirectly held by the Company, at 31st March, 2001 are as follows:

Name of company	Place of incorporation/ registration	Attributable equity interest to the Group	Principal activities
Famearn Investments Limited	Hong Kong	50%	Property development
Goldline Properties Limited	United Kingdom	49%	Property investment
Guangshui Civil Engineering Company Limited	Hong Kong	45%	Property investment
廣東南方電訊網絡有限公司	The PRC	55%	Telecommunication related activities
Sutcliffe Properties Limited	British Virgin Islands	50%	Property development

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

## 17. INVESTMENTS IN SECURITIES AND AMOUNTS DUE FROM investee COMPANIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Investment securities:		
Unlisted shares, at cost	<b>2,045</b>	20
Other investments:		
Shares listed outside Hong Kong, at market value	<b>1,999</b>	–
	<b>4,044</b>	20
Amounts due from investee companies	<b>10,826</b>	10,826
Less: Provision	<b>(4,560)</b>	(4,560)
	<b>6,266</b>	6,266

The amounts due from investee companies are unsecured, interest free and have no fixed repayment terms.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

### 17. INVESTMENTS IN SECURITIES AND AMOUNTS DUE FROM INVESTEE COMPANIES

(continued)

Details of the investment securities, which are indirectly held by the Company, as at 31st March, 2001 are as follows:

Name of company	Place of incorporation	Attributable equity interest to the Group	Principal activity
Great China Brokerage Limited	Hong Kong	8%	Securities brokerage
Wellbless Limited *	Hong Kong	20%	Hotel operation

\* Mr. Tai Kuen, S.B.S., J.P. and Mr. Tai Yiu Wah, Robert each had a 10% and 5% interest in the company, respectively at 31st March, 2000 and their interests were partially disposed of during the year, resulted in each had a 0.2% and 3.3% interest in the Company, respectively at 31st March, 2001.

The directors are of the opinion that the Group is not in a position to exercise significant influence over the financial and operating policy decisions of Wellbless Limited. Accordingly, this company is not regarded as an associate of the Group.

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

### 18. PROPERTIES HELD FOR SALE

At 31st March, 2001, the amount of properties held for sale stated at net realisable value was HK\$98,947,000 (2000: Nil).

### 19. TRADE AND OTHER RECEIVABLES

The Group adopts a flexible credit policy in line with prevailing marketing strategy. The credit periods granted to customers ranged from 30 days to 90 days on average. The following is an aged analysis of trade debtors:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade debtors				
0 – 60 days	<b>5,608</b>	56,722	–	–
61 – 90 days	<b>102</b>	76	–	–
Over 90 days	<b>8,099</b>	71,525	–	–
	<b>13,809</b>	128,323	–	–
Other receivables	<b>27,675</b>	43,077	<b>73</b>	100
	<b>41,484</b>	171,400	<b>73</b>	100



# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 20. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade creditors:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade creditors				
0 – 60 days	<b>13,985</b>	23,585	<b>229</b>	–
61 – 90 days	<b>5,400</b>	76	<b>291</b>	–
Over 90 days	<b>67,167</b>	5,344	<b>1,328</b>	1,017
	<b>86,552</b>	29,005	<b>1,848</b>	1,017
Other payables	<b>94,002</b>	138,317	<b>1,515</b>	742
	<b>180,554</b>	167,322	<b>3,363</b>	1,759

## 21. OTHER CREDITORS

The amounts are unsecured, interest free and have no fixed terms of repayment. The schedule of repayments of other creditors is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Amounts due to development partners	<b>3,528</b>	6,528
Balance of consideration for the acquisition of a subsidiary	<b>26,741</b>	26,741
Deposit received for share of interest in a property under development	<b>8,548</b>	12,568
	<b>38,817</b>	45,837
Less: amount due within one year shown under current liabilities	<b>(4,128)</b>	(11,148)
Amount due after one year	<b>34,689</b>	34,689

The Group has entered into agreements with independent third parties to develop a property under development held by the Group. The amounts due to development partners were contributed by those parties according to the agreements and will be repaid after the completion and sales of the property under development.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 22. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The bank and other borrowings are secured, bear interest at market rates and are repayable as follows:				
Within one year	<b>412,662</b>	455,088	<b>89,347</b>	79,185
Between one to two years	<b>437,522</b>	67,857	<b>7,700</b>	2,763
Between two to five years	<b>159,284</b>	360,807	<b>19,044</b>	7,664
After five years	<b>72,585</b>	75,698	–	–
	<b><u>1,082,053</u></b>	<u>959,450</u>	<b><u>116,091</u></b>	<u>89,612</u>

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(i) Amount due within one year				
Current portion of bank and mortgage loans	<b>218,141</b>	227,504	<b>70,566</b>	59,146
Bank overdrafts	<b>154,741</b>	207,584	<b>1</b>	39
Other borrowings	<b>39,780</b>	20,000	<b>18,780</b>	20,000
	<b><u>412,662</u></b>	<u>455,088</u>	<b><u>89,347</u></b>	<u>79,185</u>
(ii) Amount due after one year				
Bank and mortgage loans	<b>887,532</b>	731,866	<b>97,310</b>	69,573
Less: Amount due within one year	<b>(218,141)</b>	(227,504)	<b>(70,566)</b>	(59,146)
	<b><u>669,391</u></b>	<u>504,362</u>	<b><u>26,744</u></b>	<u>10,427</u>
	<b><u>1,082,053</u></b>	<u>959,450</u>	<b><u>116,091</u></b>	<u>89,612</u>

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 23. CONVERTIBLE DEBENTURES

On 15th May, 2000, the Company issued US\$11,000,000 (approximately HK\$85,657,000) 3% convertible debentures (the "Convertible Debentures") which carry the right to convert into shares of HK\$0.10 each in the share capital of the Company at the conversion price which would be the lesser of 120% of the average closing price per share on the Stock Exchange over the 10 consecutive trading days prior to the date of completion; or 90% of the average of the lowest 5 days closing price per share on the Stock Exchange over the 20 consecutive trading days (10 conversion trading days in the case of the first conversion) immediately prior to the date of the conversion notice provided that if such adjusted conversion price is less than HK\$0.85, then the conversion price shall be HK\$0.85. On 31st December, 2003, any outstanding Convertible Debentures and all interest accrued thereon will be mandatorily converted into shares provided that the maximum outstanding principal amount of Convertible Debentures that can be mandatorily converted shall be up to the amount which will not trigger the mandatory general offer obligation for the Debenture holder and parties acting in concert with it under the Hong Kong Code of Takeovers and Mergers. Any outstanding Convertible Debentures that cannot be so mandatorily converted into shares shall be redeemed by the Company at a redemption amount equal to 115% of such outstanding Convertible Debentures together with accrued interest.

The net proceeds from the Convertible Debentures of approximately HK\$81 million were used for general working capital of the Group. During the year, Convertible Debentures in the amount of US\$3,850,000 were converted into 33,595,656 shares of HK\$0.10 each of the Company.

## 24. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest free and have no fixed terms of repayment.

## 25. SHARE CAPITAL

	Number of shares		Amount	
	2001	2000	2001	2000
			HK\$'000	HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At beginning and end of year	<b>1,500,000,000</b>	1,500,000,000	<b>150,000</b>	150,000
Issued and fully paid:				
At beginning of year	<b>835,814,977</b>	833,975,782	<b>83,581</b>	83,398
Conversion of Convertible Debentures (note 23)	<b>33,595,656</b>	–	<b>3,360</b>	–
Exercise of warrant subscription rights	<b>1,812,493</b>	3,089,195	<b>181</b>	308
Issue of shares on placing	<b>65,000,000</b>	–	<b>6,500</b>	–
Shares repurchased and cancelled	<b>(3,520,000)</b>	(1,250,000)	<b>(352)</b>	(125)
At end of year	<b>932,703,126</b>	835,814,977	<b>93,270</b>	83,581

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 25. SHARE CAPITAL (continued)

- (a) On 21st March, 2000, arrangements were made for a private placement to independent private investors of 65 million shares of HK\$0.10 each in the Company held by Questrole Profits Limited, a substantial shareholder of the Company, at a price of HK\$1.33 per share, representing a discount of approximately 11.9% to the closing market price of the Company's shares on 21st March, 2000. Pursuant to a subscription agreement dated 21st March, 2000, 65 million new shares of HK\$0.10 each in the Company at a price of HK\$1.33 per share were issued and allotted to Questrole Profits Limited on 3rd April, 2000. The proceeds were used to provide additional working capital of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 23rd September, 1999 and rank *pari passu* with other shares in issue in all respects.
- (b) During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month	Number of shares	Price per share		Aggregate consideration
		Highest HK\$	Lowest HK\$	paid HK\$'000
September 2000	2,920,000	0.86	0.84	2,486
October 2000	600,000	0.86	0.84	512
	<u>3,520,000</u>			<u>2,998</u>

The above shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from the retained profits to the capital redemption reserve (note 28).

## 26. WARRANTS

### 2001 Warrants

At 31st March, 2001, the Company had outstanding warrants conferring rights to subscribe for up to HK\$64,447,000 in aggregate for shares in the Company at the subscription price of HK\$0.90, subject to adjustment, per share at any time on or before 30th September 2001. Exercise in full of such warrants would result in the issue of an additional 71,607,466 shares of HK\$0.10 each by the Company.

During the year, registered holders of 1,812,493 warrants exercised their rights to subscribe for 1,812,493 shares in the Company at HK\$0.90 per share.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## **27. SHARE OPTIONS**

Under the Company's share option scheme, the directors may at their discretion grant options to employees of the Group, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The subscription price of the option shares shall be a price to be determined by the directors being not less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher.

No option was granted under this scheme since its adoption.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 28. RESERVES

	Share premium	Goodwill reserve	Investment Contributed reserve	Investment property revaluation reserve	Property reserve	Other property revaluation reserve	Capital redemption reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP										
At 31st March, 1999	266,479	(57,108)	-	238,163	-	2,254	3,222	724	318,867	772,601
Currency realignment	-	-	-	(145)	-	9	-	-	-	(136)
Premium paid on repurchase of shares	(740)	-	-	-	-	-	-	-	-	(740)
Exercise of 2001 warrants	2,502	-	-	-	-	-	-	-	-	2,502
Capital reserve realised on disposal of properties held for future development	-	(149)	-	-	-	-	-	-	-	(149)
Realised on disposal of investment properties	-	-	-	(16,294)	-	-	-	-	-	(16,294)
Transfer upon repurchase and cancellation of shares	-	-	-	-	-	-	125	-	(125)	-
Deficit arising on revaluation of investment properties and leasehold land and buildings	-	-	-	(27,950)	-	(613)	-	-	-	(28,563)
Exchange difference arising on translation of overseas operations	-	-	-	-	-	-	-	(899)	-	(899)
Net profit for the year	-	-	-	-	-	-	-	-	3,026	3,026
At 31st March, 2000	268,241	(57,257)	-	193,774	-	1,650	3,347	(175)	321,768	731,348
Currency realignment	-	-	-	(2,744)	-	(5)	-	-	-	(2,749)
Premium paid on repurchase of shares	(2,646)	-	-	-	-	-	-	-	-	(2,646)
Premium arising on issue of shares on placing	79,950	-	-	-	-	-	-	-	-	79,950
Expenses incurred in connection with the issue of shares on placing	(2,666)	-	-	-	-	-	-	-	-	(2,666)
Conversion of Convertible Debentures	26,620	-	-	-	-	-	-	-	-	26,620
Exercise of 2001 warrants	1,450	-	-	-	-	-	-	-	-	1,450
Goodwill realised on disposal of subsidiaries	-	52	-	-	-	-	-	-	-	52
Goodwill arising on acquisition of an associate	-	(4,910)	-	-	-	-	-	-	-	(4,910)
Goodwill realised on disposal of an associate	-	682	-	-	-	-	-	-	-	682
Realised on disposal of investment properties	-	-	-	(545)	-	-	-	-	-	(545)
Transfer upon repurchase and cancellation of shares	-	-	-	-	-	-	352	-	(352)	-
Surplus (deficit) arising on revaluation of investment properties and leasehold land and buildings	-	-	-	7,964	-	(148)	-	-	-	7,816
Transfer to property reserve	-	-	-	(15,880)	15,880	-	-	-	-	-
Exchange difference arising on translation of overseas operations	-	-	-	-	-	-	-	(7,832)	-	(7,832)
Net loss for the year	-	-	-	-	-	-	-	-	(92,342)	(92,342)
Transfer	-	54,838	(18,082)	(36,756)	-	-	-	-	-	-
At 31st March, 2001	370,949	(6,595)	(18,082)	145,813	15,880	1,497	3,699	(8,007)	229,074	734,228

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 28. RESERVES (continued)

The transfer of HK\$15,880,000 to property reserve represents the investment property revaluation reserve as at 31st March, 2000 related to the investment property which had been transferred to property under development during the year. It is the Group's intention to develop the property to generate rental income and therefore no deferred taxation is provided on the property reserve.

The contributed reserve represents the difference between the aggregate amount of share capitals of Gold-Face Investment Holdings Limited and its subsidiaries at the date at which the shares of these companies were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition.

Included in the above are the following Group's share of post-acquisition reserves of the associates:

	Share premium	Goodwill reserve	Investment property revaluation reserve	Property reserve	Other property revaluation reserve	Capital redemption reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31st March, 1999	-	(18,279)	29,190	-	-	-	(17)	9,801	20,695
Currency realignment	-	-	(213)	-	-	-	-	-	(213)
Surplus arising on revaluation of investment properties	-	-	6,076	-	-	-	-	-	6,076
Net loss for the year	-	-	-	-	-	-	-	(15,179)	(15,179)
Share of translation reserve	-	-	-	-	-	-	(4)	-	(4)
Balance at 31st March, 2000	-	(18,279)	35,053	-	-	-	(21)	(5,378)	11,375
Currency realignment	-	-	(2,884)	-	-	-	-	-	(2,884)
On acquisition of an associate	-	(4,910)	-	-	-	-	-	-	(4,910)
Eliminated on disposal of an associate	-	682	-	-	-	-	-	-	682
Surplus arising on revaluation of investment properties	-	-	20,419	-	-	-	-	-	20,419
Transfer	-	15,912	(15,912)	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	4,791	4,791
Balance at 31st March, 2001	-	(6,595)	36,676	-	-	-	(21)	(587)	29,473

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

### 28. RESERVES (continued)

	Share premium HK\$'000	Contri- buted surplus HK\$'000	Capital re- demption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY					
At 31st March, 1999	266,479	187,193	3,222	123,187	580,081
Premium paid on					
repurchase of shares	(740)	–	–	–	(740)
Exercise of 2001 warrants	2,502	–	–	–	2,502
Transfer upon repurchase					
and cancellation of shares	–	–	125	(125)	–
Net profit for the year	–	–	–	199,848	199,848
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2000	268,241	187,193	3,347	322,910	781,691
Premium paid on repurchase					
of shares	(2,646)	–	–	–	(2,646)
Premium arising on issue of					
shares on placing	79,950	–	–	–	79,950
Expenses incurred in					
connection with the issue					
of shares on placing	(2,666)	–	–	–	(2,666)
Conversion of Convertible					
Debentures	26,620	–	–	–	26,620
Exercise of 2001 warrants	1,450	–	–	–	1,450
Transfer upon repurchase					
and cancellation of shares	–	–	352	(352)	–
Net loss for the year	–	–	–	(100,666)	(100,666)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	<u>370,949</u>	<u>187,193</u>	<u>3,699</u>	<u>221,892</u>	<u>783,733</u>

The contributed surplus represents the difference between the consolidated shareholders' funds of Gold-Face Investment Holdings Limited and its subsidiaries at the date at which the shares of these companies were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition.

### 29. SUBSCRIPTION MONEY RECEIVED

The subscription money at 31st March, 2000 represented the partial consideration received from Questrole Profits Limited for the allotment of shares as set out in note 25(a).



# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 30. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(90,902)	(5,999)
Share of results of associates	(4,950)	15,177
Deficit on revaluation of leasehold land and buildings	337	640
Depreciation and amortisation	4,348	4,503
Interest on borrowings	56,404	54,901
Interest income from associates	(2,631)	(2,628)
Interest income from bank deposits	(885)	(848)
Gain on disposal of investment properties	(555)	(8,693)
Loss (gain) on disposal of property, plant and equipment	428	(221)
Loss on disposal of properties held for future development	81	–
Provision on properties held for sale	30,000	–
Loss on disposal of an associate	1,389	–
Loss (gain) on disposal of subsidiaries	52	(132)
Capital reserve realised on disposal of properties held for future development	–	(149)
Increase in loans receivable	(83,624)	(24,426)
Decrease in properties held for sale	3,668	34,647
Decrease (increase) in trade and other receivables	131,388	(18,110)
Increase in trade and other payables	7,478	57,529
	<u>52,026</u>	<u>106,191</u>

## 31. DISPOSAL OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Trade and other receivables	–	659
Amounts due from fellow subsidiaries	–	39
Bank balances	–	271
Trade and other payables	–	(18)
Taxation	–	(130)
(Loss) gain on disposal	(52)	132
	<u>(52)</u>	<u>953</u>
Goodwill	52	–
	<u>–</u>	<u>953</u>
Satisfied by:		
Cash received	–	953
	<u>–</u>	<u>953</u>

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

### 31. DISPOSAL OF SUBSIDIARIES (continued)

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cash consideration received	–	953
Bank balances disposed of	–	(271)
	<u>–</u>	<u>682</u>

The cash flows and results contributed by the subsidiaries disposed of during the year were not significant.

### 32. PURCHASE OF A SUBSIDIARY

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Net assets acquired:		
Property, plant and equipment	<b>9,717</b>	–
Property held for future development	–	20,004
Trade and other receivables	<b>1,472</b>	–
Bank balances	<b>555</b>	4
Trade and other payables	<b>(4,697)</b>	(8)
	<u><b>7,047</b></u>	<u>20,000</u>

Satisfied by:

Cash	–	20,000
Transfer from investment cost in an associate	<b>7,047</b>	–
	<u><b>7,047</b></u>	<u>20,000</u>

Analysis of net inflow (outflow) of cash and cash equivalents in connection with the purchase of a subsidiary:

Cash consideration paid	–	(20,000)
Bank balances acquired	<b>555</b>	4
	<u>555</u>	<u>4</u>
Net inflow (outflow) of cash and cash equivalents in respect of the purchase of a subsidiary	<u><b>555</b></u>	<u>(19,996)</u>

The cash flows and results contributed by the subsidiary purchased during the year were not significant.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Convertible debentures	Share capital and share premium	Subscription money received	Bank and other borrowings, excluding bank overdrafts	Minority interests	Amounts due to minority share- holders	Other creditors
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31st March, 1999	–	349,877	–	729,064	65,787	6,648	83,626
Currency realignment	–	–	–	(489)	1	–	–
Cash received from Questrole Profits Limited (note 28)	–	–	54,000	–	–	–	–
Loan from a minority shareholder	–	–	–	–	–	624	–
Repurchase and cancellation of shares	–	(865)	–	–	–	–	–
Exercise of 2001 warrants	–	2,810	–	–	–	–	–
New borrowings raised	–	–	–	483,861	–	–	–
Repayment of borrowings	–	–	–	(460,570)	–	–	–
Minority interests in the loss of subsidiaries	–	–	–	–	(6,956)	–	–
Share of reserves by minority shareholders	–	–	–	–	(3,163)	–	–
Repayment to other creditors	–	–	–	–	–	–	(37,789)
Balance at 31st March, 2000	–	351,822	54,000	751,866	55,669	7,272	45,837
Currency realignment	–	–	–	(4,950)	130	–	–
Transfer to share capital and share premium on issue of shares under placing	–	54,000	(54,000)	–	–	–	–
Balance of subscription money received on issue of shares under placing	–	32,450	–	–	–	–	–
Placement expenses	–	(2,666)	–	–	–	–	–
Issue of Convertible Debentures	85,657	–	–	–	–	–	–
Conversion of convertible debentures into shares	(29,980)	29,980	–	–	–	–	–
Repurchase and cancellation of shares	–	(2,998)	–	–	–	–	–
Exercise of 2001 warrants	–	1,631	–	–	–	–	–
New borrowings raised	–	–	–	549,794	–	–	–
Repayment of borrowings	–	–	–	(369,398)	–	–	–
Transfer	–	–	–	–	2,509	(2,509)	–
Decrease on acquisition of additional interest in subsidiaries	–	–	–	–	(58,498)	–	–
Minority interests in the profit of subsidiaries	–	–	–	–	1,411	–	–
Repayment to other creditors	–	–	–	–	–	–	(7,020)
Balance at 31st March, 2001	<u>55,677</u>	<u>464,219</u>	<u>–</u>	<u>927,312</u>	<u>1,221</u>	<u>4,763</u>	<u>38,817</u>

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

### 34. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Bank balances and cash	<b>13,428</b>	21,553
Bank overdrafts	<b>(154,741)</b>	(207,584)
	<b><u>(141,313)</u></b>	<u>(186,031)</u>

### 35. PLEDGE OF ASSETS

At 31st March, 2001, the Group's borrowings were secured by:

- (a) investment properties with an aggregate valuation of HK\$454,400,000 (2000: HK\$504,700,000);
- (b) leasehold land and buildings with an aggregate valuation of approximately HK\$36,900,000 (2000: HK\$38,200,000);
- (c) properties held for future development, properties held for sale and properties under development with an aggregate net book value of HK\$98,953,000 (2000: HK\$87,234,000), HK\$173,623,000 (2000: HK\$204,620,000) and HK\$830,717,000 (2000: HK\$681,028,000), respectively;
- (d) a debenture over the assets of Gold-Face Finance Limited ("GFFL"), comprising plant and machinery with net book value of HK\$12,000 (2000: HK\$17,000) and other assets of HK\$228,535,000 (2000: HK\$157,536,000) including an assignment of certain loans receivable which were secured by property mortgage to GFFL;
- (e) a debenture incorporating a floating charge on the assets of Magic House Enterprises Limited, comprising plant and machinery with net book value of HK\$106,000 (2000: HK\$318,000) and an assignment of all sale proceeds, rental and other income;
- (f) bank deposits of HK\$501,000 (2000: HK\$476,000) against which facilities of HK\$501,000 (2000: HK\$476,000) had been drawn at the balance sheet date; and
- (g) 51,328,096 shares of Golden Land Investments PLC ("Golden Land"), a company listed on the London Stock Exchange Limited, which had an aggregate market value of HK\$20,300,000 (2000: HK\$101,835,000).

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 36. LEASE COMMITMENTS

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

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Operating leases which expire:		
In the second to fifth year inclusive	<b>513</b>	682
Outstanding commitments payable in the following year in respect of operating leases on equipment and motor vehicle which expire:		
Within one year	-	47

At the balance sheet date, the Company did not have any commitments under non-cancellable operating leases.

## 37. CAPITAL COMMITMENTS

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Commitments contracted for but not provided in the financial statements in respect of properties under development	<b>89,373</b>	15,181

At the balance sheet date, the Company did not have any capital commitments.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 38. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given to banks in respect of banking facilities granted to:				
Subsidiaries	–	–	<b>1,204,485</b>	844,561
An associate	<b>30,000</b>	20,000	<b>30,000</b>	20,000
	<b>30,000</b>	20,000	<b>1,234,485</b>	864,561
The extent of such facilities utilised at the balance sheet date is as follows:				
Subsidiaries	–	–	<b>710,761</b>	660,332
An associate	<b>27,235</b>	19,485	<b>27,235</b>	19,485
	<b>27,235</b>	19,485	<b>737,996</b>	679,817

In addition, a shareholder of an associate has provided guarantee to banks to secure the bank borrowings of RMB32 million (2000: RMB32 million) granted to this associate. An arrangement was made between this shareholder and the Company that the Company provides guarantee in favour of this shareholder for the equity amount of 43.9% of the issued guarantees in favour of banks.

## 39. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement benefits scheme (the "Defined Contribution Scheme") for certain qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee. Contribution to the schemes are at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting in full in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1st December, 2000, the Group has also joined a mandatory provident fund scheme ("MPF Scheme") for other employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Except for voluntary contribution, no forfeited contribution under this scheme is available to reduce the contribution payable in future years.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 39. RETIREMENT BENEFITS SCHEME (continued)

In addition, Golden Land has two pension schemes for two employees administered by an insurance company which operate on a 'money-purchase' basis. Contributions to these schemes are agreed between the members and the insurance company.

The retirement benefits scheme contributions arising from the above schemes charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

At 31st March, 2001, there were no significant forfeited contributions which arose upon employees leaving the retirement benefits scheme before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in future (2000: Nil).

## 40. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group paid architectural fees and professional service fees with an aggregate amount of HK\$2,333,000 (2000: HK\$8,500,000) to Wong & Tai Associates Architects in which Messrs. Tai Chi Wah and Wong Po Lung, John are partners. The architectural fees were charged with reference to the construction costs of the project and to the scale fees for architectural services determined by the Hong Kong Institute of Architects. The professional service fees were charged at estimated market rates determined by the directors. The amount due to this related company at the year end, which was included under trade and other payables, was HK\$500,000 (2000: HK\$500,000).
- (b) During the year, the Group received property rental income amounting to HK\$5,980,000 (2000: HK\$6,390,000) from Gold-Face (Restaurant Group) Limited, a company wholly owned by Questrole Profits Limited. Questrole Profits Limited is beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Tai Chi Wah and the spouse of Madam Tai Seow Yoke Peng and their respective family members. The rentals were charged at estimated market rates determined by the directors at the time when the tenancy agreements were entered into with Gold-Face (Restaurant Group) Limited. For the year ended 31st March, 2000, the Group also paid compensation on early termination of rental agreement amounted to HK\$310,000 to Gold-Face (Restaurant Group) Limited. Such compensation was charged at estimated market rates determined by the directors. At 31st March, 2001, there was no amount due from this related company (2000: HK\$787,000).

## 41. POST BALANCE SHEET EVENTS

- (a) On 17th April, 2001, the Company through its wholly owned subsidiary, Wisearn Group Limited, disposed of its entire interest in Golden Land to an independent third party for a consideration of £655,000 (approximately HK\$7,400,000).
- (b) In April 2001, the Company issued 5,957,058 new shares of HK\$0.10 each at HK\$0.85 per share to a holder of Convertible Debentures upon conversion of Convertible Debentures in the amount of US\$650,000 (approximately HK\$5,062,000).

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

### 42. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2001 are as follows:

Name of subsidiary	Place of incorporation or registration/operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Admiralty Star Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$4,500,002 **	100%	Property development
Applause Developments Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Bodallin Limited	British Virgin Islands	Ordinary US\$1	100%	Property development
Braemar Associates Limited	British Virgin Islands	Ordinary US\$1	100%	Property development
Bright Aura Limited	British Virgin Islands	Ordinary US\$1	100%	Property development
Cherub Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Property management
Chintan Investment Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Property investment
Chun Po Investment Company Limited	Hong Kong	Ordinary HK\$200 Deferred HK\$7,250,000 **	100%	Property development and investment
Citigold Development Limited	Hong Kong	Ordinary HK\$100 Deferred HK\$2 **	100%	Property development
Continous Success Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property development
Crown Fortune Development Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Eastern Wealth Investment Limited	Hong Kong	Ordinary HK\$10,000	100%	Property development
Euro-Asia Property Limited	British Virgin Islands	Ordinary £2,100,747	100%	Investment holding



# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 42. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Ever Prospect Limited	Samoa/ The PRC	Ordinary US\$1	100%	Investment holding, property development and property investment
Excessway Investment Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,000 **	100%	Property investment
Gold-Face Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$1,100,000 **	100%	Investment holding, property development and investment
Gold-Face Finance Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Money lending
Gold-Face Investment Holdings Limited*	British Virgin Islands	Ordinary US\$14	100%	Investment holding
Golden Land	United Kingdom	Ordinary £356,127	75%	Investment holding
Golden Realty Limited	British Virgin Islands	Ordinary £1,002	100%	Investment holding
Gross Fortune International Limited	British Virgin Islands	Ordinary US\$100 Preferred US\$10 ***	100%	Property development and investment
Gundagai International Limited	British Virgin Islands	Ordinary US\$1	100%	Property investment
Hei Ling Holdings Limited	British Virgin Islands	Ordinary US\$1	100%	Property investment
Hitrade Group Limited	British Virgin Islands	Ordinary US\$1	100%	Property investment
Jatamaka Company Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Jumbo Business Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Lipson Enterprises Limited	Hong Kong	Ordinary HK\$2	100%	Property development

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

### 42. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Magic House Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,000 **	100%	Property investment
Magpies Company Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,000 **	100%	Property investment
Ocampo Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10 Deferred US\$100 **	100%	Property development
Phantasy Development Limited	Hong Kong	Ordinary HK\$8,000 Deferred HK\$10,000 **	100%	Property development
Pristine International Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Profit Nation Development Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding and property development
Regent Million Investment Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Roster Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Score Million Investment Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Silver Kind Investment Limited	Hong Kong	Ordinary HK\$10,000 Deferred HK\$7,500 **	100%	Property development and investment
Simple Link Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US\$3	100%	Property development
Steadyline Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Property development and property investment

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

## 42. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Stepworth International Inc.	British Virgin Islands/ United Kingdom	Ordinary US\$1	100%	Property investment
Tai Tung On Enterprises Company Limited	Hong Kong	Ordinary HK\$200 Deferred HK\$10,000 **	100%	Property investment
Top Aim Development Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,000 **	100%	Property investment
True Gold Investments Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Ultimarum Limited	United Kingdom	Ordinary £1	100%	Investment holding
Victory Brilliant Enterprises Limited	Hong Kong	Ordinary HK\$100	100%	Property investment
Wealth Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Investment holding
Wisearn Group Limited*	British Virgin Islands	Ordinary US\$10	100%	Investment holding
Wonder Fit Company Limited	Hong Kong	Ordinary HK\$10,000	80%	Investment holding and property development
Yieldful Holdings Limited	Hong Kong	Ordinary HK\$1,000	90%	Investment holding
陽春市春來發電有限公司	The PRC	Registered capital RMB27,500,000	100%	Generation and supply of electricity

\* Directly held by the Company.

\*\* The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On a winding-up, the holders of the deferred shares shall be entitled out of the surplus assets of the company to a return of the capital paid up to the non-voting deferred shares held by them, respectively, after a total sum of HK\$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the company. All deferred shares are held by certain of the Company's subsidiaries.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2001

### 42. SUBSIDIARIES (continued)

\*\*\* The preferred shares carry preferential right to receive dividends equal to ten times the value of dividend paid to holders of ordinary shares. The holders of preferred shares have ten votes present at any general meeting and on a poll they have also ten votes for every preferred share held. On a winding up, the holders of the preferred shares shall be entitled in any distribution of the surplus assets to receive in aggregate assets of a value ten times the value of any asset distributed to holders of ordinary shares. All preferred shares are held by certain of the Company's subsidiaries.

The shares of Golden Land were listed on the London Stock Exchange. On 27th June, 2000, the listing of the shares of Golden Land had been moved from the Official List to the Alternative Investment Market of the London Stock Exchange. The market value of these shares held by the Group amounted to HK\$21,127,000 at 31st March, 2001 (2000: HK\$101,835,000).

None of the subsidiaries had any loan capital outstanding at the end of the year, or at any time during the year.

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