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## **NOTES TO THE FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31ST MARCH 2002

### **1. GENERAL**

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

The principal activities of the Group are investment holding, property dealing, decoration contractor and trading, provision of corporate management services, and investment and financing. The Group was also previously involved in the property investment and ship chartering, which operations were discontinued during the year.

### **2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants:

|                   |  |
|-------------------|--|
| SSAP 9 (Revised)  | Events after the balance sheet date                      |
| SSAP 14 (Revised) | Leases   |
| SSAP 26           | Segment reporting  |
| SSAP 28           | Provisions, contingent liabilities and contingent assets |
| SSAP 30           | Business combinations                                    |
| SSAP 31           | Impairment of assets                                     |

Adoption of these SSAPs had 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 disclosures of the prior year have been restated in order to achieve a consistent presentation.

The adoption of the new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior year.

- (i) In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been adjusted retrospectively, resulting in a prior year adjustment (see note 28).

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## **NOTES TO THE FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31ST MARCH 2002

### **2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE** (Continued)

- (ii) SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases. The adoption of SSAP 14 (Revised) has not had any material effect on the results for the current or prior accounting period and, accordingly, no prior year adjustment has been required. The comparative figures on the disclosure note have been restated in accordance with SSAP 14 (Revised).
  
- (iii) 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 31st March 2001 have been amended so that they are presented on a consistent basis.
  
- (iv) 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 or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or 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 investments in securities and investment properties.

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

#### **Basis of consolidation**

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

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

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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 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 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.

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.

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

#### **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 arising on acquisitions on or after 1st April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on acquisitions prior to 1st April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

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

#### **Revenue recognition**

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

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31ST MARCH 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

#### **Revenue recognition** (Continued)

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

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

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

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

Revenue from long-term service contracts, is recognised on the basis of work done when contracts have progressed to the point where a profitable outcome can prudently be foreseen.

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

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

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

Other service income is recognised when services are rendered.

#### **Investment properties**

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

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any 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 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.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31ST MARCH 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

#### **Investment properties** (Continued)

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

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

#### **Property, plant and equipment**

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

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

|   |  |
|---|--|
| Buildings                               | Over the shorter of the lease term, or 20 years  |
| Vessels                                 | Over the remaining useful life of 20 years starting from the vessel being put to service |
| Machinery, equipment and motor vehicles | 5% – 33 <sup>1</sup> / <sub>3</sub> %  |
| Furniture and fixtures                  | 2% – 20%   |
| Leasehold improvements                  | 20% or over the life of the lease  |

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.

#### **Property under development**

Property under development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31ST MARCH 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

#### **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.

#### **Interest in subsidiaries**

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

#### **Interest 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 stated at the Group's share of the net assets/liabilities of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

#### **Investments in securities**

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

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

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31ST MARCH 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

#### **Interest in limited partnerships**

Investments in limited partnerships are included in the Group's balance sheet at cost less any identified impairment loss. The results of the limited partnership are accounted for under the equity method of accounting in the consolidated financial statements.

#### **Inventories and work in progress and payments received on account**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

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

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

#### **Decoration contracts**

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

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

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

#### **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 losses are recognised as an expense immediately.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31ST MARCH 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

#### **Impairment** (Continued)

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.

#### **Taxation**

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

#### **Foreign currencies**

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

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

#### **Lease**

##### *The Group as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### *The Group as lessee*

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

For management purposes, the Group is currently organised into six operating divisions - decoration contractor and trading of building supplies, property dealing, management and consultancy services, property leasing, investment and financing and ship chartering. These divisions are the basis on which the Group reports its primary segment information. During the year, the Group discontinued its operation in property leasing and ship chartering.

Segment information about these businesses is presented below:

#### 2002

|  | Property<br>dealing<br>HK\$ | Management<br>Decoration<br>contractor<br>and trading<br>HK\$ | and<br>consultancy<br>services<br>HK\$ | Investment<br>and<br>financing<br>HK\$ | Others<br>HK\$ | Property<br>leasing<br>HK\$<br><i>(Discontinued)</i> | Ship<br>chartering<br>HK\$<br><i>(Discontinued)</i> | Consolidated<br>HK\$ |
|--|-----------------------------|---|--|--|----------------|--|---|----------------------|
| TURNOVER   | <u>17,453,185</u>           | <u>24,347,104</u>   | <u>11,239,910</u>                      | <u>1,723,826</u>                       | <u>297,439</u> | <u>18,620,009</u>                                    | <u>5,144,035</u>                                    | <u>78,825,508</u>    |
| RESULT   |                             |   |  |  |                |  |   |                      |
| Segment result   | <u>(10,995,896)</u>         | <u>(11,409,734)</u>   | <u>52,494</u>                          | <u>(18,045,879)</u>                    | <u>-</u>       | <u>15,124,551</u>                                    | <u>(5,327,056)</u>                                  | <u>(30,601,520)</u>  |
| Unallocated corporate expenses   |                             |   |  |  |                |  |   | <u>(31,178,257)</u>  |
| Loss from operations   |                             |   |  |  |                |  |   | <u>(61,779,777)</u>  |
| Finance costs  |                             |   |  |  |                |  |   | <u>(1,356,114)</u>   |
| Gain on disposal of subsidiaries/<br>discontinued operations                     |                             |   |  |  |                |  |   | <u>164,395,431</u>   |
| Impairment loss recognised<br>in respect of interest<br>in a limited partnership |                             |   |  | <u>(3,817,500)</u>                     |                |  |   | <u>(3,817,500)</u>   |
| Share of results of associates   |                             |   |  | <u>(13,687,883)</u>                    |                |  |   | <u>(13,687,883)</u>  |
| Profit before taxation   |                             |   |  |  |                |  |   | <u>83,754,157</u>    |
| Taxation   |                             |   |  |  |                |  |   | <u>(848,454)</u>     |
| Profit after taxation  |                             |   |  |  |                |  |   | <u>82,905,703</u>    |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

2002 (Continued)

#### BALANCE SHEET

|  | Property<br>dealing<br><i>HK\$</i> | Decoration<br>contractor<br>and trading<br><i>HK\$</i> | Management<br>and<br>consultancy<br>services<br><i>HK\$</i> | Investment<br>and<br>financing<br><i>HK\$</i> | Property<br>leasing<br><i>HK\$</i><br><i>(Discontinued)</i> | Ship<br>chartering<br><i>HK\$</i><br><i>(Discontinued)</i> | Consolidated<br><i>HK\$</i> |
|--|------------------------------------|--|---|---|---|--|-----------------------------|
| ASSETS   |                                    |  |   |   |   |  |                             |
| Segment assets   | 62,132,839                         | 33,436,589   | 9,058,829   | 95,776,831                                    | -   | -  | 200,405,088                 |
| Interest in associates   | -                                  | -  | -   | 97,787,887                                    | -   | -  | 97,787,887                  |
| Consolidated<br>total assets   | <u>62,132,839</u>                  | <u>33,436,589</u>                                      | <u>9,058,829</u>  | <u>193,564,718</u>                            | <u>-</u>  | <u>-</u>   | <u>298,192,975</u>          |
| LIABILITIES  |                                    |  |   |   |   |  |                             |
| Segment liabilities  | <u>37,343,515</u>                  | <u>6,342,673</u>                                       | <u>692,517</u>  | <u>34,417,190</u>                             | <u>-</u>  | <u>-</u>   | 78,795,895                  |
| Unallocated corporate<br>liabilities   |                                    |  |   |   |   |  | <u>5,358,235</u>            |
|  |                                    |  |   |   |   |  | <u>84,154,130</u>           |
| OTHER INFORMATION  |                                    |  |   |   |   |  |                             |
| Additions to property,<br>plant and equipment                                    | 28,350                             | 36,194   | 74,596  | 687,859                                       | -   | 3,474,999  | 4,301,998                   |
| Depreciation and<br>amortisation   | 2,827,722                          | 485,041  | 2,139,336   | 2,531,189                                     | -   | 1,485,196  | 9,468,484                   |
| Allowance for doubtful<br>debts  | -                                  | -  | 1,059,329   | 12,641,920                                    | -   | -  | 13,701,249                  |
| Allowances for loans<br>to associates  | -                                  | -  | -   | 11,440,069                                    | -   | -  | 11,440,069                  |
| Unrealised loss on<br>investments in securities                                  | -                                  | -  | -   | 272,791                                       | -   | -  | 272,791                     |
| Impairment loss recognised<br>in respect of interest<br>in a limited partnership | <u>-</u>                           | <u>-</u>   | <u>-</u>  | <u>3,817,500</u>                              | <u>-</u>  | <u>-</u>   | <u>3,817,500</u>            |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

2001

|   | Property<br>dealing<br><i>HK\$</i> | Management<br>Decoration<br>contractor<br>and trading<br><i>HK\$</i> | and<br>consultancy<br>services<br><i>HK\$</i> | Investment<br>and<br>financing<br><i>HK\$</i> | Others<br><i>HK\$</i> | Property<br>leasing<br><i>HK\$</i> | Ship<br>chartering<br><i>HK\$</i> | Consolidated<br><i>HK\$</i> |
|---|------------------------------------|--|---|---|-----------------------|------------------------------------|-----------------------------------|-----------------------------|
|   |                                    |  |   |   |                       | <i>(Discontinued)</i>              | <i>(Discontinued)</i>             |                             |
| TURNOVER  | 58,812,862                         | 31,419,004   | 21,486,302                                    | 12,887,941                                    | 280,018               | 27,653,338                         | 5,468,937                         | 158,008,402                 |
| RESULT  |                                    |  |   |   |                       |                                    |                                   |                             |
| Segment result  | 16,766,146                         | 866,210  | 7,354,867                                     | (19,972,689)                                  | -                     | 20,249,146                         | (19,968,495)                      | 5,295,185                   |
| Unallocated corporate expenses  |                                    |  |   |   |                       |                                    |                                   | (27,910,555)                |
| Loss from operations  |                                    |  |   |   |                       |                                    |                                   | (22,615,370)                |
| Finance costs   |                                    |  |   |   |                       |                                    |                                   | (819,425)                   |
| Loss on disposal of subsidiaries  |                                    |  |   |   |                       |                                    |                                   | (1,588,176)                 |
| Loss on partial disposal<br>of a limited partnership                    |                                    |  |   | (3,241,969)                                   |                       |                                    |                                   | (3,241,969)                 |
| Impairment loss recognised<br>in respect of interest<br>in an associate |                                    |  |   | (11,443,549)                                  |                       |                                    |                                   | (11,443,549)                |
| Share of results of associates  |                                    |  |   | (20,327,310)                                  |                       |                                    |                                   | (20,327,310)                |
| Share of results of a limited<br>partnership                            |                                    |  |   | 571,871                                       |                       |                                    |                                   | 571,871                     |
| Loss before taxation  |                                    |  |   |   |                       |                                    |                                   | (59,463,928)                |
| Taxation  |                                    |  |   |   |                       |                                    |                                   | (99,374)                    |
| Loss after taxation   |                                    |  |   |   |                       |                                    |                                   | (59,563,302)                |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

2001 (Continued)

#### BALANCE SHEET

|   | Property<br>dealing<br><i>HK\$</i> | Decoration<br>contractor<br>and trading<br><i>HK\$</i> | Management<br>and<br>consultancy<br>services<br><i>HK\$</i> | Investment<br>and<br>financing<br><i>HK\$</i> | Property<br>leasing<br><i>HK\$</i><br><i>(Discontinued)</i> | Ship<br>chartering<br><i>HK\$</i><br><i>(Discontinued)</i> | Consolidated<br><i>HK\$</i> |
|---|------------------------------------|--|---|---|---|--|-----------------------------|
| <b>ASSETS</b>   |                                    |  |   |   |   |  |                             |
| Segment assets  | 121,140,519                        | 47,229,250   | 9,945,835   | 74,449,509                                    | 1,062,136,728   | 35,850,782   | 1,350,752,623               |
| Interest in associates  | -                                  | -  | -   | 127,732,312                                   | -   | -  | 127,732,312                 |
| Interest in a limited partnership   | -                                  | -  | -   | 3,817,500                                     | -   | -  | 3,817,500                   |
| Consolidated total assets   | <u>121,140,519</u>                 | <u>47,229,250</u>                                      | <u>9,945,835</u>  | <u>205,999,321</u>                            | <u>1,062,136,728</u>  | <u>35,850,782</u>  | <u>1,482,302,435</u>        |
| <b>LIABILITIES</b>  |                                    |  |   |   |   |  |                             |
| Segment liabilities   | <u>3,986,288</u>                   | <u>12,229,145</u>                                      | <u>6,734,579</u>  | <u>63,191,939</u>                             | <u>52,724,123</u>   | <u>29,838,392</u>  | 168,704,466                 |
| Unallocated corporate liabilities   |                                    |  |   |   |   |  | <u>145,088,726</u>          |
|   |                                    |  |   |   |   |  | <u>313,793,192</u>          |
| <b>OTHER INFORMATION</b>  |                                    |  |   |   |   |  |                             |
| Additions to property, plant and equipment                                    | 2,192,551                          | 139,249  | 11,338,170  | 1,553,266                                     | -   | 79,536,236   | 94,759,472                  |
| Depreciation and amortisation   | 3,326,156                          | 578,067  | 2,829,510   | 2,972,218                                     | -   | 2,631,056  | 12,337,007                  |
| Impairment losses recognised in income statement                              | -                                  | -  | -   | -   | -   | 22,200,000   | 22,200,000                  |
| Reversal of impairment loss recognised in respect of properties held for sale | 29,000,000                         | -  | -   | -   | -   | -  | 29,000,000                  |
| Allowance for doubtful debts  | -                                  | -  | -   | 5,200,000                                     | -   | -  | 5,200,000                   |
| Allowances for loans to associates  | -                                  | -  | -   | 11,500,000                                    | -   | -  | 11,500,000                  |
| Unrealised loss on investments in securities                                  | -                                  | -  | -   | 2,093,007                                     | -   | -  | 2,093,007                   |
| Impairment loss recognised in respect of interest in an associate             | <u>-</u>                           | <u>-</u>   | <u>-</u>  | <u>11,443,549</u>                             | <u>-</u>  | <u>-</u>   | <u>11,443,549</u>           |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Geographical segments

The Group's operations are located in Hong Kong, the PRC and South East Asia and the United Kingdom and other areas.

The following table provides an analysis of the Group's sales and contribution to loss from operations by geographical market, irrespective of the origin of the goods/services:

|   | <b>Turnover</b>          |                    | <b>Contribution to</b>      |                     |
|---|--------------------------|--------------------|-----------------------------|---------------------|
|   |                          |                    | <b>loss from operations</b> |                     |
|   | <b>2002</b>              | 2001               | <b>2002</b>                 | 2001                |
|   | <b>HK\$</b>              | <i>HK\$</i>        | <b>HK\$</b>                 | <i>HK\$</i>         |
| Hong Kong                                   | <b>33,994,614</b>        | 156,059,116        | <b>(20,019,253)</b>         | 26,579,921          |
| The PRC and South East Asia                 | <b>39,682,923</b>        | 1,949,286          | <b>(5,255,211)</b>          | (17,687,301)        |
| United Kingdom and other areas              | <b>5,147,971</b>         | –                  | <b>(5,327,056)</b>          | (3,597,435)         |
|   | <b><u>78,825,508</u></b> | <u>158,008,402</u> | <b><u>(30,601,520)</u></b>  | <u>5,295,185</u>    |
| <i>Less: Unallocated corporate expenses</i> |                          |                    | <b><u>(31,178,257)</u></b>  | <u>(27,910,555)</u> |
|   |                          |                    | <b><u>(61,779,777)</u></b>  | <u>(22,615,370)</u> |

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:

|                                | <b>Carrying amount</b>    |                      | <b>Additions to</b>     |                   |
|--------------------------------|---------------------------|----------------------|-------------------------|-------------------|
|                                | <b>of segment assets</b>  |                      | <b>property, plant</b>  |                   |
|                                | <b>2002</b>               | 2001                 | <b>2002</b>             | 2001              |
|                                | <b>HK\$</b>               | <i>HK\$</i>          | <b>HK\$</b>             | <i>HK\$</i>       |
| Hong Kong                      | <b>197,309,878</b>        | 1,117,988,179        | <b>711,012</b>          | 13,028,327        |
| The PRC and South East Asia    | <b>100,883,097</b>        | 192,753,128          | <b>115,987</b>          | 2,194,909         |
| United Kingdom and other areas | –                         | 171,561,128          | <b>3,474,999</b>        | 79,536,236        |
|                                | <b><u>298,192,975</u></b> | <u>1,482,302,435</u> | <b><u>4,301,998</u></b> | <u>94,759,472</u> |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 5. OTHER OPERATION INCOME

|   | <b>2002</b>             | 2001                    |
|---|-------------------------|-------------------------|
|   | <b>HK\$</b>             | <b>HK\$</b>             |
| Exchange gain   | <b>647,914</b>          | –                       |
| Gain on disposal of property, plant and equipment                       | –                       | 1,948,603               |
| Net realised and unrealised holding gain<br>on investment in securities | –                       | 37,859                  |
| Others  | <b>2,364,915</b>        | 3,827,474               |
|   | <b><u>3,012,829</u></b> | <b><u>5,813,936</u></b> |

### 6. LOSS FROM OPERATIONS

|   | <b>2002</b>       | 2001        |
|---|-------------------|-------------|
|   | <b>HK\$</b>       | <b>HK\$</b> |
| Loss from operations has been arrived at after charging:  |                   |             |
| Auditors' remuneration  |                   |             |
| – current year  | <b>678,342</b>    | 1,061,394   |
| – overprovision in the previous year  | <b>(411,100)</b>  | (31,000)    |
|   | <b>267,242</b>    | 1,030,394   |
| Depreciation  |                   |             |
| – on owned property, plant and equipment  | <b>9,468,484</b>  | 9,687,503   |
| – on assets let out under operating lease   | –                 | 2,649,504   |
|   | <b>9,468,484</b>  | 12,337,007  |
| Exchange loss   | –                 | 5,584,023   |
| Loss on disposal of property, plant and equipment   | <b>738,152</b>    | –           |
| Rental under operating leases on land and buildings   | <b>2,332,815</b>  | 2,682,810   |
| Staff costs   | <b>22,377,316</b> | 25,094,333  |
| and after crediting:  |                   |             |
| Exchange gain   | <b>647,914</b>    | –           |
| Property rental income arising from operating leases<br>less out-goings of HK\$2,679,872<br>(2001: HK\$1,847,763) | <b>16,223,261</b> | 25,805,575  |

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### **7. FINANCE COSTS**

|  | <b>2002</b>        | 2001    |
|--|--------------------|---------|
|  | <b>HK\$</b>        | HK\$    |
| Interest on:   |                    |         |
| Bank loans and overdrafts repayable                        |                    |         |
| – wholly repayable within five years                       | <b>453,123</b>     | 819,425 |
| – not wholly repayable within five years                   | <b>1,937,888</b>   | –       |
|  | <b>2,391,011</b>   | 819,425 |
| <i>Less:</i> Amount capitalised to vessels during the year | <b>(1,034,897)</b> | –       |
|  | <b>1,356,114</b>   | 819,425 |

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.2% (2001: Nil) to expenditure on qualifying assets.

### **8. GAIN (LOSS) ON DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS**

On 1st June 2001, the Group sold all its shares in a subsidiary, Cost Plus Limited, to a third party. This subsidiary carried out part of the Group's ship chartering business. In addition, on 17th August 2001, the Group entered into a sale agreement to dispose of the subsidiaries held by Allhead Holdings Limited ("Allhead"). These subsidiaries held by Allhead mainly carried out all of the Group's property leasing and ship chartering and other businesses. The disposal of these subsidiaries was effected in order to focus on the development of the PRC businesses. The disposal was completed on 7th November 2001, on which date control of Allhead passed to the acquirer.

The combined carrying amounts of the assets and liabilities of these subsidiaries at the date of disposal are disclosed in note 31(d).

A gain of HK\$164,395,431 (2001: loss of HK\$1,588,176) arose on the disposal of subsidiaries, being the proceeds of disposal less the carrying amount of the subsidiaries' net assets and attributable goodwill (see note 31(d)). No tax charge or credit arose from the transaction.

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### 9. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

No emoluments was paid to directors for both years.

#### Five Highest Paid Employees

|  | <b>2002</b>             | 2001                    |
|--|-------------------------|-------------------------|
|  | <b>HK\$</b>             | <b>HK\$</b>             |
| Salaries and other emoluments            | <b>3,732,000</b>        | 4,860,000               |
| Retirement benefits scheme contributions | <b>47,600</b>           | 15,011                  |
|  | <b><u>3,779,600</u></b> | <b><u>4,875,011</u></b> |

#### THE GROUP

|                               | <b>2002</b>             | 2001            |
|-------------------------------|-------------------------|-----------------|
|                               | <b>No. of employees</b> |                 |
| HK\$0 – HK\$1,000,000         | <b>5</b>                | 3               |
| HK\$1,000,001 – HK\$1,500,000 | <b>–</b>                | 2               |
|                               | <b><u>5</u></b>         | <b><u>5</u></b> |

### 10. TAXATION

|                                    | <b>2002</b>           | 2001                 |
|------------------------------------|-----------------------|----------------------|
|                                    | <b>HK\$</b>           | <b>HK\$</b>          |
| The tax charge (credit) comprises: |                       |                      |
| Company and subsidiaries           |                       |                      |
| Hong Kong Profits Tax              | –                     | (5,128)              |
| Overseas taxation                  | <b>848,454</b>        | 104,502              |
|                                    | <b><u>848,454</u></b> | <b><u>99,374</u></b> |

No provision for Hong Kong Profits Tax was made as the Group has no assessable profits for the year. The tax credit in the last year represented the overprovision of Hong Kong Profits Tax in previous years. Overseas taxes have been calculated at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 11. SPECIAL DISTRIBUTION

|  | <b>2002</b>               | 2001            |
|--|---------------------------|-----------------|
|  | <b>HK\$</b>               | <b>HK\$</b>     |
| Special distribution paid from contributed surplus |                           |                 |
| – HK\$1.626 per share (2001: Nil)                  | <b><u>870,494,154</u></b> | <b><u>–</u></b> |

### 12. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share is based on the consolidated profit for the year of HK\$76,975,467 (2001: loss of HK\$58,111,407) and on 535,359,258 (2001: 535,359,258) ordinary shares in issue during the year.

### 13. INVESTMENT PROPERTIES

*HK\$*

#### THE GROUP

##### VALUATION

|  |                      |
|--|----------------------|
| At 1st April 2001                      | 659,500,000          |
| Eliminated on disposal of subsidiaries | <u>(659,500,000)</u> |
| At 31st March 2002                     | <b><u>–</u></b>      |

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 14. PROPERTY, PLANT AND EQUIPMENT

|   | Land and<br>buildings<br><i>HK\$</i> | Vessels<br><i>HK\$</i> | Machinery,<br>equipment<br>and motor<br>vehicles<br><i>HK\$</i> | Furniture<br>and<br>fixtures<br><i>HK\$</i> | Leasehold<br>improve-<br>ments<br><i>HK\$</i> | Total<br><i>HK\$</i>     |
|---|--------------------------------------|------------------------|---|---|---|--------------------------|
| <b>THE GROUP</b>                              |                                      |                        |   |   |   |                          |
| <b>COST</b>                                   |                                      |                        |   |   |   |                          |
| At 1st April 2001                             | 34,257,441                           | 128,815,854            | 17,982,429  | 26,513,366                                  | 25,669,894                                    | 233,238,984              |
| Exchange adjustment                           | 1,029,436                            | –                      | 44,040  | 132,659                                     | 59,071  | 1,265,206                |
| Additions                                     | –                                    | 2,775,663              | 116,616   | 1,003,099                                   | 406,620                                       | 4,301,998                |
| Eliminated<br>on disposals<br>of subsidiaries | –                                    | (131,591,517)          | (10,314,353)  | (10,010,247)                                | (8,655,361)                                   | (160,571,478)            |
| Disposals                                     | –                                    | –                      | (363,917)   | (1,863,322)                                 | (641,231)                                     | (2,868,470)              |
| <b>At 31st March 2002</b>                     | <b><u>35,286,877</u></b>             | <b><u>–</u></b>        | <b><u>7,464,815</u></b>   | <b><u>15,775,555</u></b>                    | <b><u>16,838,993</u></b>                      | <b><u>75,366,240</u></b> |
| <b>ACCUMULATED DEPRECIATION</b>               |                                      |                        |   |   |   |                          |
| At 1st April 2001                             | 27,785,780                           | 33,617,046             | 10,021,121  | 9,100,090                                   | 13,550,033                                    | 94,074,070               |
| Exchange adjustment                           | 88,220                               | –                      | 21,364  | 147,504                                     | 5,907   | 262,995                  |
| Charge for the year                           | 1,512,000                            | 1,466,278              | 1,578,014   | 1,846,619                                   | 3,065,573                                     | 9,468,484                |
| Eliminated on disposals<br>of subsidiaries    | –                                    | (35,083,324)           | (5,029,617)   | (5,351,169)                                 | (2,385,157)                                   | (47,849,267)             |
| Eliminated on disposals                       | –                                    | –                      | (341,888)   | (1,364,211)                                 | (419,390)                                     | (2,125,489)              |
| <b>At 31st March 2002</b>                     | <b><u>29,386,000</u></b>             | <b><u>–</u></b>        | <b><u>6,248,994</u></b>   | <b><u>4,378,833</u></b>                     | <b><u>13,816,966</u></b>                      | <b><u>53,830,793</u></b> |
| <b>NET BOOK VALUES</b>                        |                                      |                        |   |   |   |                          |
| <b>At 31st March 2002</b>                     | <b><u>5,900,877</u></b>              | <b><u>–</u></b>        | <b><u>1,215,821</u></b>   | <b><u>11,396,722</u></b>                    | <b><u>3,022,027</u></b>                       | <b><u>21,535,447</u></b> |
| At 31st March 2001                            | <u>6,471,661</u>                     | <u>95,198,808</u>      | <u>7,961,308</u>  | <u>17,413,276</u>                           | <u>12,119,861</u>                             | <u>139,164,914</u>       |

Land and buildings are situated in the PRC and under medium-term leases.

As at 31st March 2002, no property, plant and equipment were let out under operating leases. As at 31st March 2001, the cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment of the Group in respect of assets let out under operating leases were HK\$128,815,854, HK\$11,417,046 and HK\$22,200,000 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

|                                 | Leasehold<br>improvements<br><i>HK\$</i> | Furniture<br>and<br>fixtures<br><i>HK\$</i> | Office<br>equipment<br>and<br>machinery<br><i>HK\$</i> | Motor<br>vehicles<br><i>HK\$</i> | Total<br><i>HK\$</i> |
|---------------------------------|--|---|--|----------------------------------|----------------------|
| <b>THE COMPANY</b>              |  |   |  |                                  |                      |
| <b>COST</b>                     |  |   |  |                                  |                      |
| At 1st April 2001               | 7,995,791                                | 1,167,585                                   | 4,652,726  | 65,000                           | 13,881,102           |
| Additions                       | 378,270                                  | 200,000                                     | 109,588  | -                                | 687,858              |
| Disposals                       | -  | -   | (1)  | -                                | (1)                  |
| <b>At 31st March 2002</b>       | <b>8,374,061</b>                         | <b>1,367,585</b>                            | <b>4,762,313</b>                                       | <b>65,000</b>                    | <b>14,568,959</b>    |
| <b>ACCUMULATED DEPRECIATION</b> |  |   |  |                                  |                      |
| At 1st April 2001               | 5,595,573                                | 766,046                                     | 3,833,641  | 64,999                           | 10,260,259           |
| Charge for the year             | 1,407,903                                | 206,242                                     | 422,511  | -                                | 2,036,656            |
| Eliminated on disposals         | -  | -   | (1)  | -                                | (1)                  |
| <b>At 31st March 2002</b>       | <b>7,003,476</b>                         | <b>972,288</b>                              | <b>4,256,151</b>                                       | <b>64,999</b>                    | <b>12,296,914</b>    |
| <b>NET BOOK VALUES</b>          |  |   |  |                                  |                      |
| <b>At 31st March 2002</b>       | <b>1,370,585</b>                         | <b>395,297</b>                              | <b>506,162</b>   | <b>1</b>                         | <b>2,272,045</b>     |
| At 31st March 2001              | 2,400,218                                | 401,539                                     | 819,085  | 1                                | 3,620,843            |

### 15. PROPERTY UNDER DEVELOPMENT

#### THE GROUP

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

### 16. INTEREST IN SUBSIDIARIES

|                          | <b>THE COMPANY</b>   |               |
|--------------------------|----------------------|---------------|
|                          | <b>2002</b>          | 2001          |
|                          | <b><i>HK\$</i></b>   | <i>HK\$</i>   |
| Unlisted shares, at cost | <b>224,552,753</b>   | 293,259,029   |
| Shareholder's loans      | <b>136,161,038</b>   | 153,109,097   |
| Amount due therefrom     | <b>237,000,000</b>   | 951,119,943   |
| Less: Impairment loss    | <b>(116,965,586)</b> | -             |
|                          | <b>480,748,205</b>   | 1,397,488,069 |

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### **16. INTEREST IN SUBSIDIARIES** (Continued)

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

The impairment loss recognised mainly represents the write down of the carrying amount of assets held by subsidiaries to their estimated fair value.

In the current year, negative goodwill amounting to HK\$4,038,699 arose from the Group's acquisition of additional interest in a subsidiary. The whole amount was released to the income statement upon disposal of this subsidiary.

Particulars of the principal subsidiaries are set out in note 38.

### **17. INTEREST IN ASSOCIATES**

|  | <b>THE GROUP</b>         |                           |
|--|--------------------------|---------------------------|
|  | <b>2002</b>              | 2001                      |
|  | <b>HK\$</b>              | <b>HK\$</b>               |
| Share of net assets                        | <b>81,292,681</b>        | 93,351,597                |
| Shareholder's loans, less impairment loss  | <b>16,495,206</b>        | 34,380,715                |
|  | <b><u>97,787,887</u></b> | <b><u>127,732,312</u></b> |
|  | <b>THE COMPANY</b>       |                           |
|  | <b>2002</b>              | 2001                      |
|  | <b>HK\$</b>              | <b>HK\$</b>               |
| Unlisted share, at cost                    | <b>1</b>                 | 1                         |
| Amount due therefrom, less impairment loss | <b>8,291,229</b>         | 9,848,746                 |
|  | <b><u>8,291,230</u></b>  | <b><u>9,848,747</u></b>   |

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

Particulars of the principal associate are set out in note 39.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 18. INVESTMENTS IN SECURITIES

#### THE GROUP

|   | Trading securities |                  | Other securities  |                   | Total             |                   |
|---|--------------------|------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2002               | 2001             | 2002              | 2001              | 2002              | 2001              |
|   | HK\$               | HK\$             | HK\$              | HK\$              | HK\$              | HK\$              |
| Equity securities:  |                    |                  |                   |                   |                   |                   |
| Listed in Hong Kong                                       | 99,055             | 120,032          | 31,050,000        | 48,300,000        | 31,149,055        | 48,420,032        |
| Unlisted  | –                  | 3,106,614        | 2,893,000         | 6,770,756         | 2,893,000         | 9,877,370         |
|   | <u>99,055</u>      | <u>3,226,646</u> | <u>33,943,000</u> | <u>55,070,756</u> | <u>34,042,055</u> | <u>58,297,402</u> |
| Debt securities:  |                    |                  |                   |                   |                   |                   |
| Club debentures   | –                  | –                | –                 | 495,000           | –                 | 495,000           |
|   | <u>99,055</u>      | <u>3,226,646</u> | <u>33,943,000</u> | <u>55,565,756</u> | <u>34,042,055</u> | <u>58,792,402</u> |
| Market value of<br>listed securities:<br>Hong Kong        | <u>99,055</u>      | <u>120,032</u>   | <u>31,050,000</u> | <u>48,300,000</u> | <u>31,149,055</u> | <u>48,420,032</u> |
| Carrying amount<br>analysed for<br>reporting purposes as: |                    |                  |                   |                   |                   |                   |
| Current   | 99,055             | 3,226,646        | –                 | –                 | 99,055            | 3,226,646         |
| Non-current   | –                  | –                | 33,943,000        | 55,565,756        | 33,943,000        | 55,565,756        |
|   | <u>99,055</u>      | <u>3,226,646</u> | <u>33,943,000</u> | <u>55,565,756</u> | <u>34,042,055</u> | <u>58,792,402</u> |

### 19. INTEREST IN A LIMITED PARTNERSHIP

|                     | THE GROUP |                  |
|---------------------|-----------|------------------|
|                     | 2002      | 2001             |
|                     | HK\$      | HK\$             |
| Share of net assets | <u>–</u>  | <u>3,817,500</u> |

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### 19. INTEREST IN A LIMITED PARTNERSHIP (Continued)

Particulars of the limited partnership as at 31st March 2001 were as follows:

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

At 31st March 2002, an impairment loss of HK\$3,817,500 was recognised to write off the carrying amounts of assets held by the limited partnership which had no recoverable amounts.

### 20. LOAN STOCK RECEIVABLE

#### THE COMPANY

At 31st March 2001, the outstanding loan stocks were issued by a subsidiary of the Company and were unsecured and repayable in full on 31st December 2010. Interest was payable half yearly after 31st December 1992.

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

This subsidiary was disposed of during the year.

### 21. OTHER RECEIVABLES

#### THE GROUP AND THE COMPANY

The amounts are unsecured, interest free and are repayable on 30th June 2003.

### 22. INVENTORIES AND WORK IN PROGRESS

|                                 | <b>THE GROUP</b>  |                    |
|---------------------------------|-------------------|--------------------|
|                                 | <b>2002</b>       | 2001               |
|                                 | <b>HK\$</b>       | <b>HK\$</b>        |
| Raw materials and consumables   | 44,335            | 69,724             |
| General merchandises            | 3,686,300         | 3,354,873          |
| Properties held for sale        | 45,690,056        | 181,617,634        |
| Contracts in progress (note 24) | 140,087           | -                  |
|                                 | <b>49,560,778</b> | <b>185,042,231</b> |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 22. INVENTORIES AND WORK IN PROGRESS (Continued)

The cost of inventories recognised as an expense during the year was HK\$28,852,269 (2001: HK\$71,544,007).

At the balance sheet date, all of the properties held for sale were carried at net realisable value.

At 31st March 2002, all properties held for sale were held by a subsidiary incorporated in the PRC which is in the process of voluntary dissolution.

### 23. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade debtors of HK\$16,704,981 (2001: HK\$45,143,595). The Group allows an average credit period of 90 days to trade debtors. The aged analysis of trade debtors is as follows:

|                   | <b>THE GROUP</b>  |             |
|-------------------|-------------------|-------------|
|                   | <b>2002</b>       | 2001        |
|                   | <b>HK\$</b>       | <b>HK\$</b> |
| Aged:             |                   |             |
| 0 to 60 days      | <b>9,144,309</b>  | 4,404,824   |
| 61 to 90 days     | <b>3,131,687</b>  | 5,511,377   |
| More than 90 days | <b>4,428,985</b>  | 35,227,394  |
|                   | <b>16,704,981</b> | 45,143,595  |

### 24. PAYMENT RECEIVED ON ACCOUNTS

|   | <b>THE GROUP</b> |             |
|---|------------------|-------------|
|   | <b>2002</b>      | 2001        |
|   | <b>HK\$</b>      | <b>HK\$</b> |
| Cost incurred to date plus estimated attributable profits less foreseeable losses | <b>1,088,443</b> | –           |
| Less: Progress payments received and receivable                                   | <b>(948,706)</b> | –           |
|   | <b>139,737</b>   | –           |
| Represented by:   |                  |             |
| Contracts in progress in current assets ( <i>note 22</i> )                        | <b>140,087</b>   | –           |
| Payments received on accounts included in current liabilities                     | <b>(350)</b>     | –           |
|   | <b>139,737</b>   | –           |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 25. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK\$7,937,621 (2001: HK\$13,855,068). The aged analysis of trade creditors is as follows:

|                   | <b>THE GROUP</b>             |                        |
|-------------------|------------------------------|------------------------|
|                   | <b>2002</b>                  | 2001                   |
|                   | <b>HK\$</b>                  | <b>HK\$</b>            |
| Aged:             |                              |                        |
| 0 to 60 days      | <b>235,091</b>               | 3,310,697              |
| 61 to 90 days     | <b>16,313</b>                | 513,370                |
| More than 90 days | <b>7,686,217</b>             | 10,031,001             |
|                   | <hr/> <b>7,937,621</b> <hr/> | <hr/> 13,855,068 <hr/> |

### 26. SECURED BANK LOANS

|   | <b>THE GROUP</b>     |                        |
|---|----------------------|------------------------|
|   | <b>2002</b>          | 2001                   |
|   | <b>HK\$</b>          | <b>HK\$</b>            |
| Secured bank loans repayable  |                      |                        |
| – within one year   | –                    | 2,962,865              |
| – between one to two years  | –                    | 3,200,027              |
| – between two to five years   | –                    | 1,694,822              |
| – more than five years  | –                    | 37,607,137             |
|   | <hr/> –              | <hr/> 45,464,851       |
| <i>Less:</i> Amounts due within one year shown under<br>current liabilities | <hr/> –              | <hr/> (2,962,865)      |
| Amount due after one year   | <hr/> <b>–</b> <hr/> | <hr/> 42,501,986 <hr/> |



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 27. SHARE CAPITAL

|  | Number of shares     |             | Share capital        |                     |
|--|----------------------|-------------|----------------------|---------------------|
|  | 2002                 | 2001        | 2002<br><i>HK\$</i>  | 2001<br><i>HK\$</i> |
| Authorised:  |                      |             |                      |                     |
| At beginning of the year   |                      |             |                      |                     |
| Ordinary shares of HK\$1 each  | <b>850,000,000</b>   | 850,000,000 | <b>850,000,000</b>   | 850,000,000         |
| Increase in number of shares<br>by sub-division of shares<br>from HK\$1 to HK\$0.10 each<br>(note) | <b>7,650,000,000</b> | —           | —                    | —                   |
| At the end of the year   |                      |             |                      |                     |
| Ordinary shares of HK\$0.10<br>(2001: HK\$1) each  | <b>8,500,000,000</b> | 850,000,000 | <b>850,000,000</b>   | 850,000,000         |
| Issued and fully paid:   |                      |             |                      |                     |
| At beginning of the year   |                      |             |                      |                     |
| Ordinary shares of HK\$1   | <b>535,359,258</b>   | 535,359,258 | <b>535,359,258</b>   | 535,359,258         |
| Reduction of share capital<br>by sub-division of shares<br>from HK\$1 to HK\$0.10 each<br>(note)   | —                    | —           | <b>(481,823,332)</b> | —                   |
| At the end of the year   |                      |             |                      |                     |
| Ordinary shares of HK\$0.10<br>(2001: HK\$1) each  | <b>535,359,258</b>   | 535,359,258 | <b>53,535,926</b>    | 535,359,258         |

*Note:*

Pursuant to special resolution passed at special general meeting held on 5th October 2001, every share of HK\$1.00 in the unissued share capital of the Company which shall include those unissued shares arising from the reduction of issued share capital was sub-divided into ten shares of HK\$0.10 each. The number of authorised shares were increased by 7,650,000,000 due to this capital restructuring.

The issued share capital of the Company was reduced from HK\$535,359,258 to HK\$53,535,926 by cancelling paid up capital to the extent of HK\$0.9 on each of the shares in issue on the date of the special resolution mentioned above so that each issued share of HK\$1.00 in the capital of the Company was treated as one fully paid up share of HK\$0.10 in the capital of the Company.

The entire share premium account of the Company was eliminated with its balance transferred to the contributed surplus account of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 28. RESERVES

|  | Share<br>premium<br><i>HK\$</i> | Capital<br>redemption<br>reserve<br><i>HK\$</i> | Reserve/<br>(Goodwill)<br>on consol-<br>idation<br><i>HK\$</i> | Capital<br>reduction<br>reserve<br><i>HK\$</i> | Investment<br>property<br>revaluation<br>reserve<br><i>HK\$</i> | Investment<br>revaluation<br>reserve<br><i>HK\$</i> | Contributed<br>surplus<br><i>HK\$</i> | Exchange<br>reserve<br><i>HK\$</i> | Deficit<br><i>HK\$</i> | Total<br><i>HK\$</i> |
|--|---------------------------------|---|--|--|---|---|---------------------------------------|------------------------------------|------------------------|----------------------|
| <b>THE GROUP</b>   |                                 |   |  |  |   |   |                                       |                                    |                        |                      |
| At 1st April 2000  | 718,599,024                     | 2,382,000                                       | (20,070,203)   | 85,844,959                                     | 216,976,498   | 220,302,451   | -                                     | (12,567,336)                       | (232,797,459)          | 978,669,934          |
| Waiver of loan by<br>minority shareholder  | -                               | -   | -  | -  | -   | -   | -                                     | -                                  | 6,328,227              | 6,328,227            |
| Share of revenue<br>reserve by minority<br>shareholders  | -                               | -   | -  | -  | -   | -   | -                                     | -                                  | (2,453,454)            | (2,453,454)          |
| Deficit on revaluation<br>of investment<br>properties  | -                               | -   | -  | -  | (59,500,000)  | -   | -                                     | -                                  | -                      | (59,500,000)         |
| Goodwill on acquisition<br>of subsidiaries   | -                               | -   | (2,185,399)  | -  | -   | -   | -                                     | -                                  | -                      | (2,185,399)          |
| Unrealised loss on<br>revaluation of<br>investments<br>in securities   | -                               | -   | -  | -  | -   | (230,575,000)                                       | -                                     | -                                  | -                      | (230,575,000)        |
| Exchange differences<br>arising from translation<br>of financial statements<br>of foreign subsidiaries           | -                               | -   | -  | -  | -   | -   | -                                     | 3,090,581                          | -                      | 3,090,581            |
| Exchange differences<br>arising from translation<br>of financial statements<br>of foreign associates             | -                               | -   | -  | -  | -   | -   | -                                     | 4,334,125                          | -                      | 4,334,125            |
| Exchange differences<br>arising from translation<br>of financial statements<br>of foreign limited<br>partnership | -                               | -   | -  | -  | -   | -   | -                                     | 25,496                             | -                      | 25,496               |
| Net loss for the year  | -                               | -   | -  | -  | -   | -   | -                                     | -                                  | (58,111,407)           | (58,111,407)         |
| At 31st March 2001 and<br>1st April 2001   | 718,599,024                     | 2,382,000                                       | (22,255,602)   | 85,844,959                                     | 157,476,498   | (10,272,549)  | -                                     | (5,117,134)                        | (287,034,093)          | 639,623,103          |
| Elimination of share<br>premium to<br>contributed surplus  | (718,599,024)                   | -   | -  | -  | -   | -   | 718,599,024                           | -                                  | -                      | -                    |
| Decrease in par value<br>of ordinary share   | -                               | -   | -  | -  | -   | -   | 481,823,332                           | -                                  | -                      | 481,823,332          |
| Eliminated on disposal<br>of subsidiary  | -                               | -   | (4,230,473)  | -  | (157,476,498)   | -   | -                                     | (2,509,621)                        | -                      | (164,216,592)        |
| Exchange difference<br>arising from translation<br>of financial statements<br>of foreign subsidiaries            | -                               | -   | -  | -  | -   | -   | -                                     | 526,902                            | -                      | 526,902              |
| Exchange differences<br>arising from translation<br>of financial statements<br>of foreign associates             | -                               | -   | -  | -  | -   | -   | -                                     | 3,075,818                          | -                      | 3,075,818            |
| Unrealised loss on<br>revaluation of investments<br>in other securities  | -                               | -   | -  | -  | -   | (18,451,000)  | -                                     | -                                  | -                      | (18,451,000)         |
| Special dividend for 2002<br>- paid  | -                               | -   | -  | -  | -   | -   | (870,494,154)                         | -                                  | -                      | (870,494,154)        |
| Net profit for the year  | -                               | -   | -  | -  | -   | -   | -                                     | -                                  | 76,975,467             | 76,975,467           |
| <b>At 31st March 2002</b>  | <b>-</b>                        | <b>2,382,000</b>                                | <b>(26,486,075)</b>  | <b>85,844,959</b>                              | <b>-</b>  | <b>(28,723,549)</b>                                 | <b>329,928,202</b>                    | <b>(4,024,035)</b>                 | <b>(210,058,626)</b>   | <b>148,862,876</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 28. RESERVES (Continued)

Included in the above is the Group's share of post acquisition reserves of the associates of deficit of HK\$8,478,664 (2001: surplus of HK\$1,765,874).

The reserve/(goodwill) on consolidation comprises HK\$27,914,357 (2001: HK\$74,584,302) in respect of goodwill and HK\$1,428,282 (2001: HK\$52,328,700) in respect of negative goodwill. There were no movement in respect of negative goodwill for both years.

|   | <b>Capital<br/>redemption<br/>reserve</b><br><i>HK\$</i> | <b>Share<br/>premium</b><br><i>HK\$</i> | <b>Contributed<br/>surplus</b><br><i>HK\$</i> | <b>Deficit</b><br><i>HK\$</i> | <b>Total</b><br><i>HK\$</i> |
|---|--|---|---|-------------------------------|-----------------------------|
| <b>THE COMPANY</b>                                  |  |   |   |                               |                             |
| At 1st April 2000                                   | 2,382,000  | 718,599,024                             | 66,889,494                                    | (357,471,947)                 | 430,398,571                 |
| Net profit for the year                             | -  | -                                       | -   | 20,817,383                    | 20,817,383                  |
| At 31st March 2001 and<br>1st April 2001            | 2,382,000  | 718,599,024                             | 66,889,494                                    | (336,654,564)                 | 451,215,954                 |
| Transfer of share premium<br>to contributed surplus | -  | (718,599,024)                           | 718,599,024                                   | -                             | -                           |
| Decrease in par value<br>of ordinary share          | -  | -                                       | 481,823,332                                   | -                             | 481,823,332                 |
| Net profit for the year                             | -  | -                                       | -   | 19,200,604                    | 19,200,604                  |
| 2002 special distribution<br>- paid                 | -  | -                                       | (870,494,154)                                 | -                             | (870,494,154)               |
| <b>At 31st March 2002</b>                           | <b><u>2,382,000</u></b>                                  | <b><u>-</u></b>                         | <b><u>396,817,696</u></b>                     | <b><u>(317,453,960)</u></b>   | <b><u>81,745,736</u></b>    |

As at 31st March 2002, the Company's reserves available for distribution in accordance with The Companies Act 1981 of Bermuda (as amended) consist of contributed surplus and deficit of aggregate of HK\$79,363,736 (2001: Nil).

The contributed surplus comprises the difference of HK\$66,889,494 between the consolidated shareholders' funds of Parkview Property Development Limited (Formerly known as Ming Ren Investment and Enterprises Limited) as at 24th November 1992 and the nominal amount of the Company's shares allotted under a Scheme of Arrangement completed on that date and HK\$1,200,422,356 from the elimination of the entire share premium account and reduction of par value of the issued capital from HK\$1 to HK\$0.10 of the Company at the time of the capital restructuring of the Group as at 7th November 2001. Under the Bye-laws of the Company, distributions may be made out of contributed surplus.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31ST MARCH 2002

### **29. LOANS FROM/AMOUNTS DUE TO MINORITY SHAREHOLDERS**

#### **THE GROUP**

The loans are unsecured, interest free and the amounts not repayable within one year are classified as non-current liabilities.

At 31st March 2002, an amount of HK\$29,919,825 representing loan from a minority shareholder of a subsidiary incorporated in the PRC which is under the process of voluntary dissolution and expected to be completed by the end of 2002. Accordingly, the amount was classified as current liabilities.

### **30. AMOUNTS DUE TO SUBSIDIARIES**

#### **THE COMPANY**

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

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### **31. CONSOLIDATED CASH FLOW STATEMENT**

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

|  | <b>2002</b>                | 2001                     |
|--|----------------------------|--------------------------|
|  | <b>HK\$</b>                | <b>HK\$</b>              |
| Profit (loss) before taxation  | <b>83,754,157</b>          | (59,463,928)             |
| Share of results of associates   | <b>13,687,883</b>          | 20,327,310               |
| Share of results of a limited partnership  | –                          | (571,871)                |
| Interest expenses  | <b>1,356,114</b>           | 819,425                  |
| Depreciation   | <b>9,468,484</b>           | 12,337,007               |
| Impairment loss recognised in respect of vessels                                 | –                          | 22,200,000               |
| Allowance for loans to associates  | <b>11,440,069</b>          | 11,500,000               |
| (Gain) loss on disposal of subsidiaries  | <b>(164,395,431)</b>       | 1,588,176                |
| Impairment loss recognised in respect of interest<br>in an associate             | –                          | 11,443,549               |
| Loss on disposal of interest in a limited partnership                            | –                          | 3,241,969                |
| Impairment loss recognised in respect of interest<br>in a limited partnership    | <b>3,817,500</b>           | –                        |
| Loss (gain) on disposal of property, plant<br>and equipment                      | <b>738,152</b>             | (1,948,603)              |
| Reversal of impairment loss recognised in respect<br>of properties held for sale | –                          | (29,000,000)             |
| Unrealised loss on investments in securities                                     | <b>272,791</b>             | 2,093,007                |
| Increase in trading securities   | –                          | (4,821,579)              |
| Decrease in other receivables  | –                          | 23,637,500               |
| Decrease in inventories and work in progress                                     | <b>18,961,289</b>          | 57,870,399               |
| Decrease in accounts receivables and prepayments                                 | <b>34,962,013</b>          | 30,798,360               |
| Decrease in interest receivable  | <b>85,275</b>              | 468,977                  |
| Increase in amount due from minority shareholders                                | <b>(1,791,746)</b>         | (418,634)                |
| (Increase) decrease in amount due from related<br>companies                      | <b>(8,211,698)</b>         | 1,577,814                |
| Decrease in bills payable  | –                          | (657,038)                |
| Decrease in provision for contingent claim                                       | –                          | (775,000)                |
| Increase (decrease) in payments received<br>on accounts                          | <b>350</b>                 | (2,814,000)              |
| Decrease in creditors and accrued charges  | <b>(34,237,470)</b>        | (88,271,286)             |
| Decrease in amounts due to associates  | <b>(207,430)</b>           | –                        |
| Increase in amount due to related companies                                      | <b>19,537,257</b>          | 8,491,792                |
| Net cash (outflow) inflow from operating activities                              | <b><u>(10,762,441)</u></b> | <b><u>19,653,346</u></b> |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 31. CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (b) Acquisition of subsidiaries

|                                     | <b>2002</b> | 2001         |
|-------------------------------------|-------------|--------------|
|                                     | <b>HK\$</b> | <b>HK\$</b>  |
| Bank balances and cash              | –           | 16,933       |
| Inventories                         | –           | 106,720,557  |
| Other receivables                   | –           | 37,892       |
| Property under development          | –           | 75,670,400   |
| Other payables and accruals         | –           | (7,894,287)  |
| Loan from immediate holding company | –           | (42,947,792) |
| Loan from a fellow subsidiary       | –           | (86,766,000) |
| Loans from minority shareholders    | –           | (41,844,995) |
| Minority interests                  | –           | 27,745,714   |
|                                     | <hr/>       | <hr/>        |
| Interest in an associate            | –           | 30,738,422   |
|                                     | –           | 35,782,447   |
|                                     | <hr/>       | <hr/>        |
| Net assets acquired                 | –           | 66,520,869   |
| Goodwill on consolidation           | –           | 2,185,399    |
|                                     | <hr/>       | <hr/>        |
|                                     | –           | 68,706,268   |
|                                     | <hr/> <hr/> | <hr/> <hr/>  |
| Satisfied by:                       |             |              |
| Net cash consideration              | –           | 68,706,268   |
|                                     | <hr/> <hr/> | <hr/> <hr/>  |

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

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

|                                 | <b>2002</b> | 2001        |
|---------------------------------|-------------|-------------|
|                                 | <b>HK\$</b> | <b>HK\$</b> |
| Cash consideration              | –           | 68,706,273  |
| Bank balances and cash acquired | –           | (16,933)    |
|                                 | <hr/>       | <hr/>       |
|                                 | –           | 68,689,340  |
|                                 | <hr/> <hr/> | <hr/> <hr/> |

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### 31. CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (d) Disposal of subsidiaries

|                                     | <b>2002</b>               | 2001                    |
|-------------------------------------|---------------------------|-------------------------|
|                                     | <b>HK\$</b>               | <b>HK\$</b>             |
| Investment properties               | <b>659,500,000</b>        | –                       |
| Property, plant and equipment       | <b>112,722,211</b>        | 1,806,284               |
| Property under development          | <b>77,842,288</b>         | –                       |
| Interest in associates              | <b>33,887,910</b>         | –                       |
| Investments in securities           | <b>6,026,556</b>          | –                       |
| Inventories                         | <b>116,520,164</b>        | –                       |
| Accounts receivable and prepayments | <b>19,949,052</b>         | 1,532,624               |
| Amounts due from related companies  | <b>5,466,326</b>          | –                       |
| Bank balances and cash              | <b>26,119,883</b>         | 257,618                 |
| Creditors and accrued charges       | <b>(34,710,154)</b>       | (178,345)               |
| Amount due to an associate          | <b>(33,649)</b>           | –                       |
| Amounts due to related companies    | <b>(6,694,760)</b>        | –                       |
| Tax payable                         | <b>(92,045,840)</b>       | –                       |
| Bank loans                          | <b>(72,486,630)</b>       | –                       |
| Bank overdrafts                     | <b>(7,840,340)</b>        | –                       |
|                                     | <hr/>                     | <hr/>                   |
| Net assets disposed of              | <b>844,223,017</b>        | 3,418,181               |
| Negative goodwill                   | <b>(8,269,172)</b>        | –                       |
| Exchange reserves                   | <b>(2,509,621)</b>        | –                       |
| Revaluation reserve                 | <b>(157,476,498)</b>      | –                       |
| Gain (loss) on disposal             | <b>164,395,431</b>        | (1,588,176)             |
|                                     | <hr/>                     | <hr/>                   |
| Satisfied by cash consideration     | <b><u>840,363,157</u></b> | <b><u>1,830,005</u></b> |

The subsidiaries disposed of during the year contributed HK\$50,566,466 to the Group's net operating cash flows, utilised HK\$28,686,686 and HK\$38,745,353 for financing activities and investing activities respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 31. CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

|   | <b>2002</b>               | 2001                    |
|---|---------------------------|-------------------------|
|   | <i>HK\$</i>               | <i>HK\$</i>             |
| Cash consideration  | <b>840,363,157</b>        | 1,830,005               |
| Bank balances and cash disposed of  | <b>(26,119,883)</b>       | (257,618)               |
| Bank overdrafts eliminated  | <b>7,840,340</b>          | –                       |
|   | <hr/>                     | <hr/>                   |
| Net inflow of cash and cash equivalents<br>in respect of the disposal of subsidiaries | <b><u>822,083,614</u></b> | <b><u>1,572,387</u></b> |

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

|  | <b>Secured<br/>bank loans</b> | <b>Loans from<br/>minority<br/>shareholders</b> |
|--|-------------------------------|---|
|  | <i>HK\$</i>                   | <i>HK\$</i>                                     |
| Balance at 1st April 2000  | 14,241,532                    | 39,242,396                                      |
| New bank loans obtained  | 37,607,137                    | –   |
| Repayment  | (6,383,818)                   | (8,221,027)                                     |
| On acquisition of a subsidiary   | –                             | 41,844,995                                      |
| Loan waived by a minority shareholder  | –                             | (6,328,227)                                     |
|  | <hr/>                         | <hr/>   |
| Balance at 31st March 2001   | 45,464,851                    | 66,538,137                                      |
| New bank loans obtained  | 32,133,590                    | –   |
| Repayment  | (5,111,811)                   | (6,831,146)                                     |
| Assignment of debts on acquisition<br>of a additional interest in subsidiary | –                             | (26,486,987)                                    |
| On disposal of subsidiaries  | (72,486,630)                  | –   |
|  | <hr/>                         | <hr/>   |
| <b>Balance at 31st March 2002</b>  | <b><u>–</u></b>               | <b><u>33,220,004</u></b>                        |



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### **31. CONSOLIDATED CASH FLOW STATEMENT (Continued)**

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

|                        | <b>2002</b>       | 2001        |
|------------------------|-------------------|-------------|
|                        | <b>HK\$</b>       | HK\$        |
| Bank balances and cash | <b>21,305,651</b> | 143,637,417 |
| Bank overdrafts        | <b>(571)</b>      | (2,827,402) |
|                        | <b>21,305,080</b> | 140,810,015 |

### **32. COMMITMENTS**

(a) **Capital commitments**

|   | <b>THE GROUP</b> |            |
|---|------------------|------------|
|   | <b>2002</b>      | 2001       |
|   | <b>HK\$</b>      | HK\$       |
| Expenditure contracted for but not provided<br>in the financial statements: |                  |            |
| – Unpaid capital contribution to subsidiaries                               | –                | 67,887,890 |
| – Unpaid capital contribution to an associate                               | –                | 3,868,000  |
|   | –                | 71,755,890 |

At 31st March 2002, the Group had contracted for approximately HK\$70 million of unpaid capital contribution to one of its subsidiaries in the PRC. This subsidiary was under a process of voluntary dissolution, no further commitment was required under this circumstance.

This subsidiary was set up for the purpose of joint development of properties with other PRC parties. As the development has come to a final stage, the shareholders agreed to terminate the joint development by way of voluntary dissolution of this subsidiary. Accordingly, this subsidiary has started the dissolution in January 2002.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 32. COMMITMENTS (Continued)

#### (b) Lease commitments

##### *The Group as lessee*

Operating lease payments represent rental payable by the Group for certain of its office properties. Lease is negotiated for terms of 2 years.

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:

|                                       | <b>THE GROUP</b>        |                       |
|---------------------------------------|-------------------------|-----------------------|
|                                       | <b>2002</b>             | 2001                  |
|                                       | <b>HK\$</b>             | <b>HK\$</b>           |
| Within one year                       | <b>1,056,000</b>        | 622,103               |
| In the second to fifth year inclusive | <b>264,000</b>          | –                     |
|                                       | <b><u>1,320,000</u></b> | <b><u>622,103</u></b> |

At the balance sheet date, the Company did not have any commitments under non-cancellable operating leases.

##### *The Group as lessor*

Property rental income earned during the year was HK\$18,620,009 (2001: HK\$27,653,338).

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

|                                       | <b>THE GROUP</b> |                          |
|---------------------------------------|------------------|--------------------------|
|                                       | <b>2002</b>      | 2001                     |
|                                       | <b>HK\$</b>      | <b>HK\$</b>              |
| Within one year                       | –                | 17,176,406               |
| In the second to fifth year inclusive | –                | 8,636,000                |
| After five years                      | –                | 276,000                  |
|                                       | <b><u>–</u></b>  | <b><u>26,088,406</u></b> |

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### **33. RETIREMENT BENEFITS SCHEME**

- (a) Effective 1st December 2000, the Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The total amount contributed by the Group to the MPF Scheme and charged to the income statement was HK\$934,890 (2001: HK\$236,518).
- (b) In accordance with regulations issued by the Shanghai Municipal Government, the People’s Republic of China, a subsidiary is required to make contributions to a defined contribution retirement fund which is administered by the labour bureau of the local government. The subsidiary is required to contribute 25.5% of the basic salary of its staff. The subsidiary has no material obligation for the pension payment or any post-retirement benefits beyond the annual contributions described above. The retirement fund contribution for the year was HK\$28,194 (2001: HK\$51,125).

### **34. CONTINGENT LIABILITIES**

|  | <b>THE COMPANY</b> |             |
|--|--------------------|-------------|
|  | <b>2002</b>        | 2001        |
|  | <b>HK\$</b>        | <b>HK\$</b> |
| Corporate guarantee given to banks in respect of banking facilities utilised by subsidiaries | —                  | 46,966,109  |

At the balance sheet date, the Group did not have any contingent liabilities.

During the year, one of the Group’s subsidiaries, Shanghai Qiao-Yi Real Estate Co., Ltd., was under the process of voluntary liquidation. In the opinion of the directors, no material gain nor loss will be resulted. Accordingly, except for the impairment loss recognised on the properties held for sales held by this subsidiary at net realisable value, no provision was made in the financial statements.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31ST MARCH 2002

### **35. PLEDGE OF ASSETS**

At 31st March 2002, the Group did not have any pledge of assets.

At 31st March 2001, the general banking facilities granted by bankers and term loan facilities granted by syndicate of banks to the Group, an associate and a limited partnership were secured by the following:

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

### **36. POST BALANCE SHEET EVENTS**

On 15th April 2002, the Group sold all its shares in a subsidiary, International Agents Limited, to a third party and there was no significant gain or loss on disposal.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 37. RELATED PARTY TRANSACTIONS

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

|   | Associates        |             | Related companies |             | Directors      |             |
|---|-------------------|-------------|-------------------|-------------|----------------|-------------|
|   | 2002              | 2001        | 2002              | 2001        | 2002           | 2001        |
|   | <i>HK\$</i>       | <i>HK\$</i> | <i>HK\$</i>       | <i>HK\$</i> | <i>HK\$</i>    | <i>HK\$</i> |
| Trade sale to (i)                                       | -                 | -           | -                 | -           | <b>195,837</b> | 302,391     |
| Management income received from (i)                     | <b>1,374,600</b>  | 2,880,290   | -                 | -           | -              | -           |
| Charter hire income received from (i)                   | -                 | 879,288     | -                 | -           | -              | -           |
| Net management fee received from (iii)                  | -                 | -           | <b>4,347,187</b>  | 10,222,535  | -              | -           |
| Clubhouse subscription fee paid to (ii)                 | -                 | -           | <b>184,000</b>    | 18,000      | -              | -           |
| Carpark rental and building management fee paid to (ii) | -                 | -           | <b>891,038</b>    | 1,618,229   | -              | -           |
| General expenses paid to (ii)                           | -                 | -           | <b>6,908,663</b>  | 7,264,125   | -              | -           |
| Consideration for assets transferred to (iv)            | -                 | -           | -                 | 11,355,812  | -              | -           |
| Amount due from (v)                                     | <b>38,633,643</b> | 2,153,040   | <b>4,109,963</b>  | 1,364,591   | -              | -           |
| Amount due to (v)                                       | -                 | 241,079     | <b>24,483,984</b> | 11,641,487  | -              | -           |
| Loans to (v)  | <b>19,452,329</b> | 34,380,715  | -                 | -           | -              | -           |

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### **37. RELATED PARTY TRANSACTIONS (Continued)**

- (i) All these incomes were determined by the Company's directors based on estimated market value.
- (ii) All these expenses were determined by the Company's directors based on estimated market value.
- (iii) The amount represents the net receipt of management fee which equal to an amount by which the Operating Profit exceeds the Minimum Profit for the period from 1st April 2001 to 30th October 2001. Details are set out in paragraph (a)(1)(iii) of Directors' Interests in Contracts and Connected Transactions" in Directors' Report.
- (iv) The consideration was determined by the Company's directors based on estimated market value.
- (v) The amounts are unsecured, interest free and the amounts repayable within one year are classified as current assets/liabilities.

### **38. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

The following list contains only the particulars of the Company's subsidiaries at 31st March 2002 which principally affect the results or net assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. All the following subsidiaries are operating principally in Hong Kong except otherwise indicated.

| Name of subsidiary                                   | Place/<br>country of<br>incorporation | Class of<br>share held | Paid up<br>issued share<br>capital/capital<br>contribution | Proportional<br>of nominal<br>value of<br>issued capital/<br>registered capital<br>held by the Company |            | Principal activities   |
|--|---------------------------------------|------------------------|--|--|------------|--|
|  |                                       |                        |  | Directly   | Indirectly |  |
|  |                                       |                        |  | %  | %          |  |
| China Garden Limited                                 | British Virgin<br>Islands             | Ordinary               | US\$30   | -  | 70         | Investment in a<br>limited partnership                       |
| Dragon Spirit Limited                                | British Virgin<br>Islands             | Ordinary               | US\$1  | -  | 100        | Investment holding   |
| Gallaria Furnishings<br>International<br>Limited (a) | Hong Kong                             | Ordinary               | HK\$2,000,020  | -  | 100        | General trading  |
| Gallaria International<br>Limited (a)                | Hong Kong                             | Ordinary               | HK\$10,000   | -  | 57.5       | Decoration contractor<br>and trading of<br>building supplies |
| Hebo Urge Company<br>Limited                         | Hong Kong                             | Ordinary               | HK\$2  | 100  | -          | Painting owner   |
| Hong Kong Parkview<br>(China) Limited                | Hong Kong                             | Ordinary               | HK\$10,000,000   | -  | 100        | Investment holding   |

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST MARCH 2002

### **38. PARTICULARS OF PRINCIPAL SUBSIDIARIES** (Continued)

| Name of subsidiary   | Place/<br>country of<br>incorporation | Class of<br>share held | Paid up<br>issued share<br>capital/capital<br>contribution | Proportional<br>of nominal<br>value of<br>issued capital/<br>registered capital<br>held by the Company |                 | Principal activities                                   |
|--|---------------------------------------|------------------------|--|--|-----------------|--|
|  |                                       |                        |  | Directly<br>%  | Indirectly<br>% |  |
| Hong Kong Parkview<br>(Finance) Limited                      | Hong Kong                             | Ordinary               | HK\$2  | 100  | –               | Refinancing and<br>money lending                       |
| Hong Kong Parkview<br>International Limited                  | Hong Kong                             | Ordinary               | HK\$2  | –  | 100             | Investment holding                                     |
| Hong Kong Parkview<br>International<br>Management<br>Limited | Hong Kong                             | Ordinary               | HK\$2  | –  | 100             | Personnel<br>management                                |
| Interlink Associates<br>Limited                              | British Virgin<br>Islands             | Ordinary               | US\$1  | –  | 100             | Investment holding                                     |
| International Agents<br>Limited                              | British Virgin<br>Islands             | Ordinary               | US\$1,000  | –  | 57.5            | Investment holding                                     |
| Jiangsu Parkview<br>Hotels & Resorts<br>Limited (b)          | British Virgin<br>Islands             | Ordinary               | US\$100  | –  | 55              | Hotel management                                       |
| Multi Gain Management<br>Limited                             | Hong Kong                             | Ordinary               | HK\$2  | –  | 100             | Investment holding                                     |
| Newmeadow Limited  | British Virgin<br>Islands             | Ordinary               | US\$1  | –  | 100             | Investment holding                                     |
| Parkview International<br>Trading Limited                    | British Virgin<br>Islands             | Ordinary               | US\$1  | 100  | –               | Investment holding                                     |
| Parkview Management<br>Services Limited                      | British Virgin<br>Islands             | Ordinary               | US\$4  | 100  | –               | Investment holding                                     |
| Parkview Property<br>Development<br>Limited                  | Hong Kong                             | Ordinary               | HK\$1,000  | 100  | –               | Investment holding<br>and capital market<br>investment |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2002

### 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                                     | Place/<br>country of<br>incorporation | Class of<br>share held | Paid up<br>issued share<br>capital/capital<br>contribution | Proportional<br>of nominal<br>value of<br>issued capital/<br>registered capital<br>held by the Company |            | Principal activities |
|--|---------------------------------------|------------------------|--|--|------------|----------------------|
|  |                                       |                        |  | Directly   | Indirectly |                      |
|  |                                       |                        |  | %  | %          |                      |
| Shanghai Parkview Real Estate Management Co., Ltd. (b) | The People's Republic of China        | N/A                    | US\$500,000  | -  | 55         | Property management  |
| Shanghai Qiao-Yi Real Estate Co., Ltd. (b)             | The People's Republic of China        | N/A                    | US\$10,000,000   | -  | 80         | Property development |

Notes:

- (a) Operating internationally.  
 (b) Operating in the People's Republic of China.

None of the subsidiaries had issued any debt securities.

### 39. PARTICULARS OF PRINCIPAL ASSOCIATE

The following list contains only the particulars of the Group's associate at 31st March 2002 which principally affects the results or net assets of the Group as the directors are of the opinion that a complete list of all the associates will be of excessive length.

| Name of associate                       | Form of<br>business<br>structure | Place/<br>country of<br>incorporation | Principal<br>place/country<br>of operation | Nominal value<br>of issued<br>ordinary share<br>capital/capital<br>contribution | Proportional<br>of nominal<br>value of issued<br>capital/<br>registered<br>capital held<br>indirectly by<br>the Company |     | Principal<br>activities |
|---|----------------------------------|---------------------------------------|--|---|---|-----|-------------------------|
|   |                                  |                                       |  |   |   |     |                         |
| Nanjiang Dingshan Garden Hotel Co. Ltd. | Incorporated                     | The People's Republic of China        | The People's Republic of China             | US\$25,600,000  |   | 45% | Hotel business          |