

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the business of property development and investment, operation of a power plant and money lending business in Hong Kong, other regions in the People's Republic of China (the "PRC") and the United Kingdom. During the year, the Company incorporated a subsidiary which is engaged in restaurant business in the United Kingdom.

## 2. ADOPTION OF 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 ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosure for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has no significant effect on the amounts and disclosure reported for the current or prior years.

In the current year, the Group has adopted SSAP 30 Business Combinations and has elected not to restate goodwill previously eliminated against reserves. Accordingly goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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 31st March each year.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 an associate at the date of acquisition.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised on a straight line basis over its useful 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.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

### Investments in associates

The results, assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments.

### Investments in securities

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

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by an impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

### Revenue recognition

When properties are developed for sale, income is recognised when the properties developed for sale are sold in advance of completion and the outcome of project can be ascertained with reasonable certainty by reference to the progress of the construction. Revenue is recognised over the course of the development and is computed in each year as a proportion of the total estimated revenue of the development. The proportion used is calculated by reference to the proportion of construction costs incurred to date to estimated total construction costs to completion of the development after taking into account due allowance for contingencies.

Income from properties held for sale is recognised when the sales contract signed become unconditional.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the lease terms.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

Sales of food and beverage are recognised when these are delivered.

Sale of electricity is based on actual and accrued consumption derived from meters read during the year.

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

Property management fee income is recognised when services are provided.

### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation or amortisation and accumulated impairment losses, if any.

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 and amortisation. 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 land and building is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged to the income statement 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 and amortisation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	50 years or unexpired lease terms, if shorter
Buildings	50 years or unexpired lease terms, if shorter
Furniture, fixtures, plant and equipment	10-33 $\frac{1}{3}$ %
Motor vehicles	20%

The gain or loss arising from 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.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

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

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to the property disposed of is credited to the income statement.

No depreciation or amortisation is provided in respect of investment properties which are held on leases with unexpired terms of more than twenty years.

### Properties under development for re-sale

Properties under development, other than those that have been pre-sold, are stated at lower of cost or net realisable value. Properties under development that have been pre-sold are stated at cost plus attributable profits less deposits and instalments received. Cost comprises the cost of the land together with direct costs attributable to the development of the properties, professional fees and interest charges capitalised during the period of development. Properties under development which are due for completion more than one year from the balance sheet date are shown as non-current assets, while properties under development which are due for completion within one year from the balance sheet date are shown as current assets.

### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

### Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

### Properties held for future development

Properties held for future development are stated at cost less impairment losses, if any.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

### Convertible debentures

Convertible debentures are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost, including the premium payable upon the final redemption of the convertible bonds, recognised in the income statement in respect of the convertible debentures is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible debentures for each accounting period.

### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

### Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries and associates are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 4. TURNOVER

Turnover represents the total amounts received and receivable from the sale of properties by reference to the percentage of completion and properties interest, the leasing of properties, income derived from money lending, sales of electricity, food and beverage and the provision of property management services during the year. The Group's turnover is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Business segments:		
Property dealing	411,673	47,751
Property rental	49,395	39,585
Sales of food and beverage	28,465	–
Sales of electricity	22,854	5,263
Interest income from financial services	7,461	17,306
Property management fee	1,823	1,905
	<b>521,671</b>	<b>111,810</b>

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes the Group is currently organised into six operating divisions – property dealing, property leasing, restaurant, power plant, financial services and property management services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

### 2002

	Property dealing HK\$'000	Property leasing HK\$'000	Restaurant HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property manage- ment HK\$'000	Con- solidated HK\$'000
TURNOVER	411,673	49,395	28,465	22,854	7,461	1,823	521,671
RESULT							
Segment result	27,832	18,250	(7,582)	13,558	4,309	125	56,492
Finance costs							(56,675)
							(183)
Share of results of associates							(1,636)
Loss before taxation							(1,819)
Taxation							3,427
Profit before minority interests							1,608
Minority interests							(1,306)
Net profit for the year							302

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

2002

	Property dealing HK\$'000	Property leasing HK\$'000	Restaurant HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property management HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>OTHER INFORMATION</b>								
Additions to property, plant and equipment	482	422	20,025	5,802	3	131	-	26,865
Depreciation and amortisation	898	1,683	1,628	975	6	45	896	6,131
Revaluation deficit on leasehold land and buildings	-	-	-	-	-	-	1,333	1,333
Write back of provision on short term land use right previously charged to income statement	-	-	-	5,207	-	-	-	5,207
Write back of provision on short term leasehold buildings previously charged to income statement	-	-	-	2,842	-	-	-	2,842
<b>BALANCE SHEET</b>								
<b>ASSETS</b>								
Segment assets	1,189,846	859,109	20,770	13,881	157,281	702	-	2,241,589
Unallocated corporate assets								80,406
Consolidated total assets								2,321,995
<b>LIABILITIES</b>								
Segment liabilities	212,545	126,759	7,844	4,955	14,145	98	-	366,346
Unallocated corporate liabilities								1,126,384
Consolidated total liabilities								1,492,730

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

2001

	Property dealing HK\$'000	Property leasing HK\$'000	Restaurant HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property manage- ment HK\$'000	Con- solidated HK\$'000
TURNOVER	47,751	39,585	–	5,263	17,306	1,905	111,810
RESULT							
Segment result	(61,891)	10,765	–	1,214	10,051	413	(39,448)
Finance costs							(56,404)
							(95,852)
Share of results of associates							4,950
Loss before taxation							(90,902)
Taxation							(29)
Loss before minority interests							(90,931)
Minority interests							(1,411)
Net loss for the year							(92,342)

	Property dealing HK\$'000	Property leasing HK\$'000	Restaurant HK\$'000	Power plant HK\$'000	Financial services HK\$'000	Property management HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>OTHER INFORMATION</b>								
Additions to property, plant and equipment	478	551	–	–	3	56	–	1,088
Depreciation and amortisation	928	2,250	–	234	7	20	909	4,348
Revaluation deficit on leasehold land and buildings	–	–	–	–	–	–	337	337
Impairment loss on properties held for sales	30,000	–	–	–	–	–	–	30,000

### BALANCE SHEET

#### ASSETS

Segment assets	1,258,702	565,681	–	12,533	228,377	898		2,066,191
Unallocated corporate assets								157,225
Consolidated total assets								2,223,416

#### LIABILITIES

Segment liabilities	315,239	114,167	–	7,606	15,549	60		452,621
Unallocated corporate liabilities								942,076
Consolidated total liabilities								1,394,697



# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Geographical segments

The Group's restaurant business is carried out in the United Kingdom, power plant business is carried out in the PRC, and the financial services and property management business are carried out in Hong Kong. Property dealing and leasing business are carried out in Hong Kong, the United Kingdom and the PRC.

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

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	441,006	96,133	34,460	(40,644)
The United Kingdom	47,308	7,819	4,458	(980)
The PRC	33,357	7,858	17,574	2,176
	<b>521,671</b>	111,810	<b>56,492</b>	(39,448)

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	1,795,661	1,984,298	231	856
The United Kingdom	417,036	157,670	20,501	232
The PRC	109,298	81,448	6,133	–
	<b>2,321,995</b>	2,223,416	<b>26,865</b>	1,088

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 6. PROFIT (LOSS) FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	1,067	817
Underprovision in prior years	233	273
Deficit on revaluation of leasehold land and buildings	1,333	337
Depreciation and amortisation	6,131	4,348
Loss on disposal of property, plant and equipment	168	428
Loss on disposal of properties held for future development	–	81
Loss on disposal of properties through disposal of an associate	–	1,389
Loss on disposal of properties through disposal of a subsidiary	–	52
Operating lease rentals for:		
Land and buildings	5,910	484
Equipment and motor vehicle	–	61
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions, net of forfeited contributions of nil (2001: HK\$91,000)	470	561
Salaries and other allowances	36,025	25,411
	<b>36,495</b>	25,972
Unrealised holding loss on investments in securities	1,398	–
and after crediting:		
Gain on disposal of investments in securities	10,697	–
Gain on disposal of investment properties	12,000	555
Gain on disposal of properties through disposal of an associate	5,233	–
Gain on disposal of properties through disposal of a subsidiary	2,331	–
Interest income from:		
Associates	–	2,631
Bank deposits	450	885
Rental income	49,395	39,585
Less: Outgoings	(2,468)	(2,386)
Net rental income	<b>46,927</b>	37,199

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 7. REMUNERATION OF DIRECTORS AND EMPLOYEES

	2002 HK\$'000	2001 HK\$'000
Directors		
Fees – independent non-executive directors	572	572
Other emoluments:		
Executive		
Salaries and other benefits	5,287	5,277
Retirement benefits scheme contributions	74	74
	5,361	5,351
	5,933	5,923

Emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	7	7
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	1

### Employees

The five highest paid individuals of the Group for the year included four (2001: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining one (2001: three) highest paid individual of the Group, not being director of the Company, were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	643	2,624
Retirement benefits scheme contributions	30	99
	673	2,723

Emoluments of the employees were within the following bands:

	Number of employees	
	2002	2001
Nil – HK\$1,000,000	1	2
HK\$1,000,001 – HK\$1,500,000	–	1

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 8. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	91,004	86,688
Bank borrowings not wholly repayable within five years	13,043	11,689
Convertible debentures	6,911	1,861
Other borrowings	8,230	5,540
	119,188	105,778
Less: Amount capitalised to properties under development during the year	(53,152)	(49,374)
Amount charged to cost of sales	(9,361)	–
	56,675	56,404

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying an average capitalisation rate of 6.7% (2001: 8%) to expenditure on qualifying assets.

## 9. TAXATION

	2002 HK\$'000	2001 HK\$'000
The credit (charge) comprises:		
Hong Kong Profits Tax		
Current year	(2,875)	–
Overprovision in prior years	6,797	129
Overseas taxation		
Current year	(495)	–
Overprovision in the prior year	–	1
Share of taxation of associates		
Overseas	–	(159)
	3,427	(29)

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year.

For the year ended 31st March 2001, no provision for Hong Kong Profits Tax was made as the Group had no assessable profits for that year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The surplus or deficit arising on revaluation of the Group's investment properties and leasehold land and buildings situated in Hong Kong do not constitute a timing difference for taxation purposes as any profit realised on their subsequent disposal would not be subject to taxation. It is the Group's intention to hold the investment properties situated in the PRC and the United Kingdom for long term investment purpose to generate rental income and it is not expected that the potential deferred taxation liability will crystallise in the foreseeable future and therefore no deferred taxation is provided on the valuation surplus on these investment properties.

As at the balance sheet date, a deferred taxation asset of approximately HK\$11,968,000 (2001: HK\$8,260,000) in respect of estimated tax losses has not been recognised in the financial statements.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	2002 HK\$'000	2001 HK\$'000
Net profit (loss) for the year and earnings (loss) for the purposes of basic earnings (loss) per share	302	(92,342)
	Number of shares	
Weighted average number of shares for the purpose of basic earnings (loss) per share	941,138,017	914,170,395

No diluted earnings (loss) per share are presented as the exercise price of the outstanding warrants was higher than the market price per share in both years and the conversion of the outstanding convertible debentures at an assumed conversion price of HK\$0.85 would have had an anti-dilutive effect.

## 11. INVESTMENT PROPERTIES

	HK\$'000
THE GROUP VALUATION	
At 1st April, 2001	469,400
Acquired on acquisition of a subsidiary	254,913
Disposals	(20,450)
Surplus on valuation	13,187
<b>At 31st March, 2002</b>	<b>717,050</b>

The net book value of investment properties of the Group comprises:

	2002 HK\$'000	2001 HK\$'000
Leasehold properties under long leases in		
The United Kingdom	288,150	–
Hong Kong	45,950	48,450
The PRC	36,500	36,500
Leasehold properties under medium term leases in Hong Kong	346,450	384,450
	<b>717,050</b>	469,400

The investment properties are rented out under operating leases.

The investment properties situated in Hong Kong and the PRC were valued by Chung Sen Surveyors Limited, firm of independent professional valuers, at 31st March, 2002 on an open market value basis.

The investment properties situated in the United Kingdom were valued by Chesterton plc, firm of independent professional valuers, at 31st May, 2002 on an open market value basis.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 11. INVESTMENT PROPERTIES (continued)

The titles of investment properties with an aggregate valuation amounting to HK\$12,000,000 (2001: HK\$12,000,000) are registered in the names of four independent third parties who have assigned their rights in the land to a subsidiary of the Company.

The surplus arising on revaluation of the investment properties amounting to HK\$13,187,000 was credited to the investment property revaluation reserve (note 29).

## 12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures, plant and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>				
<b>COST OR VALUATION</b>				
At 1st April, 2001	36,970	45,574	8,483	91,027
Additions	5,737	20,726	402	26,865
Disposals	–	(261)	–	(261)
Deficit on valuation	(218)	–	–	(218)
<b>At 31st March, 2002</b>	<b>42,489</b>	<b>66,039</b>	<b>8,885</b>	<b>117,413</b>
Comprising:				
At cost	–	66,039	8,885	74,924
At valuation – 2002	42,489	–	–	42,489
	42,489	66,039	8,885	117,413
<b>DEPRECIATION AND AMORTISATION</b>				
At 1st April, 2001	–	28,964	7,486	36,450
Provided for the year	803	4,743	585	6,131
Eliminated on disposals	–	(93)	–	(93)
Eliminated on valuation	(803)	–	–	(803)
<b>At 31st March, 2002</b>	<b>–</b>	<b>33,614</b>	<b>8,071</b>	<b>41,685</b>
<b>NET BOOK VALUES</b>				
<b>At 31st March, 2002</b>	<b>42,489</b>	<b>32,425</b>	<b>814</b>	<b>75,728</b>
At 31st March, 2001	36,970	16,610	997	54,577

The net book value of properties of the Group comprises:

	2002 HK\$'000	2001 HK\$'000
Leasehold properties in Hong Kong under long leases	25,250	27,200
medium term leases	8,660	9,770
Short term leasehold buildings in the PRC	8,579	–
	<b>42,489</b>	36,970

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

Leasehold land and buildings situated in Hong Kong and the PRC were valued by Chung Sen Surveyors Limited, at 31st March, 2002 on an open market value basis.

The net surplus arising on revaluation of the leasehold land and buildings amounted to HK\$585,000 (2001: deficit of HK\$485,000) of which a deficit of HK\$924,000 (2001: HK\$148,000) has been eliminated against the other property revaluation reserve, a deficit of HK\$1,333,000 (2001: HK\$337,000), being the excess of the deficit over the attributable surplus previously recognised, is charged to the income statement, and the surplus of HK\$2,842,000 (2001: nil), being the amount previously charged to the income statement, is credited to the income statement.

Had the land and buildings of the Group been carried at cost less accumulated depreciation and amortisation, the carrying value would have been stated at HK\$49,946,000 (2001: HK\$42,398,000).

## 13. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2002 HK\$'000	2001 HK\$'000
The properties under development are due for completion:		
Within one year	674,572	567,265
More than one year	385,188	430,021
	<b>1,059,760</b>	997,286

The carrying value of properties under development of the Group comprises:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Leasehold properties under medium term leases in		
Hong Kong	944,589	928,911
The PRC	21,589	5,705
Freehold properties in the United Kingdom	93,582	62,670
	<b>1,059,760</b>	997,286

Total interest capitalised and included in properties under development as at 31st March, 2002 amounted to HK\$194,463,000 (2001: HK\$151,960,000).

## 14. PROPERTIES HELD FOR FUTURE DEVELOPMENT

The carrying value of properties held for future development comprises:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Leasehold properties under medium term leases in Hong Kong	100,846	99,166

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 15. INTERESTS IN SUBSIDIARIES

	The Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares	232,276	232,276
Amounts due from subsidiaries	432,086	449,051
Impairment loss recognised	(113,000)	(93,000)
	<b>551,362</b>	588,327

The amount of investment cost of unlisted shares is based on the underlying net assets of the subsidiaries at the time they became members of the Group pursuant to the group reorganisation effected on 23rd September, 1993.

The impairment loss recognised mainly represented the recognition of the written down of the carrying amount of assets to their estimated net realisable value.

The amounts due from subsidiaries are unsecured and have no fixed repayment terms. At 31st March, 2002, an amount of HK\$401,743,000 (2001: HK\$116,091,000) bears interest at commercial rate and the remaining balance is interest free.

Details of the principal subsidiaries at 31st March, 2002 are set out in note 42.

## 16. LOANS RECEIVABLE

	The Group	
	2002 HK\$'000	2001 HK\$'000
Amount due within one year	60,600	135,367
Amount due after one year	93,777	92,244
	<b>154,377</b>	227,611
Less: Amount due within one year shown under current assets	(60,600)	(135,367)
	<b>93,777</b>	92,244
Secured	121,503	184,109
Unsecured	32,874	43,502
	<b>154,377</b>	227,611

The loans bear interest at market rates and are partly secured by properties situated in Hong Kong.



# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 17. INTERESTS IN ASSOCIATES

	The Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets of associates	1,524	62,138
Amounts due from associates	711	42,432
	<b>2,235</b>	104,570

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment. At 31st March, 2001, an amount of HK\$30,374,000 borne interest at commercial rate and the remaining balance was interest free.

Details of principal associates, which are all indirectly held by the Company, at 31st March, 2002 are as follows:

Name of company	Place of incorporation/ registration	Attributable equity interest to the Group	Principal activities
廣東南方電訊網絡有限公司	The PRC	55%	Telecommunication related activities
Sutcliffe Properties Limited	British Virgin Islands	50%	Property development

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The directors of the Company are of the opinion that the Group has significant influence but is not in a position to control the financial and operating policy decisions of 廣東南方電訊網絡有限公司. Accordingly, this company is regarded as an associate of the Group.

## 18. INVESTMENTS IN SECURITIES AND AMOUNTS DUE FROM INVESTEE COMPANIES

	The Group	
	2002 HK\$'000	2001 HK\$'000
Investment securities:		
Unlisted shares, at cost	2,025	2,045
Other investments:		
Shares listed outside Hong Kong, at market value	680	1,999
	<b>2,705</b>	4,044
Amounts due from investee companies	–	10,826
Less: Impairment loss recognised	–	(4,560)
	–	6,266

The amounts due from investee companies were unsecured and interest free.

The directors consider that the investments are worth at least their carrying values.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 19. PROPERTIES HELD FOR SALE

### THE GROUP

At 31st March, 2002, the amount of properties held for sale stated at net realisable value was HK\$25,000,000 (2001: HK\$98,947,000).

## 20. TRADE, PREPAYMENTS AND OTHER RECEIVABLES

The Group adopts a flexible credit policy in line with prevailing marketing strategy. The credit periods granted to customers ranged from 30 days to 90 days on average. The following is an aged analysis of trade debtors:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Trade debtors		
0 – 60 days	15,682	5,608
61 – 90 days	16,368	102
Over 90 days	9,593	8,099
	41,643	13,809
Prepayments and other receivables	36,443	27,675
	78,086	41,484

Included in prepayments as at 31st March, 2002 is an amount of HK\$5,207,000 (2001: nil) representing short term land use right in the PRC. The amount of HK\$5,207,000, which was previously fully provided for and charged to income statement, has been written back as prepayments at 31st March, 2002. This reversal was based on the development in the period end by reference to a valuation from Chung Sen Surveyors Limited. The short term land use right will be amortised over the period of the lease.

## 21. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade creditors:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Trade creditors		
0 – 60 days	34,569	13,985
61 – 90 days	3,556	5,400
Over 90 days	32,049	67,167
	70,174	86,552
Other payables	104,205	94,002
	174,379	180,554

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 22. OTHER CREDITORS

The amounts are unsecured, interest free and have no fixed terms of repayment. The schedule of repayments of other creditors is as follows:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Amounts due to development partners	2,269	3,528
Balance of consideration for the acquisition of a subsidiary	26,741	26,741
Deposit received for share of interest in a property under development	7,948	8,548
	<b>36,958</b>	38,817
Less: Amount due within one year shown under current liabilities	<b>(2,269)</b>	(4,128)
Amount due after one year	<b>34,689</b>	34,689

The Group has entered into agreements with independent third parties to develop a property under development held by the Group. The amounts due to development partners were contributed by those parties according to the agreements and will be repaid upon the sales of the property under development.

## 23. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The bank and other borrowings are secured, bear interest at market rates and are repayable as follows:				
Within one year	492,391	412,662	72,673	89,347
Between one to two years	314,164	437,522	7,531	7,700
Between two to five years	286,178	159,284	9,442	19,044
After five years	132,874	72,585	–	–
	<b>1,225,607</b>	1,082,053	<b>89,646</b>	116,091

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 23. BANK AND OTHER BORROWINGS (continued)

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
(i) Amount due within one year				
Current portion of bank and mortgage loans	<b>355,803</b>	218,141	<b>53,893</b>	70,566
Bank overdrafts	<b>99,438</b>	154,741	–	1
Other borrowings	<b>37,150</b>	39,780	<b>18,780</b>	18,780
	<b>492,391</b>	412,662	<b>72,673</b>	89,347
(ii) Amount due after one year				
Bank and mortgage loans	<b>1,076,909</b>	887,532	<b>70,866</b>	97,310
Other borrowings	<b>49,260</b>	39,780	<b>18,780</b>	18,780
Less: Bank and mortgage loans due within one year	<b>(355,803)</b>	(218,141)	<b>(53,893)</b>	(70,566)
Other borrowings due within one year	<b>(37,150)</b>	(39,780)	<b>(18,780)</b>	(18,780)
	<b>733,216</b>	669,391	<b>16,973</b>	26,744
	<b>1,225,607</b>	1,082,053	<b>89,646</b>	116,091

## 24. CONVERTIBLE DEBENTURES

### THE GROUP AND THE COMPANY

On 15th May, 2000, the Company issued US\$11,000,000 (approximately HK\$85,657,000) 3% convertible debentures (the "Convertible Debentures") which carry the right to convert into shares of HK\$0.10 each in the share capital of the Company at the conversion price which would be the lesser of 120% of the average closing price per share on the Stock Exchange over the 10 consecutive trading days prior to the date of completion; or 90% of the average of the lowest 5 days closing price per share on the Stock Exchange over the 20 consecutive trading days (10 conversion trading days in the case of the first conversion) immediately prior to the date of the conversion notice provided that if such adjusted conversion price is less than HK\$0.85, then the conversion price shall be HK\$0.85.

During the year ended 31st March, 2002, Convertible Debentures in the amount of US\$2,150,000 (2001: US\$3,850,000) were converted into 20,564,058 (2001: 33,595,656) shares of HK\$0.10 each of the Company and US\$1,960,000 (2001: Nil) were redeemed by the Company. On 5th March, 2002, Company has entered into an agreement with the holder of Convertible Debentures whereby the remaining Convertible Debentures as at 31st March, 2002 will be repayable by the Company within one year thereon.

## 25. AMOUNTS DUE TO MINORITY SHAREHOLDERS

### THE GROUP

The amounts are unsecured, interest free and have no fixed terms of repayment.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 26. SHARE CAPITAL

	Number of shares		Amount	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At beginning and end of year	<b>1,500,000,000</b>	1,500,000,000	<b>150,000</b>	150,000
Issued and fully paid:				
At beginning of year	<b>932,703,126</b>	835,814,977	<b>93,270</b>	83,581
Conversion of Convertible Debentures (note 24)	<b>20,564,058</b>	33,595,656	<b>2,056</b>	3,360
Exercise of warrant subscription rights	<b>404,494</b>	1,812,493	<b>41</b>	181
Issue of shares on placing	–	65,000,000	–	6,500
Shares repurchased and cancelled	<b>(12,940,000)</b>	(3,520,000)	<b>(1,294)</b>	(352)
At end of year	<b>940,731,678</b>	932,703,126	<b>94,073</b>	93,270

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month	Number of shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
February 2002	9,210,000	0.55	0.48	4,750
March 2002	3,730,000	0.475	0.435	1,707
	12,940,000			6,457

The above shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from the retained profits to the capital redemption reserve (note 29).

## 27. WARRANTS

### 2001 Warrants

During the year, registered holders of 404,494 (2001: 1,812,493) warrants exercised their rights to subscribe for 404,494 (2001: 1,812,493) shares in the Company at HK\$0.90 per share.

The remaining subscription rights attached to the 2001 warrants expired on 30th September, 2001.

## 28. SHARE OPTIONS

No option was granted under the Company's share option scheme since its adoption.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 29. RESERVES

	Share premium	Goodwill reserve	Contributed reserve	Investment property revaluation reserve	Property revaluation reserve	Other property revaluation reserve	Capital redemption reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>										
At 31st March, 2000	268,241	(57,257)	-	193,774	-	1,650	3,347	(175)	321,768	731,348
Currency realignment	-	-	-	(2,744)	-	(5)	-	-	-	(2,749)
Premium on repurchase of shares	(2,646)	-	-	-	-	-	-	-	-	(2,646)
Premium arising on issue of shares on placing	79,950	-	-	-	-	-	-	-	-	79,950
Expenses incurred in connection with the issue of shares on placing	(2,666)	-	-	-	-	-	-	-	-	(2,666)
Conversion of Convertible Debentures	26,620	-	-	-	-	-	-	-	-	26,620
Exercise of 2001 warrants	1,450	-	-	-	-	-	-	-	-	1,450
Goodwill realised on disposal of subsidiaries	-	52	-	-	-	-	-	-	-	52
Goodwill arising on acquisition of an associate	-	(4,910)	-	-	-	-	-	-	-	(4,910)
Goodwill realised on disposal of an associate	-	682	-	-	-	-	-	-	-	682
Realised on disposal of investment properties	-	-	-	(545)	-	-	-	-	-	(545)
Transfer upon repurchase and cancellation of shares	-	-	-	-	-	-	352	-	(352)	-
Surplus (deficit) arising on revaluation of investment properties and leasehold land and buildings	-	-	-	7,964	-	(148)	-	-	-	7,816
Transfer to property reserve	-	-	-	(15,880)	15,880	-	-	-	-	-
Exchange difference arising on translation of overseas operations	-	-	-	-	-	-	-	(7,832)	-	(7,832)
Net loss for the year	-	-	-	-	-	-	-	-	(92,342)	(92,342)
Transfer	-	54,838	(18,082)	(36,756)	-	-	-	-	-	-
At 31st March, 2001	370,949	(6,595)	(18,082)	145,813	15,880	1,497	3,699	(8,007)	229,074	734,228
Conversion of Convertible Debentures	14,686	-	-	-	-	-	-	-	-	14,686
Exercise of 2001 warrants	323	-	-	-	-	-	-	-	-	323
Premium on repurchase of shares	(5,163)	-	-	-	-	-	-	-	-	(5,163)
Realised on disposal of investment properties	-	-	-	(20,450)	-	-	-	-	-	(20,450)
Released on disposal of associates	-	-	-	(1,835)	-	-	-	-	-	(1,835)
Transfer upon repurchase and cancellation of shares	-	-	-	-	-	-	1,294	-	(1,294)	-
Surplus (deficit) arising on revaluation of investment properties and leasehold land and buildings	-	-	-	13,187	-	(924)	-	-	-	12,263
Net profit for the year	-	-	-	-	-	-	-	-	302	302
<b>At 31st March, 2002</b>	<b>380,795</b>	<b>(6,595)</b>	<b>(18,082)</b>	<b>136,715</b>	<b>15,880</b>	<b>573</b>	<b>4,993</b>	<b>(8,007)</b>	<b>228,082</b>	<b>734,354</b>

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 29. RESERVES (continued)

The transfer of HK\$15,880,000 to the property reserve represents the investment property revaluation reserve as at 31st March, 2001 related to the investment property which had been transferred to property under development during the year ended 31st March, 2001. It is the Group's intention to develop the property to generate rental income and therefore no deferred taxation is provided on the property reserve.

The contributed reserve represents the difference between the aggregate amount of share capitals of Gold-Face Investment Holdings Limited and its subsidiaries at the date at which the shares of these companies were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition.

Included in the above are the following Group's share of post-acquisition reserves of the associates:

	Share premium HK\$'000	Goodwill reserve HK\$'000	Investment property revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
Balance at 31st March, 2000	-	(18,279)	35,053	-	-	-	(21)	(5,378)	11,375
Currency realignment	-	-	(2,884)	-	-	-	-	-	(2,884)
On acquisition of an associate	-	(4,910)	-	-	-	-	-	-	(4,910)
Eliminated on disposal of an associate	-	682	-	-	-	-	-	-	682
Surplus arising on revaluation of investment properties	-	-	20,419	-	-	-	-	-	20,419
Transfer	-	15,912	(15,912)	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	4,791	4,791
Balance at 31st March, 2001	-	(6,595)	36,676	-	-	-	(21)	(587)	29,473
Released on disposal of an associate	-	-	(1,835)	-	-	-	-	-	(1,835)
Eliminated on acquisition of a then associate which became a subsidiary	-	-	(34,841)	-	-	-	-	-	(34,841)
Net loss for the year	-	-	-	-	-	-	-	(1,636)	(1,636)
<b>Balance at 31st March, 2002</b>	<b>-</b>	<b>(6,595)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21)</b>	<b>(2,223)</b>	<b>(8,839)</b>

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 29. RESERVES (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
At 31st March, 2000	268,241	187,193	3,347	322,910	781,691
Premium on repurchase of shares	(2,646)	–	–	–	(2,646)
Premium arising on issue of shares on placing	79,950	–	–	–	79,950
Expenses incurred in connection with the issue of shares on placing	(2,666)	–	–	–	(2,666)
Conversion of Convertible Debentures	26,620	–	–	–	26,620
Exercise of 2001 warrants	1,450	–	–	–	1,450
Transfer upon repurchase and cancellation of shares	–	–	352	(352)	–
Net loss for the year	–	–	–	(100,666)	(100,666)
At 31st March, 2001	370,949	187,193	3,699	221,892	783,733
Conversion of Convertible Debentures	14,686	–	–	–	14,686
Exercise of 2001 warrants	323	–	–	–	323
Premium on repurchase of shares	(5,163)	–	–	–	(5,163)
Transfer upon repurchase and cancellation of shares	–	–	1,294	(1,294)	–
Net loss for the year	–	–	–	(59,381)	(59,381)
<b>At 31st March, 2002</b>	<b>380,795</b>	<b>187,193</b>	<b>4,993</b>	<b>161,217</b>	<b>734,198</b>

The contributed surplus represents the difference between the consolidated shareholders' funds of Gold-Face Investment Holdings Limited and its subsidiaries at the date at which the shares of these companies were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition.



# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 30. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	<b>(1,819)</b>	(90,902)
Share of results of associates	<b>1,636</b>	(4,950)
Write back of provision on short term land use right previously charged to income statement	<b>(5,207)</b>	–
Write back of provision on short term leasehold buildings previously charged to income statement	<b>(2,842)</b>	–
Deficit on revaluation of leasehold land and buildings	<b>1,333</b>	337
Depreciation and amortisation	<b>6,131</b>	4,348
Interest on borrowings	<b>56,675</b>	56,404
Interest income from associates	–	(2,631)
Interest income from bank deposits	<b>(450)</b>	(885)
Gain on disposal of investment properties	<b>(12,000)</b>	(555)
Loss on disposal of property, plant and equipment	<b>168</b>	428
Loss on disposal of properties held for future development	–	81
Impairment loss recognised in respect of properties held for sale	–	30,000
(Gain) loss on disposal of an associate	<b>(5,233)</b>	1,389
(Gain) loss on disposal of a subsidiary	<b>(2,331)</b>	52
Gain on disposal of investment securities	<b>(10,697)</b>	–
Unrealised holding loss on investments in securities	<b>1,398</b>	
Decrease (increase) in loans receivable	<b>73,234</b>	(83,624)
Decrease in properties held for sale	<b>101,852</b>	3,668
Decrease (increase) in trade, prepayments and other receivables	<b>22,080</b>	131,388
(Decrease)/increase in trade and other payables	<b>(71,082)</b>	7,478
Net cash inflow from operating activities	<b>152,846</b>	52,026

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 31. DISPOSAL OF A SUBSIDIARY

Net assets disposal of:

	2002 HK\$'000	2001 HK\$'000
Trade and other receivables	1,365	–
Bank balances	5,828	–
Trade and other payables	(435)	–
Minority interests	(1,689)	–
Goodwill	–	52
	5,069	52
Gain (loss) on disposal	2,331	(52)
	7,400	–
Satisfied by:		
Cash received	7,400	–

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

	2002 HK\$'000	2001 HK\$'000
Cash consideration received	7,400	–
Bank balances disposed of	(5,828)	–
	1,572	–

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

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 32. PURCHASE OF SUBSIDIARIES

On 1st June, 2001, the Group acquired 100 per cent. of the issued share capital of Celtic Swing Limited and its subsidiary for a cash consideration of HK\$50,000,000.

On 8th October, 2001, the Group also acquired 100 per cent. of the issued share capital of Mankin Development Limited and Richtan Properties Limited for a total cash consideration of HK\$7,153,000.

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Investment properties	254,913	–
Property, plant and equipment	–	9,717
Property under development	6,500	–
Property held for future development	1,680	–
Trade and other receivables	54,840	1,472
Bank balances	3,316	555
Trade and other payables	(57,140)	(4,697)
Taxation	(161)	–
Bank borrowings	(152,550)	–
	111,398	7,047
Less: Interest acquired in prior years as associate	(54,245)	(7,047)
	57,153	–
Satisfied by:		
Cash	57,153	–
Analysis of net (outflow) inflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	(57,153)	–
Bank balances acquired	3,316	555
Net (outflow) inflow of cash and cash equivalents in respect of the purchase of a subsidiary	(53,837)	555

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

During the period since acquisition, the subsidiaries purchased contributed HK\$14,652,000 to the Group's net operating cash flows, paid HK\$15,531,000 in respect of returns on investments and servicing of finance, and raised HK\$27,120,000 in respect of financing activities.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Convertible Debentures	Share capital and share premium	Subscription money received	Bank and other borrowings, excluding bank overdrafts	Minority interests	Amounts due to minority shareholders	Other creditors
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31st March, 2000	-	351,822	54,000	751,866	55,669	7,272	45,837
Currency realignment	-	-	-	(4,950)	130	-	-
Transfer to share capital and share premium on issue of shares under placing	-	54,000	(54,000)	-	-	-	-
Balance of subscription money received on issue of shares under placing	-	32,450	-	-	-	-	-
Placement expenses	-	(2,666)	-	-	-	-	-
Issue of Convertible Debentures	85,657	-	-	-	-	-	-
Conversion of Convertible Debentures into shares	(29,980)	29,980	-	-	-	-	-
Repurchase and cancellation of shares	-	(2,998)	-	-	-	-	-
Exercise of 2001 warrants	-	1,631	-	-	-	-	-
New borrowings raised	-	-	-	549,794	-	-	-
Repayment of borrowings	-	-	-	(369,398)	-	-	-
Transfer	-	-	-	-	2,509	(2,509)	-
Decrease on acquisition of additional interest in subsidiaries	-	-	-	-	(58,498)	-	-
Minority interests in the profit of subsidiaries	-	-	-	-	1,411	-	-
Repayment to other creditors	-	-	-	-	-	-	(7,020)
Balance at 31st March, 2001	55,677	464,219	-	927,312	1,221	4,763	38,817
Redemption of Convertible Debentures	(15,263)	-	-	-	-	-	-
Conversion of Convertible Debentures into shares	(16,742)	16,742	-	-	-	-	-
Repurchase and cancellation of shares	-	(6,457)	-	-	-	-	-
Exercise of 2001 warrants	-	364	-	-	-	-	-
New borrowings raised	-	-	-	380,524	-	-	-
Repayment of borrowings	-	-	-	(334,217)	-	-	-
Increase on acquisition of subsidiaries	-	-	-	152,550	-	-	-
Minority interests in the profit of subsidiaries	-	-	-	-	1,306	-	-
Decrease on disposal of a subsidiary	-	-	-	-	(1,689)	-	-
Repayment to other creditors	-	-	-	-	-	-	(1,859)
<b>Balance at 31st March, 2002</b>	<b>23,672</b>	<b>474,868</b>	<b>-</b>	<b>1,126,169</b>	<b>838</b>	<b>4,763</b>	<b>36,958</b>

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 34. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash	8,876	13,428
Bank overdrafts	(99,438)	(154,741)
	(90,562)	(141,313)

## 35. PLEDGE OF ASSETS

At 31st March, 2002, the Group's borrowings were secured by:

- investment properties with an aggregate valuation of HK\$668,650,000 (2001: HK\$454,400,000);
- leasehold land and buildings with an aggregate valuation of approximately HK\$33,850,000 (2001: HK\$36,900,000);
- properties held for future development, properties held for sale and properties under development with an aggregate net book value of HK\$74,138,000 (2001: HK\$98,953,000), HK\$87,727,000 (2001: HK\$173,623,000) and HK\$920,855,000 (2001: HK\$830,717,000), respectively;
- a debenture over the assets of Gold-Face Finance Limited ("GFFL"), comprising plant and machinery with net book value of HK\$10,000 (2001: HK\$12,000) and other assets of HK\$157,442,000 (2001: HK\$228,535,000) including an assignment of certain loans receivable which were secured by property mortgage to GFFL;
- a debenture over the shares of Yieldful Holdings Company, with a net book value of HK\$7,646,000 (2001: net liabilities of HK\$5,416,000).

For the year ended 31st March, 2001, the Group's borrowings were also secured by:

- a debenture incorporating a floating charge on the assets of Magic House Enterprises Limited, comprising plant and machinery with net book value of HK\$106,000 and an assignment of all sale proceeds, rental and other income;
- bank deposits of HK\$501,000 against which facilities of HK\$501,000 had been drawn at the balance sheet date; and
- 51,328,096 shares of Golden Land Investments PLC ("Golden Land"), a company listed on the London Stock Exchange Limited, which had an aggregate market value of HK\$20,300,000.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 36. LEASE COMMITMENTS

### The Group as lessee

Operating lease payments represents rental payable by the Group for certain of its office properties and the restaurant in the United Kingdom. Leases are negotiated for average term of 5 years and 30 years respectively for the office premises and the restaurant.

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

	The Group	
	2002 HK\$'000	2001 HK\$'000 (restated)
Within one year	3,553	513
In the second to fifth year inclusive	13,137	1,491
After five years	72,070	–
	<b>88,760</b>	2,004

### The Group as lessor

The property held has committed tenants for terms ranged from 1 month to 5 years.

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

	The Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	34,635	26,914
In the second to fifth year inclusive	54,245	17,508
After five years	37,475	4,928
	<b>126,355</b>	49,350

At the balance sheet date, the Company did not have any commitments under operating leases as lessee or lessor.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 37. COMMITMENTS

	The Group	
	2002 HK\$'000	2001 HK\$'000
Commitments contracted for but not provided in the financial statements in respect of properties under development	<b>327,432</b>	89,373

At the balance sheet date, the Company did not have any commitments.

## 38. CONTINGENT LIABILITIES

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to banks in respect of banking facilities granted to:				
Subsidiaries	–	–	<b>1,457,724</b>	1,204,485
An associate	<b>30,000</b>	30,000	<b>30,000</b>	30,000
	<b>30,000</b>	30,000	<b>1,487,724</b>	1,234,485
The extent of such facilities utilised at the balance sheet date is as follows:				
Subsidiaries	–	–	<b>1,029,669</b>	710,761
An associate	<b>28,985</b>	27,235	<b>28,985</b>	27,235
	<b>28,985</b>	27,235	<b>1,058,654</b>	737,996

## 39. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement benefits scheme (the "Defined Contribution Scheme") for certain qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee. Contributions to the schemes are at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting in full in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1st December, 2001, the Group has also joined a mandatory provident fund scheme ("MPF Scheme") for other employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Except for voluntary contribution, no forfeited contribution under this scheme is available to reduce the contribution payable in future years.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 39. RETIREMENT BENEFITS SCHEME (continued)

In addition, the Group has two pension schemes in the United Kingdom for two employees administered by an insurance company which operate on a 'money-purchase' basis. Contributions to these schemes are agreed between the members and the insurance company.

The retirement benefits scheme contributions arising from the above schemes charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

There were no significant forfeited contributions in both years which arose upon employees leaving the retirement benefits scheme before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in future.

## 40. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group paid architectural fees and professional service fees with an aggregate amount of HK\$3,500,000 (2001: HK\$2,333,000) to Wong & Tai Associates Architects in which Messrs. Tai Chi Wah and Wong Po Lung, John are partners. The architectural fees were charged with reference to the construction costs of the project and to the scale fees for architectural services determined by the Hong Kong Institute of Architects. The professional service fees were charged at estimated market rates determined by the directors. The amount due to this related company at the year end, which was included under trade and other payables, was HK\$200,000 (2001: HK\$500,000).
- (b) During the year, the Group received property rental income amounting to HK\$5,700,000 (2001: HK\$5,980,000) from Gold-Face (Restaurant Group) Limited, a company wholly owned by Questrole Profits Limited. Questrole Profits Limited is beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Tai Chi Wah and the spouse of Madam Tai Seow Yoke Peng and their respective family members. The rentals were charged at estimated market rates determined by the directors at the time when the tenancy agreement was entered into with Gold-Face (Restaurant Group) Limited.
- (c) Certain of the Group's borrowings were also secured by personal guarantees of one of the Company's directors.

## 41. ARBITRATION

During the year, one of the Group's suppliers had issued legal proceedings against one of the Group's subsidiaries which would be determined by an arbitrator. These proceedings relate to compensation claimed by this supplier for damages as a result of prolongation of construction works, amounted to approximately HK\$75 million. This subsidiary had issued a counter claim against this supplier of approximately HK\$74 million which would also be determined by the arbitrator. In the opinion of the directors, it is not possible to estimate the likely outcome from the arbitration and, accordingly, no provision has been made in the financial statements for the amount claimed by the supplier and the Group's counter claim. Amount due to the supplier has been provided for in the financial statements in accordance with the terms of the original contract entered into between the Group and the supplier.



# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 42. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Auldana International Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Admiralty Star Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$4,500,002 **	100%	Property development
Applause Developments Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Bodallin Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Braemar Associates Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Bright Aura Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Cherub Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Property management
Chintan Investment Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Property investment
Chun Po Investment Company Limited	Hong Kong	Ordinary HK\$200 Deferred HK\$7,250,000 **	100%	Property development and investment
Citigold Development Limited	Hong Kong	Ordinary HK\$100 Deferred HK\$2 **	100%	Property development
Celtic Swing Limited	British Virgin Islands	Ordinary US\$50,000	100%	Investment holding
Continous Success Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property development
Cordeaux International Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 42. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Crown Fortune Development Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Eastern Wealth Investment Limited	Hong Kong	Ordinary HK\$10,000	100%	Property development
Euro-Asia Property Limited	British Virgin Islands	Ordinary £2,100,747	100%	Investment holding
Ever Prospect Limited	Samoa/ The PRC	Ordinary US\$1	100%	Investment holding, property development and property investment
Excessway Investment Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,000 **	100%	Property investment
Fruitful International Limited	Samoa/ Hong Kong	Ordinary US\$1	100%	Property investment
Gold-Face Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$1,100,000 **	100%	Investment holding, property development and investment
Gold-Face Finance Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Money lending
Gold-Face Investment Holdings Limited*	British Virgin Islands	Ordinary US\$14	100%	Investment holding
Goldline Properties Limited	United Kingdom	Ordinary £100	100%	Property investment
Golden Realty Limited	British Virgin Islands	Ordinary £1,002	100%	Investment holding
Gundagai International Limited	British Virgin Islands	Ordinary US\$1	100%	Property investment
Goldrim (UK) Limited	United Kingdom	Ordinary £1,000	67%	Restaurant
Hei Ling Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Hitrade Group Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10	100%	Property investment

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 42. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Jatamaka Company Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Jumbo Business Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Lipson Enterprises Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Magic House Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,000 **	100%	Property investment
Magpies Company Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,002 **	100%	Property investment
Mankin Development Limited	Hong Kong	Ordinary HK\$10,000	100%	Property development
Ocampo Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10 Deferred US\$100 **	100%	Property development
Pacific Princess Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	Property investment
Phantasy Development Limited	Hong Kong	Ordinary HK\$8,000 Deferred HK\$10,000 **	100%	Property development
Pristine International Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Profit Nation Development Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding and property development
Regent Million Investment Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Richtan Properties Limited	British Virgin Islands	Ordinary US\$10	100%	Property development
Roster Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Score Million Investment Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Silver Kind Investment Limited	Hong Kong	Ordinary HK\$10,000 Deferred HK\$7,500 **	100%	Property development and investment

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 42. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued share capital	Proportion of nominal value of issued ordinary share capital held	Principal activities
Simple Link Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US\$3	100%	Property development
Steadyline Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Property development and property investment
Stepworth International Inc.	British Virgin Islands/ United Kingdom	Ordinary US\$1	100%	Property investment
Tai Tung On Enterprises Company Limited	Hong Kong	Ordinary HK\$200 Deferred HK\$10,000 **	100%	Property investment
Tonka Profits Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10	100%	Property investment
Top Aim Development Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$10,000 **	100%	Property investment
True Gold Investments Limited	Hong Kong	Ordinary HK\$2	100%	Property development
Ultimarum Limited	United Kingdom	Ordinary £1	100%	Investment holding
Victory Brilliant Enterprises Limited	Hong Kong	Ordinary HK\$100	100%	Property investment
Wealth Enterprises Limited	Hong Kong	Ordinary HK\$2 Deferred HK\$2 **	100%	Investment holding
Wisearn Group Limited*	British Virgin Islands	Ordinary US\$10	100%	Investment holding
Wonder Fit Company Limited	Hong Kong	Ordinary HK\$10,000	80%	Investment holding and property development
Yieldful Holdings Limited	Hong Kong	Ordinary HK\$1,000	90%	Investment holding
Ying Mou Developments Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
陽春市春來發電有限公司	The PRC	Registered capital RMB27,500,000	90%	Generation and supply of electricity

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2002

## 42. SUBSIDIARIES (continued)

- \* Directly held by the Company.
- \*\* The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On a winding-up, the holders of the deferred shares shall be entitled out of the surplus assets of the company to a return of the capital paid up to the non-voting deferred shares held by them, respectively, after a total sum of HK\$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the company. All deferred shares are held by certain of the Company's subsidiaries.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.