

NOTES TO THE FINANCIAL STATEMENTS

31st March, 2001

1. CORPORATE INFORMATION

The registered office and the principal place of business of the Company is located at 18th Floor, Hang Seng Building, 77 Des Voeux Road Central, Hong Kong. During the year, the Group ceased its investments in Internet and technology related business and involved mainly in property development and investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2001, together with the Group's share of the post-acquisition results of its jointly-controlled entities and associates on the basis as set out below. The results of subsidiaries, jointly-controlled entities and associates acquired or disposed of during the year are consolidated or equity accounted for from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

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

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

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and where none of the participating parties has unilateral control over the economic activity.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors. All significant unrealised profits or losses on transactions with jointly-controlled entities have been eliminated in proportion to the Group's attributable interest in the jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are stated at cost less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Goodwill**

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates and jointly-controlled entities represents the excess purchase consideration paid for subsidiaries, associates or jointly-controlled entities over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. On the disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the year in which 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 an asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost less any residual value of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	5% or over the unexpired terms of the leases
Leasehold improvements	5% and 20%
Furniture and equipment	20%

The gain or loss on disposal of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under development

Properties under development are stated at cost and include the cost of land, construction, financing and other related expenses, less any provisions for impairment in values, other than temporary in nature, deemed necessary by the directors.

31st March, 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Long term investments

Long term investments are included in non-current assets and represent investments in unlisted equity securities and unlisted debt securities intended to be held to maturity. Such unlisted equity securities are stated at cost less any provisions for impairment in values, other than temporary in nature, deemed necessary by the directors. The held-to-maturity debt securities are stated at cost.

Short term investments

Short term investments are investments in listed equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has undertaken pre-sale programmes, are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions, on an individual property basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Properties held for sale (Continued)**

Profit arising on the pre-sale of property under development is recognised over the course of the development and is calculated on each project as a proportion of the total estimated profit to completion, after taking into account further costs to completion and due allowances for contingencies. The proportion used is the estimated construction costs of pre-sold units over the total estimated construction costs of the property under development. The profit per pre-sold unit so recognised is restricted to the amount of instalments received and receivable under legally binding contracts at the balance sheet date.

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.

Convertible guaranteed bonds

Convertible guaranteed bonds are stated at cost, and are adjusted for the accretion of premiums on redemption on a straight-line basis over the period of the bonds' existence.

Deferred charges

Deferred charges relating to expenses incurred for the bond issue are deferred and amortised, using the straight-line method, over the period of the bonds' existence.

Revenue recognition

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

- (i) income from the sale of completed properties is recognised when a legally binding sale and purchase contract is signed. Income from the pre-sale of properties under development is recognised over the course of development (as more fully described under "Properties held for sale");
- (ii) rentals receivable from land and buildings held for use under operating leases are accounted for on a straight-line basis over the respective periods of the leases;

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- (iii) property management income is recognised in the period in which services are rendered;
- (iv) interest is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (v) dividends are recognised when the shareholders' right to receive payment is established.

Operating leases

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

Retirement benefits scheme

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

Prior to the Scheme being effective, the Group operated a defined contribution retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the Mandatory Provident Fund retirement benefits scheme, except that when an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. With effect from 1st December, 2000, this scheme has been frozen.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Deferred tax**

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

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

With respect to investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than equity, the resulting exchange differences on translation are included in the exchange fluctuation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Company's net investment in the enterprises.

Related parties

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

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances and time deposits represent assets similar in nature to cash, which are not restricted as to use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

3. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents income from the sale of properties, gross rental income earned, property management income and interest income from mortgages.

Pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, an analysis of the Group's turnover and contribution to operating profit/(loss) by principal activity and geographical location is as follows:

	Turnover		Contribution to profit/(loss) from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
Property development				
Sales of properties	277,318	114,750	(72,104)	(15,838)
Write back of/(provision for) value of properties	-	-	(188,000)	85,910
			(260,104)	70,072
Property investment				
Rental income	34,256	44,187	21,944	30,804
Revaluation deficit	-	-	(90,854)	(51,831)
			(68,910)	(21,027)
Other rental income	6,160	5,747	2,599	1,962
Interest income from mortgages	1,093	1,366	1,093	1,366
Property management income	3,664	-	3,664	-
Investment in Internet and technology related business	-	-	(12,047)	(474)
Others	-	-	(49,590)	(29,215)
	322,491	166,050	(383,295)	22,684
By geographical location:				
The People's Republic of China				
Hong Kong	224,714	147,341	(383,288)	(33,834)
Mainland China	80,943	-	3,752	47,457
Malaysia	11,891	13,297	(5,205)	7,336
Others	4,943	5,412	1,446	1,725
	322,491	166,050	(383,295)	22,684

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

4. REVENUE

Revenue arose from the following activities:

	2001	Group
	HK\$'000	2000 HK\$'000
Turnover	322,491	166,050
Interest income from bank deposits	7,764	8,309
Gain on repurchase of convertible guaranteed bonds	2,454	–
Income from unlisted long term investments	1,346	875
Others	2,778	3,114
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Other revenue	14,342	12,298
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Total revenue	336,833	178,348
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5. RELATED PARTY TRANSACTIONS

- (a) The Group had transactions with companies in which James Sai-Wing Wong, Madeline May-Lung Wong, William Chung-Yue Fan and Herman Man-Hei Fung, directors of the Company, had beneficial interests during the year. The significant transactions are summarised below.

	<i>Notes</i>	2001	Group
		HK\$'000	2000 HK\$'000
Construction costs paid to related companies	<i>(i)</i>	86,493	121,846
Management fees paid to a related company	<i>(ii)</i>	6,000	6,000
Legal and professional fees paid to a solicitor's firm in which a director of the Company is a consultant	<i>(iii)</i>	2,264	1,680
Acquisition of a subsidiary from a related company		–	982
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Notes:

- (i) Construction costs paid to related companies were agreed on an individual contract basis between the respective parties. Such costs were negotiated and charged on bases similar to those under contracts with third parties.
- (ii) Management fees were based on the underlying costs incurred by the related company.
- (iii) The directors consider that the provision of legal and professional services was made according to the standard prices and conditions similar to those offered to other clients of the solicitor's firm.
- (b) The balances with the related companies are unsecured, interest-free, and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	2001	Group
	HK\$'000	2000 HK\$'000
Auditors' remuneration	1,196	1,031
Depreciation	2,653	1,733
Operating lease rentals on land and buildings	2,707	1,810
Loss on disposal of fixed assets	2,636	–
Exchange losses, net	20,491	341
Provision/(write back of provision) against rental receivables	(61)	3,317
Deficit on revaluation of investment properties	90,854	51,831
Provision for impairment in value of properties under development	–	38,610
Provision for/(write back of) diminution in value of properties held for sale	188,000	(124,520)
Staff costs (including directors' remuneration):		
Salaries and bonuses	22,772	16,864
Pension scheme contributions	1,256	1,047
Less: Forfeited contributions utilised	(282)	(81)
	974	966
	23,746	17,830
and after crediting:		
Gross rental income	40,416	49,934
Less: Outgoing expenses	(15,873)	(13,851)
	24,543	36,083
Income from unlisted long term investments	1,346	875

At the balance sheet date, the amount of forfeited pension contributions available for future utilisation was not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

7. FINANCE COSTS

	2001	Group
	HK\$'000	2000 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	(72,181)	(72,716)
Bank loans wholly repayable after five years	-	(7,844)
Convertible guaranteed bonds	(33,266)	(40,993)
Bank overdrafts	(82)	(103)
	(105,529)	(121,656)
Less: Amounts capitalised under property development projects	45,769	49,846
	(59,760)	(71,810)
Accretion of convertible bond premium on redemption	(14,440)	(15,129)
Less: Amounts capitalised under property development projects	14,440	10,018
	-	(5,111)
Amortisation of bond issue expenses	(3,130)	(3,129)
Less: Amounts capitalised under property development projects	3,130	2,072
	-	(1,057)
Total finance costs	(59,760)	(77,978)

8. DIRECTORS' REMUNERATION

	2001	Group
	HK\$'000	2000 HK\$'000
Fees	100	100
Salaries, allowances and benefits in kind	2,340	2,340
Pension scheme contributions	162	162
	2,602	2,602

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

8. DIRECTORS' REMUNERATION (Continued)

Included in the above were the following payments to independent non-executive directors:

	2001 HK\$'000	Group 2000 <i>HK\$'000</i>
Fees	<u>100</u>	<u>100</u>

The remuneration of the above directors fell within the following bands:

	Number of directors	
	2001	2000
Nil	<u>4</u>	4
HK\$1 – HK\$1,000,000	<u>2</u>	2
HK\$2,500,001 – HK\$3,000,000	<u>1</u>	1
	<u>7</u>	<u>7</u>

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid employees during the year included one (2000: one) director, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining four (2000: four) non-director, highest paid employees are set out below.

	2001 HK\$'000	Group 2000 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	<u>5,567</u>	4,626
Bonuses paid and payable	–	182
Pension scheme contributions	<u>298</u>	<u>300</u>
	<u>5,865</u>	<u>5,108</u>

31st March, 2001

9. SENIOR EXECUTIVES' EMOLUMENTS (Continued)

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

		Number of individuals	
		2001	2000
Nil	– HK\$1,000,000	–	1
HK\$1,000,001	– HK\$1,500,000	2	3
HK\$1,500,001	– HK\$2,000,000	2	–
		<hr/>	<hr/>
		4	4
		<hr/>	<hr/>

10. TAX CREDIT/(CHARGE)

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Tax on the profits of subsidiaries operating overseas has been calculated at the rates of tax prevailing in their respective jurisdictions.

	2001	Group
	HK\$'000	2000 HK\$'000
Group:		
Hong Kong		
Provision for the year	(93)	(123)
Overprovision in prior years	–	83,654
Overseas	(729)	(1,191)
	<hr/>	<hr/>
	(822)	82,340
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Jointly-controlled entities in Hong Kong:		
Provision for the year	(517)	(230)
	<hr/>	<hr/>
Tax credit/(charge) for the year	(1,339)	82,110
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Deferred tax has not been provided as there were no significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes at the balance sheet date. The revaluation of the Group's properties is not considered to be a timing difference.

A deferred tax asset of HK\$68,185,000 (2000: HK\$48,449,000), related primarily to the Group's unutilised tax losses, has not been recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$254,044,000 (2000: net profit of HK\$12,118,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the net loss attributable to shareholders of HK\$397,101,000 (2000: net profit of HK\$50,326,000) and on the weighted average of 1,334,149,660 (2000: 1,168,036,497) shares of the Company in issue during the year.

The diluted loss per share for the year ended 31st March, 2001 has not been shown as all convertible guaranteed bonds, share options and warrants outstanding during the year had an anti-dilutive effect on the basic loss per share for the year (2000: anti-dilutive impact on the basic earnings per share).

13. FIXED ASSETS

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At 1st April, 2000	2,531	5,635	7,622	15,788
Additions	–	2,254	3,943	6,197
Disposals	–	(2,255)	(786)	(3,041)
Disposals of subsidiaries	–	–	(2,550)	(2,550)
At 31st March, 2001	2,531	5,634	8,229	16,394
Accumulated depreciation:				
At 1st April, 2000	47	2,771	4,414	7,232
Provided during the year	114	1,178	1,361	2,653
Disposals	–	(304)	(101)	(405)
Disposals of subsidiaries	–	–	(284)	(284)
At 31st March, 2001	161	3,645	5,390	9,196
Net book value:				
At 31st March, 2001	2,370	1,989	2,839	7,198
At 31st March, 2000	2,484	2,864	3,208	8,556

The leasehold land and buildings are situated in the People's Republic of China under long term lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

13. FIXED ASSETS (Continued)

Company

	Leasehold improvements	Furniture and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:			
At 1st April, 2000	5,325	5,477	10,802
Additions	<u>22</u>	<u>118</u>	<u>140</u>
At 31st March, 2001	<u>5,347</u>	<u>5,595</u>	<u>10,942</u>
Accumulated depreciation:			
At 1st April, 2000	2,632	3,544	6,176
Provided during the year	<u>799</u>	<u>572</u>	<u>1,371</u>
At 31st March, 2001	<u>3,431</u>	<u>4,116</u>	<u>7,547</u>
Net book value:			
At 31st March, 2001	<u>1,916</u>	<u>1,479</u>	<u>3,395</u>
At 31st March, 2000	<u>2,693</u>	<u>1,933</u>	<u>4,626</u>

14. PROPERTIES UNDER DEVELOPMENT

Group

	2000	Additions	Reclassified to properties held for sale	Currency realignment	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost	787,245	9,330	(162,804)	(8,595)	625,176
Development expenditure	<u>320,791</u>	<u>100,056</u>	<u>(87,955)</u>	<u>(394)</u>	<u>332,498</u>
	<u>1,108,036</u>	<u>109,386</u>	<u>(250,759)</u>	<u>(8,989)</u>	<u>957,674</u>

The additions to development expenditure included interest expenses and other borrowing costs totalling HK\$46,000,000 (2000: HK\$53,673,000) incurred and capitalised during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

14. PROPERTIES UNDER DEVELOPMENT (Continued)

Details of the properties under development are as follows:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Long term leases:		
Hong Kong	-	379,054
The People's Republic of China	-	88,869
Medium term leases:		
Hong Kong	568,048	244,840
The People's Republic of China	299,020	296,392
Freehold property in Canada	90,606	98,881
	<u>957,674</u>	<u>1,108,036</u>

Certain of the Group's properties under development were pledged to the Group's bankers to secure the banking facilities detailed in note 25.

15. INVESTMENT PROPERTIES

	2001 HK\$'000	Group 2000 <i>HK\$'000</i>
At 1st April,	1,150,300	1,187,060
Additions, at cost	26,704	15,071
Disposal during the year	(198,000)	-
Revaluation deficit arising during the year	(90,854)	(51,831)
	<u>888,150</u>	<u>1,150,300</u>
At 31st March, at valuation		
Analysis by type and location:		
Long term leasehold land and buildings in Hong Kong	495,000	686,000
Medium term leasehold land and buildings in Hong Kong	180,000	241,000
Freehold land and buildings in Malaysia	213,150	223,300
	<u>888,150</u>	<u>1,150,300</u>

At the balance sheet date, all of the investment properties were revalued on the basis of their open market values by Knight Frank, FPDSavills (Hong Kong) Limited or Henry Butcher, Lim & Long Sdn. Bhd. (chartered surveyors).

All the Group's investment properties were pledged to the Group's bankers to secure the banking facilities detailed in note 25.

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16. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	23	23
Due from subsidiaries	2,537,581	2,163,912
Provision for balances due from subsidiaries	(253,821)	–
	2,283,783	2,163,935
Due to subsidiaries	(1,046,387)	(818,384)
	1,237,396	1,345,551

The amounts due from/(to) subsidiaries are unsecured, interest-free, and have no fixed terms of repayment, except for an amount due from a subsidiary of HK\$156,837,000 (2000: HK\$154,306,000) which is not repayable in the foreseeable future.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore, the following list contains only the particulars of subsidiaries which materially affected the results or assets of the Group.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Champion Fine International Investments Inc.*	Canada	C\$1	–	100	Property development
Chinney Property Management Limited	Hong Kong	HK\$100	–	100	Property management
Cosmos Star Development Limited	Hong Kong	HK\$100	–	55	Property development
Cosmos Wealth Development Limited	Hong Kong	HK\$1,000	–	100	Property development

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Crown Honour Developments Limited	Hong Kong	HK\$2	100	–	Financing and nominee services
Debest Development Limited	Hong Kong	HK\$2	–	100	Property development
Eagle Strong Company Limited	Hong Kong	HK\$10	–	100	Property development
Golden Country Development Limited	Hong Kong	HK\$2	–	100	Property development
Hon Cheong Limited	Hong Kong	HK\$2	–	100	Property development
Hon Kwok Land Capital Limited	British Virgin Islands	US\$1	100	–	Financing
Hon Kwok Land Investment (China) Limited	Hong Kong	HK\$2	100	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.*	The People's Republic of China	HK\$30,000,000	–	100	Property development
Hon Kwok Land Treasury Limited	Cayman Islands	US\$1,000	100	–	Financing
Hon Kwok Land Treasury II Limited	British Virgin Islands	US\$1	100	–	Financing
Hon Kwok Project Management Limited	Hong Kong	HK\$2	100	–	Project management
Hon Kwok Technology (Holdings) Limited	Hong Kong	HK\$2	–	100	Investment holding

31st March, 2001

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Honbest Investment Limited	Hong Kong	HK\$2	–	100	Property development
Honour Well Development Limited	Hong Kong	HK\$2	–	100	Property holding and letting
Kensen Properties Limited	Hong Kong	HK\$100	–	55	Property development
King Champion Limited	Hong Kong	HK\$2	–	100	Property holding and letting
Nanhai Xin Da Real Estate Development Co., Ltd.*	The People's Republic of China	HK\$90,480,000	–	80	Property development
Pacific Corporate Services Limited	Hong Kong	HK\$2	100	–	Provision of corporate services
PRC eFrastructure Limited	British Virgin Islands	US\$1	–	100	Investment holding
Prime Best Development Limited	Hong Kong	HK\$2	–	100	Property development
Rich Winner Development Limited	Hong Kong	HK\$100	–	55	Property development
Shenzhen Honkwok Huaye Development Co., Ltd.*	The People's Republic of China	RMB30,000,000	–	80	Property development

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Spark Eagle Development Limited	Hong Kong	HK\$2	100	–	Property holding and letting
StarWorld Property Limited	Hong Kong	HK\$2	–	100	Property development
Sunny Land Sdn Bhd	Malaysia	M\$2	100	–	Property management
Union Success Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Victory Venture Development Limited	Hong Kong	HK\$2	–	100	Property development
Wide Fame Investment Limited	Hong Kong	HK\$2	–	100	Property development
Wise Pacific Investment Limited	Hong Kong	HK\$10,000	–	60	Money lending

* Not audited by Ernst & Young or other Ernst & Young International member firms.

The operating subsidiaries do so in their place of incorporation/registration, except for Spark Eagle Development Limited which operates in Malaysia.

Except for Hon Kwok Land Capital Limited and Hon Kwok Land Treasury Limited, none of the subsidiaries had any loan capital outstanding at the balance sheet date or at any time during the year.

The subsidiaries disposed of during the year did not have any significant impact on the Group's turnover and loss for the year.

31st March, 2001

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

Share of profits less losses of jointly-controlled entities:

	2001	Group
	HK\$'000	2000
		<i>HK\$'000</i>
Operating profits/(losses)	(48,676)	3,251
Write back of/(provision for) impairment in value of properties under development	(14,500)	22,000
Provision for diminution in value of properties held for sale	(9,000)	(6,000)
	<u>(72,176)</u>	<u>19,251</u>

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Unlisted shares, at cost	-	-	-	5
Share of net assets less liabilities, other than goodwill	(102,925)	(3,606)	-	-
	(102,925)	(3,606)	-	5
Due from jointly-controlled entities, net	136,310	277,811	3,873	3,868
	<u>33,385</u>	<u>274,205</u>	<u>3,873</u>	<u>3,873</u>

The Group's share of the post-acquisition accumulated losses of the jointly-controlled entities (after dividends) at 31st March, 2001 was HK\$147,920,000 (2000: HK\$51,189,000).

The amounts due from the jointly-controlled entities are unsecured, interest-free, and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Particulars of the principal jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
			%	%	%	
Cenford Investments Limited	Corporate	Hong Kong	50	50	50	Property development
Global Wealth Development Limited	Corporate	Hong Kong	50	50	50	Property development
Hunnewell Limited	Corporate	Hong Kong	50	50	50	Property development
King Success Limited	Corporate	Hong Kong	50	50	50	Property development

The above table includes the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Extracts of the financial statements as at 31st March, 2001 of the above principal jointly-controlled entities are as follows:

Cenford Investments Limited

	2001 HK\$'000	2000 HK\$'000
Current assets	104,683	548,961
Current liabilities	(94,601)	(225,758)
Non-current liabilities	(141,401)	(362,437)
Income	392,473	188,216
Write back of/(provision for) diminution in value of properties held for sale	(11,000)	70,000
Net profit/(loss) for the year	(92,085)	73,844

31st March, 2001

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)**Global Wealth Development Limited**

	2001 HK\$'000	2000 HK\$'000
Current assets	10,177	29,174
Current liabilities	(12,299)	(12,693)
Non-current liabilities	(21,414)	(29,418)
Income	10,528	2,006
Provision for diminution in value of properties held for sale	(7,000)	(12,000)
Net loss for the year	<u>(7,600)</u>	<u>(12,719)</u>

Hunnewell Limited

	2001 HK\$'000	2000 HK\$'000
Non-current assets	11,176	15,887
Current assets	9,234	58,612
Current liabilities	(1,827)	(2,718)
Income	22,974	6,238
Net profit/(loss) for the year	<u>(9,698)</u>	<u>2,010</u>

King Success Limited*

	2001 HK\$'000	2000 HK\$'000
Non-current assets	117,974	126,863
Current assets	1,227	168
Current liabilities	(31)	(30)
Non-current liabilities	(173,928)	(152,765)
Income	9	238
Provision for impairment in value of properties under development	(29,000)	(26,000)
Net loss for the year	<u>(28,957)</u>	<u>(25,798)</u>

* The financial year end of this company is 31st December.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

18. INTERESTS IN ASSOCIATES

	2001 HK\$'000	Group 2000 <i>HK\$'000</i>
Unlisted shares, at cost	-	-
Share of net assets	6,156	7,106
Due from associates	8,701	9,524
	14,857	16,630

The amounts due from the associates are unsecured, interest-free, and have no fixed terms of repayment.

Particulars of the associate are as follows:

Name	Business structure	Place of registration and operation	Percentage of ownership interest attributable to the Group %	Principal activities
Guangzhou Li Du Property Development Co., Ltd.	Corporate	The People's Republic of China	49	Property development

19. LONG TERM INVESTMENTS

	2001 HK\$'000	Group 2000 <i>HK\$'000</i>
Unlisted equity investments, at cost	2,313	9,813
Less: Provision for impairment in value	(2,313)	(2,313)
	-	7,500
Unlisted held-to-maturity debt securities, at cost	-	13,129
	-	20,629

31st March, 2001

20. PROPERTIES HELD FOR SALE

The carrying amount of properties held for sale carried at net realisable value is HK\$630,139,000 (2000: HK\$669,142,000).

Properties held for sale included interest expenses and other borrowing costs totalling HK\$17,339,000 (2000: HK\$8,263,000) incurred and capitalised during the year.

Certain of the Group's properties held for sale were pledged to the Group's bankers to secure the banking facilities detailed in note 25.

21. SHORT TERM INVESTMENT

	2001	Group
	HK\$'000	2000
		<i>HK\$'000</i>
Listed equity investment in Hong Kong, at market value	7,455	–

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables are trade receivables of HK\$16,282,000 (2000: HK\$28,942,000). The ageing analysis of trade receivables is as follows:

	2001	Group
	HK\$'000	2000
		<i>HK\$'000</i>
Current to 30 days	15,201	26,982
31-60 days	417	729
61-90 days	266	846
Over 90 days	398	385
Total	16,282	28,942

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and provided in full in case of non-recoverability.

The Company had no trade receivables included in prepayments, deposits and other receivables.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

23. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are trade payables of HK\$2,272,000 (2000: HK\$3,095,000). The ageing analysis of trade payables is as follows:

	2001	Group
	HK\$'000	2000
		<i>HK\$'000</i>
Current to 30 days	<u>2,272</u>	<u>3,095</u>

The Company had no trade payables included in accounts payable and accrued liabilities.

24. CONVERTIBLE GUARANTEED BONDS

	2001	Group
	HK\$'000	2000
		<i>HK\$'000</i>
At 1st April,	860,968	845,839
Accretion of premium on redemption	14,440	15,129
Repurchase of A Bonds	(109,902)	–
Redemption of A Bonds upon maturity	(277,914)	–
Currency realignment	8,584	–
	<u>496,176</u>	<u>860,968</u>
At 31st March,		
Analysis of convertible guaranteed bonds:		
Due 2000	–	383,988
Due 2001	<u>496,176</u>	<u>476,980</u>
	496,176	860,968
Portion classified as current liabilities	<u>(496,176)</u>	<u>(383,988)</u>
Non-current portion	<u>–</u>	<u>476,980</u>

24. CONVERTIBLE GUARANTEED BONDS (Continued)**4.875% convertible guaranteed bonds due 2000 (the “A Bonds”)**

On 15th December, 1993, the Group issued, through a wholly-owned subsidiary, convertible guaranteed bonds, which were listed in Hong Kong and Luxembourg, with a principal sum of US\$50,000,000. The A Bonds were unconditionally and irrevocably guaranteed by the Company and bore interest at the rate of 4.875% per annum. The bondholders had the right, at any time on or after 31st January, 1994, up to and including 8th December, 2000, to convert the A Bonds into equity shares of the Company with a nominal value of HK\$0.10 (2000: HK\$0.50) at a conversion price, subject to adjustment in certain events, of HK\$2.80 (2000: HK\$2.80) per share, with a fixed rate of exchange of US\$1 to HK\$7.723.

During the year, the Company repurchased and cancelled a principal sum of US\$14,090,000 of the A Bonds at prices ranging from 97.50 to 99.38. The remaining A Bonds of US\$35,630,000 were redeemed in full at their principal amount on 15th December, 2000 upon maturity.

5.30% convertible guaranteed bonds due 2001 (the “B Bonds”)

On 5th July, 1996, the Group issued, through another wholly-owned subsidiary, convertible guaranteed bonds, which were listed in Luxembourg, with a principal sum of US\$55,000,000. An option to subscribe for an additional US\$5,000,000 bonds was exercised by the managers of the bond issue on 11th July, 1996, thus aggregating the principal sum of B Bonds to US\$60,000,000. The B Bonds were unconditionally and irrevocably guaranteed by the Company and bore interest at the rate of 5.30% per annum. The bondholders had the right, at any time on or after 5th September, 1996, up to and including 21st June, 2001, to convert the B Bonds into equity shares of the Company with a nominal value of HK\$0.10 (2000: HK\$0.50) at a conversion price, subject to adjustment in certain events, of HK\$2.44 (2000: HK\$2.44) per share, with a fixed rate of exchange of US\$1 to HK\$7.7415.

Unless previously purchased and cancelled, redeemed or converted, the B Bonds were to be redeemed at 118% of their principal amount on 5th July, 2001. The exercise in full of the conversion rights of the outstanding principal of US\$54,415,000 B Bonds by the bondholders would have, under the present share structure of the Company as at the balance sheet date, resulted in the issue of an additional 172,644,968 (2000: 172,644,968) new shares of HK\$0.10 (2000: HK\$0.50) each. No exercise of the conversion rights was made during the year.

Subsequent to the balance sheet date, the Group repurchased a total nominal amount of US\$7,325,000 of the B Bonds at premiums ranging from 16.36% to 17.20% and the remaining outstanding principal of US\$47,090,000 B Bonds were redeemed at 118% of their principal amount on 5th July, 2001.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

25. INTEREST-BEARING BANK LOANS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans:				
Secured	903,456	1,051,561	38,000	–
Unsecured	40,000	–	40,000	–
	943,456	1,051,561	78,000	–

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans repayable:				
Within one year or on demand	383,193	338,861	78,000	–
In the second year	208,682	252,200	–	–
In the third to fifth years, inclusive	351,581	432,000	–	–
Beyond five years	–	28,500	–	–
	943,456	1,051,561	78,000	–
Portion classified as current liabilities	(383,193)	(338,861)	(78,000)	–
Non-current portion	560,263	712,700	–	–

The bank loans are secured by mortgages on certain investment properties, properties under development and properties held for sale, with a carrying value of approximately HK\$2,080 million (2000: HK\$2,539 million), and assignments of rental income.

Irrevocable and unconditional guarantees have been given by the Company in respect of certain subsidiaries' borrowings. In addition, the Company has subordinated its loans to certain subsidiaries in favour of the relevant lending banks.

26. LOANS FROM MINORITY INTERESTS

The amounts due to minority shareholders of subsidiaries are unsecured, interest-free, and have no fixed terms of repayment.

31st March, 2001

27. SHARE CAPITAL**Shares**

	Group and Company	
	2001	2000
	HK\$'000	HK\$'000
Authorised:		
17,500,000,000 (2000: 3,500,000,000) shares of HK\$0.10 (2000: HK\$0.50) each	<u>1,750,000</u>	<u>1,750,000</u>
Issued and fully paid:		
1,334,154,019 (2000: 1,334,146,249) shares of HK\$0.10 (2000: HK\$0.50) each	<u>133,415</u>	<u>667,073</u>

During the year, the following movements in share capital were recorded:

- (a) Pursuant to a court order dated 17th October, 2000, the nominal value of the shares of the Company was adjusted from HK\$0.50 to HK\$0.10 by way of capital reduction. The authorised share capital of the Company was restored to the original amount of HK\$1,750,000,000 by the creation of an additional 14,000,000,000 new shares of HK\$0.10 each.

As a result of the capital reduction, a credit of HK\$533,658,876.40 based on the 1,334,147,191 shares of the Company then in issue was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

- i) shall not be treated as realised profit; and
- ii) shall, for so long as the Company remains a listed company (as defined in the Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof

provided always that the amount standing to the credit of the special capital reserve may be reduced by (i) the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

- (b) 7,770 shares were issued during the year as a result of the exercise of warrants, as further detailed below.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

27. SHARE CAPITAL (Continued)

Warrants

On 15th October, 1999, a bonus issue of 242,820,245 warrants on the basis of one warrant for every five shares held on 15th October, 1999 was approved by the shareholders of the Company. The warrants were exercisable at any time from 28th October, 1999 to 27th October, 2000, both days inclusive, at an initial subscription price of HK\$0.61 per share (subject to adjustment).

During the year, the Company received subscription monies amounting to approximately HK\$4,740 converting 7,770 warrants into 7,770 new shares of the Company. The remaining 242,767,452 warrants were unexercised and lapsed on 28th October, 2000.

Share options

Pursuant to the Company's share option scheme, the outstanding share options granted as at 31st March, 2001 were 12,000,000 (2000: 12,000,000). The options entitle the holder to subscribe for 12,000,000 shares in the Company and are exercisable at a price of HK\$0.70 per share (subject to adjustment). Unless otherwise exercised, these options will lapse on 16th March, 2003. No options were exercised during the year.

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Group and Company	
	2001	2000
	HK\$'000	HK\$'000
At the beginning of the year	667,073	514,551
Capital reduction	(533,659)	–
Issue of shares pursuant to share placements	–	152,500
Exercise of warrant subscription rights	1	22
At the end of the year	133,415	667,073

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

28. RESERVES

Group

	Share premium account HK\$'000	Special capital reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 1999	58,105	-	(56)	10	(72,932)	927,460	912,587
Arising on consolidation	-	-	-	-	(1)	-	(1)
Issue of shares	76,255	-	-	-	-	-	76,255
Share issue expenses	(7,736)	-	-	-	-	-	(7,736)
Goodwill written back on disposal of subsidiaries	-	-	24	-	-	-	24
Goodwill on acquisition of a jointly-controlled entity	-	-	(29,519)	-	-	-	(29,519)
Profit for the year	-	-	-	-	-	50,326	50,326
At 31st March, 2000 and 1st April, 2000	126,624	-	(29,551)	10	(72,933)	977,786	1,001,936
Arising on reduction of share capital	-	533,659	-	-	-	-	533,659
Arising on consolidation	-	-	-	-	(9,174)	-	(9,174)
Arising on the exercise of subscription rights of warrants	4	-	-	-	-	-	4
Issue of shares of a subsidiary	-	-	3,500	-	-	-	3,500
Disposals of subsidiaries	-	-	(3,500)	-	-	-	(3,500)
Disposal of a jointly-controlled entity	-	-	29,519	-	-	-	29,519
Loss for the year	-	-	-	-	-	(397,101)	(397,101)
At 31st March, 2001	126,628	533,659	(32)	10	(82,107)	580,685	1,158,843
Reserves retained by:							
Company and subsidiaries	126,628	533,659	(32)	10	(82,107)	731,174	1,309,332
Jointly-controlled entities	-	-	-	-	-	(147,920)	(147,920)
Minority interests	-	-	-	-	-	(2,569)	(2,569)
At 31st March, 2001	126,628	533,659	(32)	10	(82,107)	580,685	1,158,843
Company and subsidiaries	126,624	-	(29,551)	10	(72,933)	1,031,864	1,056,014
Jointly-controlled entities	-	-	-	-	-	(51,189)	(51,189)
Minority interests	-	-	-	-	-	(2,889)	(2,889)
At 31st March, 2000	126,624	-	(29,551)	10	(72,933)	977,786	1,001,936

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

28. RESERVES (Continued)

Company

	Share premium account	Special capital reserve	Capital reserve	Capital redemption reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 1999	58,105	-	647	10	655,369	714,131
Issue of shares	76,255	-	-	-	-	76,255
Share issue expenses	(7,736)	-	-	-	-	(7,736)
Profit for the year	-	-	-	-	12,118	12,118
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2000 and 1st April, 2000	126,624	-	647	10	667,487	794,768
Arising on reduction of share capital	-	533,659	-	-	-	533,659
Arising on the exercise of subscription rights of warrants	4	-	-	-	-	4
Loss for the year	-	-	-	-	(254,044)	(254,044)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	<u>126,628</u>	<u>533,659</u>	<u>647</u>	<u>10</u>	<u>413,443</u>	<u>1,074,387</u>

31st March, 2001

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Profit/(loss) from operating activities	(383,295)	22,684
Depreciation	2,653	1,733
Interest income	(7,764)	(8,309)
Income from unlisted long term investments	(1,346)	(875)
Gain on repurchase of convertible guaranteed bonds	(2,454)	–
Loss on disposal of fixed assets	2,636	–
Deficit on revaluation of investment properties	90,854	51,831
Provision for impairment in value of properties under development	–	38,610
Provision for/(write back of) diminution in value of properties held for sale	188,000	(124,520)
Provision/(write back of provision) against rental receivables	(61)	3,317
Decrease/(increase) in amount due from a related company	2,040	(2,040)
Decrease in properties held for sale	151,763	102,383
Decrease in prepayments, deposits and other receivables	10,320	4,655
Decrease in amounts due to fellow subsidiaries/related companies	–	(875)
Decrease in amount due to the immediate holding company	–	(2,263)
Increase/(decrease) in accounts payable and accrued liabilities	20,366	(10,429)
Decrease in customer deposits	(1,466)	(3,313)
Exchange differences	8,946	–
Net cash inflow from operating activities	81,192	72,589

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of a subsidiary

	2001 HK\$'000	2000 <i>HK\$'000</i>
Net assets acquired:		
Intangible assets	5,000	–
Fixed assets	–	180
Prepayments, deposits and other receivables	–	891
Cash and bank balances	–	2,603
Accounts payable and accrued liabilities	–	(2,668)
Tax	–	(24)
	<u>5,000</u>	<u>982</u>
Satisfied by cash consideration	5,000	982

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of a subsidiary:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Cash consideration	(5,000)	(982)
Cash and bank balances acquired	–	2,603
	<u>(5,000)</u>	<u>1,621</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposals of subsidiaries

	2001 HK\$'000	2000 <i>HK\$'000</i>
Net assets disposed of:		
Intangible assets	5,000	–
Fixed assets	2,266	–
Long term investments	16,300	–
Interests in associates	10,474	–
Intercompany balances	(48,932)	–
Cash and bank balances	5	–
Investment deposits	18,335	–
Prepayments, deposits and other receivables	116	–
	3,564	–
Goodwill on consolidation written back	–	24
Release of capital reserve	(3,500)	–
Gain/(loss) on disposal	108,459	(24)
	108,523	–
Satisfied by:		
Cash consideration	150,000	–
Short term investment	7,455	–
Intercompany balances written-off	(48,932)	–
	108,523	–

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

	2001 HK\$'000	2000 <i>HK\$'000</i>
Cash consideration	150,000	–
Cash and bank balances disposed of	(5)	–
	149,995	–

The subsidiaries disposed of during the year did not contribute significantly to the Group's investing activities (2000: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Analysis of changes in financing during the year:

	Share capital (including premium and special capital reserve) HK\$'000	Loans and convertible guaranteed bonds HK\$'000	Minority interests HK\$'000
At 1st April, 1999	572,656	1,640,534	7,013
Cash inflow from financing activities, net	221,041	306,168	–
Accretion of convertible bond premium on redemption	–	15,129	–
Disposals of interests in subsidiaries	–	–	(4,658)
Share of profits for the year	–	–	375
	<hr/>	<hr/>	<hr/>
At 31st March, 2000 and 1st April, 2000	793,697	1,961,831	2,730
Cash inflow from exercise of subscription rights of warrants	5	–	–
Cash outflow from financing activities, net	–	(491,417)	–
Accretion of convertible bond premium on redemption	–	14,440	–
Gain on repurchase of convertible guaranteed bonds	–	(2,454)	–
Currency realignment	–	9,137	–
Share of profits for the year	–	–	320
	<hr/>	<hr/>	<hr/>
At 31st March, 2001	<u>793,702</u>	<u>1,491,537</u>	<u>3,050</u>

30. CAPITAL COMMITMENTS

At the balance sheet date, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to approximately HK\$260,940,000 (2000: HK\$256,697,000).

Authorised and contracted capital commitments in respect of property development expenditure relating to jointly-controlled entities included in the above amounted to approximately HK\$26,788,000 (2000: HK\$23,358,000).

At the balance sheet date, the Group had committed a foreign exchange contract amounting to approximately HK\$436,700,000 (2000: two foreign exchange contracts amounting to approximately HK\$791,300,000). The Company has no commitment in respect of foreign exchange contract (2000: a foreign exchange contract amounting to approximately HK\$354,600,000).

31st March, 2001

31. LEASE COMMITMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Annual commitments under non-cancellable operating leases in respect of land and buildings expiring:				
Within one year	1,441	235	1,441	–
In the second to fifth years, inclusive	1,490	2,816	–	2,816
	2,931	3,051	1,441	2,816

There are no amounts relating to jointly-controlled entities included in the above annual commitments under non-cancellable operating leases in respect of land and buildings (2000: Nil).

32. CONTINGENT LIABILITIES

(a)

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Extent of general bank facilities guaranteed by the Group/Company which were utilised at the balance sheet date by:				
– subsidiaries	–	–	865,456	1,051,561
– jointly-controlled entities	66,455	107,500	66,455	107,500
	66,455	107,500	931,911	1,159,061

(b) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of the Group, Joint Peace Investment Limited (“Joint Peace”), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK\$41,000,000 or HK\$69,300,000, representing the claim for loss of rental income or loss of interest on the purchase price, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31st March, 2001

32. CONTINGENT LIABILITIES (Continued)

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. Under advice by its solicitors, an Amended Defence in respect thereof was filed by Joint Peace on 30th December, 1997. On the same date, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Joint Peace's solicitors to the plaintiff's solicitors.

Following consultation with its legal advisers (in their capacity as the legal advisers of Joint Peace), the directors formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary in the Group's financial statements. There has been no further progress of the claim so far up to the date of this report.

33. POST BALANCE SHEET EVENTS

- (a) On 18th April, 2001, the Group issued, through a wholly-owned subsidiary, convertible guaranteed bonds (the "C Bonds") with a principal sum of HK\$300 million maturing in April, 2003. The C Bonds are unconditionally and irrevocably guaranteed by the Company and bear interest at the rate of 10% per annum. According to the conditions set out in the subscription agreement with Chinney Investments, Limited ("Chinney Investments"), a substantial shareholder of the Company, Chinney Investments agreed to subscribe for up to 47% of the principal amount of the total issued C Bonds and at the same time, the Group repurchased all of the B Bonds held by Chinney Investments.
- (b) On 30th May, 2001, the Company signed facility letters with three banks for a total loan of HK\$150 million to finance the redemption of the B Bonds. The bank loans are secured by an equivalent US dollars cash deposit of HK\$150 million provided by Lucky Year Finance Limited ("Lucky Year"), a substantial shareholder of the Company. In consideration of Lucky Year's provision of the cash security, the Group has agreed to pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the term of the bank loans to Lucky Year and counter-indemnify Lucky Year in respect of the cash security. Under the counter-indemnity, (i) the Group has charged in favour of Lucky Year the entire issued share capital in Spark Eagle Development Limited; (ii) Ablemind Company Limited, a wholly-owned subsidiary of the Group, has charged in favour of Lucky Year the entire issued share capital in Champion Fine International Investment Limited; and (iii) the Group has assigned to Lucky Year the existing loans in Hong Kong dollars equivalent due by Champion Fine International Investments Inc. of HK\$87,800,294 and by Spark Eagle Development Limited of HK\$132,444,965.
- (c) On 5th July, 2001, the remaining outstanding principal of US\$47,090,000 B Bonds were redeemed in full at 118% of their principal amount.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 17th July, 2001.