

Notes to the Financial Statements

For the year ended 31 March 2002

1. GENERAL

The Company was incorporated in Hong Kong on 9 February 2000 under the Companies Ordinance as a company limited by shares. Pursuant to a scheme of arrangement (“Scheme of Arrangement”), the Company and Burlingame International Company Limited (“Burlingame”), whose shares were previously listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company issued one new share in exchange for one Burlingame’s share for the entire issued share capital of Burlingame and thereby became the holding company of Burlingame on 29 August 2000. The shares of the Company were then listed on the Stock Exchange with effect from 31 August 2000.

Details of the Scheme of Arrangement are set out in the document issued by the Company and Burlingame dated 27 July 2000.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 46.

2. BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL STATEMENTS

The Company and its subsidiaries (the “Group”) resulting from the Scheme of Arrangement is regarded as a continuing entity. Accordingly, in accordance with Statement of Standard Accounting Practice 27 “Accounting for Group Reconstructions”, the financial statements of the Group have been prepared using merger accounting as if the Company had always been the holding company of the Burlingame and the current group structure had been in existence throughout the period.

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. Adoption of these SSAP(s) has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised SSAP(s) have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAP(s) has resulted in the following changes to the Group’s accounting policies and have affected the amounts reported for the current or prior periods.

For the year ended 31 March 2002

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended 31 March 2001 have been amended so that they are presented on a consistent basis.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

The results of subsidiaries and associates 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its useful economic life.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

For the year ended 31 March 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in securities

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

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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 carried at cost plus its share of post-acquisition reserves of the associates, less any identified impairment loss.

For the year ended 31 March 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Rental income, including rentals invoiced in advance, from properties under operating leases is recognised on a straight line basis over the term of the relevant lease.

Servicing income and management fee income are recognised when services are provided.

Commission and brokerage are recognised on a trade date basis when the service is provided.

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

Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost or valuation less depreciation and accumulated impairment losses, if any.

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

Properties under development are stated at cost, less any impairment loss. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost or valuation 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:

Properties under development	Nil
Leasehold land	Over the terms of the leases
Buildings	Over the estimated useful lives of 50 years or over the terms of the leases, if less than 50 years
Furniture and fixtures	15%
Equipment, motor vehicle and others	20%

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.

For the year ended 31 March 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Asset held under a finance lease is depreciated over its expected useful life on the same basis as owned assets.

Impairment

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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment properties

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

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any revaluation increase or decrease 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement.

Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of investment properties, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

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

For the year ended 31 March 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other non-current assets

Other non-current assets are stated at cost, less any identified impairment losses.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost 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. Borrowing cost capitalised in respect of the property development projects of associates was amortised on a straight-line basis over 27 years.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties held for sale

Properties held for sale comprise land cost, construction costs, interest and other finance charges incurred to date, net of costs transferred to costs of sales matched with revenue recognised to date, less provision for foreseeable losses, if any.

Assets held under finance 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, 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 lease or contract so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

For the year ended 31 March 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated 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 the Group's overseas subsidiaries and associates which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are dealt with in reserves and are recognised as incomes or as expenses in the period in which the operation is disposed of.

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 expenses in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the 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.

Retirement benefits scheme

The retirement benefit costs charged in the income statement represents the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

5. TURNOVER

Turnover represents the amount received and receivable for property rental, management fee, interest income and commission income generated from securities and commodities broking business for the year, and is analysed as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Property rental and management fee	20,181	25,928
Commission income	46,370	–
Interest income from margin clients	7,517	–
	74,068	25,928

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into four operating divisions, namely property development, hotel and clubhouse investment, securities and commodities broking business and infrastructure and environmental protection investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- | | |
|--|--|
| Property development | – leasing of rental property and property development for resale |
| Hotel and clubhouse investment | – construction of a private clubhouse and hotel |
| Securities and commodities broking | – provision of financial services |
| Infrastructure and environmental protection investment | – development of environmental protection operation |

Segment information about these businesses is presented below:

	Property development <i>HK\$'000</i>	Hotel and clubhouse investment <i>HK\$'000</i>	Securities and commodities broking <i>HK\$'000</i>	Infrastructure and environmental protection investment <i>HK\$'000</i>	Consolidation total <i>HK\$'000</i>
2002					
TURNOVER					
External sales	20,181	–	53,887	–	74,068
RESULTS					
Segment results	41,229	(15,005)	13,316	(1,519)	38,021
Interest income					3,072
Unallocated corporate expenses					(33,341)
Profit from operations					7,752
Gain on disposal of subsidiaries	149,163	–	–	–	149,163
Finance costs					(20,240)
Share of results of associates	18,086	–	–	(37)	18,049
Profit before taxation					154,724
Taxation					(1,683)
Profit before minority interests					153,041

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

	Property development <i>HK\$'000</i>	Hotel and clubhouse investment <i>HK\$'000</i>	Securities and commodities broking <i>HK\$'000</i>	Infrastructure and environmental protection investment <i>HK\$'000</i>	Consolidation total <i>HK\$'000</i>
2001					
TURNOVER					
External sales	25,928	–	–	–	25,928
RESULTS					
Segment results	30,534	–	–	–	30,534
Interest income					1,881
Unallocated corporate expenses					(11,696)
Profit from operations					20,719
Gain on dissolution of a dormant subsidiary	2,224	–	–	–	2,224
Finance costs					(31,033)
Restructuring expenses in respect of the Scheme of Arrangement					(2,725)
Impairment of goodwill previously written off to reserves					(9,623)
Liabilities waived by bank creditors					401,950
Liabilities waived by other creditor					2,876
Profit before taxation					384,388
Taxation					–
Profit before minority interests					384,388

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 March:

	Property development		Hotel and clubhouse investment		Securities and commodities broking		Infrastructure and environmental protection investment		Consolidated total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
ASSETS										
Segment assets	659,453	676,975	148,285	80,400	182,782	85,168	11,727	–	1,002,247	842,543
Interests in associates	122,220	76,459	–	–	–	–	14,163	–	136,383	76,459
Unallocated corporate assets									30,605	41,838
Consolidated total assets									1,169,235	960,840
LIABILITIES										
Segment liabilities	74,081	132,140	23,622	47,054	58,199	81,917	10,080	–	165,982	261,111
Unallocated corporate liabilities									402,640	248,357
Consolidated total liabilities									568,622	509,468

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information as at 31 March:

	Property		Hotel and clubhouse		Securities and		Infrastructure and		Unallocated		Consolidated total	
	development		investment		commodities broking		environmental					
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions of property, plant and equipment	809	458	60,695	399	1,498	-	-	-	3,646	1,072	66,648	1,929
Depreciation	228	410	8,006	-	1,355	-	-	-	483	67	10,072	477
Reversal of impairment loss on properties under development	75,393	45,000	-	-	-	-	-	-	-	-	75,393	45,000
Deficit arising on revaluation of investment properties	84,000	13,803	-	-	-	-	-	-	-	-	84,000	13,803
Impairment loss on property, plant and equipment	94	-	-	-	-	-	-	-	-	-	94	-
Goodwill amortisation	-	-	1,350	-	4,032	-	-	-	-	-	5,382	-

For the year ended 31 March 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments:

The Group's operations are located in Hong Kong and the People's Republic of China other than Hong Kong (the "PRC").

The following table provides an analysis of the Group's sales by location of markets, irrespective of the origin of the goods/services:

	Turnover		Segment results	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	72,746	23,949	(28,864)	(12,507)
The PRC	1,322	1,979	66,885	43,041
	74,068	25,928	38,021	30,534
Interest income			3,072	1,881
Unallocated corporate expenses			(33,341)	(11,696)
Profit from operations			7,752	20,719

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	497,877	524,562	3,796	1,519
The PRC	671,358	436,278	62,852	410
	1,169,235	960,840	66,648	1,929

NOTES TO THE FINANCIAL STATEMENTS

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7. STAFF COSTS

	2002 HK\$'000	2001 HK\$'000
Salaries and allowances (including directors' remuneration)	27,541	16,406
Contributions to retirement benefits scheme	372	124
	27,913	16,530

8. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,072	641
Depreciation		
– Owned assets	9,954	318
– Assets held under finance leases	118	159
Amortisation of goodwill	5,382	–
	15,454	477
Loss on disposal of property, plant and equipment	30	3,509
Impairment loss on property, plant and equipment	94	–
Operating lease rentals in respect of premises	5,669	2,423

9. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank loans and overdrafts and other loans wholly repayable:		
within five years	8,626	31,033
over five years	4,493	–
Other borrowings	5,575	–
Interest on obligations under finance leases	30	–
Borrowings cost amortised	1,516	–
	20,240	31,033

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

10. LIABILITIES WAIVED BY BANK CREDITORS AND OTHER CREDITOR

In prior year, the Group entered into the Scheme of Arrangement, pursuant to which the unsecured portion of the bank borrowings were discharged in the following manner:

- 10% settled by cash;
- 10% settled by the issue of shares; and
- the remaining 80% was waived by bank creditors.

And the share mortgage creditor was discharged in the following manner:

- approximately 95% settled by cash; and
- the remaining 5% was waived by the share mortgage creditor.

The Scheme of Arrangement, details of which are set out in circular dated 27 July 2000, resulted in a total gain of approximately HK\$404,826,000.

11. DIRECTORS' EMOLUMENTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Directors' fees:		
Executive	1,652	–
Independent non-executive	200	108
Other emoluments (executive directors):		
– Salaries and other benefits	8,824	11,840
– Retirement benefit scheme contributions	224	117
	10,900	12,065

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

11. DIRECTORS' EMOLUMENTS (continued)

Emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	10	4
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$8,000,001 to HK\$8,500,000	–	1
	13	6

During the year, included in the emoluments of the director was an amount HK\$2,200,000 (2001: HK\$5,200,000) paid by the Group to the director as compensation for termination of employment.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2001: four) were executive directors of the Company as at 31 March 2002, whose emoluments are included in note 11 above. The emoluments of the five individuals with the highest emoluments in the Group disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	10,459	11,621
Retirement benefit scheme contributions	281	84
	10,740	11,705

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

12. EMPLOYEES' EMOLUMENTS (continued)

Their emoluments were within the following bands:

	Number of employees	
	2002	2001
Nil to HK\$1,000,000	–	3
HK\$1,000,001 to HK\$1,500,000	3	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$8,000,001 to HK\$8,500,000	–	1
	5	5

13. INCOME TAX EXPENSE

	2002 HK\$'000	2001 HK\$'000
Current tax:		
Hong Kong	1,518	–
Other jurisdictions	165	–
	1,683	–
Taxation attributable to the Company and its subsidiaries	1,518	–
Share of taxation attributable to associates	165	–
	1,683	–

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. In prior year, no provision for Hong Kong Profits Tax and other jurisdictions had been made as the Group did not have any assessable profits.

Details of the unprovided deferred taxation asset are set out in note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year and earnings for the purposes of basic earnings per share	141,004	384,388
Effect of dilutive potential ordinary shares:		
Interest saving on convertible loan note	3,648	–
Earnings for the purposes of diluted earnings per share	144,652	384,388
	2002	2001
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,389,972,399	2,419,949,400
Effect of dilutive potential ordinary shares:		
Options	120,442,305	380,431
Convertible loan note	121,095,890	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	4,631,510,594	2,420,329,831

15. INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
Valuation at 1 April 2001	340,327
Reclassification from land and buildings	18,673
Deficit arising from revaluation	(84,000)
Valuation at 31 March 2002	275,000

NOTES TO THE FINANCIAL STATEMENTS

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15. INVESTMENT PROPERTIES (continued)

All the Group's investment properties were revalued at their open market value at 31 March 2002 by Messrs. Chesterton Petty Limited, a firm of independent professional valuers, on an open market existing use basis. The valuation of the Group's investment properties gave rise to a revaluation deficit of HK\$84,000,000 (2001: HK\$13,803,000), which has been charged to the income statement.

All the Group's investment properties have been pledged to secure banking facilities granted to the Group.

The carrying amount of the investment properties comprises:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
In Hong Kong:		
Long lease	179,000	244,000
Medium-term lease	96,000	96,327
	275,000	340,327

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16. PROPERTY, PLANT AND EQUIPMENT

	Properties under development <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Equipment, motor vehicle and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST OR VALUATION						
At 1 April 2001	215,393	18,673	37,118	6,512	4,814	282,510
Reclassification to investment properties	-	(18,673)	-	-	-	(18,673)
Additions	57,310	-	1,365	3,634	4,339	66,648
Disposals of subsidiaries	-	-	-	(355)	(8)	(363)
Disposals	-	-	(422)	(457)	(245)	(1,124)
At 31 March 2002	<u>272,703</u>	<u>-</u>	<u>38,061</u>	<u>9,334</u>	<u>8,900</u>	<u>328,998</u>
Comprising:						
At cost	<u>272,703</u>	<u>-</u>	<u>38,061</u>	<u>9,334</u>	<u>8,900</u>	<u>328,998</u>
DEPRECIATION AND IMPAIRMENT						
At 1 April 2001	75,393	-	-	2,480	3,582	81,455
Provided for the year	-	-	7,385	1,542	1,145	10,072
Eliminated on disposals of subsidiaries	-	-	-	(270)	(38)	(308)
Eliminated on disposals	-	-	-	(457)	(183)	(640)
Impairment loss recognised	-	-	-	-	94	94
Reversal of impairment loss	(75,393)	-	-	-	-	(75,393)
At 31 March 2002	<u>-</u>	<u>-</u>	<u>7,385</u>	<u>3,295</u>	<u>4,600</u>	<u>15,280</u>
CARRYING AMOUNTS						
At 31 March 2002	<u>272,703</u>	<u>-</u>	<u>30,676</u>	<u>6,039</u>	<u>4,300</u>	<u>313,718</u>
At 31 March 2001	<u>140,000</u>	<u>18,673</u>	<u>37,118</u>	<u>4,032</u>	<u>1,232</u>	<u>201,055</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and fixtures <i>HK\$'000</i>	Equipment, motor vehicle and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
Additions and at 31 March 2002	196	1,215	1,411
DEPRECIATION			
Provided for the year and at 31 March 2002	—	(89)	(89)
NET BOOK VALUES			
At 31 March 2002	<u>196</u>	<u>1,126</u>	<u>1,322</u>

The carrying amount of the properties under development and land and buildings comprises:

	Properties under development		Land and buildings	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
THE GROUP				
In Hong Kong under medium-term lease	—	—	—	18,673
In the PRC under medium-term lease	<u>272,703</u>	<u>140,000</u>	<u>—</u>	<u>—</u>
	<u>272,703</u>	<u>140,000</u>	<u>—</u>	<u>18,673</u>

Properties under development by the Group are situated in the PRC. At 31 March 2002, properties under development of the Group included interest capitalised of HK\$38,283,000 (2001: HK\$38,283,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

16. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, all the land and buildings of the Group had been transferred to investment properties.

Due to the boom of property market in Shanghai and the directors based on independent professional valuation report estimated that the open market value of the properties under development acquired in previous years as approximately HK\$217,000,000 as at 31 March 2002, and thus the impairment loss recognised in respect of properties under development in 1999 of HK\$75,393,000 was reversed in the current year.

In prior year, had the land and buildings of the Group been carried at cost less accumulated depreciation, the carrying value of the land and buildings would have been stated at approximately HK\$55,392,000.

At 31 March 2002 the net book value of equipment, motor vehicle and others includes an amount HK\$1,093,000 (2001: HK\$Nil) in respect of assets held under finance leases.

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted investments, at cost	42,542	42,542

Details of the principal subsidiaries of the Company as at 31 March 2002 are set out in note 46.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cost of investments	62,616	19,060
Share of post-acquisition results	4,939	(12,945)
Interest capitalised (Note)	9,130	10,646
	76,685	16,761
Amount due from an associate	59,698	59,698
	136,383	76,459

For the year ended 31 March 2002

18. INTERESTS IN ASSOCIATES (continued)

Details of the associates as at 31 March 2002 are as follows:

(A) Shanghai Underground Centre Co., Ltd (“上海地下商城有限公司”)

The Group has entered into agreements with a Chinese partner to establish a co-operative joint venture company incorporated in the PRC named Shanghai Underground Centre Co., Ltd. (“Underground”) for the construction, operations and management of Shanghai Underground Shopping Mall in the PRC.

The co-operation period is 30 years from 20 April 1993. Pursuant to a supplementary agreement entered into on 18 June 1997, the Chinese partner is entitled to an annual guaranteed return of RMB 2,200,000 for a period of twelve years commencing from 1 January 1996. Pursuant to a supplementary agreement entered into on 17 September 2001, the annual guaranteed return was increased to RMB3,000,000 for a period of seven years commencing from 1 January 2001. The profit sharing ratio thereafter is 50%.

The appropriate guaranteed amount has been deducted from the result of Underground each year.

Pursuant to the agreement dated 12 February 1993, all net assets of Underground would be distributed to the Group and the Chinese partner according to 50% profit sharing ratio except that the Chinese partner is entitled to the property, plant and equipment of Underground when Underground is dissolved.

(B) Interchina Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd (“國中愛華(天津)市政環境工程有限公司”)

The Group invested 30% registered capital in Interchina Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd, a limited company incorporated and operating in the PRC which is engaging principally in the provision of environmental management and consultancy services.

Note:

Interest capitalised represents the interest expense paid by the Group in respect of funds raised for use by Underground for property development projects. The interest expense is amortised over the operation period of Underground.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

19. INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP			
COST			
At 1 April 2001	17,515	–	17,515
Arising on increase in shareholding of a subsidiary	–	(1,022)	(1,022)
	<u>17,515</u>	<u>(1,022)</u>	<u>16,493</u>
At 31 March 2002	<u>17,515</u>	<u>(1,022)</u>	<u>16,493</u>
AMORTISATION			
At 1 April 2001	–	–	–
Charge for the year	5,382	–	5,382
	<u>5,382</u>	<u>–</u>	<u>5,382</u>
At 31 March 2002	<u>5,382</u>	<u>–</u>	<u>5,382</u>
CARRYING AMOUNTS			
At 31 March 2002	<u>12,133</u>	<u>(1,022)</u>	<u>11,111</u>
At 31 March 2001	<u>17,515</u>	<u>–</u>	<u>17,515</u>

The goodwill is amortised on a straight-line basis over 3 to 8 years.

The negative goodwill arose on the Group's acquisition of additional interest in a subsidiary shortly before year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

20. OTHER NON-CURRENT ASSETS

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Contribution to the compensation fund and fidelity fund with the Stock Exchange	200	200
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCCL")	100	100
Guarantee fund contributions to HKSCCL	222	175
Statutory deposits with HKFE Clearing Corporation Limited	1,500	1,500
Contribution to Hong Kong Futures Exchange Compensation Fund	100	100
	2,122	2,075

21. INVENTORIES

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Consumables	1,337	–

All consumables were carried at cost as at 31 March 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

22. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accounts receivable arising from the business of dealing in securities and equity options:				
Margin clients accounts receivable	120,946	24,194	–	–
Accounts receivable arising from the business of dealing in futures and options:				
Clearing houses, brokers and dealers	5,588	–	–	–
Trade receivables	18,501	42,111	–	–
Other receivable, deposits and prepayments	29,630	6,087	4,011	473
	174,665	72,392	4,011	473

Loans to share margin clients are secured by client's pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as, in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

The Group allows an average credit period of 60 days to its credit trade customers.

The following is an aged analysis of trade receivables at the reporting dates:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
0 - 30 days	8,550	19,537	–	–
31 - 60 days	850	–	–	–
Over 90 days	9,101	22,574	–	–
	18,501	42,111	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

23. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Trading securities		
Listed securities in Hong Kong as at 31 March 2002 at market value	692	759

24. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTION

	THE GROUP		THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
General accounts	16,076	115,463	1,824	16,531
Financial institution	190,280	–	–	–
Segregated accounts	1,952	2,771	–	–
Trust accounts	26,807	27,135	–	–
	235,115	145,369	1,824	16,531

25. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Accounts payable arising from the business of dealing in securities and equity options:				
Margin clients	6,092	20,149	–	–
Accounts payable to clients arising from the business of dealing in futures and options	7,092	–	–	–
Trade payables	31,837	30,916	–	–
Other payables	70,794	98,135	7,265	1,316
	115,815	149,200	7,265	1,316

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

25. TRADE AND OTHER PAYABLES (continued)

Amounts due to share margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payables to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of futures and options. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of directors the aged analysis does not give additional value in view of the nature of business of futures and options dealing.

The following is an aged analysis of trade payables at the reporting dates:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
0 - 30 days	31,837	28,088	–	–
31 - 60 days	–	–	–	–
61 - 90 days	–	–	–	–
Over 90 days	–	2,828	–	–
	31,837	30,916	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

26. BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Secured bank loans	154,089	220,426	84,885	–
Secured bank loan repayable within three months from the date of advances	20,000	–	–	–
Secured bank overdrafts (Note 41)	3,390	–	–	–
Unsecured bank loans	–	3,177	–	–
	177,479	223,603	84,885	–
The maturity of the above loans and overdrafts is as follows:				
On demand or within one year	53,626	221,641	9,961	–
More than one year but not exceeding two years	17,942	1,962	10,293	–
More than two years but not exceeding five years	56,022	–	33,078	–
More than five years	49,889	–	31,553	–
	123,853	1,962	74,924	–
	177,479	223,603	84,885	–

During the year, the Group obtained new bank loans amounting to HK\$153,261,000. The loans bear interest at market rates and are repayable in instalments over a period of 7 to 10 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

27. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Amounts payable under finance leases:				
Within one year	418	–	374	–
In the second to fifth year inclusive	651	–	594	–
	1,069	–	968	–
Less: Future finance charges	(101)	–	N/A	–
Present value of finance leases	968	–	968	–
Less: Amount due for settlement within one year			(374)	–
Amount due for settlement after one year			594	–

It is the Group's policy to lease certain of its equipment and motor vehicles under finance leases. The average lease term is 3 to 5 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

28. SHARE CAPITAL

	Number of shares		Share capital	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Authorised:				
At the beginning of the year				
Ordinary shares of HK\$0.10 (2001: HK\$1) each (note i)	10,000,000,000	10,000	1,000,000	10
Pursuant to an ordinary resolution, each share was sub-divided into 10 shares (note ii)	–	90,000	–	–
Increased on 25 July 2000 (note iii)	–	9,999,900,000	–	999,990
At the end of the year	10,000,000,000	10,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At the beginning of the year				
Ordinary shares of HK\$0.10 each (note i)	4,384,123,632	425,019,668	438,412	425,020
Exercise of share options (note iv)	10,800,000	–	1,080	–
Shares issued in exchange for shares in Burlingame (note v(a))	–	425,019,668	–	42,502
Shares eliminated on Scheme of Arrangement (note v(a))	–	(425,019,668)	–	(425,020)
Transfer to special reserve	–	–	–	(382,518)
Shares issued for settlement of indebtedness (note v(b))	–	345,103,964	–	34,510
Shares issued for cash proceeds (note (i), v(c), (vi), (vii))	–	3,614,000,000	–	361,400
At the end of the year	4,394,923,632	4,384,123,632	439,492	438,412

For the year ended 31 March 2002

28. SHARE CAPITAL (continued)

- (i) The Company was incorporated on 9 February 2000 with authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, of which 2 subscriber shares were allotted and issued as fully paid on 9 February 2000.

The number of shares at beginning of the prior year included 425,019,668 shares of HK\$1 each issued by Burlingame.

- (ii) On 4 May 2000, by an ordinary resolution of the shareholders of the Company, each of the then existing 10,000 ordinary shares of HK\$1 each in the capital of the Company was sub-divided into 10 shares of HK\$0.10 each and the authorised share capital of the Company became 100,000 shares of HK\$0.10 each.
- (iii) On 25 July 2000, by an ordinary resolution of the shareholders of the Company, the authorised share capital of the Company was increased from HK\$10,000 to HK\$1,000,000,000 by the creation of an additional 9,999,900,000 new shares of HK\$0.10 each.
- (iv) During the year, 10,800,000 shares were issued on exercise of options under share option scheme at a price of HK\$0.161 per share, giving a total consideration of approximately HK\$1,739,000.
- (v) On 29 August 2000, pursuant to the Scheme of Arrangement:
 - (a) The directors were authorised to allot and issue an aggregate of 425,019,668 shares, credited as fully paid as consideration for the acquisition of the entire share capital of Burlingame.
 - (b) The directors were authorised to allot and issue an aggregate of 345,103,964 shares, credited as fully paid as consideration for the settlement of HK\$34,510,396 of the unsecured portion of the bank borrowings.
 - (c) The directors were authorised to allot and issue for cash an aggregate of 2,299,999,980 shares of HK\$0.10 each at par.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

28. SHARE CAPITAL (continued)

- (vi) On 1 September 2000, as pursuant to the Scheme of Arrangement, 700,000,000 shares of HK\$0.10 each were allotted and issued at par for cash.
- (vii) On 14 March 2001, the directors were authorised to allot and issue 614,000,000 shares of HK\$0.10 each at HK\$0.26 per share for cash.

All shares issued by the Company rank pari passu with the then existing shares in all respects.

29. SHARE OPTIONS

At 31 March 2002, the following options to subscribe for shares of the Company were outstanding under the Company's share option scheme:

Exercise price per share <i>HK\$</i>	Exercisable period	Date of share options granted	Number of share options
0.161	1 April 2001 to 31 March 2005	29 March 2001	124,425,000
0.49	1 April 2002 to 31 March 2005	11 June 2001	18,000,000
0.54	1 March 2002 to 31 August 2004	2 August 2001	20,000,000
			<hr/>
			162,425,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

30. SHARE PREMIUM AND RESERVES

	Share premium of the Company HK\$'000	Share premium of Burlin- game HK\$'000	Capital redemption reserve HK\$'000	Other Special reserve HK\$'000	revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Accumu- lated (losses) profits HK\$'000	Total HK\$'000
THE GROUP									
At 1 April 2000	-	188,978	500	-	11,697	(9,623)	8,320	(1,062,208)	(862,336)
Premium arising from the issue of shares	98,240	-	-	-	-	-	-	-	98,240
Expenses incurred in connection with the issue of shares	(1,896)	-	-	-	-	-	-	-	(1,896)
Special reserve arising from the Scheme of Arrangement	-	(188,978)	(500)	571,996	-	-	-	-	382,518
Deficit on revaluation	-	-	-	-	(11,697)	-	-	-	(11,697)
Impairment loss recognised	-	-	-	-	-	9,623	-	-	9,623
Release of exchange reserve on liquidation of a subsidiary	-	-	-	-	-	-	(2,194)	-	(2,194)
Profit for the year	-	-	-	-	-	-	-	384,388	384,388
At 31 March 2001	96,344	-	-	571,996	-	-	6,126	(677,820)	(3,354)
Premium arising from issue of shares	659	-	-	-	-	-	-	-	659
Expenses incurred in connection with issue of shares	(4)	-	-	-	-	-	-	-	(4)
Exchange differences on translation of overseas subsidiaries	-	-	-	-	-	-	(320)	-	(320)
Realised on disposal of subsidiaries	-	-	-	-	-	-	(4,193)	-	(4,193)
Profit for the year	-	-	-	-	-	-	-	141,004	141,004
At 31 March 2002	96,999	-	-	571,996	-	-	1,613	(536,816)	133,792

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

30. SHARE PREMIUM AND RESERVES (continued)

	Share premium of the Company HK\$'000	Share premium of Burlin- game HK\$'000	Capital redemption reserve HK\$'000	Other Special reserve HK\$'000	revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Accumu- lated (losses) profits HK\$'000	Total HK\$'000
THE COMPANY									
Premium arising from the issue of shares	98,240	-	-	-	-	-	-	-	98,240
Expenses incurred in connection with the issue of shares	(1,896)	-	-	-	-	-	-	-	(1,896)
Loss for the year	-	-	-	-	-	-	-	(105,602)	(105,602)
At 1 April 2001	96,344	-	-	-	-	-	-	(105,602)	(9,258)
Premium arising from issue of shares	659	-	-	-	-	-	-	-	659
Expenses incurred in connection with issue of shares	(4)	-	-	-	-	-	-	-	(4)
Profit for the year	-	-	-	-	-	-	-	98,814	98,814
At 31 March 2002	96,999	-	-	-	-	-	-	(6,788)	90,211

The Company did not have any reserves available for distribution to shareholders at 31 March 2002.

The special reserve of the Group represents mainly the difference between the nominal value of shares of Burlingame and the nominal value of shares issued for the swap of the shares of Burlingame pursuant to the Scheme of Arrangement.

The accumulated losses of the Group include profit of HK\$4,051,000 (2001: loss of HK\$13,833,000) retained by the associates of the Group.

For the year ended 31 March 2002

31. LOANS FROM MINORITY SHAREHOLDERS

THE GROUP

The loans are unsecured, non-interest bearing and have no fixed repayment terms. The directors consider that the minority shareholders would not demand the repayment of these loans within twelve months from the balance sheet date and accordingly, the loans are shown as non-current liabilities in the financial statements.

32. CONVERTIBLE LOAN NOTE

A convertible loan note of HK\$200,000,000 (the "Note") was issued on 23 August 2001 to a subscriber (the "Subscriber"). The Note is convertible into ordinary shares of the Company ("Conversion Shares") for a certain percentage of the principal amount of the Note within 30 days prior to the expiry of 12, 24, 30 and 36 months, respectively, from the date of issue. If the Note has not been converted, it will be redeemed on the third anniversary of the date of issue. Interest at 3% per annum will be paid annually up and until the settlement date.

The Company has on 16 April 2002 ("Conversion Date") received a written notice from the Subscriber stating its intention to convert the entire outstanding principal amount of HK\$200,000,000 under the Note into shares of the Company at a price of HK\$1 each with effect from the Conversion Date.

Subsequently to year end, pursuant to the Subscriber's request, the Company has agreed with the Subscriber on 23 April 2002 to vary the conversion rights attaching to the Note to the extent that the Subscriber may convert the entire or partially the principal amount outstanding under the Note into Conversion Shares at the price to be determined on the date of conversion.

On 29 April 2002, 200,000,000 shares were allotted at HK\$1 each and a premium of HK\$0.90 each.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

33. DEFERRED TAXATION

At the balance sheet date, the major components of the unprovided deferred taxation asset were as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:				
Taxation losses	35,522	33,007	1,312	790
(Excess) shortage of tax allowances over depreciation	(369)	108	–	–
	35,153	33,115	1,312	790

The amount of the unprovided deferred tax credit for the year is as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:				
Tax losses arising	(2,515)	(6,710)	(522)	(790)
Difference between tax allowances and depreciation	477	(115)	–	–
	(2,038)	(6,825)	(522)	(790)

The potential deferred taxation asset has not been recognised in the financial statements as it is not certain that it will be realised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

34. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Profit before taxation	154,724	384,388
Deficit arising on revaluation of investment properties	84,000	13,803
Loss on disposal of investment properties	–	1,558
Gain on dissolution of a dormant subsidiary	–	(2,224)
Gain on disposal of subsidiaries	(149,163)	–
Allowance for amount due from an associate written back	(29,356)	–
Loss on disposal of property, plant and equipment	30	3,509
Impairment loss on property, plant and equipment	94	–
Liabilities waived by bank creditors	–	(401,950)
Liabilities waived by other creditor	–	(2,876)
Liabilities to the dissolved creditors written back	(6,531)	–
Interest income	(3,072)	(1,881)
Interest expenses	20,240	31,033
Share of results of associates	(18,049)	–
Depreciation	10,072	477
Amortisation of goodwill	5,382	–
Reversal of impairment loss on properties under development	(75,393)	(45,000)
Impairment of goodwill previously written off to reserves	–	9,623
Increase in inventories	(1,337)	–
(Increase) decrease in trade and other receivables	(102,883)	11,530
Decrease in investments in securities	67	–
Decrease in bank trust and segregated accounts	1,147	–
Increase/(decrease) in trade and other payables	25,207	(26,845)
Increase in amount due to an associate	2	–
(Decrease) increase in amounts due to related companies	(16,895)	10,884
Decrease in amount due to a director	(3,968)	–
Exchange difference	(320)	–
	(106,002)	(13,971)
Net cash outflow from operating activities	(106,002)	(13,971)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

35. ACQUISITION OF SUBSIDIARIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	–	40,421
Other assets	–	2,075
Investments in securities	–	759
Trade and other receivables	–	48,657
Tax recoverable	–	296
Bank balances and cash	–	61,056
Bank balance - segregated accounts	–	2,771
Bank balance - trust accounts	–	27,135
Trade and other payables	–	(61,356)
Amounts due to related companies	–	(41,052)
Amounts due to a director	–	(3,968)
Amounts due to minority shareholders	–	(28,764)
Minority interests	–	(16,314)
	–	31,716
Goodwill (<i>note 19</i>)	–	17,515
	–	49,231
Satisfied by:		
Cash consideration	–	49,231
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries		
Cash consideration	–	(49,231)
Bank balances and cash acquired	–	61,056
	–	11,825

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

36. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000
Net assets disposed of:	
Property, plant and equipment	55
Properties held for sale	85,000
Trade and other receivables	610
Trade and other payables	(55,709)
Tax liabilities	(22,925)
Bank borrowings	(3,738)
Bank balances and cash	2,737
	6,030
Exchange losses realised	(4,193)
	1,837
Gain on disposal	149,163
	151,000
Total consideration	151,000
Satisfied by:	
Cash	151,000
	151,000
Net cash inflow arising on disposal:	
Cash consideration	151,000
Bank balances and cash disposed of	(2,737)
	148,263

The subsidiaries sold during the year contributed HK\$16,690,000 to the Group's net operating cash flows, paid HK\$411,000 in respect of the net returns on investment and servicing of finance, utilised HK\$10,000 for investing activities and repaid HK\$42,124,000 in respect of financing activities.

The subsidiaries disposed of during the year contributed HK\$1,325,000 (2001: HK\$1,903,000) to the Group's turnover and HK\$410,000 (2001: HK\$6,014,000) to the Group's loss from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, capital redemption reserve and share premium	Borrowings (excluding bank overdrafts and short term bank borrowings)	Loans from minority shareholders	Amount due to minority shareholders	Obligations under finance leases	Convertible loan note	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2000	614,498	1,036,866	11,839	-	991	-	-
Issue of shares to Burlingame's shareholders	42,502	-	-	-	-	-	-
Issue of shares to settle bank borrowings	34,510	(34,510)	-	-	-	-	-
Issue of shares	457,744	-	-	-	-	-	-
Eliminated on Scheme of Arrangement	(614,498)	-	-	-	-	-	-
New bank borrowing raised	-	3,738	-	-	-	-	-
Capitalisation of interest charge	-	843	-	-	-	-	-
Repayments by transfer of investment properties	-	(99,152)	-	-	-	-	-
Borrowings waived by bank creditors (Note 10)	-	(401,950)	-	-	-	-	-
Borrowings waived by other creditor (Note 10)	-	(2,876)	-	-	-	-	-
Repayments	-	(279,356)	-	-	(991)	-	-
Acquisition of subsidiaries	-	-	-	28,764	-	-	16,314
At 31 March 2001	534,756	223,603	11,839	28,764	-	-	16,314
Inception of finance leases	-	-	-	-	1,245	-	-
Expenses paid in connection with issue of shares	(4)	-	-	-	-	-	-
Issue of shares	1,739	-	-	-	-	-	-
Issue of convertible loan note	-	-	-	-	-	200,000	-
New bank borrowing raised	-	153,261	-	-	-	-	-
Capitalisation of interest charge	-	1,935	-	-	-	-	-
Profit attributable to minority shareholders	-	-	-	-	-	-	12,037
Negative goodwill arising from increase in shareholding of a subsidiary	-	-	-	-	-	-	(1,022)
Repayment	-	(220,972)	-	(18,764)	(277)	-	-
Disposals of subsidiaries	-	(3,738)	-	-	-	-	-
At 31 March 2002	536,491	154,089	11,839	10,000	968	200,000	27,329

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group had major non-cash transactions as follows:

During the year, the Group entered into new finance leases in respect of assets with a total capital value at the inception of the leases of HK\$1,245,000.

Part of the capital injection to an associate during the year was injected by capitalising a loan due from a subsidiary of the Company amounted to HK\$29,356,000.

39. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged investment properties with an aggregate carrying value of approximately HK\$275,000,000 (2001: HK\$340,327,000), property, plant and equipment with an aggregate carrying value of approximately HK\$215,393,000 (2001: HK\$158,673,000), and properties held for sales with a carrying value of approximately HK\$Nil (2001: HK\$85,000,000) to secure general banking facilities granted to the Group.

In addition, rental income generated from the above pledged investment properties were assigned to the relevant bank granting the facilities to the Group.

The Group's bank fixed deposit of amount HK\$17,500,000 (2001: HK\$18,000,132) had been pledged to secure bank facilities granted to the Group.

40. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to bankers in respect of banking facilities utilised by:				
Subsidiaries	–	–	79,966	195,403
Property buyers	100,000	100,000	–	–
	100,000	100,000	79,966	195,403

For the year ended 31 March 2002

40. CONTINGENT LIABILITIES (continued)

Guarantees were given by the Group to the property buyers for obtaining mortgage facilities from a bank.

The Group has granted a put option to the minority shareholder of the two subsidiaries, to purchase the remaining shareholdings in these two subsidiaries at a consideration based on the agreed value of the shares of the subsidiaries owned by the minority shareholder as at 31 July 2001 amounting to HK\$17,908,464. The option is exercisable from 3 January 2002 to 2 January 2004.

41. BANKING FACILITIES

The bank overdrafts are secured by marketable securities held by the Group on behalf of clients with their consent.

42. OPERATING LEASE COMMITMENTS

The Group and the Company as lessees

At 31 March 2002, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	6,235	4,989	1,609	–
In the second to fifth year inclusive	5,411	6,467	3,197	–
	11,646	11,456	4,806	–

Operating lease payment represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

42. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

Property rental income earned during the year was HK\$19,812,000 (2001: HK\$25,360,000). Some of the properties held have committed tenants for three months.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	3,348	22,632
In the second to fifth year inclusive	–	12,956
Over five years	–	7,939
	3,348	43,527

43. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of:				
– acquisition of property, plant and equipment	599	–	599	–
– investments in the PRC subsidiaries and a PRC associate	267,799	–	232,440	–
	268,398	–	233,039	–

For the year ended 31 March 2002

44. POST BALANCE SHEET EVENTS

Apart from the subsequent event in relation to the conversion of Convertible Loan Note as disclosed in note 32. The Group has entered into two provisional sale and purchase agreements and a sale and purchase agreement for the disposal of investment properties of carrying value of amount approximately HK\$123,000,000 and result in a loss of approximately HK\$21,000,000.

On 24 June 2002, the Group had entered into a provisional agreement at a consideration of HK\$60,000,000 for the sale of all issued shares in a subsidiary and all the outstanding balance due from that subsidiary as on or before the date of completion, 23 August 2002.

On 21 March 2002, the Company entered into a co-operation agreement ("Co-operation Agreement") between Changsha Municipal People's Government ("CSG") and Changsha Municipal Land Development and Construction Company Limited ("CSLD") to participate in the Urban Development Scheme for Changsha New Sports City in Yuhua District of Changsha where the 5th National City Games will be hosted by the People's Government of Changsha City in 2003.

Pursuant to the terms of the Co-operation Agreement, the Company will participate and may invest in the Urban Development Scheme of Changsha New Sports City in the amount up to approximately HK\$449,000,000.

On 13 June 2002, the Company has incorporated Interchina (Changsha) Investment & Management Co. Ltd. (國中(長沙)體育新城投資項目管理有限公司) ("ICIM"), a wholly-owned foreign enterprise in the PRC. It has been agreed between the parties to the Co-operation Agreement in writing on 5 June 2002 that ICIM will take up the rights and obligations of the Company under the Co-operation Agreement. The total investment of ICIM will be approximately HK\$232,000,000 instead of HK\$449,000,000 which will be invested in the Urban Development Scheme in accordance with the Co-operation Agreement. The details of the transaction were set out in the company's announcement dated 13 June 2002. In the event that the Company proposes to make further investment in the Urban Development Scheme, the Company will abide by the requirements under Chapter 14 of the Listing Rules.

On 14 June 2002, the whole amount of the pledged bank fixed deposit as set out in note 39 was released.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

45. RELATED PARTY TRANSACTIONS

The amounts due to related companies and a director are unsecured, non-interest bearing and repayable on demand.

The related company is the company where one of the directors is also the shareholder.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2002 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK\$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company		Principal activity
				Directly %	Indirectly %	
Burlingame International Company Limited	Hong Kong	Ordinary	425,019,668	100	–	Property development and investment
Interchina Capital Finance Limited	Hong Kong	Ordinary	10,000	100	–	Investment holding
Interchina Corporate Services Limited	Hong Kong	Ordinary	10,000	100	–	Management

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For the year ended 31 March 2002

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK\$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company		Principal activity
				Directly %	Indirectly %	
Interchina Hotel Management Limited	Hong Kong	Ordinary	10,000	100	–	Investment holding
Interchina Investments Ltd (formerly known as Gracious Resources Limited)	The British Virgin Island ("BVI")	Ordinary	US\$1	100	–	Investment holding
# 上海國中俱樂部有限公司	PRC	Ordinary	*US\$769,210	–	100	Club management
# 上海國中酒店有限公司	PRC	Ordinary	*US\$5,000,000	–	100	Hotel business
Interchina Futures Limited	Hong Kong	Ordinary	8,500,000	–	70	Commodities brokerage
Interchina Securities Limited	Hong Kong	Ordinary	100,000,000	–	85	Securities brokerage

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK\$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company		Principal activity
				Directly %	Indirectly %	
Best Plain Trading Limited	Hong Kong	Ordinary	2	–	100	Property letting
Burlingame (Chinese) Investment Limited	Hong Kong	Ordinary	10,000	–	100	Investment holding
Burlingame (Shanghai) Investment Limited	Hong Kong	Ordinary	119,152,722	–	99.997	Investment holding
Interchina Environmental Protection Company Limited (formerly known as Interchina Environmental Company Limited)	BVI	Ordinary	US\$1	–	100	Investment holding
Interchina Water Treatment Limited (formerly known as Interchina Foxin Environmental Protection Limited)	BVI	Ordinary	US\$1	–	100	Investment holding
Lead Sales Enterprise Limited	Hong Kong	Ordinary	2	–	100	Property letting

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK\$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company		Principal activity
				Directly %	Indirectly %	
Make Sales Enterprise Limited	Hong Kong	Ordinary	2	–	100	Property letting
#Shanghai Hung Tai Real Estate Company Limited	PRC	–	*US\$12,000,000	–	90	Property development
Sky Energy Limited	Hong Kong	Ordinary	100,000	–	100	Property letting

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

Companies not audited by members of Deloitte Touche Tohmatsu.