
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Kompas International Limited, a company incorporated in the British Virgin Islands.

The principal activities of the Group are investment holding, property investment, ship chartering and trading.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities and investment properties.

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

Basis of consolidation

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

The results of 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 represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition or, where appropriate, capitalised and amortised on a straight-line basis over its useful economic life, not exceeding twenty years. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of investments in subsidiaries and associates, the attributable amount of unamortised goodwill or goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

Revenue recognition

Income from property sales is recognised on the execution of a binding sales agreement.

Rental income and charter hire income are recognised on a straight-line basis over the terms of the rental and charter hire agreement.

Trading sales are recognised when the goods are delivered and title has passed.

Income from sale of investment in securities is recognised on a trade date basis.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable to be recovered.

Revenue from long-term contracts other than construction contracts, are recognised on the basis of workdone when contracts have progressed to the point where a profitable outcome can prudently be foreseen.

Management fee income and consultancy fee income are recognised when the relevant services are rendered.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

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

Other service income is recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

Investment properties are stated at their open market value based on independent 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 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 that property is transferred to income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present 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 on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Land	
– Freehold outside Hong Kong	Nil
– Medium-term lease outside Hong Kong	Over the term of the lease
– Short lease outside Hong Kong	Over the term of the lease
Buildings	Over the shorter of the lease term, or 20 years
Vessels	Over the remaining useful life of 20 years starting from the vessel being put to service
Machinery, equipment and motor vehicles	5% – 33 ¹ / ₃ %
Furniture and fixtures	2% – 20%
Leasehold improvements	20% or over the life of the lease
Junks	10%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant leases.

Property under development

Property under development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any impairment loss. Cost includes professional fees and borrowings costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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, as reduced by any decline in the value of the subsidiary that is other than temporary. Results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

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

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, interests in associates are stated at the Group's share of the net assets/liabilities of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in value of the associate that is other than temporary.

Investments in securities

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

All securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in investment revaluation reserve, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

Interests in limited partnerships

Interests in limited partnerships are accounted for under the equity method of accounting in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and work in progress and payments received on account

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Contract work in progress, other than that of construction contract, is valued at cost plus estimated attributable profits, less foreseeable losses and progress payments received and receivable. Cost comprises direct materials, labour and overheads attributable to bringing the work in progress to its present location and condition. For contracts where progress payments received and receivable exceed costs incurred to date plus estimated attributable profits less foreseeable losses, the surplus is shown as payments received on account and is shown as a current liability.

Estimated attributable profit is recognised on the basis of work done when contracts have progressed to the point where a profitable outcome can prudently be foreseen. Anticipated losses are fully provided for on contracts when they are identified.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Government grants

Government grants that relate to specific long-term contracts are treated as deferred credits and included in deferred income. They are taken to the income statement according to the stage reached in the contract by reference to the value of work done.

NOTES TO THE FINANCIAL STATEMENTS

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.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollar are translated at rates ruling on the balance sheet date. Profits and losses arising on consolidation are dealt with in reserves.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are credited and charged to the income statement on a straight-line basis over the relevant lease terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are 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.

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

	THE GROUP	
	2001	2000
	HK\$	HK\$
Continuing operations:		
Consultancy fee income	8,382,847	7,850,961
Income from property sales	58,812,862	65,379,152
Rentals from investment properties	27,653,338	36,322,377
Trading sales	7,793,180	6,685,833
Management income	13,103,455	3,507,435
Other service income	280,018	–
Ship charter income	5,468,937	4,952,325
Investment and interest income	12,887,941	19,529,975
Value of contract work completed	23,625,824	33,736,256
	158,008,402	177,964,314
Discontinued operation:		
Ship building and marine engineering	–	162,397,260
	158,008,402	340,361,574

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

3. TURNOVER (Continued)

The Group's turnover and contribution to the Group's results by principal activity and geographical location for the year ended 31st March 2001 is as follows:

	2001	2000		
	Consolidated	Contribution to	Consolidated	Contribution to
	turnover	results from	turnover	results from
	HK\$	operations	HK\$	operations
		HK\$		HK\$
By activity:				
– Continuing				
Trading sales and contract work	31,419,004	866,210	40,422,089	4,644,124
Property sales	58,812,862	16,766,146	65,379,152	(2,981,962)
Provision of management and consultancy services	21,486,302	7,354,867	11,358,396	2,975,011
Property investment	27,653,338	20,249,146	36,322,377	33,803,317
Ship chartering	5,468,937	(19,968,495)	4,952,325	2,124,515
Investment and financing activities	12,887,941	(19,972,689)	19,529,975	23,311,142
Other service income	280,018	–	–	–
– Discontinued				
Ship building and marine engineering	–	–	162,397,260	(23,430,080)
	<u>158,008,402</u>	<u>5,295,185</u>	<u>340,361,574</u>	<u>40,446,067</u>
<i>Less: General and administrative expenses</i>		<u>(39,354,104)</u>		<u>(37,914,187)</u>
		<u>(34,058,919)</u>		<u>2,531,880</u>
By geographical location:				
– Continuing				
Hong Kong	156,059,116	26,579,921	101,740,501	90,838,342
China and South East Asia	1,949,286	(17,687,301)	75,765,224	(15,986,251)
United Kingdom and other areas	–	(3,597,435)	458,589	(10,975,944)
– Discontinued				
United Kingdom	–	–	162,397,260	(23,430,080)
	<u>158,008,402</u>	<u>5,295,185</u>	<u>340,361,574</u>	<u>40,446,067</u>
<i>Less: General and administrative expenses</i>		<u>(39,354,104)</u>		<u>(37,914,187)</u>
		<u>(34,058,919)</u>		<u>2,531,880</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

4. OTHER REVENUE

	THE GROUP	
	2001	2000
	HK\$	HK\$
Gain on disposal of property, plant and equipment	1,948,603	109,821
Net realised and unrealised holding gain on investment in securities	37,859	11,620,975
Others	3,827,474	4,473,978
	<u>5,813,936</u>	<u>16,204,774</u>

5. (LOSS) PROFIT FROM OPERATIONS

	THE GROUP	
	2001	2000
	HK\$	HK\$
(Loss) profit from operations has been arrived at after charging:		
Auditors' remuneration	1,030,394	1,157,000
Bad debts written off	–	2,851,649
Depreciation		
– on owned property, plant and equipment	9,687,503	6,266,793
– on assets let out under operating lease	2,649,504	2,629,269
	<u>12,337,007</u>	<u>8,896,062</u>
Rental under operating leases on land and buildings	2,682,810	1,121,911
Staff costs	25,094,333	32,322,820
and after crediting:		
Dividends from listed investments	–	14,141,250
Dividends from unlisted investments	–	1,236,800
Exchange gain	5,584,023	490,995
Property rental income arising from operating leases less out-goings of HK\$1,847,763 (2000: HK\$288,098)	<u>25,805,575</u>	<u>36,034,279</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

6. FINANCE COSTS

	THE GROUP	
	2001	2000
	HK\$	HK\$
Continuing operations:		
Interest on:		
Bank loans, overdrafts and other loans repayable within five years	819,425	5,904,768
Capitalised into vessel under construction	—	(36,751)
	<u>819,425</u>	<u>5,868,017</u>
Discontinued operations:		
Interest on:		
Bank loans, overdrafts and other loans repayable within five years	—	2,084,320
Finance leases	—	174,300
	<u>—</u>	<u>2,258,620</u>

7. DISCONTINUED OPERATIONS

During the year ended 31st March 2000, the Group disposed of its ship building and marine engineering operations. The operating loss of the ship building and marine engineering operations for the period from 1st April 1999 to the date of discontinuance, which had been included in the consolidated financial statements, was HK\$23,430,080.

8. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

	THE GROUP	
	2001	2000
	HK\$	HK\$
Directors' emoluments:		
Fees	—	—
Other emoluments	—	—
Salaries and other benefits	—	1,248,000
	<u>—</u>	<u>1,248,000</u>
Total emoluments	<u>—</u>	<u>1,248,000</u>

No emoluments was paid to independent non-executive directors for both years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

8. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (Continued)

Emoluments of the directors of the Company were within the following bands:

	THE GROUP	
	2001	2000
	No. of directors	
HK\$0 – HK\$1,000,000	6	8
HK\$1,000,001 – HK\$1,500,000	–	1
	<u>6</u>	<u>9</u>

Five Highest Paid Employees

	THE GROUP	
	2001	2000
	HK\$	HK\$
Salaries and other emoluments	<u>4,860,000</u>	<u>4,260,000</u>

	THE GROUP	
	2001	2000
	No. of employees	
HK\$0 – HK\$1,000,000	3	4
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	–
	<u>5</u>	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

9. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year after deducting tax losses brought forward from previous years. Overseas taxes have been calculated at the rates of taxation prevailing in the countries in which the Group operates.

	THE GROUP	
	2001	2000
	HK\$	HK\$
The tax charge (credit) comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	(5,128)	(978,420)
Overseas taxation	104,502	241,195
	<u>99,374</u>	<u>(737,225)</u>

A deferred tax asset has not been recognised in the financial statements of the Group and the Company in respect of tax losses available to offset future profits as it is not certain that the losses will be utilised in foreseeable future.

10. (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the (loss) profit attributable to shareholders, profit of HK\$20,817,383 (2000: HK\$10,130,108) is dealt with in the financial statements of the Company.

11. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on the consolidated loss for the year of HK\$58,111,407 (2000: profit of HK\$61,492,390) and on 535,359,258 (2000: 535,359,258) ordinary shares in issue during the year.

12. INVESTMENT PROPERTIES

	<i>HK\$</i>
THE GROUP	
Valuation	
At 1st April 2000	719,000,000
Deficit on revaluation	(59,500,000)
	<u>659,500,000</u>
At 31st March 2001	<u><u>659,500,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

12. INVESTMENT PROPERTIES (Continued)

The investment properties of the Group at 31st March 2001 were revalued at HK\$659,500,000 (2000: HK\$719,000,000) by AA Property Services Limited, an independent professional valuer, on an open market value basis.

The investment properties are situated in Hong Kong and are held under long leases.

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Land and buildings <i>HK\$</i>	Vessels <i>HK\$</i>	Machinery, equipment and motor vehicles <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Leasehold improve- ments <i>HK\$</i>	Total <i>HK\$</i>
COST						
At 1st April 2000	53,590,219	49,142,043	15,842,596	20,428,857	19,538,659	158,542,374
Exchange adjustment	1,100,104	-	47,814	94,918	59,176	1,302,012
On disposal of subsidiaries	(1,417,956)	-	(388,328)	-	-	(1,806,284)
Additions	537,774	79,673,811	2,486,237	5,989,591	6,072,059	94,759,472
Disposals	(19,552,700)	-	(5,890)	-	-	(19,558,590)
At 31st March 2001	<u>34,257,441</u>	<u>128,815,854</u>	<u>17,982,429</u>	<u>26,513,366</u>	<u>25,669,894</u>	<u>233,238,984</u>
ACCUMULATED DEPRECIATION						
At 1st April 2000	26,270,000	8,767,542	7,787,829	6,357,322	10,262,552	59,445,245
Exchange adjustment	47,890	-	14,245	31,057	-	93,192
Charge for the year	1,467,890	2,649,504	2,220,421	2,711,711	3,287,481	12,337,007
Impairment	-	22,200,000	-	-	-	22,200,000
Eliminated on disposals	-	-	(1,374)	-	-	(1,374)
At 31st March 2001	<u>27,785,780</u>	<u>33,617,046</u>	<u>10,021,121</u>	<u>9,100,090</u>	<u>13,550,033</u>	<u>94,074,070</u>
NET BOOK VALUES						
At 31st March 2001	<u><u>6,471,661</u></u>	<u><u>95,198,808</u></u>	<u><u>7,961,308</u></u>	<u><u>17,413,276</u></u>	<u><u>12,119,861</u></u>	<u><u>139,164,914</u></u>
At 31st March 2000	<u>27,320,219</u>	<u>40,374,501</u>	<u>8,054,767</u>	<u>14,071,535</u>	<u>9,276,107</u>	<u>99,097,129</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Land and buildings

	THE GROUP	
	2001 HK\$	2000 HK\$
Freehold outside Hong Kong	–	19,552,699
Medium-term leases outside Hong Kong	<u>34,257,441</u>	<u>34,037,520</u>
	<u>34,257,441</u>	<u>53,590,219</u>

(b) Property, plant and equipment of the Group include cost of HK\$128,815,854 (2000: HK\$49,142,043) and accumulated depreciation of HK\$11,417,046 (2000: HK\$8,767,542) in respect of assets let out under operating leases.

THE COMPANY	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment and machinery HK\$	Motor vehicles HK\$	Total HK\$
COST					
At 1st April 2000	7,434,282	904,872	4,365,111	65,000	12,769,265
Additions	561,509	262,713	293,504	–	1,117,726
Disposals	–	–	(5,889)	–	(5,889)
At 31st March 2001	<u>7,995,791</u>	<u>1,167,585</u>	<u>4,652,726</u>	<u>65,000</u>	<u>13,881,102</u>
ACCUMULATED DEPRECIATION					
At 1st April 2000	4,163,018	561,609	3,352,890	64,999	8,142,516
Charge for the year	1,432,555	204,437	482,125	–	2,119,117
Eliminated on disposals	–	–	(1,374)	–	(1,374)
At 31st March 2001	<u>5,595,573</u>	<u>766,046</u>	<u>3,833,641</u>	<u>64,999</u>	<u>10,260,259</u>
NET BOOK VALUES					
At 31st March 2001	<u>2,400,218</u>	<u>401,539</u>	<u>819,085</u>	<u>1</u>	<u>3,620,843</u>
At 31st March 2000	<u>3,271,264</u>	<u>343,263</u>	<u>1,012,221</u>	<u>1</u>	<u>4,626,749</u>

14. PROPERTY UNDER DEVELOPMENT

	THE GROUP	
	2001 HK\$	2000 HK\$
Property under development is due for completion in more than one year	<u>76,040,621</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

14. PROPERTY UNDER DEVELOPMENT (Continued)

The property under development at 31st March 2001 is situated in United Kingdom and is held freehold.

The property under development was acquired during the year through an acquisition of a subsidiary.

The property is intended to be held under operating lease when the development is completed. No interest was capitalised as at 31st March 2001.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	293,259,029	224,552,761
Shareholder's loans	153,109,097	153,109,097
Amount due therefrom	951,119,943	841,453,532
	<hr/>	<hr/>
Balance at 31st March	<u>1,397,488,069</u>	<u>1,219,115,390</u>

The shareholder's loans and the amount due from subsidiaries are unsecured, and will not be repayable within one year.

Particulars of the principal subsidiaries are set out in note 36 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

16. INVESTMENTS IN ASSOCIATES

	THE GROUP	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Share of net assets	93,351,597	46,912,818
Shareholder's loans	34,380,715	121,056,171
	<hr/>	<hr/>
Balance at 31st March	127,732,312	167,968,989
	<hr/> <hr/>	<hr/> <hr/>

	THE COMPANY	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Unlisted share, at cost	1	1
Amount due therefrom	9,848,746	8,024,629
	<hr/>	<hr/>
	9,848,747	8,024,630
	<hr/> <hr/>	<hr/> <hr/>

The shareholder's loans are unsecured, non-interest bearing and will not be repayable within one year.

Particulars of the principal associates are set out in note 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

17. INVESTMENTS IN SECURITIES

THE GROUP

	Trading securities		Other securities		Total	
	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity securities:						
Listed in Hong Kong	120,032	498,074	48,300,000	278,875,000	48,420,032	279,373,074
Unlisted	3,106,614	–	6,770,756	4,094,000	9,877,370	4,094,000
	<u>3,226,646</u>	<u>498,074</u>	<u>55,070,756</u>	<u>282,969,000</u>	<u>58,297,402</u>	<u>283,467,074</u>
Debt securities:						
Club debentures	–	–	495,000	495,000	495,000	495,000
	<u>3,226,646</u>	<u>498,074</u>	<u>55,565,756</u>	<u>283,464,000</u>	<u>58,792,402</u>	<u>283,962,074</u>
Market value of listed securities:						
Hong Kong	<u>120,032</u>	<u>498,074</u>	<u>48,300,000</u>	<u>278,875,000</u>	<u>48,420,032</u>	<u>279,373,074</u>
Carrying amount analysed for reporting purposes as:						
Current	3,226,646	498,074	–	–	3,226,646	498,074
Non-current	–	–	55,565,756	283,464,000	55,565,756	283,464,000
	<u>3,226,646</u>	<u>498,074</u>	<u>55,565,756</u>	<u>283,464,000</u>	<u>58,792,402</u>	<u>283,962,074</u>

Disclosure pursuant to S.129(2) of the Hong Kong Companies Ordinance is as follows:

Name of company	Country of incorporation	Class of share held	Proportional of nominal value of issued capital held by the Group
Sunday Communications Limited	Cayman Islands	Ordinary	3.83%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

18. INVESTMENT IN A LIMITED PARTNERSHIP

	THE GROUP	
	2001	2000
	HK\$	HK\$
Share of net assets	<u>3,817,500</u>	<u>10,733,779</u>

Particulars of the limited partnership are as follows:

Name	Place of registration	Call up capital contribution	Percentage owned by the Group	Business activities
Monterey Atlantic Place	Los Angeles, USA	US\$2,250,000	20%	Property investment

19. LOAN STOCK RECEIVABLE

	THE COMPANY	
	2001	2000
	HK\$	HK\$
Face value, at par	536,400,000	536,400,000
<i>Less: Discount received on acquisition</i>	<u>(118,144,838)</u>	<u>(118,144,838)</u>
Balance at 31st March	<u>418,255,162</u>	<u>418,255,162</u>

The outstanding loan stocks are issued by a subsidiary of the Company and are unsecured and repayable in full on 31st December 2010. Interest is payable half yearly after 31st December 1992.

The subsidiary may on 1st April 1993 and thereafter at any time, on giving not less than 30 days prior notice in writing to stockholders, redeem at par all or any part of the stock then outstanding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

20. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Long term advances	1,500,000	36,091,425	1,500,000	1,500,000
Less: Due within one year included in current assets	–	(10,953,925)	–	–
	<u>1,500,000</u>	<u>25,137,500</u>	<u>1,500,000</u>	<u>1,500,000</u>

21. INVENTORIES AND WORK IN PROGRESS

	THE GROUP	
	2001	2000
	HK\$	HK\$
Raw materials and consumables	69,724	2,934
General merchandises	3,354,873	3,904,985
Properties held for sale	181,617,634	103,143,876
Contracts in progress (<i>note 23</i>)	–	140,278
Balance at 31st March	<u>185,042,231</u>	<u>107,192,073</u>

The cost of inventories recognised as an expense during the year was HK\$71,544,007 (2000: HK\$133,079,655).

All properties held for sale are carried at estimated net realisable value with provision of approximately HK\$43 million (2000: HK\$17 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

22. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade debtors of HK\$45,143,595 (2000: HK\$45,422,732). The Group allows an average credit period of 90 days to trade customers. The aged analysis of trade debtors is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
Aged:		
0 to 60 days	4,404,824	13,534,211
61 to 90 days	5,511,377	1,040,224
More than 90 days	<u>35,227,394</u>	<u>30,848,297</u>
Total	<u><u>45,143,595</u></u>	<u><u>45,422,732</u></u>

23. PAYMENT RECEIVED ON ACCOUNTS

	THE GROUP	
	2001	2000
	HK\$	HK\$
Cost incurred to date plus estimated attributable profits less foreseeable losses	–	2,810,803
Less: Progress payments received and receivable	–	<u>(5,484,525)</u>
	<u>–</u>	<u>(2,673,722)</u>
Represented by:		
Contracts in progress in current assets (<i>note 21</i>)	–	140,278
Payments received on accounts included in current liabilities	–	<u>(2,814,000)</u>
	<u>–</u>	<u>(2,673,722)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

24. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK\$13,855,068 (2000: HK\$22,966,759). The aged analysis of trade creditors is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
Aged:		
0 to 60 days	3,310,697	3,160,249
61 to 90 days	513,370	9,568
More than 90 days	10,031,001	19,796,942
	<u>13,855,068</u>	<u>22,966,759</u>
Total	<u>13,855,068</u>	<u>22,966,759</u>

25. SHARE CAPITAL

	Number of ordinary shares of HK\$1.00 each	Nominal value HK\$
Authorised:	<u>850,000,000</u>	<u>850,000,000</u>
Issued and fully paid:		
At 1st April 2000 and 31st March 2001	<u>535,359,258</u>	<u>535,359,258</u>

There was no movement in the Company's share capital for both years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

26. RESERVES

THE GROUP	Share premium	Capital redemption reserve	Reserve/ (Goodwill) on consolidation	Capital reduction reserve	Investment property revaluation reserve	Investment revaluation reserve	Revenue reserve	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st April 1999	718,599,024	2,382,000	(19,975,041)	85,844,959	235,476,498	(1,447,000)	(297,151,724)	723,728,716
Deficit on revaluation of investment properties	-	-	-	-	(18,500,000)	-	-	(18,500,000)
On disposal of subsidiaries	-	-	(32,604)	-	-	-	-	(32,604)
Goodwill on acquisition of subsidiaries	-	-	(62,558)	-	-	-	-	(62,558)
Unrealised gain on revaluation of investments in other securities	-	-	-	-	-	221,749,451	-	221,749,451
Exchange differences arising from translation of financial statements of foreign subsidiaries	-	-	-	-	-	-	(5,167,018)	(5,167,018)
Exchange differences arising from translation of financial statements of foreign associates	-	-	-	-	-	-	(4,538,443)	(4,538,443)
Profit for the year	-	-	-	-	-	-	61,492,390	61,492,390
At 31st March 2000 and 1st April 2000	718,599,024	2,382,000	(20,070,203)	85,844,959	216,976,498	220,302,451	(245,364,795)	978,669,934
Waiver of loan by minority shareholder	-	-	-	-	-	-	6,328,227	6,328,227
Share of revenue reserve by minority shareholder	-	-	-	-	-	-	(2,453,454)	(2,453,454)
Deficit on revaluation of investment properties	-	-	-	-	(59,500,000)	-	-	(59,500,000)
Goodwill on acquisition of subsidiaries	-	-	(2,185,399)	-	-	-	-	(2,185,399)
Unrealised loss on revaluation of investments in other securities	-	-	-	-	-	(230,575,000)	-	(230,575,000)
Exchange differences arising from translation of financial statements of foreign subsidiaries	-	-	-	-	-	-	3,090,581	3,090,581
Exchange differences arising from translation of financial statements of foreign associates	-	-	-	-	-	-	4,334,125	4,334,125
Exchange differences arising from translation of financial statements of foreign limited partnership	-	-	-	-	-	-	25,496	25,496
Loss for the year	-	-	-	-	-	-	(58,111,407)	(58,111,407)
At 31st March 2001	<u>718,599,024</u>	<u>2,382,000</u>	<u>(22,255,602)</u>	<u>85,844,959</u>	<u>157,476,498</u>	<u>(10,272,549)</u>	<u>(292,151,227)</u>	<u>639,623,103</u>
2001								
Attributable to								
The Company and subsidiaries	718,599,024	2,382,000	(22,255,602)	85,844,959	157,476,498	(10,272,549)	(293,917,101)	637,857,229
Associates	-	-	-	-	-	-	1,765,874	1,765,874
	<u>718,599,024</u>	<u>2,382,000</u>	<u>(22,255,602)</u>	<u>85,844,959</u>	<u>157,476,498</u>	<u>(10,272,549)</u>	<u>(292,151,227)</u>	<u>639,623,103</u>
2000								
Attributable to								
The Company and subsidiaries	718,599,024	2,382,000	(20,070,203)	85,844,959	216,976,498	220,302,451	(202,403,871)	1,021,630,858
Associates	-	-	-	-	-	-	(42,960,924)	(42,960,924)
	<u>718,599,024</u>	<u>2,382,000</u>	<u>(20,070,203)</u>	<u>85,844,959</u>	<u>216,976,498</u>	<u>220,302,451</u>	<u>(245,364,795)</u>	<u>978,669,934</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

26. RESERVES (Continued)

THE COMPANY	Capital redemption reserve <i>HK\$</i>	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Revenue reserve <i>HK\$</i>	Total <i>HK\$</i>
At 1st April 1999	2,382,000	718,599,024	66,889,494	(367,602,055)	420,268,463
Profit for the year	-	-	-	10,130,108	10,130,108
At 31st March 2000 and 1st April 2000	2,382,000	718,599,024	66,889,494	(357,471,947)	430,398,571
Profit for the year	-	-	-	20,817,383	20,817,383
At 31st March 2001	<u>2,382,000</u>	<u>718,599,024</u>	<u>66,889,494</u>	<u>(336,654,564)</u>	<u>451,215,954</u>

There was no reserve available for distribution to the shareholders, as calculated under the provisions of the Companies Act 1981 of Bermuda, as at 31st March 2001 and 2000.

The contributed surplus represents the difference between the consolidated shareholders' funds of Parkview Property Development Limited (Formerly known as Ming Ren Investment and Enterprises Limited) as at 24th November 1992 and the nominal amount of the Company's shares allotted under a Scheme of Arrangement completed on that date. Under the Bye-laws of the Company, distributions may be made out of contributed surplus.

27. MINORITY INTERESTS AND LOANS FROM MINORITY SHAREHOLDERS

Certain minority shareholders have committed to make good their share of losses to the extent of approximately HK\$23 million which represented the amount loaned to the subsidiaries as at 31st March 2001.

The loans are unsecured, interest free and are not repayable within one year.

28. SECURED BANK LOANS

	THE GROUP	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Secured bank loans repayable		
– within one year	2,962,865	7,089,866
– between one to two years	3,200,027	3,466,428
– between two to five years	1,694,822	3,685,238
– more than five years	37,607,137	-
	45,464,851	14,241,532
Less: Amounts due within one year shown under current liabilities	(2,962,865)	(7,089,866)
	<u>42,501,986</u>	<u>7,151,666</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

29. CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$	HK\$
(Loss) profit before taxation	(59,463,928)	62,428,511
Share of results of associates	20,327,310	22,208,614
Share of results of a limited partnership	(571,871)	(13,176,952)
Interest expenses	819,425	8,126,637
Depreciation	12,337,007	8,896,062
Impairment of land and building	–	24,850,000
Impairment of vessels	22,200,000	–
Provision for loan to an associate	11,500,000	–
Loss (gain) on disposal of subsidiaries	1,588,176	(53,074,010)
Written off of interest in an associate	11,443,549	–
Gain on disposal of associates	–	(23,980,920)
Loss on disposal of interest in a limited partnership	3,241,969	–
Gain on disposals of property, plant and equipment	(1,948,603)	(109,821)
Loss on disposal of vessel under construction	–	405,718
Write back of impairment loss of investment in securities	–	(1,552,689)
Write back of provision for properties held for sale	(29,000,000)	–
Unrealised loss on trading securities	2,093,007	–
(Increase) decrease in trading securities	(4,821,579)	36,576,852
Decrease in other receivable	23,637,500	17,780,465
Decrease (increase) in accounts receivables and prepayments	30,798,360	(143,822,219)
Decrease (increase) in amount due from related companies	1,577,814	(417,083)
Decrease in amount due from customers for contract work	–	1,581,150
Decrease in inventories and work in progress	57,870,399	75,022,829
Increase in amount due from minority shareholders	(418,634)	(181,879)
Decrease (increase) in interest receivable	468,977	(532,118)
Decrease in bills payable	(657,038)	(9,935,212)
(Decrease) increase in creditors and accrued charges	(88,271,286)	99,726,774
(Decrease) increase in payments received on accounts	(2,814,000)	4,893,931
Decrease in amount due to customers for contract work	–	(19,633,650)
Increase in amount due to related companies	8,491,792	2,083,336
Decrease in provision for contingent claim	(775,000)	(18,600,000)
Increase in warranty	–	2,250,820
	<hr/>	<hr/>
Net cash inflow from operating activities	19,653,346	81,815,146

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

29. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries

	2001	2000
	HK\$	HK\$
Bank balances and cash	16,933	–
Inventories	106,720,557	–
Other receivables	37,892	2,266
Tax recoverable	–	5,895
Property under development	75,670,400	–
Other payables and accruals	(7,894,287)	(10,000)
Amount due to a related company	–	(36,425)
Amount due to ultimate holding company	–	(24,270)
Loan from immediate holding company	(42,947,792)	–
Loan from a fellow subsidiary	(86,766,000)	–
Loans from minority shareholders	(41,844,995)	–
Minority interests	27,745,714	–
	30,738,422	(62,534)
Interest in an associate	35,782,447	–
	66,520,869	(62,534)
Assets (liabilities) acquired	2,185,399	62,558
Goodwill on consolidation	68,706,268	24
	68,706,268	24
<i>Satisfied by:</i>		
Net cash consideration	68,706,268	24

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

29. CONSOLIDATED CASH FLOW STATEMENT (Continued)

- (c) Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	2001	2000
	HK\$	HK\$
Cash consideration	68,706,273	24
Bank balances and cash acquired	(16,933)	–
	<u>68,689,340</u>	<u>24</u>

- (d) Disposal of subsidiaries

	2001	2000
	HK\$	HK\$
Bank balances and cash	257,618	24,782,125
Accounts receivable and prepayments	1,532,624	144,966,487
Inventories	–	22,733,700
Amount due from a related company	–	339,694
Unlisted investments	–	39,468,774
Amounts due to unlisted investments	–	348,111
Creditors and accrued charges	(178,345)	(149,163,242)
Payment received on account	–	(3,461,100)
Bank overdrafts	–	(21,928,470)
Tax liabilities	–	(313,538)
Obligations under finance lease	–	(819,060)
Other loan	–	(471,580)
Warranty provision	–	(4,678,570)
Interest in a limited partnership	–	25,501,063
Property, plant and equipment	1,806,284	20,916,000
Vessel under construction	–	11,080,500
Development expenditure	–	22,235,700
Reserve on consolidation	–	(32,604)
	<u>3,418,181</u>	<u>131,503,990</u>
Assets disposed of	(1,588,176)	53,074,010
(Loss) gain on disposal	<u>1,830,005</u>	<u>184,578,000</u>
Satisfied by cash consideration	<u>1,830,005</u>	<u>184,578,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

29. CONSOLIDATED CASH FLOW STATEMENT (Continued)

The cash flows and results contributed by the subsidiaries disposed of during the year were not significant. For the year ended 31st March 2000, the subsidiaries disposed of during that year contributed HK\$18,399,980 to the Group's net operating cash flows and utilised HK\$774,540 in respect of financing activities.

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

	2001	2000
	HK\$	HK\$
Cash consideration	1,830,005	184,578,000
Bank balances and cash disposed of	(257,618)	(24,782,125)
Bank overdrafts disposed of	–	21,928,470
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>1,572,387</u>	<u>181,724,345</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

29. CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

	Share capital (including premium) <i>HK\$</i>	Bank loans, other loans and other financings <i>HK\$</i>	Loans from minority shareholders <i>HK\$</i>
Balance at 1st April 1999	1,253,958,282	143,302,966	41,953,124
Short term bank loans repaid	–	(60,000,000)	–
Repayment of long term bank loans	–	(66,994,734)	–
Repayment of net finance leases	–	(774,540)	–
Repayment of loans from minority shareholders	–	–	(2,710,728)
Net cash outflow from financing	–	(127,769,274)	(2,710,728)
On disposal of subsidiaries	–	(1,290,640)	–
Exchange translation difference	–	(1,520)	–
	–	(129,061,434)	(2,710,728)
Balance at 31st March 2000	1,253,958,282	14,241,532	39,242,396
New bank loans obtained	–	37,607,137	–
Repayment of long term bank loans	–	(6,383,818)	–
Repayment of loans from minority shareholders	–	–	(8,221,027)
Net cash outflow from financing	–	31,223,319	(8,221,027)
On acquisition of a subsidiary	–	–	41,844,995
Loan waived by minority shareholder	–	–	(6,328,227)
	–	31,223,319	27,295,741
Balance at 31st March 2001	1,253,958,282	45,464,851	66,538,137

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

29. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(g) Analysis of the balances of cash and cash equivalents:

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Bank balances and cash	143,637,417	201,349,160
Bank overdrafts	(2,827,402)	(240,320)
	<u>140,810,015</u>	<u>201,108,840</u>

30. COMMITMENTS

(a) **Capital commitments**

	THE GROUP	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Contracted for but not provided in the financial statements:		
– Unpaid capital contribution to subsidiaries	67,887,890	70,852,374
– Unpaid capital contribution to an associate	3,868,000	–
	<u>71,755,890</u>	<u>70,852,374</u>

(b) **Lease commitments**

	THE GROUP	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Annual commitment for land and building under operating leases to be payable within next year:		
– expiring in the first year	622,103	–
– expiring in second to fifth year	–	1,048,410
– expiring after the fifth year	–	–
	<u>622,103</u>	<u>1,048,410</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

31. RETIREMENT BENEFITS SCHEME

- (a) Effective 1st December 2000, the Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes 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 rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The total amount contributed by the Group to the MPF Scheme and charged to the income statement was HK\$236,518.
- (b) In accordance with regulations issued by the Shanghai Municipal Government, the People’s Republic of China, a subsidiary is required to make contributions to a defined contribution retirement fund which is administered by the labour bureau of the local government. The subsidiary is required to contribute 25.5% of the basic salary of its staff. The subsidiary has no material obligation for the pension payment or any post-retirement benefits beyond the annual contributions described above. The retirement fund contribution for the year was RMB55,726 (2000: RMB39,762).

32. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	<i>HK\$</i>	HK\$	<i>HK\$</i>
(i) Corporate guarantee given to banks in respect of banking facilities utilised by				
– subsidiaries	–	–	46,966,109	10,619,994
– an associate	–	34,312,065	–	34,312,065
– a limited partnership	–	21,644,000	–	21,644,000
– other securities	–	30,000,000	–	30,000,000
	<hr/>	<hr/>	<hr/>	<hr/>
	–	85,956,065	46,966,109	96,576,059
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

32. CONTINGENT LIABILITIES (Continued)

- (ii) In 1999, the Group disposed of its 10% interest together with other owners in an other investment in United States of America (“the Investment”) to a third party (“the Purchaser”). On the ground of a Letter of Intent which was specifically labelled as “non legal binding” and lapsed, a previous buyer (“the Plaintiff”) had taken legal proceedings in the City Court of the State of New York against the Purchaser and owners of the Investment. The Plaintiff claimed that the owners of the Investment were obliged to sell their respective attributable interests in the Investment even in the absence of a formal purchase agreement and US\$80 million in damages. Pursuant to the Stock Sale and Purchase Agreement (“the Purchase Agreement”) between the owners of the Investment and the Purchaser, US\$4,000,000, being part of the sale proceeds to be received by the Group, was held by a third party Escrow Agent on 31st March 2000 as security for the Group’s obligation under the Purchase Agreement (“the Security”). The Security was temporarily invested by the Escrow Agent on the Group’s behalf in treasury bills. The security shall be released to the Group if no claims are pending under the Purchase Agreement. During the year, the Security was released and replaced by two standby letters of credit of US\$4,000,000 issued by a banker of the Group. The standby letters of credit were secured by a first legal mortgage over certain investment properties of the Group with carrying value of HK\$105 million at 31st March 2000.

The Directors of the Group were of the opinion that the maximum liability of the Group in the legal proceedings would be US\$2,500,000 should the Group not succeed in the case. Accordingly, provision of this amount plus legal cost has been made in the financial statements in 1999.

During the year ended 31st March 2000, the legal proceedings were settled and the standby letters of credit were released. The Group’s liability in the legal proceedings was US\$100,000 and provision of US\$2,400,000 was accordingly written back.

33. PLEDGE OF ASSETS

The general banking facilities granted by bankers and term loan facilities granted by syndicate of banks to the Group, an associate and a limited partnership are secured by the following:

- (a) Part of the investment properties of total carrying value of HK\$372,000,000 (2000: HK\$553,674,000) owned by the Group.
- (b) The assignment of earnings of part of the mortgaged investment properties from both rental and disposal proceeds.
- (c) Legal charge of two vessels of total net book value of approximately HK\$93 million (2000: HK\$40 million) owned by the Group.
- (d) The assignment of charter party and earnings of two vessels.
- (e) The issued share of one subsidiary which is engaged as a vessel owner.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

34. POST BALANCE SHEET EVENTS

On 1st June 2001, the Group sold all its shares in a subsidiary, Cost Plus Investments Limited, to a third party and there is no significant loss on disposal.

On 30th May 2001, the Group acquired from all the minority shareholders of a subsidiary, Luckyfield Holdings Limited (“Luckyfield”), all their shares in and loans to Luckyfield for a total consideration of HK\$10,552,531. Thus Luckyfield became a wholly-owned subsidiary of the Group.

35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties, including key management personnel, companies controlled or significantly influenced by management of the Group:

	Associates		Related companies		Directors	
	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Trade sale to (i)	-	-	-	-	302,391	296,661
Management income received from (i)	2,880,290	3,507,435	-	-	-	-
Charter hire income received from (i)	879,288	3,536,475	-	-	-	-
Excess of minimum profit received from (iii)	-	-	10,222,535	-	-	-
Clubhouse subscription fee paid to (ii)	-	-	18,000	322,000	-	-
Carpark rental and building management fee paid to (ii)	-	-	1,618,229	1,083,200	-	-
General expenses paid to (ii)	-	-	7,264,125	4,572,662	-	-
Consideration for assets transferred paid to (iv)	-	-	11,335,812	4,500,000	-	-
Amount due from	2,153,040	1,286,067	1,364,591	2,942,405	-	-
Amount due to	241,079	344,463	11,641,487	3,149,695	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

35. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) All these incomes are received in the normal course of business and by reference to market rate.
- (ii) All these expenses are paid in the normal course of business and by reference to market rate.
- (iii) The amount represents the receipt of Operating Profit exceeds the Minimum Profit (“the Excess”) for the period from 1st April 2000 to 31st March 2001. Details are set out in paragraph (a)(1)(iii) of Directors’ Interests in Contracts of Significance in Directors’ Report.
- (iv) The consideration was paid in the normal course of business and by reference to market rate.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the subsidiaries which principally affect the results or net assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. All the following subsidiaries are operating principally in Hong Kong except otherwise indicated.

Name of subsidiary	Place/ Country of incorporation	Class of share held	Paid up issued share capital/ capital/ contribution	Proportional of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Annfield Corporation (a)	British Virgin Islands	Ordinary	US\$1	–	100	Vessel owner
Bingo Trading Limited	Hong Kong	Ordinary	HK\$2	–	100	Holding of vehicles
Camus Management Limited	Hong Kong	Ordinary	HK\$2	–	100	Holding of vehicles and vehicle registration marks
Charming Garden Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/ Country of incorporation	Class of share held	Paid up issued share capital/ capital/ contribution	Proportional of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
China Garden Limited	British Virgin Islands	Ordinary	US\$30	–	70	Investment in a limited partnership
Chyau Fwu Investment Limited	Hong Kong	Ordinary Non-voting deferred	HK\$10 HK\$8,500,000	–	100	Property investment
Corwood Enterprises Inc. (a)	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Cost Plus Investments Limited (a)	British Virgin Islands	Ordinary	US\$1	–	100	Vessel owner
Country Star Services Limited	Hong Kong	Ordinary	HK\$2	–	100	Property investment
Dragon Spirit Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Fairey Brooke Marine Designs N.V. (a)	Netherlands Antilles	Ordinary	US\$6,000	–	100	Investment holding
Fairway Group Limited	Hong Kong	Ordinary	HK\$2	–	100	Property investment
FBM Marine International Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
MV2208 Limited (b)	Isle of Man	Ordinary	GBP1	–	100	Property investment
FBMI (JV) Limited	Hong Kong	Ordinary	HK\$2	–	100	Investment holding
Gallaria Furnishings International Limited (a)	Hong Kong	Ordinary	HK\$2,000,020	–	100	General trading

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/ Country of incorporation	Class of share held	Paid up issued share capital/ capital contribution	Proportional of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Gallaria International Limited (a)	Hong Kong	Ordinary	HK\$10,000	–	57.5	Decoration contractor and trading of building supplies
Gembrook Developments Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Good Reflex Limited	British Virgin Islands	Ordinary	US\$1	–	100	Property investment
Hebo Urge Company Limited	Hong Kong	Ordinary	HK\$2	100	–	Painting owner
High Grade Assets Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Hong Kong Parkview (China) Limited	Hong Kong	Ordinary	HK\$10,000,000	–	100	Investment holding
Hong Kong Parkview Development (Beihai) Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Hong Kong Parkview (Finance) Limited	Hong Kong	Ordinary	HK\$2	100	–	Refinancing and money lending
Hong Kong Parkview Management Services Limited	Hong Kong	Ordinary	HK\$750	–	100	Provision of management services
Hong Kong Parkview International Limited	Hong Kong	Ordinary	HK\$2	–	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/ Country of incorporation	Class of share held	Paid up issued share capital/ capital contribution	Proportional of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Hong Kong Parkview International Management Limited	Hong Kong	Ordinary	HK\$2	–	100	Personnel management
Interlink Associates Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
International Agents Limited	British Virgin Islands	Ordinary	US\$1,000	–	57.5	Investment holding
Jiangsu Parkview Hotels and Resorts Limited (c)	British Virgin Islands	Ordinary	US\$100	–	55	Hotel management
Kelford Assets Limited	British Virgin Islands	Ordinary	US\$1	–	100	Property investment
Laisee Holdings Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Lambhill Properties Limited (b)	British Virgin Islands	Ordinary	US\$1	–	100	Property investment
Luckyfield Holdings Limited	Hong Kong	Ordinary	HK\$10,000	–	61.23	Property development
Masterpiece Limited	Hong Kong	Ordinary	HK\$2	–	100	Property investment
Mittor Limited (a)	British Virgin Islands	Ordinary	US\$1	–	100	Refinancing
Multi Gain Management Limited	Hong Kong	Ordinary	HK\$2	–	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/ Country of incorporation	Class of share held	Paid up issued share capital/ capital contribution	Proportional of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Newmeadow Limited	British Virgin Islands	Ordinary	US\$1	-	100	Investment holding
Parkview Intemational Trading Limited	British Virgin Islands	Ordinary	US\$1	100	-	Investment holding
Parkview Management Services Limited	British Virgin Islands	Ordinary	US\$4	100	-	Investment holding
Parkview Marine Holdings Limited	British Virgin Islands	Ordinary	US\$1	100	-	Investment holding
Parkview Property Development Limited	Hong Kong	Ordinary	HK\$1,000	100	-	Investment holding and capital market investment
Perfect Lane Limited	Hong Kong	Ordinary	HK\$2	-	100	Property investment
Pollex Limited	Hong Kong	Ordinary Non-voting deferred	HK\$10 HK\$10,000	-	100	Property investment
Poplin Assets Limited	British Virgin Islands	Ordinary	US\$1	-	100	Property investment
P & P Intemational Architectural Services Limited	British Virgin Islands	Ordinary	US\$1	-	100	Provision of services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/ Country of incorporation	Class of share held	Paid up issued share capital/ capital/ contribution	Proportional of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Sandiron Holdings Limited	British Virgin Islands	Ordinary	US\$1	–	100	Holding of club membership
Shanghai Parkview Real Estate Management Co., Ltd. (c)	The People's Republic of China	N/A	US\$500,000	–	55	Property management
Shanghai Qiao-Yi Real Estate Co., Ltd. (c)	The People's Republic of China	N/A	US\$10,000,000	–	80	Property development
Smart Sound Limited	British Virgin Islands	Ordinary	US\$1	–	100	Property investment
Target Profits Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding
Total Force Investments Limited	Hong Kong	Ordinary	HK\$2	–	100	Holding of mooring and a junk
Wyoming Enterprises Limited	British Virgin Islands	Ordinary	US\$1	–	100	Investment holding

Note:

- (a) Operating internationally
- (b) Operating in United Kingdom
- (c) Operating in The People's Republic of China

None of the subsidiaries had any loan capital outstanding at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2001

37. PARTICULARS OF PRINCIPAL ASSOCIATES

The following list contains only the particulars of the associates which principally affect the results or net assets of the Group as the directors are of the opinion that a complete list of all the associates will be of excessive length.

Name of associates	Form of business structure	Place/ Country of incorporation	Principal place/country of operation	Nominal value of issued ordinary share capital/capital contribution	Proportional of nominal value of issued capital/ registered capital held by the Company		Principal activities
					Directly	Indirectly	
					%	%	
Aboitiz Parkview Holdings Corporation	Incorporated	Philippines	Philippines	P110,000	-	50	Investment holding
Nanjiang Dingshan Garden Hotel Co. Ltd.	Incorporated	The People's Republic of China	The People's Republic of China	US\$25,600,000	-	45	Hotel business