

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For the six months ended September 30, 2001*

### **1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES**

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

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

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

In the Period, the Group has adopted, for the first time, a number of new and revised SSAPs which have resulted in the adoption of the following new/revised accounting policies:

#### **Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity on the face of the balance sheet. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (*see note 2*).

#### **Goodwill**

In the Period, the Group has adopted SSAP 30 "Business combinations" and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 has been recognised retrospectively. The effect of these adjustments is summarised in note 2. Following the restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from assets. Goodwill is amortised over its estimated useful life of not more than twenty years. Negative goodwill will be released to income based on an analysis of the circumstances from which the balance is resulted.

#### **Segment reporting**

In the Period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the six months ended September 30, 2000 have been amended so that they are presented on a consistent basis.

## 2. PRIOR PERIOD ADJUSTMENT

The financial effect of the adoption of the new/revised accounting policies described in note 1 is summarised below:

	Accumulated profits HK\$'000	Dividend reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
Balance at April 1, 2000					
As originally stated	675,450	—	8,637	—	684,087
Derecognition of liability for final dividend of year 2000	—	24,172	—	—	24,172
Restatement as an asset of goodwill held in reserve with retrospective recognition of accumulated amortisation	(43,810)	—	47,543	—	3,733
Restatement of negative goodwill held in reserve with retrospective release to income	56,053	—	(56,076)	—	(23)
Reclassification of reserves	—	—	(104)	104	—
As restated	<u>687,693</u>	<u>24,172</u>	<u>—</u>	<u>104</u>	<u>711,969</u>
Balance at April 1, 2001					
As originally stated	746,648	—	25,738	—	772,386
Derecognition of liability for final dividend of year 2001	—	15,540	—	—	15,540
Restatement as an asset of goodwill held in reserve with retrospective recognition of accumulated amortisation	(27,594)	—	31,266	—	3,672
Restatement of negative goodwill held in reserve with retrospective release to income	56,714	—	(56,714)	—	—
Reclassification of reserves	—	—	(290)	290	—
As restated	<u>775,768</u>	<u>15,540</u>	<u>—</u>	<u>290</u>	<u>791,598</u>

The effect of these changes in accounting policies on the results for the current and prior periods is as follows:

	Six months ended September 30, 2001 HK\$'000	Twelve months ended March 31, 2001 HK\$'000	Six months ended September 30, 2000 HK\$'000
Amortisation of goodwill	(578)	(823)	(412)
Adjustment to goodwill realised upon disposal of an associate	—	17,039	17,761
Adjustment on share of result of an associate	—	661	(22,745)
	<u>(578)</u>	<u>16,877</u>	<u>(5,396)</u>

### 3. SEGMENT INFORMATION

	Segment revenue						Segment result	
	Six month ended						Six months ended	
	September 30, 2001			September 30, 2000			September 30, 2001	September 30, 2000
	(unaudited)			(unaudited)			(unaudited)	(unaudited and restated)
External	Internal	Total	External	Internal	Total	HK\$'000	HK\$'000	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Business segments</b>								
Lease of properties	52,435	8,160	60,595	58,639	10,560	69,199	(140,381)	66,947
Sale of properties	130,576	—	130,576	61,177	—	61,177	(38,525)	26,263
Securities brokerage services	37,219	—	37,219	55,869	—	55,869	13,402	48,476
Wholesaling and retailing of furniture	59,775	—	59,775	70,446	—	70,446	788	3,945
Hotel operations	23,189	—	23,189	31,912	—	31,912	(9,987)	(6,068)
License of streaming rights	—	—	—	—	—	—	(17,857)	—
Consultancy and advisory services and others	18,318	—	18,318	14,871	—	14,871	11,412	1,723
Elimination	—	(8,160)	(8,160)	—	(10,560)	(10,560)	—	—
Consolidated	<u>321,512</u>	<u>—</u>	<u>321,512</u>	<u>292,914</u>	<u>—</u>	<u>292,914</u>	<u>(181,148)</u>	<u>141,286</u>
Interest income							7,674	14,100
Interest expenses							(25,472)	(39,738)
Corporate general and administrative expenses							(45,291)	(38,163)
Loss on disposal of an associate							—	(4,438)
Share of results of associates							(11,678)	(4,940)
(Loss) profit before taxation							<u>(255,915)</u>	<u>68,107</u>

Revenue and result of the Group are substantially derived in Hong Kong, and therefore, no analysis of geographical segments has been presented.

### 4. (LOSS) PROFIT FROM OPERATIONS

(Loss) profit from operations for the Period has been arrived at after charging depreciation of approximately HK\$13,770,000 (2000: HK\$12,264,000) in respect of the Group's property, plant and equipment and crediting dividend income from listed securities of approximately HK\$79,000 (2000: nil).

## 5. TAXATION

<b>Six months ended</b>	
<b>September 30,</b>	<b>September 30,</b>
<b>2001</b>	<b>2000</b>
<b>(unaudited)</b>	<b>(unaudited)</b>
<b>HK\$'000</b>	<b>HK\$'000</b>

The charge comprises:

Hong Kong Profits tax attributable to the Group	<b>(4,084)</b>	(4,674)
Share of taxation attributable to associates	<b>(344)</b>	(2,153)
	<u><b>(4,428)</b></u>	<u>(6,827)</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the period.

## 6. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss attributable to shareholders of approximately HK\$248,043,000 (2000: profit of HK\$60,750,000) and on 863,293,521 shares (2000: the weighted average of 576,071,522 shares) in issue during the period.

No disclosure of diluted earnings per share figures for the six months ended September 30, 2000 and 2001 is made as there were no dilutive potential shares in issue during both periods.

## 7. DIVIDENDS

During the Period, a dividend of 1.8 cents (2000: 2.8 cents) per share was declared as the final dividend for 2001 and has not been paid during the Period.

The Directors do not recommend the payment of an interim dividend for the Period (2000: 0.8 cent per share).

## 8. ADDITIONS TO INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment amounting to approximately HK\$30,889,000.

## 9. INTERESTS IN ASSOCIATES

	<b>September 30, 2001 (unaudited) HK\$'000</b>	March 31, 2001 (audited) HK\$'000
Share of net assets in:		
Emperor (China Concept) Investments Limited ("ECC")	<b>436,617</b>	441,352
Other associates	<b>86,747</b>	94,450
	<b><u>523,364</u></b>	<b><u>535,802</u></b>

The financial information in respect of ECC, the Group's significant associate, which has been extracted from the interim financial report of ECC for the Period is as follows:

	<b>Six months ended September 30, 2001 (unaudited) HK\$'000</b>	September 30, 2000 (unaudited and restated) HK\$'000
<b>Income statement</b>		
Turnover	<b><u>17,506</u></b>	<u>16,567</u>
Loss for the period	<b><u>(8,794)</u></b>	<u>(20,345)</u>
Loss attributable to the Group	<b><u>(4,319)</u></b>	<u>(9,991)</u>
	<b>September 30, 2001 (unaudited) HK\$'000</b>	March 31, 2001 (audited) HK\$'000
<b>Balance sheet</b>		
Non-current assets	<b>1,088,823</b>	1,140,147
Current assets	<b>123,360</b>	120,826
Current liabilities	<b>(14,360)</b>	(12,755)
Non-current liabilities	<b>(336,036)</b>	(377,280)
Minority interests	<b><u>27,273</u></b>	<u>27,762</u>
Net assets	<b><u>889,060</u></b>	<u>898,700</u>
Share of net assets	<b><u>436,617</u></b>	<u>441,352</u>

## 9. INTERESTS IN ASSOCIATES *(continued)*

The independent review report issued by the auditors of ECC in respect of the interim financial report of ECC for the Period contains a modified review conclusion arising from a limitation of scope that the auditors of ECC have not been able to obtain reliable financial information relating to ECC's unconsolidated subsidiaries made up to September 30, 2001. ECC's interests in unconsolidated subsidiaries amounted to approximately HK\$726,570,000 as at September 30, 2001. The auditors of ECC stated that they were unable to assess whether any further impairment loss should be recognised in respect of ECC's interests in those unconsolidated subsidiaries as at September 30, 2001. Accordingly, they were unable to reach a review conclusion as to whether material modifications should be made in the interim financial report of ECC for the Period.

## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

In general, the Group does not grant credit to the majority of its customers. Loans to share margin clients are secured by clients' pledged securities and are repayable on demand. No aged analysis is disclosed in respect of loans to share margin clients as in the opinion of the directors, the aged analysis does not give relevant information in view of the nature of the business of share margin financing.

The following is an aged analysis of trade debtors at the balance sheet date:

	<b>September 30, 2001 (unaudited) HK\$'000</b>	March 31, 2001 (audited) HK\$'000
0 – 30 days	99,230	73,523
31 – 90 days	5,852	10,159
91 – 180 days	3,739	4,073
> 180 days	<u>20,628</u>	<u>16,189</u>
	<b>129,449</b>	103,944
Loans to share margin clients	79,952	142,609
Other receivables, deposits and prepayments	<u>20,024</u>	<u>20,351</u>
	<b><u>229,425</u></b>	<b><u>266,904</u></b>

## 11. CREDITORS, CUSTOMER DEPOSITS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the balance sheet date:

	<b>September 30, 2001 (unaudited) HK\$'000</b>	March 31, 2001 (audited) HK\$'000
0 – 90 days	38,054	81,467
> 180 days	<u>36,468</u>	<u>16,233</u>
	<b>74,522</b>	97,700
Other payables, deposits and accruals	<u>69,938</u>	<u>57,593</u>
	<b><u>144,460</u></b>	<b><u>155,293</u></b>

## 12. SHARE CAPITAL

The changes in the authorised and issued share capital of the Company were as follows:

	Number of shares of HK\$1 each	Value HK\$'000
<i>Authorised:</i>		
At April 1, 2000	1,500,000,000	1,500,000
Increased on July 17, 2000	<u>3,500,000,000</u>	<u>3,500,000</u>
At March 31, 2001 and September 30, 2001	<u><u>5,000,000,000</u></u>	<u><u>5,000,000</u></u>
<i>Issued and fully paid:</i>		
At April 1, 2000	431,646,761	431,647
Issue of shares by way of rights issue	215,823,380	215,823
Bonus issue of shares by capitalisation of contributed surplus	<u>215,823,380</u>	<u>215,823</u>
At March 31, 2001 and September 30, 2001	<u><u>863,293,521</u></u>	<u><u>863,293</u></u>

## 13. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Contributed surplus HK\$'000	Total HK\$'000
Balance at April 1, 2000										
As originally stated	1,133,259	8,637	5,061	142	212,978	3,624	—	675,450	389,802	2,428,953
Prior period adjustments (see note 3)	—	(8,637)	—	—	—	—	104	12,243	—	3,710
As restated	1,133,259	—	5,061	142	212,978	3,624	104	687,693	389,802	2,432,663
Bonus issue of shares	—	—	—	—	—	—	—	—	(215,823)	(215,823)
Expenses incurred upon issue of shares	—	—	—	—	—	—	—	—	(2,505)	(2,505)
Revaluation reserve realised upon disposal of properties	—	—	—	—	(28,254)	—	—	—	—	(28,254)
Depreciation attributable to revaluation surplus	—	—	—	—	(1,320)	—	—	1,320	—	—
Revaluation deficit realised upon disposal of investments in securities	—	—	—	—	—	(3,624)	—	—	—	(3,624)
Share of reserves of associates	—	—	884	(142)	—	—	186	—	—	928
Profit attributable to shareholders	—	—	—	—	—	—	—	86,755	—	86,755
Dividends	—	—	—	—	—	—	—	—	(22,446)	(22,446)
Balance at March 31, 2001	1,133,259	—	5,945	—	183,404	—	290	775,768	149,028	2,247,694
Depreciation attributable to revaluation surplus	—	—	—	—	(660)	—	—	660	—	—
Share of reserves of associates	—	—	(128)	—	—	—	(290)	—	—	(418)
Revaluation reserve realised upon disposal of properties	—	—	—	—	(7,284)	—	—	—	—	(7,284)
Deficit on revaluation of investment in securities	—	—	—	—	—	(65)	—	—	—	(65)
Loss attributable to shareholders	—	—	—	—	—	—	—	(248,043)	—	(248,043)
Balance at September 30, 2001	<u>1,133,259</u>	<u>—</u>	<u>5,817</u>	<u>—</u>	<u>175,460</u>	<u>(65)</u>	<u>—</u>	<u>528,385</u>	<u>149,028</u>	<u>1,991,884</u>

## 14. CONTINGENCIES AND COMMITMENTS

### Contingent liabilities

	September 30, 2001 (unaudited)		March 31, 2001 (audited)	
	Guarantees given <i>HK\$'000</i>	Amount utilised <i>HK\$'000</i>	Guarantees given <i>HK\$'000</i>	Amount utilised <i>HK\$'000</i>
Guarantees given to banks in respect of credit facilities utilised by the associates	<u>127,402</u>	<u>65,677</u>	<u>132,402</u>	<u>61,436</u>

### Capital commitments

	September 30, 2001 (unaudited) <i>HK\$'000</i>	March 31, 2001 (audited) <i>HK\$'000</i>
Authorised but not contracted for	—	2,216
Contracted for but not provided in the financial statements, net of deposits paid	<u>249,738</u>	<u>72,667</u>
	<u>249,738</u>	<u>74,883</u>

All of the above capital commitments are related to property investment and development projects.

### Operating lease commitments

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

	September 30, 2001 (unaudited) <i>HK\$'000</i>	March 31, 2001 (audited and restated) <i>HK\$'000</i>
Within one year	8,682	12,380
In the second to fifth year inclusive	<u>3,843</u>	<u>1,369</u>
	<u>12,525</u>	<u>13,749</u>



## 15. RELATED PARTY TRANSACTIONS

- (a) During the Period, the Group had the following significant transactions with related parties:

	<b>Six months ended</b>	
	<b>September 30, 2001 (unaudited) HK\$'000</b>	September 30, 2000 (unaudited) HK\$'000
Interest received from associates ( <i>note iii</i> )	7,181	10,892
Rental received from related companies ( <i>note ii</i> )	4,730	5,302
Rental received from associates ( <i>note ii</i> )	3,182	1,803
Professional and service fees received from related parties ( <i>note ii</i> )	2,099	—
Interest paid to a shareholder ( <i>note iii</i> )	5,158	9,077
Interest paid to related companies ( <i>note iii</i> )	—	1,355
	<u>          </u>	<u>          </u>

*Notes:*

- (i) Certain directors and substantial shareholders of the Company have beneficial interests in the related companies.
- (ii) These transactions were carried out after negotiations between the Group and the related parties and on basis of estimated market value as determined by the directors of the Company.
- (iii) The interest received or paid by the Group is calculated by reference to the principal outstanding and the prevailing market interest rates.
- (b) During the six months ended September 30, 2000, the Group acquired 100% of the issued share capital of certain companies holding streaming rights from an associate for an aggregate consideration of HK\$250 million.

During the six months ended September 30, 2000, the Group disposed of 34.31% interest in Graneagle Holdings Limited at an aggregate cash consideration of approximately HK\$26,700,000. A loss of HK\$4,438,000 was resulted on the disposal of this associate.

- (c) The advances to the associates and loans from shareholders, related parties and minority shareholders of subsidiaries are set out in the condensed consolidated balance sheet.