

1. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

Changes in accounting policies

Dividends

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st April, 2001, in order to comply with SSAP 9 (revised) “Accounting for post balance sheet events” issued by the Hong Kong Society of Accountants, the Group recognises dividends declared or proposed as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries is recognised as income in the income statement in the accounting period in which the dividend is declared or proposed. Dividend paid is recognised as appropriation of reserves in the accounting period in which the dividend is declared or proposed.

As a result of the new accounting policy, the Group’s net assets as at 31st March, 2001 have been increased by HK\$10,244,397. There is no impact on the Group’s profit attributable to shareholders for the year ended 31st March, 2001. The new accounting policy has been adopted retrospectively, with the opening balance of contributed surplus and the comparative information adjusted for the amounts relating to prior periods.

Goodwill

In prior years, positive or negative goodwill arising on acquisition of subsidiaries and associates was eliminated against reserves or was credited to a capital reserve respectively. With effect from 1st April, 2001, in order to comply with SSAP 30 “Business combinations” issued by the Hong Kong Society of Accountants, the Group adopted a new accounting policy for goodwill as explained in the accounting policies set out below.

In respect of goodwill previously eliminated against reserves, the Group has applied the transitional provision in SSAP 30 and the relevant goodwill previously eliminated against reserves has not been restated.

In accordance with the transitional provision of SSAP 30 and SSAP 31 “Impairment of assets”, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was not a policy to recognise such impairment losses, this change in accounting policy should be applied retrospectively and the impairment losses should be recognised as a prior year adjustment to opening retained profits in accordance with SSAP 2 “Net profit or loss for the period, fundamental errors and changes in accounting policies”.

As at the balance sheet date, the Group performed an assessment of the fair value of its tangible and intangible assets, including goodwill that had previously been eliminated against reserves. As a result of this assessment, it was determined that an impairment in value of HK\$73,053,180 in respect of the acquisition of an associate engaging in Internet-related businesses in the year ended 31st March, 2001 had occurred. In accordance with the transitional provisions of SSAP 30, the Group has retrospectively restated and reduced the reported results for the year ended 31st March, 2001 by HK\$73,053,180. The adjustment has no effect on the net assets of the Group as at 31st March, 2001 or its results in 2002.

Notes to the Financial Statements

Year ended 31st March, 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March, 2002. All material inter-company transactions have been eliminated on consolidation.

The results of subsidiaries acquired and disposed of during the year are accounted for from the effective dates of acquisition or to the effective dates of disposal respectively.

Goodwill on consolidation

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiaries and associates acquired before 1st April, 2001, the related positive goodwill has been eliminated against reserves and, as permitted by SSAP 30, has not been restated. Provision for impairment losses has been made against such goodwill in accordance with SSAP 31. For subsidiaries and associates acquired on or after 1st April, 2001, the related positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is carried as an asset in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

Negative goodwill arising on acquisitions of subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. In respect of subsidiaries and associates acquired before 1st April, 2001, the related negative goodwill has been credited to capital reserve. For subsidiaries and associates acquired on or after 1st April, 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill up to the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of depreciable non-monetary assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

On disposal of a subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

Subsidiaries

A subsidiary is an enterprise, in which the Group or Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body. Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment loss.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Associates

An associate is an enterprise, in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

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 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.

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.

Investment properties are stated at their open market values on the basis of annual professional valuations. 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 is charged to the income statement.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations will be released to the income statement.

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuations take into account the state of each property at the date of valuation.

Properties held for/under development

Properties held for/under development with the intention for holding for long-term purposes when completed or no decision has yet been decided on their purposes are included in the balance sheet as non-current assets and stated at cost less impairment loss. Cost includes land cost, construction expenditure and other direct costs, including interest costs, attributable to the development of the properties.

The carrying amount of properties held for/under development is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount will be reduced to the recoverable amount. The amount of the reduction will be charged to the income statement.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, construction expenditure and other direct costs, including interest costs, attributable to the development of the properties. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling the properties.

Notes to the Financial Statements

Year ended 31st March, 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less accumulated depreciation and accumulated impairment loss.

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, which include the estimated cost for dismantling, removing the asset and restoring the site.

Expenditure incurred to replace a separate component of an item of property, plant and equipment, including major inspection and overhaul expenditure, is capitalised and accounted for as a component of the asset. Other subsequent expenditure is capitalised as an additional cost of that asset only when 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 gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as an income or expense in the income statement.

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

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Land and buildings held on long leases:

Land	over the unexpired terms of the lease
Buildings	2%
Plant, machinery and moulds	10%
Furniture, fixtures and equipment	10%
Motor vehicles	20%
Computer equipment	30%

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investments in securities

Investment securities held for an identified long-term purpose are stated at cost and subject to impairment review at each reporting date to reflect any diminution in their value, which is expected to be other than temporary. The amount of provisions is recognised as an expense in the period in which the decline occurs.

Securities not classified as investment securities are classified as other investments, which are stated at fair value in the balance sheet. The unrealised holding gains and losses for other investments are included in the income statement.

The profit or loss on disposal of investment securities and other investments is accounted for in the period in which the disposal occurs as the difference between net sales proceeds and the carrying amount of the securities.

Inventories

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 weighted average 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.

Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use, in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements

Year ended 31st March, 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

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 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 asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The corresponding liability to the lessor 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 term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased assets. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sale of properties

Sale of properties are recognised upon the completion of sale and purchase contracts. When an equitable interest in a development property is transferred to the buyer before completion of construction work and development, turnover and profit are recognised with reference to the stage of completion of the development property.

Sale of goods

Sale of goods is recognised when goods are delivered and title has passed.

Rental and property management fee income

Rental and property management fee income under operating leases are recognised in the period in which the properties are let out and on the straight-line basis over the lease terms.

Service income

Service income is recognised in the period when services are rendered.

Securities trading

Proceeds from disposal of other investments are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Interest income

Interest income is accrued on a time proportion basis on the principal outstanding and at the applicable interest rate.

Dividend income

Dividend income is recognised when the rights to receive payment have been established.

Foreign currencies

Transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the financial statements of overseas operations denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on such translation are dealt with as a movement in reserves.

Notes to the Financial Statements

Year ended 31st March, 2002

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Capitalisation of borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are 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. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Cash equivalents

Cash equivalents in the consolidated cash flow statement 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.

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.

2. TURNOVER AND REVENUE

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 14 to the financial statements.

Turnover and revenue recognised by category are analysed as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Sale of properties and property based investments	259,304,533	18,768,367
Sale of goods	31,337,962	43,939,860
Rental and property management fee income	14,640,843	17,229,506
Service income	1,147,798	6,347,387
Securities trading	924,880	26,501,414
Interest income	8,811,202	17,579,492
Dividend income from unlisted preference shares	1,853,445	—
	<u>318,020,663</u>	<u>130,366,026</u>

Notes to the Financial Statements

Year ended 31st March, 2002

3. OTHER INCOME

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Forfeiture of proceeds received from warrants upon their expiration	–	15,848,676
Gain on disposal of investment securities	857,047	–
Net exchange gain	676,443	377,161
Over-accrued construction costs written back	2,223,975	–
Profit on deemed disposal of shares in a subsidiary	–	20,703,994
Sundry income	3,190,595	2,066,686
	<u>6,948,060</u>	<u>38,996,517</u>

4. PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
This is stated after charging (crediting):		
(a) Finance costs		
Interest on:		
Bank loans, overdrafts and other borrowings wholly repayable within five years	57,987	8,598
Bank loans not wholly repayable within five years	13,102,184	24,679,784
Finance charges on obligations under finance leases	199,978	232,593
Loan from minority shareholder	2,469,105	3,572,337
	<u>15,829,254</u>	<u>28,493,312</u>
<i>Less:</i> Amount capitalised into properties held for/under development	<u>(2,469,105)</u>	<u>(3,572,337)</u>
	<u>13,360,149</u>	<u>24,920,975</u>

Notes to the Financial Statements

Year ended 31st March, 2002

4. PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION (Continued)

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
(b) Other items		
Auditors' remuneration	500,000	500,000
Cost of inventories sold	25,172,162	45,711,310
Cost of properties held for sale	4,631,559	18,479,252
Depreciation:		
Owned assets	3,372,899	4,092,810
Assets held under finance leases	186,275	1,129,374
Impairment loss on investment securities included in other operating expenses	–	5,679,357
Impairment loss on property, plant and equipment included in other operating expenses	–	1,926,167
Loss on deemed disposal of shares in an associate	–	6,789,629
Net realised and unrealised loss on other investments	1,372,741	20,820,169
Operating lease charges in respect of premises	1,926,081	2,607,449
Provision for doubtful debts	1,013,307	5,310,976
Staff costs	19,053,949	35,193,974
Write-down of inventories and properties held for sale to net realisable value	186,602	5,313,590
Gross rental income net of outgoings from operating leases on investment properties	(9,935,993)	(12,670,751)
(Profit) Loss on disposal of property, plant and equipment	(2,327,404)	1,543,039
Profit on disposal of investment properties	<u>(1,740,964)</u>	<u>–</u>

5. DIRECTORS' REMUNERATION

Remuneration of the Company's directors disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Fees	125,000	140,000
Basic salaries, housing allowances, other allowances and other benefits in kind	5,456,198	5,680,408
Contributions to pension schemes	269,052	269,052
	<u>5,850,250</u>	<u>6,089,460</u>

The amounts disclosed above include directors' fee of HK\$50,000 (2001: HK\$65,000) and other emoluments of HK\$120,000 (2001: HK\$120,000) payable to independent non-executive directors.

Notes to the Financial Statements

Year ended 31st March, 2002

5. DIRECTORS' REMUNERATION (Continued)

Emoluments of the directors are within the following bands:

	Number of directors	
	2002	2001
HK\$Nil – HK\$1,000,000	6	6
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	<u>2</u>	<u>2</u>

6. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Among the 5 individuals with the highest emoluments, all (2001: 3) are executive directors whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the 2 individuals in respect of year ended 31st March, 2001 disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is as follows:

	2002	2001
	HK\$	HK\$
Basic salaries, housing allowances, other allowances and other benefits in kind	–	1,740,352
Contributions to pension schemes	–	28,269
	<u>–</u>	<u>1,768,621</u>

The emoluments of the 2 individuals in respect of year ended 31st March, 2001 with the highest emoluments are within the following bands:

	Number of individuals	
	2002	2001
HK\$Nil – HK\$1,000,000	<u>–</u>	<u>2</u>

7. TAXATION

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the year is wholly absorbed by unrelieved tax losses brought forward from previous years.

Notes to the Financial Statements

Year ended 31st March, 2002

7. TAXATION (Continued)

PRC taxation has not been provided as the Group has estimated tax losses for the year.

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
The charges comprise:		
The PRC income tax	–	3,438,688
Share of associates' taxation	114,421	190,079
	<u>114,421</u>	<u>3,628,767</u>

The major components of deferred taxation not provided (credited) for the year are as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Increase (Reduction) in excess of tax allowances over depreciation	1,287,563	(325,413)
Tax losses arising	(7,312,182)	(8,878,322)
	<u>(6,024,619)</u>	<u>(9,203,735)</u>

8. NET PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net profit (loss) attributable to shareholders includes a profit of HK\$197,200,740 (2001: loss of HK\$44,825,116) which has been dealt with in the financial statements of the Company, and a profit of HK\$2,938,406 (2001: HK\$2,209,128) retained by the associates.

9. DIVIDENDS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
(a) Dividend attributable to the year		
Final dividend proposed after balance sheet date at HK\$0.01 (2001: HK\$0.01) per share	<u>10,244,397</u>	<u>10,244,397</u>
(b) Dividend attributable to the previous financial year, approved and paid during the year		
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.01 (2001: HK\$0.01) per share	<u>10,244,397</u>	<u>8,504,397</u>

Notes to the Financial Statements

Year ended 31st March, 2002

10. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share for the year ended 31st March, 2002 was based on the consolidated profit attributable to shareholders of HK\$8,800,269 (2001 (restated): loss of HK\$117,082,977) and on the weighted average number of 990,905,443 (2001: 852,724,224) shares.

The diluted earnings (loss) per share for both years is not shown as the potential shares are anti-dilutive.

The comparative amount of the basic loss per share have been adjusted for the effect of the prior year adjustment as disclosed in note 1 to the financial statements.

11. INVESTMENT PROPERTIES

	The Group	
	2002 HK\$	2001 HK\$
At beginning of year	516,100,000	516,100,000
Disposals	(33,700,000)	–
Revaluation deficit	(28,000,000)	–
At balance sheet date	454,400,000	516,100,000

The carrying value of investment properties held by the Group at the balance sheet date comprised:

	The Group	
	2002 HK\$	2001 HK\$
Long leases:		
In Hong Kong	452,000,000	480,000,000
Outside Hong Kong	2,400,000	36,100,000
	454,400,000	516,100,000

The investment properties situated in Hong Kong were revalued at the balance sheet date by BMI Appraisals Limited, independent Chartered Surveyors, on an open market value basis.

The investment properties situated outside Hong Kong were revalued at the balance sheet date by DTZ Debenham Tie Leung Limited, independent Chartered Surveyors, on an open market value basis.

Notes to the Financial Statements

Year ended 31st March, 2002

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings outside Hong Kong held on long leases <i>HK\$</i>	Plant, machinery and moulds <i>HK\$</i>	Furniture fixtures, and equipment <i>HK\$</i>	Motor vehicles and motor vessel under construction <i>HK\$</i>	Computer equipment <i>HK\$</i>	Total <i>HK\$</i>
The Group						
Cost or valuation						
At beginning of year	14,240,000	19,645,529	9,201,894	3,267,094	7,241,307	53,595,824
Additions	–	781,075	495,935	22,261,694	314,787	23,853,491
Disposals	(14,240,000)	–	(2,873,235)	(739,873)	(2,126,396)	(19,979,504)
At balance sheet date	–	20,426,604	6,824,594	24,788,915	5,429,698	57,469,811
Accumulated depreciation						
At beginning of year	–	15,699,305	3,813,636	2,201,243	5,204,437	26,918,621
Charge for the year	212,904	1,271,374	570,989	399,766	1,104,141	3,559,174
Revaluation	(212,904)	–	–	–	–	(212,904)
Eliminated on disposals	–	–	(1,160,141)	(739,873)	(2,345,118)	(4,245,132)
At balance sheet date	–	16,970,679	3,224,484	1,861,136	3,963,460	26,019,759
Net book value						
At balance sheet date	–	3,455,925	3,600,110	22,927,779	1,466,238	31,450,052
At beginning of year	14,240,000	3,946,224	5,388,258	1,065,851	2,036,870	26,677,203

Notes to the Financial Statements

Year ended 31st March, 2002

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of the Group's property, plant and equipment includes an amount of HK\$727,667 (2001: HK\$1,740,185) in respect of assets held under finance leases.

	Computer equipment
	<i>HK\$</i>
The Company	
Cost	
Additions and at balance sheet date	85,920
Accumulated depreciation	
Charge for the year and at balance sheet date	5,794
Net book value	
At balance sheet date	<u>80,126</u>
At beginning of year	<u>—</u>

13. PROPERTIES HELD FOR/UNDER DEVELOPMENT

	The Group	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Land and development cost	1,175,056,073	1,220,569,679
Interest capitalised	—	24,410,168
	<u>1,175,056,073</u>	<u>1,244,979,847</u>

The movement of properties held for/under development during the year is as follows:

	The Group	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
At beginning of year	1,244,979,847	1,241,259,975
Additions	5,024,189	15,100,806
Interest capitalised	2,469,105	3,572,337
Disposals	(77,417,068)	(14,953,271)
At balance sheet date	<u>1,175,056,073</u>	<u>1,244,979,847</u>

Notes to the Financial Statements

Year ended 31st March, 2002

13. PROPERTIES HELD FOR/UNDER DEVELOPMENT (Continued)

The properties held for/under development at the balance sheet date comprised:

	The Group	
	2002	2001
	HK\$	HK\$
Land outside Hong Kong:		
Long leases	972,923,730	1,042,847,504
Medium-term leases	202,132,343	202,132,343
	<u>1,175,056,073</u>	<u>1,244,979,847</u>

14. INTERESTS IN SUBSIDIARIES

	The Company	
	2002	2001
	HK\$	HK\$
Unlisted shares, at cost	150,036,546	150,036,546
Due from subsidiaries	<u>1,639,633,488</u>	<u>1,360,546,901</u>
	1,789,670,034	1,510,583,447
Provision	<u>(70,000,000)</u>	<u>(70,000,000)</u>
	<u>1,719,670,034</u>	<u>1,440,583,447</u>

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

Notes to the Financial Statements

Year ended 31st March, 2002

14. INTERESTS IN SUBSIDIARIES (Continued)

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 subsidiaries which principally affect the assets of the Group at the balance sheet date and the Group's financial results for the year then ended.

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of equity held by the Company		Principal activities
			Directly	Indirectly	
China Cyberworld Limited (formerly China Cyberworld (2000) Limited)	Hong Kong	HK\$2	100%	–	Investment holding
Chuang's China Commercial Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Chuang's China Enterprises Limited	Hong Kong	HK\$91,662,193	100%	–	Securities trading and investment holding
Chuang's China Realty Limited	Bermuda/ Hong Kong	HK\$100,000	100%	–	Investment holding
Chuang's China Treasury Limited	Cayman Islands/ Hong Kong	US\$1	100%	–	Investment holding
Chuang's Development (China) Limited	Hong Kong	HK\$20	–	100%	Property development and investment
Chuang's Development (Dong Guan) Limited	Hong Kong	HK\$2	–	100%	Investment holding
Chuang's Information Technology Limited	Hong Kong	HK\$100	–	100%	Investment holding
Distinguished Properties Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Double Wealthy Company Limited	Hong Kong	HK\$160	–	100%	Investment holding
Dragon Rich Investments Limited	Hong Kong	HK\$2	–	100%	Property investment

Notes to the Financial Statements

Year ended 31st March, 2002

14. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of equity held by the Company		Principal activities
			Directly	Indirectly	
Gold Throne Finance Limited	British Virgin Islands/ Hong Kong	US\$1	100%	–	Investment holding
Guangzhou Panyu Chuang's Real Estate Development Company Limited	The PRC	RMB60,000,000	–	85%	Property development and investment
Internet PRO Limited	Hong Kong	HK\$1,568,634	–	56%	e-commerce solution provider
iPro Technology Limited	British Virgin Islands/ Hong Kong	US\$1	–	100%	Investment holding
Koledo Company Limited	Hong Kong	HK\$400	–	100%	Property investment
On Profit Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Silver Chase Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Silver Dragon Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Success Gain Investment Limited	Hong Kong	HK\$2	–	100%	Property development and investment
Yuen Sang Hardware Company (1988) Limited	Hong Kong	HK\$1,000,000	–	100%	Manufacture and sale of watch components
Yuen Sang Watch and Clock Limited	Hong Kong	HK\$500,000	–	100%	Investment holding

Notes to the Financial Statements

Year ended 31st March, 2002

15. INTERESTS IN ASSOCIATES

	The Group	
	2002 HK\$	2001 HK\$
Share of net assets of associates:		
Listed in Hong Kong	39,854,798	45,620,679
Unlisted	4,702,200	6,323,614
	<u>44,556,998</u>	<u>51,944,293</u>
Due from associates	7,702,939	1,595,990
Provision for doubtful debts	(1,027,813)	(1,027,813)
	<u>6,675,126</u>	<u>568,177</u>
	<u><u>51,232,124</u></u>	<u><u>52,512,470</u></u>

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

Particulars of the principal associates are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Issued and fully paid capital	Percentage of issued capital held by the Group	Principal activities
Fujian Sunshine Education Information Company Limited	Unlisted corporate entity	The PRC	RMB7,000,000	48%	Educational information system network development
Midas International Holdings Limited (formerly Midas Printing Group Limited) ("Midas")	Listed corporate entity	Cayman Islands/ Hong Kong	365,290,068 ordinary shares of HK\$0.10 each 421,500,000 non-voting preference shares of HK\$0.01 each	16.43%	Commercial, magazine, book and packaging printing and property investments

Notes to the Financial Statements

Year ended 31st March, 2002

15. INTERESTS IN ASSOCIATES (Continued)

Name of associate	Form of business structure	Place of incorporation/ operation	Issued and fully paid capital	Percentage of issued capital held by the Group	Principal activities
Shanghai Yuen Sang Watch and Clock Limited	Unlisted corporate entity	The PRC	US\$700,000	50%	Manufacture of electronic watches
Treasure Auctioneer International Limited	Unlisted corporate entity	British Virgin Islands/ Hong Kong	US\$1,000,000	25%	Auction services

Details of the operating results and financial position of Midas based on the audited financial statements are as follows:

	2002 HK\$'000	2001 HK\$'000
Operating results for the year ended 31st December		
Turnover	<u>513,537</u>	<u>663,286</u>
Profit from ordinary activities before taxation	<u>28,628</u>	<u>28,549</u>
Profit from ordinary activities before taxation attributable to the Group	<u>4,704</u>	<u>4,484</u>
Financial position at 31st December		
Total non-current assets	567,418	217,620
Total current assets	286,290	352,829
Total current liabilities	(169,137)	(257,880)
Total non-current liabilities	(80,478)	(35,047)
Minority interests	<u>(46,057)</u>	<u>—</u>
Shareholders' funds	558,036	277,522
Preference shares and related share premium	<u>(252,900)</u>	<u>—</u>
	<u>305,136</u>	<u>277,522</u>
Amount attributable to the Group	<u>39,855</u>	<u>45,621</u>

Notes to the Financial Statements

Year ended 31st March, 2002

16. INTERESTS IN INVESTMENT SECURITIES

	The Group	
	2002 HK\$	2001 HK\$
At cost less provision:		
Preference shares, unlisted	252,900,000	–
Equity securities, unlisted	1,018,001	3,111,643
	<u>253,918,001</u>	<u>3,111,643</u>
Due from investee companies	6,280,785	4,427,340
	<u>260,198,786</u>	<u>7,538,983</u>

The preference shares were issued to the Group by Midas on 14th December, 2001. In accordance with a subscription agreement entered into between the Group and Midas on 29th October, 2001, the Group agreed to subscribe and Midas agreed to issue 84,000,000 series A preference shares and 337,500,000 series B preference shares at a subscription price of HK\$0.6 per share. Further details of the transaction have been described in note 33 to the financial statements.

The series A and B preference shares are non-voting, redeemable and entitled to a fixed cumulative preferential dividend payable semi-annually at a rate of 2.5% per annum on the issue price of HK\$0.6 of each preference share. Each of the series A preference share is convertible into two ordinary shares in Midas of HK\$0.1 each (“Conversion Shares”) at the options of the Group at any time during the five years’ period from the date of issue of the preference shares. The Conversion Shares shall, when issued, rank pari passu in all respects with the then existing ordinary shares of Midas. The series B preference shares have no option of conversion to ordinary shares of Midas. All the outstanding series A and B preference shares, except for those series A preference shares which have been converted into ordinary shares of Midas, are redeemable by Midas at any time up to the fifth anniversary from the date of issue at their outstanding subscription amount together with any unpaid dividend in cash. Any outstanding preference shares which have not been previously redeemed or converted on the fifth anniversary from the date of issue shall be redeemed by Midas at their outstanding subscription amount together with any unpaid dividend in cash.

Subsequent to the balance sheet date, the Group had converted 12,000,000 series A preference shares into 24,000,000 ordinary shares of HK\$0.1 each in Midas. As a result of the conversion, the Group’s shareholdings in Midas have been increased from 16.43% to 21.58%.

Notes to the Financial Statements

Year ended 31st March, 2002

17. OTHER INVESTMENTS

	The Group	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
At market value:		
Equity securities, listed in Hong Kong	394,500	1,031,000
Equity securities, listed outside Hong Kong	428,742	948,324
	<u>823,242</u>	<u>1,979,324</u>

18. INVENTORIES

	The Group	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Raw materials	1,953,558	2,182,011
Work-in-progress	1,521,640	1,216,914
Finished goods	1,820,862	2,470,274
	<u>5,296,060</u>	<u>5,869,199</u>

At the balance sheet date, the carrying amount of inventories that are stated at net realisable value, excluding those fully provided for with nil carrying value, are HK\$217,704 (2001: HK\$419,322).

19. PROPERTIES HELD FOR SALE

At balance sheet date, all the properties held for sale are stated at cost.

Last year, an amount of HK\$10,000,000 was carried at net realisable value. The amount of reversal of a write-down of properties held for sale to net realisable value, recognised in the consolidated income statement as a reduction of cost of properties sold during the year, was HK\$1,687,452 (2001: HK\$Nil). This reversal arose due to an increase in the estimated market value of the properties as a result of improved market condition.

Notes to the Financial Statements

Year ended 31st March, 2002

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Trade receivables	13,819,576	19,207,236	–	–
Other receivables				
Deposits, prepayments and other debtors	7,672,629	11,862,327	355,435	2,640,430
	<u>21,492,205</u>	<u>31,069,563</u>	<u>355,435</u>	<u>2,640,430</u>

The Group's credit terms on credit sales mainly range from 30 days to 90 days. The ageing analysis of the trade receivables at the balance sheet date is as follows:

	The Group	
	2002 HK\$	2001 HK\$
0 – 30 days	4,236,996	11,115,206
31 – 60 days	2,002,941	2,353,510
61 – 90 days	1,117,960	1,561,774
Over 90 days	6,461,679	4,176,746
	<u>13,819,576</u>	<u>19,207,236</u>

21. BANK BALANCES AND CASH

	The Group		The Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Bank balances and cash	6,947,131	28,620,988	544,514	1,216,462
Fixed deposits	223,726,391	264,673,563	197,447,864	239,691,003
	<u>230,673,522</u>	<u>293,294,551</u>	<u>197,992,378</u>	<u>240,907,465</u>

Notes to the Financial Statements

Year ended 31st March, 2002

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Trade payables	3,699,086	8,520,819	–	–
Other payables				
Accrued charges and other creditors	21,228,427	31,424,312	406,539	416,792
Deposits received and rental in advance	4,816,305	6,972,943	–	–
	<u>26,044,732</u>	<u>38,397,255</u>	<u>406,539</u>	<u>416,792</u>
	<u>29,743,818</u>	<u>46,918,074</u>	<u>406,539</u>	<u>416,792</u>

The ageing analysis of the trade payables as at the balance sheet date is as follows:

	The Group	
	2002 HK\$	2001 HK\$
0 – 30 days	2,345,237	3,749,398
31 – 60 days	611,878	999,487
61 – 90 days	485,182	488,468
Over 90 days	256,789	3,283,466
	<u>3,699,086</u>	<u>8,520,819</u>

Notes to the Financial Statements

Year ended 31st March, 2002

23. INTEREST-BEARING BORROWINGS

	The Group	
	2002 HK\$	2001 HK\$
Bank loan, secured (<i>Note 23a</i>)	255,000,000	283,000,000
Obligations under finance leases (<i>Note 23b</i>)	274,633	2,026,184
	<u>255,274,633</u>	<u>285,026,184</u>
Current portion	5,131,824	4,751,550
Non-current portion	250,142,809	280,274,634
	<u>255,274,633</u>	<u>285,026,184</u>

(a) Bank loan

The bank loan is secured by all assets, including investment properties, and shares of a subsidiary. The maturity of the bank loan is as follows:

	The Group	
	2002 HK\$	2001 HK\$
Bank loan:		
Within one year	5,000,000	3,000,000
After one year but within two years	5,000,000	5,000,000
After two years but within five years	20,000,000	17,000,000
After five years	225,000,000	258,000,000
	<u>255,000,000</u>	<u>283,000,000</u>

Notes to the Financial Statements

Year ended 31st March, 2002

23. INTEREST-BEARING BORROWINGS (Continued)

(b) Obligations under finance leases

The obligations under finance leases are repayable as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Within one year	157,560	1,951,528	131,824	1,751,550
After one year but within two years	157,560	157,560	131,824	131,824
After two years but within five years	13,130	170,690	10,985	142,810
	<u>328,250</u>	<u>2,279,778</u>	<u>274,633</u>	<u>2,026,184</u>
Future finance charges	(53,617)	(253,594)	–	–
Present value of lease obligations	<u>274,633</u>	<u>2,026,184</u>	<u>274,633</u>	<u>2,026,184</u>

24. PROVISIONS

The Group

	Undertakings in respect of		
	Rental income	Construction cost	The PRC tax liability of Midas
	HK\$	HK\$	HK\$
Provisions made during the year	2,127,742	41,718,000	30,994,000
Reversal of overprovision	–	(10,608,000)	–
Amount paid	(187,742)	(9,800,000)	–
At balance sheet date	1,940,000	21,310,000	30,994,000
<i>Less:</i> Amount included in current liabilities	(1,940,000)	(21,310,000)	–
Non-current portion	<u>–</u>	<u>–</u>	<u>30,994,000</u>

Notes to the Financial Statements

Year ended 31st March, 2002

24. PROVISIONS (Continued)

The Company

	Undertakings in respect of rental income
	<i>HK\$</i>
Provisions made during the year	2,127,742
Amount paid	<u>(187,742)</u>
At balance sheet date	1,940,000
<i>Less:</i> Amount included in current liabilities	<u>(1,940,000)</u>
Non-current portion	<u><u>—</u></u>

In connection with the Acquisition Agreement as described in note 33 to the financial statements, the Group has given an undertaking in favour of Midas that in the event the annual rental income of certain of the investment properties acquired by Midas for each of the two years after the date of completion of the Acquisition Agreement shall be less than HK\$3,880,000, the Group will indemnify Midas for an amount of the shortfall on a dollar for dollar basis.

In addition, the Group has undertaken in favour of Midas to bear 51% share of all the construction costs up to the completion of the construction works of the property under development sold to Midas under the Acquisition Agreement.

The Group has also executed a deed of indemnity dated 14th December, 2001 in favour of Midas pursuant to which the Group agreed to bear that portion of the PRC land appreciation and enterprise income taxes, that may arise upon subsequent disposal of the properties by Midas, attributable to the excess of the consideration to be paid by Midas under the Acquisition Agreement over the carrying value of the properties immediately before completion of the Acquisition Agreement.

The provision for the undertakings represents management's best estimate of the Group's and the Company's liability in relation to the above mentioned arrangements.

Notes to the Financial Statements

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25. MINORITY INTERESTS

	The Group	
	2002 HK\$	2001 HK\$
Equity interests:		
Third parties	94,526,295	105,635,284
Related company	(1,669,857)	(1,579,033)
	<u>92,856,438</u>	<u>104,056,251</u>
Due to minority shareholders:		
Third parties	6,075,129	36,575,541
Related company	1,800,000	1,800,000
	<u>7,875,129</u>	<u>38,375,541</u>
	<u><u>100,731,567</u></u>	<u><u>142,431,792</u></u>

The related company is owned and controlled by two directors of the ultimate holding company of the Company.

The amounts due to minority shareholders are unsecured, interest-free and have no fixed repayment terms. Last year, the amounts due to minority shareholders were unsecured, interest-free and had no fixed repayment terms except for an amount of HK\$30,500,413 which carried interest at 1% per month and was repayable after 3 years from date of advance or 31st December, 2002, whichever was later.

26. ISSUED CAPITAL

	2002		2001	
	No. of shares	HK\$	No. of shares	HK\$
<i>Authorised:</i>				
At beginning of year and at balance sheet date , at HK\$0.05 (2001: HK\$0.05) each	18,000,000,000	900,000,000	18,000,000,000	900,000,000
<i>Issued and fully paid:</i>				
At beginning of year	854,439,690	42,721,985	848,254,690	42,412,735
Issue of shares	170,000,000	8,500,000	–	–
Exercise of warrants	–	–	6,185,000	309,250
At balance sheet date	<u><u>1,024,439,690</u></u>	<u><u>51,221,985</u></u>	<u><u>854,439,690</u></u>	<u><u>42,721,985</u></u>

Notes to the Financial Statements

Year ended 31st March, 2002

26. ISSUED CAPITAL (Continued)

On 12th June, 2001, a wholly-owned subsidiary of the Company's ultimate holding company ("fellow subsidiary") entered into a placing agreement with First Shanghai Capital Limited ("First Shanghai") pursuant to which the fellow subsidiary agreed to place 100,000,000 existing shares of HK\$0.05 each of the Company through First Shanghai to independent professional, institutional and other investors at a price of HK\$0.27 per share. The fellow subsidiary also entered into a subscription agreement on the same date with the Company to subscribe for 170,000,000 new shares of HK\$0.05 each of the Company also at a price of HK\$0.27 per share. The subscription of new shares was completed on 22nd June, 2001. The net proceeds of approximately HK\$45,000,000 from the share subscription were used as general working capital of the Group.

27. SHARE OPTIONS

The Company had the following share options in issue during the year and as at the balance sheet date.

	Shares issuable
At 1st April, 2000, 31st March, 2001 and 31st March, 2002	<u>39,000,000</u>

A share option scheme was approved and adopted at the annual general meeting held on 14th September, 1999 with effect from 29th November, 1999. The Company granted options on 9th December, 1999 to certain directors and consultants of the Company to subscribe for 60,000,000 shares in the Company at an exercise price of HK\$0.5872 per share, subject to adjustment. The share options are exercisable within a period effective from their first exercisable date of 1st January, 2000 to 31st December, 2002. No share options were exercised during the years ended 31st March, 2001 and 2002.

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28. RESERVES

The Group

	Capital reserve	Share premium	Contributed surplus	Assets revaluation reserve		Capital reserve on con- solidation	Exchange reserve	Retained profits	Statutory reserve	Total
				Investment properties	Other properties					
	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS
At 1st April, 2000										
– as previously reported	474,812,440	1,065,478,105	19,861,121	7,254,232	7,070,367	49,188,381	(2,444,821)	159,193,132	2,361,083	1,782,774,040
– prior year adjustment in respect of dividend proposed	–	–	8,504,397	–	–	–	–	–	–	8,504,397
– as restated	474,812,440	1,065,478,105	28,365,518	7,254,232	7,070,367	49,188,381	(2,444,821)	159,193,132	2,361,083	1,791,278,437
Dividend approved in respect of previous year	–	–	(8,504,397)	–	–	–	–	–	–	(8,504,397)
Expiry of warrants	(15,848,676)	–	–	–	–	–	–	–	–	(15,848,676)
Exercise of warrants	(1,171,206)	3,335,956	–	–	–	–	–	–	–	2,164,750
Dividends underprovided in 2000	–	–	(40,000)	–	–	–	–	–	–	(40,000)
Appropriation to reserve	–	–	–	–	–	–	–	(878,808)	878,808	–
Surplus on revaluation	–	–	–	–	269,446	–	–	–	–	269,446
Share of exchange reserve of foreign subsidiaries	–	–	–	–	–	–	(2,381,283)	–	–	(2,381,283)
Others	–	–	–	–	–	(89,147)	–	–	–	(89,147)
Goodwill released on deemed disposal of shares in an associate	–	–	–	–	–	3,608,166	–	–	–	3,608,166
Share of reserves of associates	–	–	–	–	–	541,370	–	–	–	541,370
Prior year adjustment in respect of provision for impairment loss of goodwill	–	–	–	–	–	73,053,180	–	–	–	73,053,180
Loss for the year, as restated	–	–	–	–	–	–	–	(117,082,977)	–	(117,082,977)
At 31st March, 2001	<u>457,792,558</u>	<u>1,068,814,061</u>	<u>19,821,121</u>	<u>7,254,232</u>	<u>7,339,813</u>	<u>126,301,950</u>	<u>(4,826,104)</u>	<u>41,231,347</u>	<u>3,239,891</u>	<u>1,726,968,869</u>
Representing:										
At 31st March, 2001										
after proposed final dividend										1,716,724,472
2001 final dividend proposed										<u>10,244,397</u>
At 31st March, 2001										<u>1,726,968,869</u>
Company and subsidiaries	457,792,558	1,068,814,061	19,821,121	7,254,232	7,339,813	125,760,580	(3,945,807)	37,645,468	3,239,891	1,723,721,917
Associates	–	–	–	–	–	541,370	(880,297)	3,585,879	–	3,246,952
	<u>457,792,558</u>	<u>1,068,814,061</u>	<u>19,821,121</u>	<u>7,254,232</u>	<u>7,339,813</u>	<u>126,301,950</u>	<u>(4,826,104)</u>	<u>41,231,347</u>	<u>3,239,891</u>	<u>1,726,968,869</u>

Notes to the Financial Statements

Year ended 31st March, 2002

28. RESERVES (Continued)

The Group

	Capital reserve	Share premium	Contributed surplus	Assets revaluation reserve		Capital reserve on con- solidation	Exchange reserve	Retained profits	Statutory reserve	Total
				Investment properties	Other properties					
	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS
At 1st April, 2001	457,792,558	1,068,814,061	9,576,724	7,254,232	7,339,813	53,248,770	(4,826,104)	114,284,527	3,239,891	1,716,724,472
– as previously reported										
– prior year adjustment in respect of provision for impairment loss of goodwill	–	–	–	–	–	73,053,180	–	(73,053,180)	–	–
– prior year adjustment in respect of dividend proposed	–	–	10,244,397	–	–	–	–	–	–	10,244,397
– as restated	457,792,558	1,068,814,061	19,821,121	7,254,232	7,339,813	126,301,950	(4,826,104)	41,231,347	3,239,891	1,726,968,869
Dividend approved in respect of previous year	–	–	(10,244,397)	–	–	–	–	–	–	(10,244,397)
Premium arising from issue of shares	–	36,580,541	–	–	–	–	–	–	–	36,580,541
Appropriation of reserve	–	–	–	–	–	–	–	(17,103)	17,103	–
Surplus on revaluation	–	–	–	–	196,412	–	–	–	–	196,412
Release on disposal of properties and property based investments	–	–	–	(7,254,232)	(7,536,225)	–	1,144,561	–	–	(13,645,896)
Others	–	–	–	–	–	89,147	–	–	–	89,147
Share of reserves of associates	–	–	–	–	–	(46,661)	–	–	–	(46,661)
Exchange differences on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	–	13,961	–	–	13,961
Profit for the year	–	–	–	–	–	–	–	8,800,269	–	8,800,269
At 31st March, 2002	457,792,558	1,105,394,602	9,576,724	–	–	126,344,436	(3,667,582)	50,014,513	3,256,994	1,748,712,245
Representing:										
At 31st March, 2002										
– after proposed final dividend										1,738,467,848
2002 final dividend proposed										10,244,397
At 31st March, 2002										1,748,712,245
Company and subsidiaries	457,792,558	1,105,394,602	9,576,724	–	–	125,849,727	(2,787,285)	43,490,228	3,256,994	1,742,573,548
Associates	–	–	–	–	–	494,709	(880,297)	6,524,285	–	6,138,697
	457,792,558	1,105,394,602	9,576,724	–	–	126,344,436	(3,667,582)	50,014,513	3,256,994	1,748,712,245

Notes to the Financial Statements

Year ended 31st March, 2002

28. RESERVES (Continued)

The Company

	Capital reserve <i>HK\$</i>	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st April, 2000					
– as previously reported	474,812,440	1,065,478,105	52,238,506	107,012,556	1,699,541,607
– prior year adjustment in respect of dividend proposed	–	–	8,504,397	–	8,504,397
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
– as restated	474,812,440	1,065,478,105	60,742,903	107,012,556	1,708,046,004
Dividend approved in respect of previous year	–	–	(8,504,397)	–	(8,504,397)
Expiry of warrants	(15,848,676)	–	–	–	(15,848,676)
Exercise of warrants	(1,171,206)	3,335,956	–	–	2,164,750
Dividends unprovided in 2000	–	–	(40,000)	–	(40,000)
Loss for the year	–	–	–	(44,825,116)	(44,825,116)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	<u>457,792,558</u>	<u>1,068,814,061</u>	<u>52,198,506</u>	<u>62,187,440</u>	<u>1,640,992,565</u>
Representing:					
At 31st March, 2001 after proposed final dividend					1,630,748,168
2001 final dividend proposed					<u>10,244,397</u>
At 31st March, 2001					<u>1,640,992,565</u>
At 1st April, 2001					
– as previously reported	457,792,558	1,068,814,061	41,954,109	62,187,440	1,630,748,168
– prior year adjustment in respect of dividend proposed	–	–	10,244,397	–	10,244,397
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
– as restated	457,792,558	1,068,814,061	52,198,506	62,187,440	1,640,992,565
Dividend approved in respect of previous year	–	–	(10,244,397)	–	(10,244,397)
Premium arising from issue of shares	–	36,580,541	–	–	36,580,541
Profit for the year	–	–	–	197,200,740	197,200,740
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2002	<u>457,792,558</u>	<u>1,105,394,602</u>	<u>41,954,109</u>	<u>259,388,180</u>	<u>1,864,529,449</u>
Representing:					
At 31st March, 2002 after proposed final dividend					1,854,285,052
2002 final dividend proposed					<u>10,244,397</u>
At 31st March, 2002					<u>1,864,529,449</u>

Notes to the Financial Statements

Year ended 31st March, 2002

28. RESERVES (Continued)

At the balance sheet date, the Company's reserves available for distribution to shareholders represent its retained profits of HK\$259,388,180 (2001: HK\$62,187,440) and contributed surplus of HK\$41,954,109 (2001 (restated): HK\$52,198,506). The contributed surplus arising on the formation of the Company in 1989 is distributable to shareholders under the Companies Act 1981 of Bermuda. In addition, the Company's share premium account may be distributed in the form of fully-paid bonus shares.

Statutory reserve of the Group represents Enterprise Expansion Fund and General Reserve Fund set aside by subsidiaries in accordance with the relevant laws and regulations in the PRC.

29. DEFERRED TAXATION

Properties held for/under development (the "PUD") have been included in the consolidated financial statements at their fair value as at the date of acquisition of the respective subsidiaries by the Group and are higher than the carrying value in the books of the respective subsidiaries. The present intention of the Group is to fully develop all of the PUD and, on this basis, the statement of the PUD at their fair value does not constitute a timing difference for PRC land appreciation tax purposes because of various deductions. The estimated potential income tax liabilities upon the disposal of all the PUD at completion is HK\$241 million (2001: HK\$241 million), net of minority interests. No provision for such income tax liabilities has been made as the Group currently has no plan to dispose of the PUD after their completion.

In addition, other major components of the deferred taxation liabilities (assets) unprovided at the balance sheet date are as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Excess of tax allowances over depreciation	1,693,067	405,504
Tax losses carried forward	(41,901,000)	(34,588,818)
	<u>(40,207,933)</u>	<u>(34,183,314)</u>

Notes to the Financial Statements

Year ended 31st March, 2002

30. RECONCILIATION OF PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 HK\$	2001 HK\$
Profit (Loss) from ordinary activities before taxation	8,346,210	(125,243,948)
Interest income	(8,811,202)	(17,579,492)
Interest expenses	13,360,149	24,920,975
Dividend income from unlisted preference shares	(1,853,445)	–
Depreciation	3,559,174	5,222,184
Impairment loss on property, plant and equipment	–	1,926,167
Revaluation deficit on investment property	28,000,000	–
Provision for impairment loss of goodwill	–	73,053,180
Loss on disposal of property, plant and equipment	1,385,464	1,543,039
Loss on deemed disposal of shares in an associate	–	6,789,629
Provision for doubtful debts on amount due from an associate	–	1,027,813
Profit attributable from associates	(3,052,827)	(2,399,207)
Gain on disposal of properties and property based investments	(52,979,065)	–
Profit on deemed disposal of shares in a subsidiary	–	(20,703,994)
Gain on disposal of investment securities	(857,047)	–
Impairment loss on investment securities	–	5,679,357
Forfeiture of proceeds received from warrants upon their expiration	–	(15,848,676)
Changes in working capital:		
Other investments	1,156,082	1,245,676
Inventories	347,855	3,072,266
Properties held for sale	4,559,503	5,210,408
Trade and other receivables	(313,270)	38,144,318
Trade and other payables	(19,148,101)	(7,406,543)
Provisions	(7,860,000)	–
Effects of exchange rate changes	12,213	(2,381,283)
Net cash outflow from operating activities	<u>(34,148,307)</u>	<u>(23,728,131)</u>

31. MAJOR NON-CASH TRANSACTIONS

On 14th December, 2001, the Group disposed of certain properties and property based investments to Midas for a consideration of HK\$252,900,000. On the same date, the Group agreed to subscribe for the preference shares in Midas. Further details of the disposal and the preference shares issued have been described in notes 33 and 16 to the financial statements.

Notes to the Financial Statements

Year ended 31st March, 2002

32. ANALYSIS OF CHANGES IN FINANCING

	Issued capital and share premium	Interest- bearing borrowings	Capital reserve	Minority interests
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st April, 2000	1,107,890,840	286,000,000	474,812,440	137,082,612
Cash inflow (outflow) from financing	2,474,000	(5,138,597)	–	41,508,062
Exercise of warrants	1,171,206	–	(1,171,206)	–
Inception of new obligations under finance leases	–	439,414	–	–
Transferred from trade and other payables	–	3,725,367	–	–
Expiry of warrants	–	–	(15,848,676)	–
Share of loss for the year	–	–	–	(11,789,738)
Dividend paid to minority shareholders	–	–	–	(7,290,514)
Profit on deemed disposal of shares in a subsidiary	–	–	–	(20,703,994)
Purchase of further interests of a subsidiary	–	–	–	(71,645)
Interest capitalised into properties held for/under development	–	–	–	3,572,337
Goodwill on deemed disposal of shares in a subsidiary	–	–	–	88,800
Share of revaluation reserve	–	–	–	35,872
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	1,111,536,046	285,026,184	457,792,558	142,431,792
Cash inflow (outflow) from financing	45,080,541	(29,751,551)	–	4,470,014
Share of loss for the year	–	–	–	(568,480)
Interest capitalised into properties held for/under development	–	–	–	2,469,105
Share of exchange reserve	–	–	–	(1,748)
Disposals of property based investments	–	–	–	(48,085,608)
Share of revaluation reserve	–	–	–	16,492
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2002	<u>1,156,616,587</u>	<u>255,274,633</u>	<u>457,792,558</u>	<u>100,731,567</u>

Notes to the Financial Statements

Year ended 31st March, 2002

33. RELATED PARTY TRANSACTIONS

In additions to the transactions disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties.

- (a) Pursuant to an agreement (“Acquisition Agreement”) entered into between the Group and Midas on 29th October, 2001, Midas agreed to acquire the entire issued share capital of, and the shareholder’s loan to, AsianWisdom.Com Limited (“AsianWisdom”) for an aggregate consideration of HK\$252,900,000. On the same date, the Group also entered into a subscription agreement (“Subscription Agreement”) with Midas pursuant to which the proceeds under the Acquisition Agreement had been utilised by the Group to subscribe for the preference shares of Midas at an issue price of HK\$0.60 each. The completion of the Acquisition Agreement and Subscription Agreement took place on 14th December, 2001.

Prior to the completion of the Acquisition Agreement, AsianWisdom was a wholly-owned subsidiary of the Group and had not carried on business since the date of its incorporation save for the acquisition of certain properties and property based investments from other fellow subsidiaries. A profit on disposal of HK\$52,979,065 arose upon the disposal of AsianWisdom, being the proceeds of disposal less the carrying amount of its net assets and other direct costs relating to the disposals.

- (b) Under the terms of the Acquisition Agreement, the Group agreed to indemnify Midas against any loss arising from claim for taxation in relation to the acquisition of properties and property based investments as a consequence of events occurring on or before the completion of the Acquisition Agreement.
- (c) Through the completion of the Acquisition Agreement, Midas leased certain properties to a wholly-owned subsidiary of the Group at an aggregate annual rental of approximately HK\$1,067,000 which is based on market rate of similar properties. The lease agreement is for a duration of 2 years expiring on 31st March, 2003 with an option to renew for an additional term of 2 years. Rent paid by the subsidiary of the Group under this agreement for the year was approximately HK\$316,000.
- (d) The Group made the following advances to its non-wholly owned subsidiaries for working capital purposes:—
- (i) advance to Chengdu Chuang’s Centre Development Company Limited, a 51% subsidiary of the Group, which amounted to HK\$32,484,518 during the year. On 14th December, 2001, the Group disposed of its entire 51% interests in this company pursuant to the Acquisition Agreement;
- (ii) advance to Guangzhou Panyu Chuang’s Real Estate Development Company Limited, a 85% subsidiary of the Group, which amounted to HK\$9,637,788 as at 31st March, 2002. The advance is unsecured, interest-free and has no fixed terms of repayment; and
- (iii) advance to Edenbiz Limited, a company owned as to 60% by the Group. The remaining 40% interests are owned by two directors of the ultimate holding company of the Company. Such advance amounted to HK\$2,365,153 as at 31st March, 2002 and was provided in proportion to the Group’s equity interests in such company. The advance is unsecured, interest-free and has no fixed terms of repayment.

Notes to the Financial Statements

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34. CONTINGENT LIABILITIES

At the balance sheet date, guarantees amounting to HK\$3,732,143 (2001: HK\$2,097,621) were given by a subsidiary to a bank for mortgage loans made by the bank to the purchasers of properties sold by the subsidiary.

35. COMMITMENTS

(a) Capital expenditure commitments

At the balance sheet date, the Group had capital expenditure commitments contracted but not provided for (net of deposits paid) amounting to HK\$10,420,440 (2001: HK\$10,980,774).

(b) Operating leases commitments payable

At the balance sheet date, the Group had total outstanding commitments in respect of land and buildings under non-cancellable operating leases, which are payable as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Within one year	570,545	674,574
In the second to fifth year inclusive	1,643,675	1,700,225
	<u>2,214,220</u>	<u>2,374,799</u>

(c) Operating leases commitments receivables

At the balance sheet date, the Group had future aggregate minimum rental receivable under non-cancellable operating lease as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Within one year	10,335,265	10,748,605
In the second to fifth year inclusive	7,631,453	3,487,045
	<u>17,966,718</u>	<u>14,235,650</u>

At the balance sheet date, the Group leased its investment properties to third parties under operating leases. The leases usually run for two to three years.

Notes to the Financial Statements

Year ended 31st March, 2002

36. SEGMENT INFORMATION

The analysis of the Group's turnover and contribution to profit (loss) from operations are as follows:

(a) By business segments

	Property	Manufacturing	Information	Securities	Inter-	Unallocated	Consolidated
	HK\$	HK\$	technology	trading	segment	HK\$	total
	HK\$	HK\$	HK\$	HK\$	elimination	HK\$	HK\$
Year ended 31st March, 2002							
External sales	273,945,376	30,658,370	1,827,390	924,880	–	10,664,647	318,020,663
Inter-segment sales	613,147	–	–	–	(613,147)	–	–
Total revenue	274,558,523	30,658,370	1,827,390	924,880	(613,147)	10,664,647	318,020,663
Contribution to profit (loss) from operations	29,149,551	1,269,800	(3,696,282)	(231,202)	–	(7,838,335)	18,653,532
Finance costs							(13,360,149)
Share of results of associates		4,407,203	(1,354,376)				3,052,827
Profit from ordinary activities before taxation							8,346,210
Taxation							(114,421)
Profit from ordinary activities after taxation							8,231,789
Minority interests							568,480
Net profit attributable to shareholders							8,800,269
OTHER INFORMATION							
Capital expenditures	7,500,584	1,059,332	392,927	–	–	22,393,942	31,346,785
Depreciation and amortisation	1,272,239	678,439	929,998	–	–	678,498	3,559,174
Other non-cash expenses other than depreciation and amortisation	28,957,901	278,078	1,444,787	636,500	–	1,141,538	32,458,804

Notes to the Financial Statements

Year ended 31st March, 2002

36. SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

	Property	Manufacturing	Information	Securities	Inter-	Unallocated	Consolidated
	HK\$	HK\$	technology	trading	segment	HK\$	total
			HK\$	HK\$	elimination		HK\$
					HK\$		
Year ended 31st March, 2001							
External sales	35,997,873	40,074,054	10,213,193	26,501,414	–	17,579,492	130,366,026
Inter-segment sales	1,103,180	–	–	–	(1,103,180)	–	–
Total revenue	<u>37,101,053</u>	<u>40,074,054</u>	<u>10,213,193</u>	<u>26,501,414</u>	<u>(1,103,180)</u>	<u>17,579,492</u>	<u>130,366,026</u>
Contribution to profit (loss)							
from operations	<u>1,032,088</u>	<u>2,799,756</u>	<u>(108,397,953)</u>	<u>(20,820,169)</u>	<u>–</u>	<u>22,664,098</u>	<u>(102,722,180)</u>
Finance costs							(24,920,975)
Share of results of associates		4,280,611	(1,881,404)				<u>2,399,207</u>
Loss from ordinary activities before taxation							(125,243,948)
Taxation							<u>(3,628,767)</u>
Loss from ordinary activities after taxation							(128,872,715)
Minority interests							<u>11,789,738</u>
Net loss attributable to shareholders							<u>(117,082,977)</u>
OTHER INFORMATION							
Capital expenditures	18,735,525	2,011,570	3,786,021	–	–	3,974,419	28,507,535
Depreciation and amortisation	1,956,631	574,219	2,062,942	–	–	628,392	5,222,184
Impairment loss	–	–	73,053,180	–	–	–	73,053,180
Other non-cash expenses other than depreciation and amortisation	<u>1,687,452</u>	<u>570,633</u>	<u>7,086,957</u>	<u>15,996,647</u>	<u>–</u>	<u>–</u>	<u>25,341,689</u>

Notes to the Financial Statements

Year ended 31st March, 2002

36. SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

	Property HK\$	Manufacturing HK\$	Information technology HK\$	Securities trading HK\$	Consolidated total HK\$
As at 31st March, 2002					
Assets					
Segment assets	1,667,412,124	13,696,060	3,742,527	823,242	1,685,673,953
Interests in associates		48,903,005	2,329,119		51,232,124
Unallocated assets					518,457,320
Total assets					<u>2,255,363,397</u>
Liabilities					
Segment liabilities	91,346,722	5,161,684	515,309	–	97,023,715
Unallocated liabilities					257,673,885
Total liabilities					<u>354,697,600</u>
As at 31st March, 2001					
Assets					
Segment assets	1,875,524,229	15,254,921	7,242,363	1,979,324	1,900,000,837
Interests in associates		48,828,975	3,683,495		52,512,470
Unallocated assets					309,940,142
Total assets					<u>2,262,453,449</u>
Liabilities					
Segment liabilities	52,525,881	6,826,157	3,313,095	–	62,665,133
Unallocated liabilities					287,665,670
Total liabilities					<u>350,330,803</u>

Notes to the Financial Statements

Year ended 31st March, 2002

36. SEGMENT INFORMATION (Continued)

(b) By geographical segments

Segment revenue and contribution to profit (loss) from operations is based on the geographical location of customers while segment assets and capital expenditure are based on the geographical location of assets.

	Year ended 31st March, 2002			
	Carrying amount segment assets <i>HK\$</i>	Capital expenditure incurred <i>HK\$</i>	Revenue from external customers <i>HK\$</i>	Contribution to profit from operations <i>HK\$</i>
Hong Kong	977,311,311	1,263,217	303,561,464	14,347,385
The PRC	1,256,620,046	8,915,108	9,123,262	3,227,767
Others	21,432,040	21,168,460	5,335,937	1,078,380
	<u>2,255,363,397</u>	<u>31,346,785</u>	<u>318,020,663</u>	<u>18,653,532</u>
	Year ended 31st March, 2001			
	Carrying amount of segment assets <i>HK\$</i>	Capital expenditure incurred <i>HK\$</i>	Revenue from external customers <i>HK\$</i>	Contribution to profit (loss) from operations <i>HK\$</i>
Hong Kong	808,585,845	7,625,795	100,758,527	(97,833,814)
The PRC	1,453,152,674	20,881,740	22,759,224	(6,322,724)
Others	714,930	–	6,848,275	1,434,358
	<u>2,262,453,449</u>	<u>28,507,535</u>	<u>130,366,026</u>	<u>(102,722,180)</u>

37. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company is Chuang's Consortium International Limited, a company incorporated in Bermuda and listed in Hong Kong.

38. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.