

Notes to the Financial Statements

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.

The Company is an investment holding company. The principal activities of the Group are engaged in the business of investment holding, property development and holiday resort operation.

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

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP”s) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

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

Leases

The adoption of SSAP 14 (Revised) “Leases” has not had any effect on the results for the current or prior years. Disclosures for all of the Group’s leasing arrangements however have been modified so as to comply with the requirement of SSAP 14 (Revised).

Notes to the Financial Statements

For the year ended 31st March, 2002

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

Goodwill

In adopting SSAP 30 "Business Combinations", the Group has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured, in accordance with the requirements of SSAP 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant subsidiary and the date of adoption of SSAP 30 has been recognised retrospectively. The effect of this change has resulted in an increase of approximately HK\$1,345,000 in accumulated losses at 1st April, 2000 and the profit attributable to shareholders for the year ended 31st March, 2001. Goodwill arising on acquisitions after 1st April, 2001 is presented as an asset in the balance sheet and amortised over its estimated useful life of not more than twenty years. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Segment reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and conform with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Where the Group holds more than half of the issued share capital of subsidiaries but is not in a position to control the composition of the board of directors or equivalent governing body of these subsidiaries, these subsidiaries are excluded from the consolidation. Such investments in unconsolidated subsidiaries are accounted for in accordance with the Group's accounting policy for investments other than held-to-maturity securities in accordance with SSAP 24 "Accounting for Investment in Securities". At the date on which the Group ceases to have control and significant influence, such investments in unconsolidated subsidiaries are stated at the amount at which it would have been included under the equity method of accounting.

The results of subsidiaries acquired, disposed of or deconsolidated during the year are included in the consolidated income statement from or up to the effective dates of acquisition, disposal or deconsolidation respectively.

Goodwill and negative goodwill

Goodwill and negative goodwill arising on consolidation represent the excess or shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight line basis over its estimated useful economic life of not more than twenty years. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

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

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and negative goodwill (continued)

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

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the gain or loss on disposal.

Investments in subsidiaries

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

Interest in an associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interest in an associate is stated at the Group's share of the net assets of its associate less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and amortisation and any identified impairment loss.

Depreciation and amortisation are to write off the cost of the assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired term of the relevant lease
Buildings	Over the estimated useful lives or the unexpired term of the relevant lease, whichever is shorter
Furniture, fixtures and office equipment	10 – 20%
Leasehold improvements	10 – 20%
Motor vehicles	20%

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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.

Properties under development

Properties under development are stated at cost less any identified impairment loss. Cost comprises the cost of acquisition of the properties under development together with direct costs attributable to the development of the properties (net of rental income and guaranteed income received and receivable during the period of development) and borrowing costs capitalised during the period of development.

Investments in securities

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

For other securities, unrealised gains and losses are dealt with in reserves, 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 period.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises direct purchase cost or expenditure incurred for the construction and, when applicable, other incidental expenses that have been incurred in bringing the properties to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the actual or estimated selling price in the ordinary course of business less all related selling and marketing costs.

Inventories

Inventories consist of food and beverage and consumable items and are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advances.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Sales of properties are recognised when unconditional sale and purchase agreements have been signed during the year and legal completion of the transactions takes place prior to the approval of the financial statements.

Service income is recognised when services are rendered.

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

Rental income from properties under operating leases is recognised on a straight line basis over the period of the relevant leases.

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the period of the relevant leases.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes 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 under 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 approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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

Notes to the Financial Statements

For the year ended 31st March, 2002

4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

An analysis of the Group's business segmental information is as follows:

	2002			
	Property sales and development HK\$'000	Holiday resort operation HK\$'000	Unallocated corporate items HK\$'000	Total HK\$'000
TURNOVER	<u>35,388</u>	<u>11,404</u>	<u>—</u>	<u>46,792</u>
RESULTS				
Loss from operations	(115)	(10,789)	(2,872)	(13,776)
Finance costs				(23,437)
Gain on disposal of an associate				8,891
Allowance for doubtful recovery of amount due from a minority shareholder				(5,004)
Share of results of an associate				(20)
Loss before taxation				(33,346)
Taxation				(248)
Loss before minority interests				<u>(33,594)</u>
BALANCE SHEET				
Assets				
Segment assets	430,437	14,276	137	444,850
Interests in unconsolidated subsidiaries	680,383	—	—	680,383
				<u>1,125,233</u>
Liabilities				
Segment liabilities	(88,597)	(2,295)	(455)	(91,347)
Amount due to a related company	—	—	(146,083)	(146,083)
Debentures	—	—	(50,647)	(50,647)
				<u>(288,077)</u>
OTHER INFORMATION				
Additions to properties under development and property, plant and equipment	7,286	4,578	—	11,864
Depreciation and amortisation of property, plant and equipment	78	3,123	—	3,201
Impairment loss recognised in respect of properties under development and property, plant and equipment	<u>9,537</u>	<u>6,803</u>	<u>—</u>	<u>16,340</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

4. SEGMENT INFORMATION (continued)

	Property sales and development HK\$'000	2001 (restated) Holiday resort operation HK\$'000	Unallocated corporate items HK\$'000	Total HK\$'000
TURNOVER	<u>29,172</u>	<u>9,556</u>	<u>—</u>	<u>38,728</u>
RESULTS				
Loss from operations	(15,620)	(5,683)	(3,282)	(24,585)
Finance costs				(36,806)
Net gain arising on disposal and deconsolidation of subsidiaries				94,782
Share of results of an associate				(75)
Profit before taxation				33,316
Taxation				—
Profit before minority interests				<u>33,316</u>
BALANCE SHEET				
Assets				
Segment assets	461,033	18,025	60	479,118
Interests in unconsolidated subsidiaries	772,772	—	—	772,772
Interest in an associate				57
Amount due from an associate				9,026
				<u>1,260,973</u>
Liabilities				
Segment liabilities	(88,892)	(1,584)	(397)	(90,873)
Amount due to a related company	—	—	(167,108)	(167,108)
Debentures	—	—	(132,054)	(132,054)
				<u>(390,035)</u>
OTHER INFORMATION				
Additions to properties under development and property, plant and equipment	3,485	480	—	3,965
Depreciation and amortisation of property, plant and equipment	140	4,187	—	4,327
Impairment loss reversed in respect of properties under development	2,892	—	—	2,892
Allowance for deposit paid for the purchase of properties	<u>18,740</u>	<u>—</u>	<u>—</u>	<u>18,740</u>

During the year, less than 10% of the operations of the Group in terms of turnover, results of operations and assets were carried out or situated outside the People's Republic of China (other than Hong Kong) (the "PRC"). Accordingly, no geographical segmental information is shown.

Notes to the Financial Statements

For the year ended 31st March, 2002

5. OTHER REVENUE

Other revenue for the year includes:

Interest income from:

– bank and other deposits

– loan receivable

2002	2001
HK\$'000	HK\$'000

234	94
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—	3,104
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<u>234</u>	<u>3,104</u>
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6. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

Auditors' remuneration

Depreciation and amortisation

Operating lease rentals in respect of rented premises

Staff costs, including directors' remuneration (note (i)), and retirement benefit scheme contributions (note (ii))

2002	2001
HK\$'000	HK\$'000

548	684
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3,201	4,327
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78	79
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<u>4,107</u>	<u>3,851</u>
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Notes to the Financial Statements

For the year ended 31st March, 2002

6. LOSS FROM OPERATIONS (continued)

(i) Information regarding directors' and employees' emoluments

	2002 HK\$'000	2001 HK\$'000
Directors' emoluments		
Directors' fees:		
Executive	400	317
Independent non-executive	200	200
	<u>600</u>	<u>517</u>
Other emoluments	<u>—</u>	<u>—</u>
	<u>600</u>	<u>517</u>

The emoluments of the six (2001: six) directors fall within the band from nil to HK\$1,000,000.

Employees' emoluments

All five highest paid individuals of the Group for both years were directors of the Company and the details of their emoluments are set out above.

(ii) Retirement benefit scheme contributions

	2002 HK\$'000	2001 HK\$'000
Retirement benefit scheme contributions	—	2
Less: Forfeited contributions	<u>—</u>	<u>—</u>
	<u>—</u>	<u>2</u>

The Group operates a defined contribution retirement benefit scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") for employees joining the Group before 1st December, 2000. The assets of the ORSO scheme are held separately from those of the Group in funds under the control of the independent trustees.

Notes to the Financial Statements

For the year ended 31st March, 2002

6. LOSS FROM OPERATIONS *(continued)*

(ii) Retirement benefit scheme contributions *(continued)*

In light of the introduction of the Mandatory Provident Fund Scheme (“the MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000, all the employees were granted a one-off option to elect to switch to the MPF Scheme or stay with the ORSO Scheme.

The cost charged to the income statement represented contributions payable to the ORSO Scheme by the Group at rates specified in the rules of the ORSO Scheme.

Under the ORSO Scheme, where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group in the future years are reduced by the amount of forfeited contributions. At the balance sheet date, no outstanding forfeited contributions, which arose upon employees leaving the ORSO Scheme, were available to reduce the contributions payable in the future years.

7. FINANCE COSTS

Interest on:

- debentures
- amount due to a related company

2002	2001
HK\$'000	HK\$'000
(11,220)	(18,524)
(12,217)	(18,282)
<u>(23,437)</u>	<u>(36,806)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

8. NET GAIN ARISING ON DISPOSAL AND DECONSOLIDATION OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000 (restated)
Gain on disposal of a subsidiary (<i>note 31</i>)	—	2,302
Gain on deconsolidation of subsidiaries (<i>note 32</i>)	—	182,868
Allowance for doubtful recovery of amounts due from unconsolidated subsidiaries	—	(90,388)
	<u>—</u>	<u>94,782</u>

9. TAXATION

Taxation charge for the year represents the taxation arising in other jurisdictions which is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made as there were no estimated assessable profits for both years.

Details of deferred taxation provided and significant potential unprovided deferred taxation are set out in note 29.

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the Group's consolidated loss attributable to shareholders of approximately HK\$32,954,000 (*2001: restated profit of HK\$32,621,000*) and on 2,751,720,884 (*2001: 2,751,720,884*) ordinary shares in issue during the year.

Diluted (loss) earnings per share has not been presented for either year as the exercise prices of share options and debentures were higher than the average market price of the Company's shares in both years.

Notes to the Financial Statements

For the year ended 31st March, 2002

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st April, 2001	38,249	35,379	11,800	1,781	87,209
Additions	21	681	3,892	—	4,594
Disposals	—	(11)	—	—	(11)
At 31st March, 2002	38,270	36,049	15,692	1,781	91,792
DEPRECIATION, AMORTISATION AND IMPAIRMENT					
At 1st April, 2001	33,331	25,111	10,341	1,416	70,199
Provided for the year	861	1,613	689	38	3,201
Impairment loss recognised	—	6,226	577	—	6,803
Eliminated on disposals	—	(4)	—	—	(4)
At 31st March, 2002	34,192	32,946	11,607	1,454	80,199
NET BOOK VALUES					
At 31st March, 2002	4,078	3,103	4,085	327	11,593
At 31st March, 2001	4,918	10,268	1,459	365	17,010

Notes:

- (i) The leasehold land and buildings are situated in the PRC and held under medium-term leases.
- (ii) The carrying amounts of furniture, fixtures and leasehold improvements of a vacant attachment to a holiday resort of approximately HK\$6,803,000 were fully impaired.

Notes to the Financial Statements

For the year ended 31st March, 2002

12. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
At the beginning of the year	341,282	1,379,409
Additions	7,270	3,449
Guaranteed income capitalised	—	(92,480)
Eliminated on disposal of a subsidiary (note 31)	—	(5,087)
Eliminated on deconsolidation of subsidiaries (note 32)	—	(946,648)
	348,552	338,643
Impairment loss (recognised) reversed	(9,537)	2,892
	339,015	341,535
Completed and transferred to properties held for sale included in current assets	(3,530)	(253)
At the end of the year	<u>335,485</u>	<u>341,282</u>

The properties under development are situated in the PRC and held under land use rights for:

	2002	2001
	HK\$'000	HK\$'000
Terms not less than 50 years	12,147	13,000
Terms expiring within 50 years	323,338	328,282
	<u>335,485</u>	<u>341,282</u>

The carrying amounts of certain properties under development were reduced by an amount of approximately HK\$9,537,000 to their net realisable values which were estimated by a qualified professional valuer on an open market basis.

Notes to the Financial Statements

For the year ended 31st March, 2002

12. PROPERTIES UNDER DEVELOPMENT (continued)

Included in properties under development is net interest capitalised of approximately HK\$25,907,000 (2001: HK\$25,907,000) at a capitalisation rate of 8% (2001: 8%) as at the balance sheet date.

Details of properties under development are set out on page 62.

13. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Carrying value at the date of deconsolidation	—	—
Amounts due from unconsolidated subsidiaries, less allowance for doubtful recovery of HK\$90,388,000 (2001: HK\$90,388,000)	680,383	772,772
	<u>680,383</u>	<u>772,772</u>

The Company has an equity interest of 80% in Canlibol Holdings Limited (“Canlibol”) and its wholly-owned subsidiary, Beijing Peony Garden Apartment House Co., Ltd. (together referred to as the “Canlibol Group”), which are engaged in property development.

The Group is unable to exercise its rights as a controlling shareholder of the Canlibol Group and in particular its ability to exercise significant influence over the financial and operating policy decisions of the Canlibol Group and to obtain financial information. Against this background, the directors consider that the Group has lost the ability to exercise effective control over the Canlibol Group and the Canlibol Group has been dealt with as unconsolidated subsidiaries since 1st October, 2000.

In the opinion of the directors, the Group has no other material obligations or commitments in the Canlibol Group that require either adjustments to or disclosure in these financial statements.

Notes to the Financial Statements

For the year ended 31st March, 2002

14. INVESTMENTS IN SUBSIDIARIES

THE COMPANY
2002 & 2001
HK\$'000

Unlisted shares, at cost	<u>227</u>
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Particulars of the principal subsidiaries of the Company as at 31st March, 2002 are set out in note 39.

15. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment will be made by the Company in the next twelve months. Accordingly, the amounts are shown as non-current assets.

16. INTEREST IN AN ASSOCIATE

THE GROUP

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Share of net assets	<u>—</u>	<u>57</u>

During the year, the Group disposed of its 42.44% equity interest in Sun Bright Development Company Limited, a private limited company incorporated in Hong Kong which was engaged as an investment holding company.

17. AMOUNT DUE FROM AN ASSOCIATE

THE GROUP AND THE COMPANY

At 31st March, 2001, the amount was unsecured, interest-free and had no fixed terms of repayment.

Notes to the Financial Statements

For the year ended 31st March, 2002

18. PROPERTIES HELD FOR SALE

THE GROUP

The properties held for sale are situated in the PRC and held under long leases. The properties were carried at net realisable value at the balance sheet date.

19. INVENTORIES

THE GROUP

All inventories represent catering goods of the holiday resort division. They were carried at cost at the balance sheet date.

20. TRADE RECEIVABLES

THE GROUP

The Group allows on average a credit period of 30 days to its trade customers of the holiday resort operation. The credit policy on the receivables arising from the sales of properties is determined in accordance with the sale and purchase agreements with the purchasers.

The following is an aged analysis of trade receivables:

	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	3,309	4,746
31 – 90 days	2,678	2,661
91 – 180 days	23	280
More than 180 days	—	2,591
	<hr/> 6,010 <hr/>	<hr/> 10,278 <hr/>

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

THE GROUP

Included in deposits, prepayments and other receivables is an amount of approximately HK\$26,289,000 (2001: HK\$31,857,000) due from a minority shareholder of a subsidiary. The amount is unsecured, bears interest at 1% over Hong Kong prime interest rate and has no fixed terms of repayment.

Notes to the Financial Statements

For the year ended 31st March, 2002

22. TRADE PAYABLES

THE GROUP

The following is an aged analysis of trade payables:

	2002 HK\$'000	2001 <i>HK\$'000</i>
0 – 90 days	500	425
91 – 180 days	18	113
More than 180 days	170	193
	<hr/> 688 <hr/>	<hr/> 731 <hr/>

23. SHARE CAPITAL

	Number of ordinary shares of HK\$0.02 each	Amount <i>HK\$'000</i>
<i>Authorised:</i>		
At 31st March, 2001 and at 31st March, 2002	<u>10,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At 31st March, 2001 and at 31st March, 2002	<u>2,751,720,884</u>	<u>55,034</u>

There were no changes in the Company's share capital in both years.

Notes to the Financial Statements

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24. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Goodwill HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP								
At 1st April, 2000								
– as previously reported	564,363	666	(1,345)	207	514,191	8,918	(278,134)	808,866
– restatement of goodwill arising on acquisition of subsidiaries as an asset and retrospective recognition of past accumulated amortisation	—	—	1,345	—	—	—	(1,345)	—
– as restated	564,363	666	—	207	514,191	8,918	(279,479)	808,866
Reserve realised upon disposal of a subsidiary	—	—	—	—	—	1,760	—	1,760
Share of reserve by a minority shareholder of a subsidiary	—	—	—	379	—	—	—	379
Exchange difference arising on translation of financial statements of foreign subsidiaries	—	—	—	—	—	40	—	40
Profit attributable to shareholders (as restated)	—	—	—	—	—	—	32,621	32,621
At 31st March, 2001	564,363	666	—	586	514,191	10,718	(246,858)	843,666
Share of reserves by a minority shareholder of a subsidiary	—	—	—	(586)	—	9	—	(577)
Exchange difference arising on translation of financial statements of foreign subsidiaries	—	—	—	—	—	(188)	—	(188)
Loss attributable to shareholders	—	—	—	—	—	—	(32,954)	(32,954)
At 31st March, 2002	564,363	666	—	—	514,191	10,539	(279,812)	809,947
THE COMPANY								
At 1st April, 2000	564,363	666	—	—	514,191	—	(360,762)	718,458
Net loss for the year	—	—	—	—	—	—	(70,707)	(70,707)
At 31st March, 2001	564,363	666	—	—	514,191	—	(431,469)	647,751
Net profit for the year	—	—	—	—	—	—	80,640	80,640
At 31st March, 2002	564,363	666	—	—	514,191	—	(350,829)	728,391

The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Notes to the Financial Statements

For the year ended 31st March, 2002

24. RESERVES (continued)

The contributed surplus of the Company represents the difference between the consolidated net assets of the Company's subsidiaries at 7th July, 1992, the date on which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, less any dividends subsequently paid out of pre-reorganisation profits and amounts utilised on redemption of shares.

Under the company law in Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the reserves available for distribution to shareholders of the Company are as follows:

	2002	2001
	HK\$'000	HK\$'000
Contributed surplus	514,191	514,191
Accumulated losses	(350,829)	(431,469)
	<u>163,362</u>	<u>82,722</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

25. DEBENTURES

THE GROUP AND THE COMPANY

The debentures were issued on 1st December, 1997 as a partial consideration for the acquisition of 80% equity interest in Canlibol, bear interest at 10% per annum payable annually in arrears and are repayable after five years from the date of issue. The Company may redeem the debentures, either in cash and/or by issue of ordinary shares of the Company, at an initial price of HK\$2.50 per share, subject to adjustment, with an annually compounded increment of 17.5% calculated on a daily basis, at any time before the repayment date.

Pursuant to a Deed of Cancellation and Undertaking dated 28th January, 1999 and a Set-off and Cancellation Agreement dated 30th October, 1999 ("Set-off Agreement") entered into between the Group and Rise Rich Development Limited, the vendor of the Canlibol Group, the Group has the rights to set off the accrued debenture interest against the guaranteed income receivable, and to cancel any outstanding debentures to the extent the guaranteed income receivable exceeds the accrued debenture interest.

During the year, pursuant to the Set-off Agreement, the Group has taken the rights to cancel the debentures held by a debenture holder of approximately HK\$81,407,000 (2001: HK\$73,956,000) by setting off against the net amount of the guaranteed income receivable of approximately HK\$92,627,000 (2001: HK\$92,480,000) and the accrued debenture interest of approximately HK\$11,220,000 (2001: HK\$18,524,000).

26. AMOUNTS DUE TO SUBSIDIARIES

THE COMPANY

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment from the subsidiaries will be made in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

Notes to the Financial Statements

For the year ended 31st March, 2002

27. AMOUNTS DUE TO RELATED COMPANIES/A RELATED COMPANY

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Interest bearing at prevailing market rates (note a)	146,083	167,108	146,083	167,108
Interest-free (note b)	16,000	9,600	—	—
	<u>162,083</u>	<u>176,708</u>	<u>146,083</u>	<u>167,108</u>

Notes:

- (a) The amount is due to a subsidiary of Emperor International Holdings Limited, a substantial shareholder of the Company.
- (b) The amount is due to a company of which a deemed substantial shareholder of the Company has control.

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

These related companies have agreed not to demand repayment of the amounts until the Group and the Company is financially capable to do so. In the opinion of the directors, no demand for repayment from these related companies will be made in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

28. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

The amounts are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, no demand for repayment from the minority shareholders of subsidiaries will be made in the next twelve months. Accordingly, the amounts are shown as non-current liabilities.

The amounts advanced to the subsidiaries by the respective minority shareholders are considered as part of their contributions, together with paid up capital, made to finance the operations of these subsidiaries. The minority shareholders of subsidiaries agreed that these advances could be used to make good the minority shareholders' respective share of the losses incurred by these subsidiaries to the extent of the amounts advanced to them, if requested by the Group to do so.

Notes to the Financial Statements

For the year ended 31st March, 2002

29. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At the beginning of the year	—	10,500
Reversed upon deconsolidation of subsidiaries (note 32)	—	(10,500)
At the end of the year	<u>—</u>	<u>—</u>

At the balance sheet date, the major component of the potential deferred taxation asset not recognised in the financial statements is analysed as follows:

	THE GROUP AND THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Tax losses	<u>15,507</u>	<u>13,096</u>

The major component of the potential deferred taxation credit not recognised for the year in the financial statements is as follows:

	THE GROUP AND THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Tax losses	<u>2,411</u>	<u>3,468</u>

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

Notes to the Financial Statements

For the year ended 31st March, 2002

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

	2002 HK\$'000	2001 HK\$'000 (restated)
(Loss) profit before taxation	(33,346)	33,316
Interest expenses	23,437	36,806
Interest income from bank, other deposits and loan receivable	(234)	(3,198)
Depreciation and amortisation	3,201	4,327
Loss on disposal of property, plant and equipment	7	42
Gain on disposal of an associate	(8,891)	—
Net gain arising on disposal and deconsolidation of subsidiaries	—	(94,782)
Impairment loss recognised (reversed) in respect of properties under development	9,537	(2,892)
Impairment loss recognised in respect of property, plant and equipment	6,803	—
Allowance for doubtful recovery of amount due from a minority shareholder	5,004	—
Allowance for deposit paid for the purchase of properties	—	18,740
Share of results of an associate	20	75
Decrease in properties held for sale	22,030	28,753
(Increase) decrease in inventories	(43)	42
Decrease (increase) in trade receivables, deposits, prepayments and other receivables	8,022	(10,656)
Increase (decrease) in trade payables, accrued charges and other payables	14,298	(4,837)
Net cash inflow from operating activities	<u>49,845</u>	<u>5,736</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

31. DISPOSAL OF A SUBSIDIARY

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Net assets disposed of:		
Properties under development	—	5,087
Trade receivables, deposits, prepayments and other receivables	—	19
Bank balances and cash	—	10
Trade payables, accrued charges and other payables	—	(29)
Amount due to immediate holding company	—	(59)
Minority interests	—	197
Attributable reserves realised	—	1,760
	—	6,985
Amount due to immediate holding company disposed of	—	59
Gain on disposal of a subsidiary (note 8)	—	2,302
	—	9,346
	<u>—</u>	<u>9,346</u>
Satisfied by:		
Cash	—	9,346
	<u>—</u>	<u>9,346</u>
Analysis of net inflow of cash and cash equivalents in connection with the disposal of a subsidiary:		
Cash consideration received	—	9,346
Bank balances and cash disposed of	—	(10)
	—	9,336
	<u>—</u>	<u>9,336</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

32. DECONSOLIDATION OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000 (restated)
Net liabilities of the unconsolidated subsidiaries comprise:		
Properties under development	—	946,648
Bank balances and cash	—	5
Accrued charges and other payables	—	(33,877)
Amount due to immediate holding company	—	(863,160)
Amount due to a minority shareholder of subsidiaries	—	(226,863)
Deferred taxation (<i>note 29</i>)	—	(10,500)
Minority interest	—	4,879
	<hr/>	<hr/>
	—	(182,868)
Gain on deconsolidation of subsidiaries (<i>note 8</i>)	—	182,868
	<hr/>	<hr/>
	—	—
	<u>—</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Debtentures HK\$'000	Amounts due to related companies HK\$'000	Minority interests HK\$'000	Amounts due to minority shareholders of subsidiaries HK\$'000
At 1st April, 2000	206,010	165,187	(33,154)	306,148
Raised during the year	—	11,521	—	—
Repayment during the year	—	—	—	(10,767)
Eliminated on disposal of a subsidiary	—	—	197	—
Eliminated on deconsolidation of subsidiaries	—	—	4,879	(226,863)
Cancellation of debentures by setting off against the net amount of guaranteed income receivable and accrued debenture interest	(73,956)	—	—	—
Share of reserve by a minority shareholder of a subsidiary	—	—	(379)	—
Share of results by minority shareholders of subsidiaries	—	—	695	—
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2001	132,054	176,708	(27,762)	68,518
Repayment during the year	—	(21,025)	—	(563)
Loan assignment from a minority shareholder of subsidiaries to a related company	—	6,400	—	(6,400)
Cancellation of debentures by setting off against the net amount of guaranteed income receivable and accrued debenture interest	(81,407)	—	—	—
Setting off against amounts due from minority shareholders of subsidiaries	—	—	—	(13,261)
Share of reserve by a minority shareholder of a subsidiary	—	—	577	—
Share of results by minority shareholders of subsidiaries	—	—	(640)	—
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2002	<u>50,647</u>	<u>162,083</u>	<u>(27,825)</u>	<u>48,294</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

34. MAJOR NON-CASH TRANSACTIONS

During the year, the Group cancelled certain debentures of approximately HK\$81,407,000 at par (2001: HK\$73,956,000) by setting off against the net amount of the guaranteed income receivable of approximately HK\$92,627,000 (2001: HK\$92,480,000) and the accrued debenture interest of approximately HK\$11,220,000 (2001: HK\$18,524,000).

35. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Authorised but not contracted for in respect of property development projects	2,915	4,210
Contracted for but not provided in the financial statements, net of deposits paid in respect of property development projects	97,731	117,849
	<u>100,646</u>	<u>122,059</u>

The Company had no significant capital commitments at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2002

36. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
		(restated)
Within one year	90	159
In the second to fifth year inclusive	313	324
Over five years	2,032	2,111
	<u>2,435</u>	<u>2,594</u>

Operating leases are negotiated and the lease payments are fixed for a period ranging from 3 years to 40 years.

The Group as lessor

Property rental income earned during the year was approximately HK\$3,349,000 (2001: HK\$3,271,000) which was included in the properties under development. Certain of the Group's properties held for rental purposes had a carrying amount of approximately HK\$267,000,000 at the balance sheet date.

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	<u>3,855</u>	<u>2,998</u>

The Company did not have any significant operating lease commitments as lessee or lessor under non-cancellable operating leases at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2002

37. CONTINGENT LIABILITIES

The Group has given guarantees to a bank in the PRC in respect of the mortgage loans granted to the purchasers of properties sold by the Group, up to the date of issuance of property ownership certificates. At 31st March, 2002, the aggregate amount of mortgage loans guaranteed by the Group was approximately HK\$36,680,000 (2001: HK\$15,441,000).

The Company had no significant contingent liabilities at the balance sheet date.

38. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

	2002 HK\$'000	2001 HK\$'000
Interest from minority shareholders of subsidiaries (note (b))	5,335	6,722
Interest to a related company (notes (a) and (b))	12,217	18,282
Printing expenses to related companies (notes (a) and (c))	95	131
Secretarial fee to a related company (notes (a) and (c))	320	320
Management fee to related companies (notes (a) and (d))	1,294	600
	<u>1,294</u>	<u>600</u>

Notes:

- (a) Certain directors and substantial shareholders of the Company have beneficial or deemed interests in the above related companies.
- (b) The interest was calculated by reference to the principal outstanding and at the prevailing market interest rates.
- (c) These transactions were carried out after negotiation between the Group and the related companies and on basis of estimated market value as determined by the directors of the Company.
- (d) The management fee was charged on a cost basis.

Notes to the Financial Statements

For the year ended 31st March, 2002

39. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary share/ registered capital	Group's attributable equity interest %	Principal activities
Indirectly held					
Chongqing Emperor Property Development Company Limited	PRC	PRC	HK\$39,000,000	90	Property development
Dongguan Emperor Hongfu Villas Commercial Housing Development Company Limited	PRC	PRC	US\$8,880,000	58	Property development
Emperor (Shanghai) Company Limited	PRC	PRC	US\$30,000,000	90	Property development
Emperor (Xiamen) Real Estate Investments Limited	PRC	PRC	US\$5,000,000	95	Property development
Harbour Assets Limited	British Virgin Islands	PRC	US\$1	100	Property investment
Xinhui Emperor Property Development Company Limited	PRC	PRC	HK\$24,000,000	100	Property development
Xinhui Yuhu Recreation Village Company Limited	PRC	PRC	US\$12,600,000	100	Management of a holiday resort

None of the subsidiaries issued any debt securities as at 31st March, 2002.

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