



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

1. CORPORATE INFORMATION

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in property investment and development, hotel operation and investment holding.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Going concern

As at 31 March 2002, the Group had net liabilities of approximately HK\$418 million and incurred a loss of approximately HK\$196 million for the year.

The Group and the Company have been unable to meet any scheduled loan instalments and interest payments to its bankers since August 1999 and all of its banking facilities have been frozen. During the year ended 31 March 2002 and subsequently, certain of the mortgaged properties of the Group have been put under receivership, enforced and sold by creditor banks or taken possession by the mortgagees.

In addition, the Group and the Company have been unable to meet overdue loan and related interest liabilities owed to its substantial shareholder, Sino Earn Holdings Limited ("Sino Earn") and a company related to Sino Earn, Jian Xing Finance Limited ("Jian Xing"). Sino Earn and Jian Xing have not yet taken actions to enforce their security position against the Group.

The Group is currently engaged in a number of negotiations with its bankers and other creditors with a view to concluding a formal debt restructuring arrangement for the Group's debts.

The Company also entered into a memorandum of understanding (the "MOU") on 29 May 2002 with certain potential investors (the "New Investors"), to invest in the Company and to arrange for financial assistance to the Group for its operations and to facilitate, inter alia, debt restructuring of the Group. Based on the foregoing, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis, on the following assumptions:

- (i) Sino Earn, Jian Xing and the Group's bankers and other lenders will agree to a final arrangement for a standstill and a restructuring of the Group's debts;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

(a) Going concern *(continued)*

- (ii) The Directors will obtain the consent of the Group's bankers to the MOU and the transactions as contemplated therein will successfully be eventuated; and
- (iii) The Group will be successful in obtaining new businesses and accessing additional working capital. Sino Earn, Jian Xing and the New Investors will provide financial support to the Group as and when required in the foreseeable future.

As at the date of approval of these financial statements, the Directors are not aware of any circumstances and/or reasons that would likely affect the successful conclusion of a formal debt restructuring arrangement and the intention of the New Investors, or cause the bankers to discontinue their support to the Group. On this basis, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis. Accordingly, the financial statements do not include any adjustments that would result if the aforementioned schemes and arrangements were not materialised.

If the going concern basis were not to be appropriate, adjustments would have to be made to reclassify non-current assets as current assets, to restate the value of the Group's assets to their recoverable amounts and to provide for any further liabilities which might arise.

(b) Exclusion of companies from consolidation and inclusion of interest in subsidiaries back to the Group

On 23 February 2001, the Group was granted a Court Order for rescission (the "Rescission Order") of an acquisition agreement dated 17 July 1998 (the "Agreement") in relation to the Group's acquisition of a 60% equity interest in Skycheer Development Limited ("Skycheer", which owns 100% equity interest in Xiamen Hong Du Park Hotel ("Hong Du")) which was partially settled by the transfer of the Group's 40% equity interest in Yan Hei Limited ("Yan Hei", which owns 100% equity interest in Xiamen South East Asia Hotel Company, Limited ("Xiamen Plaza")). As a result of the Rescission Order, Skycheer and Hong Du would not be 60% owned by the Group and the 40% equity interest in Yan Hei and its subsidiary, Xiamen Plaza, would be included as the Group's interest as from the date of the Rescission Order.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

(b) Exclusion of companies from consolidation and inclusion of interest in subsidiaries back to the Group *(continued)*

Owing to litigations encountered by Hong Du in the People's Republic of China (the "PRC"), the books and records of Hong Du were incomplete for verification and audit purposes. The results of Hong Du for the period from 1 April 2000 to the date of the Rescission Order were not incorporated into the Group's consolidated financial statements for the year ended 31 March 2001. The Directors considered that the non-inclusion of the results of Hong Du to the Group's financial statements would not significantly affect the results of the Group for the year ended 31 March 2001.

In the opinion of the Directors, the Group's consolidated financial statements for the years ended 31 March 2001 and 2002 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the Rescission Order.

(c) Classification of liabilities

As the Group has been in default in payment on schedule of most of its borrowings, the amounts become immediately due and repayable. No attempt has been made to classify the liabilities of the Group and the Company into non-current or current terms as the repayment of borrowings will be the subject of the Group's restructuring proposals.

(d) Measurement basis

The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of certain investment properties as further explained in note 4(h) below.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA") which became effective for the current year. 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 4 below. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies:

SSAP 30

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 April 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, jointly controlled entity or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 April 2001 will be credited to the income statement at the time of disposal of the relevant subsidiary, jointly controlled entity or associate. In the current year, goodwill (negative goodwill) is disclosed separately to conform with the presentation requirements of Interpretation 13 "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves" issued by the HKSA.

Goodwill arising on acquisitions on or after 1 April 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions on or after 1 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.

SSAP 14 (Revised)

SSAP 14 (Revised) "Leases" has introduced certain amendments to the basis of accounting for finance and operating leases. In note 34 to these financial statements, the Group and the Company have disclosed the total future minimum lease payments under non-cancellable operating leases in accordance with SSAP 14 (Revised). Comparatives have been restated in order to achieve a consistent presentation.

SSAP 31

SSAP 31 "Impairment of assets" prescribes the procedures to be applied to ensure that assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets as the present value of estimated future cash flows together with estimated disposal proceeds at the end of its useful life. The Group is required to assess at each balance sheet date whether there are any indications that asset may be impaired, and if there are such indications, the recoverable amount of the asset is to be determined. Any resulting impairment losses identified are charged to the income statement.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. ACCOUNTING POLICIES

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Statement of compliance

These financial statements have been prepared in accordance with all SSAPs and Interpretations issued by the HKSA, accounting principles generally accepted in Hong Kong, the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that (i) net current liabilities have not been disclosed in the balance sheets, and (ii) no attempt has been made to classify the liabilities of the Group and the Company into non-current or current terms as more fully explained in note 2(c) to the financial statements.

(b) Basis of consolidation

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

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its identifiable assets and liabilities together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement, as further explained in note 4(f) below.

Minority interests represent that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, and/or by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



4. ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body.

In the Company's balance sheet, investment in subsidiaries is stated at cost less provision for impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case it is stated at fair value with changes in fair value recognised in the income statement as they arise.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Jointly controlled entities

A jointly controlled entity is an entity which through contractual arrangements is subject to joint control by the Group and other parties, and none of the participating parties has unilateral control over the entity.

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision for impairment losses. Such provision is determined and made for each jointly controlled entity individually.

The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. ACCOUNTING POLICIES *(continued)*

(e) Associates

An associate is an entity, not being a subsidiary or jointly controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates.

In the Company's balance sheet, investments in associates are stated at cost less provision for impairment losses. Such provision is determined and made for each associate individually.

The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(f) Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, jointly controlled entity or associate at the date of acquisition.

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

Goodwill arising on acquisitions on or after 1 April 2001 is capitalised and amortised over its estimated useful life. Goodwill arising on acquisition of a jointly controlled entity or associate is included within the carrying amount of the jointly controlled entity or associate. Goodwill arising on acquisitions of subsidiaries is presented separately in the balance sheet. On disposal of a subsidiary, jointly controlled entity or associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



4. ACCOUNTING POLICIES *(continued)*

(f) Goodwill/negative goodwill *(continued)*

Negative goodwill arising on acquisitions on or after 1 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. 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 year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

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

(g) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) Rental income under operating leases is recognised in the period on a straight-line basis over the term of the lease;
- (ii) Sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- (iii) Revenue from hotel operations is recognised in the period when the services are provided;
- (iv) Management fee income is recognised in the period when the management services are rendered;
- (v) Dividend income is recognised when the shareholder's right to receive payment is established; and
- (vi) Interest income is recognised on a time-apportioned basis on the principal outstanding and at the rates applicable.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. ACCOUNTING POLICIES *(continued)*

(h) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than twenty years are valued at intervals of not more than three years by an independent valuer; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are firstly set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited.

Investment properties held on leases with unexpired periods of twenty years or less are depreciated over the remaining unexpired periods of the leases.

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

(i) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of the hotel, and are stated at cost.

No depreciation is provided on hotel properties held on leases of more than twenty years. It is the Group's practice to maintain the hotel properties in such continual state of sound repairs and maintenance that their residual values are not currently diminished by the passage of time and that any element of depreciation is insignificant. Such expenditure on repairs and maintenance is charged to the income statement in the year in which it is incurred. The costs of significant improvements are capitalised. Accordingly the Directors consider that depreciation is not necessary for the hotel properties. Depreciation is, however, provided on hotel furniture and fixtures at the rates stated in note 4(j) below.

When the unexpired lease term is twenty years or less, the hotel properties are depreciated on the straight-line basis over the remaining unexpired period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



4. ACCOUNTING POLICIES *(continued)*

(j) Other fixed assets

Fixed assets other than investment properties and hotel properties are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation of other fixed assets is calculated to write off their costs on the reducing balance method over their expected useful lives to the Group at a principal annual rate of 20%.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sale proceed and the carrying amount of the relevant asset, and is recognised in the income statement.

(k) Property under development

Property under development is stated at cost less provision for impairment losses. Cost comprises land and construction costs which include attributable interest and charges capitalised during the construction period. No depreciation is provided on property under development.

(l) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. A reversal of an impairment loss is recognised as income immediately.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. ACCOUNTING POLICIES *(continued)*

(m) Inventories

Inventories consisting of food, beverage and hotel supplies, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation.

(n) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at rates of exchange ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with in the income statement.

The financial statements of subsidiaries, jointly controlled entities and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(p) Operating leases

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

(q) Staff retirement scheme

The Group operates a defined contribution staff retirement scheme. The Group's contributions under the scheme are charged to the income statement as incurred. The amount of the Group's contributions is based on a specified percentage of the basic salaries of employees and forfeited contributions in respect of unvested benefits of staff leavers are used to reduce the Group's contributions. The assets of the scheme are held separately from those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



4. ACCOUNTING POLICIES *(continued)*

(r) Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(s) Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purpose of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. ACCOUNTING POLICIES *(continued)*

(u) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, a provision is recognised.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence and non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segments), or in providing products or services within a particular economic environment (geographical segments), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financing expenses and minority interests.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



5. TURNOVER, REVENUE AND SEGMENT INFORMATION

Turnover and revenue are analysed as follows:

	2002	2001
	HK\$	HK\$
Turnover		
Gross rental income from investment properties	6,873,973	10,914,004
Sale of properties (note 14(b))	—	27,463,000
Revenue from hotel operation of Xiamen Plaza	20,568,436	21,968,673
	27,442,409	60,345,677
Other revenue		
Bank interest income	7,563	34,885
Management fee income	—	2,280,587
Others	438,063	348,161
	445,626	2,663,633
Total revenue	27,888,035	63,009,310

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group comprises the following main business segments:

Property investment and development

— The sale and development of office premises, residential properties and hotel properties

Hotel operation

— The rendering of hotel services



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

5. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property investment and development		Hotel operation		Unallocated		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue from external customers	6,873,973	38,377,004	20,568,436	21,968,673	—	—	27,442,409	60,345,677
Other revenue from external customers	—	—	—	—	445,626	2,663,633	445,626	2,663,633
Total	6,873,973	38,377,004	20,568,436	21,968,673	445,626	2,663,633	27,888,035	63,009,310
Segment results	5,304,641	7,014,726	(11,452,083)	(10,379,940)	—	—	(6,147,442)	(3,365,214)
Unallocated corporate expenses							(114,504,864)	29,408,374
(Loss)/profit from operations							(120,652,306)	26,043,160
Finance costs							(67,552,162)	(81,812,998)
Share of results of jointly controlled entities							(6,715,082)	(52,511,626)
Share of results of associates							241,719	198,535
Loss from ordinary activities before taxation							(194,677,831)	(108,082,929)
Taxation							(1,330,010)	(43,793)
Loss from ordinary activities after taxation							(196,007,841)	(108,126,722)
Minority interests							—	—
Net loss attributable to the shareholders							(196,007,841)	(108,126,722)

No inter-segment sales and transfers were transacted during the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



5. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property investment and development		Hotel operation		Unallocated		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Segment assets	163,404,389	239,103,863	136,217,057	148,500,098	—	—	299,621,446	387,603,961
Investment in associates	12,812,099	13,375,614	—	—	3,622,718	3,636,472	16,434,817	17,012,086
Investment in jointly controlled entities	—	—	—	97,650,855	—	—	—	97,650,855
Unallocated assets							354	23,087,134
Total assets							316,056,617	525,354,036
Liabilities								
Segment liabilities	(653,210,012)	(671,029,672)	(53,651,299)	(52,800,795)	(15,000,000)	(12,676,078)	(721,861,311)	(736,506,545)
Unallocated liabilities							(12,058,727)	(10,542,314)
Total liabilities							(733,920,038)	(747,048,859)
Other segment information								
Capital expenditure	19,998	47,240	289,470	188,668	—	—		
Depreciation	131,789	771,580	12,155,708	11,664,526	235,483	71,979		



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue, profit/(loss) and certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		PRC	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Segment revenue:				
Revenue from external customers	<u>6,873,973</u>	<u>38,377,004</u>	<u>20,568,436</u>	<u>21,968,673</u>
Segment results	<u>5,304,641</u>	<u>7,014,726</u>	<u>(11,452,083)</u>	<u>(10,379,940)</u>
Other segment information:				
Segment assets	<u>179,839,560</u>	<u>279,023,077</u>	<u>136,217,057</u>	<u>246,330,959</u>
Capital expenditure	<u>19,998</u>	<u>47,240</u>	<u>289,470</u>	<u>188,668</u>
Depreciation	<u>363,554</u>	<u>829,521</u>	<u>12,159,426</u>	<u>11,678,564</u>

6. NET GAIN ON RESCISSION OF AN ACQUISITION AGREEMENT

	2002	2001
	HK\$	HK\$
Net gain on exclusion of 60% equity interests in Skycheer and Hong Du	—	99,855,548
Net gain on inclusion of 40% equity interests in Yan Hei and Xiamen Plaza	—	45,222,244
	<u>—</u>	<u>145,077,792</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



6. NET GAIN ON RESCISSION OF AN ACQUISITION AGREEMENT *(continued)*

(a) Actions for rescission of an acquisition agreement

The Company, jointly with its two wholly-owned subsidiaries, Kiu Sun Investment Company, Limited ("Kiu Sun") and Smart Truth International Limited ("Smart Truth") issued a writ of summons on 23 March 2000 (as amended by an amended writ of summons dated 29 March 2000) against Mr HUNG To and Good Fortune Resources Limited ("Good Fortune") for (i) a declaration that the Company, Kiu Sun and Smart Truth are entitled to rescind the Agreement (as defined in note 2(b) to the financial statements), (ii) an order that Mr HUNG To to indemnify the Company, Kiu Sun and Smart Truth for losses as a result of the breaches of the Agreement and warranties thereof, and (iii) damages and other compensation. The writ of summons against Mr HUNG To, a then minority shareholder of both Skycheer and Yan Hei, in Hong Kong, was to, amongst other things, rescind the Agreement. Under the Agreement, the Group (i) purchased from Mr HUNG To a 60% equity interest in Skycheer, the principal asset of which was the 100% interest in Hong Du in the PRC; (ii) transferred to Mr HUNG To's nominee, Good Fortune, the Group's 40% equity interest in Yan Hei, the principal asset of which was the 100% interest in Xiamen Plaza in the PRC; and (iii) allotted to Mr HUNG To 54,408,959 shares in the capital of the Company. The Company claimed that Mr HUNG To was in breach of the Agreement and sought to rescind it as (i) he allegedly entered into various contracts on behalf of Skycheer and Hong Du to borrow funds of HK\$152,490,602 (equivalent to RMB162,250,000) before and/or after entering into the Agreement, which were not disclosed to the Company or its board of directors in accordance with the terms of the Agreement; and (ii) the Hong Du Park Hotel had not been completed and obtained all necessary operating licenses in accordance with the timetable set out in the Agreement.

(b) Rescission Order

On 23 February 2001, the Rescission Order (as defined in note 2(b) to the financial statements) was granted in favour of the Company, Kiu Sun and Smart Truth. Upon the granting of the Rescission Order, the Company had de-consolidated the Group's 60% interest in Skycheer and Hong Du, and included the 40% interest in Yan Hei and Xiamen Plaza back to the Group. Thereafter, Skycheer and its subsidiary, Hong Du, would not be 60% owned by the Group, and Yan Hei and its subsidiary, Xiamen Plaza, became wholly-owned subsidiaries of the Group again.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

6. NET GAIN ON RESCISSION OF AN ACQUISITION AGREEMENT *(continued)*

(c) Effect of the Rescission Order

Two subsidiaries, Skycheer and Hong Du, which were consolidated in the Group's consolidated financial statements as at 31 March 2000, had been de-consolidated from the Group's consolidated financial statements for the year ended 31 March 2001. The 40% equity and loan interests in Yan Hei and Xiamen Plaza previously transferred to a minority shareholder, which were classified as minority interests and loans from the minority shareholder respectively in the Group's consolidated financial statements as at 31 March 2000, had been included as the Group's interests in the consolidated financial statements for the year ended 31 March 2001. The Directors considered that the resulting Group financial statements, if Skycheer and Hong Du were consolidated and the 40% equity and loan interests in Yan Hei and Xiamen Plaza were excluded, would not present a true and fair view of the financial position of the Group as a whole in accordance with the Rescission Order.

The results of Skycheer and Hong Du for the year ended 31 March 2001 were excluded from the Group's consolidated income statement for the year ended 31 March 2001. As a result of the exclusion of Skycheer and Hong Du, a net gain of HK\$99,855,548 was generated, which comprised the reversal of share of net liabilities of these two companies at 31 March 2000. As at 31 March 2001, the Company did not have any outstanding commitments in respect of these companies, nor guarantee any obligations of these companies in favour of third parties.

The results of Yan Hei and Xiamen Plaza for the year ended 31 March 2001 were entirely included in the Group's consolidated income statement for the year then ended. The loan from a minority shareholder having previously been assigned under the Agreement was reverted to the Group's interest for the year ended 31 March 2001. As a result of the inclusion of the 40% equity and loan interests in Yan Hei and Xiamen Plaza, a net gain of HK\$45,222,244 was generated, which comprised the reversal of share of net assets of these two subsidiaries at 31 March 2000 and capital reserve previously released; and reversion to the loan previously assigned.

According to a legal opinion obtained by the Company, there might be practical difficulties to be encountered on the execution of the Rescission Order. No provision has yet been made in the Group's financial statements for any loss or expenses that might be incurred, or arising from any practical difficulties that might be encountered by the Group, or any possible counterclaim in relation to the Rescission Order.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



7. PROVISION FOR DOUBTFUL DEBTS

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Provision for doubtful debts due from:		
— Hong Du	—	32,530,041
— a related company	—	2,607,525
— a jointly controlled entity	14,970,483	—
— others	2,482,018	—
	17,452,501	35,137,566

8. (LOSS)/PROFIT FROM OPERATIONS

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
(Loss)/profit from operations is stated after crediting and charging the following:		
Gross rental income from investment properties	6,873,973	10,914,004
Less: Outgoings	(1,569,332)	(1,704,272)
Net rental income from investment properties	5,304,641	9,209,732
Depreciation:		
— hotel properties	9,462,552	9,462,553
— owned fixed assets	3,060,428	2,714,299
— fixed assets held under hire purchase contracts	—	331,233
Operating lease rentals in respect of land and buildings	23,541	4,225,123
Auditors' remuneration		
— current year provision	280,000	750,000
— under-provision in prior years	—	450,000
Management fee to Sino Earn	409,800	2,052,450
Loss on disposal of fixed assets	55,280	3,471,877
Net exchange (gain)/loss	(168,878)	608,073
Retirement benefit costs	47,070	64,596



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

9. FINANCE COSTS

	2002	2001
	HK\$	HK\$
Interest on bank loans and overdrafts		
— wholly repayable within five years	43,933,462	59,522,212
Interest on other borrowings		
— wholly repayable within five years	23,618,700	22,009,732
Interest element of hire purchase contracts	—	281,054
	67,552,162	81,812,998

10. TAXATION

Taxation in the consolidated income statement comprises:

	2002	2001
	HK\$	HK\$
Hong Kong profits tax	—	—
Under-provisions in prior years	1,295,689	—
	1,295,689	—
Share of taxation attributable to associates	34,321	43,793
	1,330,010	43,793

- (a) Hong Kong profits tax is calculated at the rate of 16% (2001: 16%) on the estimated assessable profits of the Group for the year. No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries did not have any assessable profits for the year (2001: HK\$Nil).
- (b) No provision for PRC income tax has been made as there were no assessable profits for the subsidiary operating in the PRC during the year (2001: HK\$Nil).
- (c) No provision for deferred taxation has been made as the Group and the Company have no material potential liabilities arising on timing differences (2001: HK\$Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



11. NET LOSS ATTRIBUTABLE TO THE SHAREHOLDERS

Included in the consolidated net loss attributable to the shareholders of HK\$196,007,841 (2001: HK\$108,126,722) is a loss of HK\$212,273,675 (2001: HK\$167,848,706), including dividends from an associate of HK\$118,000 (2001: HK\$147,500), which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the consolidated net loss attributable to the shareholders for the year of HK\$196,007,841 (2001: HK\$108,126,722) and 1,074,328,367 (2001: 1,074,328,367) shares in issue during the year.

(b) Diluted

The share options outstanding during the year had no dilution effect on loss per share.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2002 HK\$	2001 <i>HK\$</i>
Fees:		
Executive directors	—	—
Independent non-executive directors	320,000	—
	320,000	—
Other emoluments for executive directors:		
Basic salaries, housing allowances, other allowances and benefits in kind	1,566,732	2,870,526
Provident fund contributions	18,000	19,474
	1,584,732	2,890,000
Total emoluments	1,904,732	2,890,000



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
From HK\$Nil to HK\$1,000,000	12	15
From HK\$1,000,001 to HK\$1,500,000	1	1
	<u>13</u>	<u>16</u>

No directors waived any emoluments and no emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

(b) Five highest paid employees

Three (2001: three) of the five highest paid employees are directors whose emoluments are reflected in the directors' emoluments above. Details of the aggregate emoluments of the remaining two (2001: two) highest paid non-director individuals are as follows:

	2002 HK\$	2001 HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	707,200	1,007,033
Provident fund contributions	20,920	14,033
	<u>728,120</u>	<u>1,021,066</u>

The emoluments of each of these two (2001: two) individuals fell within the band from HK\$Nil to HK\$1,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



14. FIXED ASSETS

	Group								
	Investment	Hotel	Plant and machinery	Furniture & fixtures	Leasehold	Motor	Pleasure	Computer	Total
	properties	properties			improve-		vessel	and office	
	(note (a))	(note (c))	ments	mooring	equipment				
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Cost or valuation									
Brought forward									
At cost	—	179,000,000	5,523,423	8,673,628	6,086,549	2,051,047	485,000	514,942	202,334,589
At professional valuation	230,861,660	—	—	—	—	—	—	—	230,861,660
	<u>230,861,660</u>	<u>179,000,000</u>	<u>5,523,423</u>	<u>8,673,628</u>	<u>6,086,549</u>	<u>2,051,047</u>	<u>485,000</u>	<u>514,942</u>	<u>433,196,249</u>
Additions	—	—	—	71,721	217,749	—	—	19,998	309,468
Exchange difference	—	—	138,281	210,363	147,484	51,349	—	—	547,477
Disposals (note (b))	(65,471,660)	—	(12,027)	(205,832)	(1,474)	—	(485,000)	—	(66,175,993)
Revaluation deficit charged to income statement	(27,290,000)	—	—	—	—	—	—	—	(27,290,000)
	<u>(92,761,660)</u>	<u>—</u>	<u>126,254</u>	<u>76,252</u>	<u>363,759</u>	<u>51,349</u>	<u>(485,000)</u>	<u>19,998</u>	<u>(92,609,048)</u>
Carried forward									
At cost	—	179,000,000	5,649,677	8,749,880	6,450,308	2,102,396	—	534,940	202,487,201
At professional valuation	138,100,000	—	—	—	—	—	—	—	138,100,000
	<u>138,100,000</u>	<u>179,000,000</u>	<u>5,649,677</u>	<u>8,749,880</u>	<u>6,450,308</u>	<u>2,102,396</u>	<u>—</u>	<u>534,940</u>	<u>340,587,201</u>
Accumulated depreciation									
Brought forward	—	40,215,849	4,975,000	6,297,206	3,125,077	1,832,475	253,235	272,485	56,971,327
Exchange difference	—	—	124,551	153,622	(5,746)	45,877	—	—	318,304
Charge for the year	—	9,462,552	537,413	951,088	1,278,999	8,672	231,765	52,491	12,522,980
Disposals	—	—	(10,824)	(153,229)	—	—	(485,000)	—	(649,053)
Carried forward	—	49,678,401	5,626,140	7,248,687	4,398,330	1,887,024	—	324,976	69,163,558
Net book value									
At 31 March 2002	<u>138,100,000</u>	<u>129,321,599</u>	<u>23,537</u>	<u>1,501,193</u>	<u>2,051,978</u>	<u>215,372</u>	<u>—</u>	<u>209,964</u>	<u>271,423,643</u>
At 31 March 2001	230,861,660	138,784,151	548,423	2,376,422	2,961,472	218,572	231,765	242,457	376,224,922



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

14. FIXED ASSETS (continued)

	Company				Total HK\$
	Investment properties (note (a)) HK\$	Furniture & fixtures HK\$	Leasehold improve- ments HK\$	Computer and office equipment HK\$	
Cost or valuation					
Brought forward					
At cost	—	191,016	45,500	485,642	722,158
At professional valuation	56,546,000	—	—	—	56,546,000
	<u>56,546,000</u>	<u>191,016</u>	<u>45,500</u>	<u>485,642</u>	<u>57,268,158</u>
Additions	—	—	—	19,998	19,998
Disposals	(39,056,000)	(56,416)	—	—	(39,112,416)
Revaluation deficit charged to income statement	(3,990,000)	—	—	—	(3,990,000)
	<u>(43,046,000)</u>	<u>(56,416)</u>	<u>—</u>	<u>19,998</u>	<u>(43,082,418)</u>
Carried forward					
At cost	—	134,600	45,500	505,640	685,740
At professional valuation	13,500,000	—	—	—	13,500,000
	<u>13,500,000</u>	<u>134,600</u>	<u>45,500</u>	<u>505,640</u>	<u>14,185,740</u>
Accumulated depreciation					
Brought forward	—	111,423	3,033	254,287	368,743
Charge for the year	—	14,481	8,494	50,270	73,245
Disposals	—	(34,356)	—	—	(34,356)
Carried forward	—	91,548	11,527	304,557	407,632
Net book value					
At 31 March 2002	<u>13,500,000</u>	<u>43,052</u>	<u>33,973</u>	<u>201,083</u>	<u>13,778,108</u>
At 31 March 2001	<u>56,546,000</u>	<u>79,593</u>	<u>42,467</u>	<u>231,355</u>	<u>56,899,415</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



14. FIXED ASSETS *(continued)*

- (a) The Group's investment properties in Hong Kong are held under long term leases as to the amount of HK\$Nil (2001: HK\$46,936,000) and under medium term leases as to the amount of HK\$138,100,000 (2001: HK\$183,925,660).

The Company's investment properties in Hong Kong are held under long term leases as to the amount of HK\$Nil (2001: HK\$39,056,000) and under medium term leases as to the amount of HK\$13,500,000 (2001: HK\$17,490,000).

The investment properties of the Group were revalued on an open market value basis as at 31 March 2002 by Knight Frank (2001: B.I. Appraisals), an independent firm of professional valuers. The revaluation deficit of HK\$27,290,000 (2001: HK\$56,561,517) has been charged to the income statement.

Certain investment properties of the Group under receivership with aggregate carrying value of HK\$108,400,000 as at 31 March 2002 were enforced and sold by creditor banks subsequent to the balance sheet date for an aggregate consideration of HK\$115,280,000, further details of which are set out in note 36(h) to the financial statements. In addition, an investment property of the Group with carrying value of HK\$16,200,000 as at 31 March 2002 has been taken possession by the mortgagee.

- (b) The net loss on disposals of charged investment properties amounting to HK\$1,246,082 as shown in the consolidated income statement arose from the enforcement of the mortgages on certain investment properties of the Group by the banks during the year. The aggregate consideration of the disposals amounted to HK\$65,043,000, which was not classified as the Group's turnover during the year due to the circumstances of their disposals. Proceeds on disposals of the charged investment properties were applied by the relevant banks for direct settlement of outstanding interest and loans due and other relevant outgoings of the transactions. The outgoings incurred on the disposals amounted to HK\$817,422, and the aggregate carrying value of the investment properties immediately before their disposals was HK\$65,471,660.
- (c) The hotel properties outside Hong Kong are held under medium term leases. The Directors have reviewed the carrying value of the hotel properties and are of the opinion that there is no significant difference from their open market value.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

15. PROPERTY UNDER DEVELOPMENT

	2002 HK\$	2001 HK\$
Balance brought forward	—	285,000,000
Exclusion upon rescission of the Agreement	—	(285,000,000)
	<hr/>	<hr/>
Balance carried forward	<u>—</u>	<u>—</u>

16. SUBSIDIARIES

	2002 HK\$	2001 HK\$
Unlisted shares, at cost	28,069,474	28,069,478
Less: Provision for impairment losses	(28,069,474)	—
Written off on deregistration	—	(4)
	<hr/>	<hr/>
	<u>—</u>	<u>28,069,474</u>
Loans to subsidiaries	274,088,497	279,706,651
Less: Provision for doubtful amounts	(181,870,577)	(138,103,200)
	<hr/>	<hr/>
	<u>92,217,920</u>	<u>141,603,451</u>
	<hr/>	<hr/>
	<u>92,217,920</u>	<u>169,672,925</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



16. SUBSIDIARIES (continued)

Particulars of subsidiaries at 31 March 2002 are as follows:

Name of subsidiary	Place of incorporation and principal place of operations	Effective percentage holding		Issued and fully paid share/registered capital	Principal activities
		2002 %	2001 %		
Direct subsidiaries:					
Clarson Hotel Management Limited	Hong Kong	100	100	Ordinary HK\$300,000	Inactive
Eastborough Enterprises Limited	Hong Kong	100	100	Ordinary HK\$600,000	Investment holding
Eastern Associated Investment Company, Limited	Hong Kong	100	100	Ordinary HK\$1,000,000	Investment holding
Everlink Development Limited	Hong Kong	100	100	Ordinary HK\$10,000	Inactive
Fujian Group Nominees Limited	Hong Kong	100	100	Ordinary HK\$2	Nominee
Honest Bright International Limited	Hong Kong	100	100	Ordinary HK\$2	Property investment
Kai Loong Land Investment Company, Limited	Hong Kong	100	100	Ordinary HK\$415,000	Property investment
Kiu Sun Investment Company, Limited	Hong Kong	100	100	Ordinary HK\$1,000,000	Investment holding
Ming Chuen Construction Company, Limited	Hong Kong	100	100	Ordinary HK\$100,000	Investment holding



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

16. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and principal place of operations	Effective percentage holding		Issued and fully paid share/registered capital	Principal activities
		2002 %	2001 %		
Direct subsidiaries: (continued)					
Panew International Limited <i>(note (b))</i>	Hong Kong	100	100	Ordinary HK\$2	Investment holding
Real Wide Limited	Hong Kong	55	55	Ordinary HK\$10,000	Inactive
Richlite Investment Limited	Hong Kong	100	100	Ordinary HK\$2	Property investment
Silver Cone Worldwide Limited	British Virgin Islands	100	100	Ordinary US\$1	Investment holding
Sino Bless International Limited	Hong Kong	100	100	Ordinary HK\$2	Property investment
Smart Stride Investment Limited	Hong Kong	100	100	Ordinary HK\$2	Inactive
Smart Truth International Limited	Hong Kong	100	100	Ordinary HK\$10,000	Investment holding
Triplenic Realty Limited	Hong Kong	75	75	Ordinary HK\$1,000,000	Investment holding
Wealth Cosmos Limited	Hong Kong	100	100	Ordinary HK\$2	Property investment
Yan Hei Limited <i>(note (c))</i>	Hong Kong	100	100	Ordinary HK\$10,000 and non-voting deferred HK\$10,000	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



16. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and principal place of operations	Effective percentage holding		Issued and fully paid share/registered capital	Principal activities
		2002 %	2001 %		
Indirect subsidiaries:					
Billion Lion Limited	Hong Kong	75	75	Ordinary HK\$2	Property investment
Gold Silver Limited	Hong Kong	100	100	Ordinary HK\$10,000	Investment holding
Link Smart Investment Limited	Hong Kong	100	100	Ordinary HK\$2	Property investment
Sheen Sharp Limited	Hong Kong	100	100	Ordinary HK\$2	Inactive
Texway Industries Limited	Hong Kong	100	100	Ordinary HK\$2	Property investment
Xiamen South East Asia Hotel Company, Limited (note (a))	PRC	100	100	Registered capital US\$5,000,000	Hotel operation

As further explained in notes 2(b) and 6(c) to the financial statements, the following subsidiaries would not be owned by the Group upon granting of the Rescission Order and accordingly these subsidiaries were excluded from consolidation with effect from the year ended 31 March 2001.

Skycheer Development Limited	Hong Kong	—	—	Ordinary HK\$1,000,000	Investment holding
Xiamen Hong Du Park Hotel	PRC	—	—	Registered capital US\$6,000,000	Hotel operation



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

16. SUBSIDIARIES (continued)

Notes:

- (a) This subsidiary has a financial year-end of 31 December. Its financial year cannot be co-terminous with that of the Company for the reason of its need to comply with the regulations of the PRC.
- (b) The Group's interests in the issued share capital of this subsidiary are under share charge, among other securities, in favour of Sino Earn to secure loan facilities granted to the Company as referred to in note 21 (b)(iii) to the financial statements.
- (c) 60% of the Group's interests in the issued share capital of this subsidiary are under share charge, among other securities, in favour of Jian Xing to secure loan facilities granted to the Company as referred to in note 21 (b)(iv) to the financial statements.

17. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Unlisted shares, at cost	—	—	5,005,000	155,072,094
Less: Provision for impairment losses	—	—	(5,005,000)	(74,409,732)
Written off on deregistration	—	—	—	(250,000)
	—	—	—	80,412,362
Share of net assets other than goodwill	—	80,407,217	—	—
	—	80,407,217	—	80,412,362
Loans to jointly controlled entities (note (a))	113,192,865	170,459,459	113,192,865	153,215,821
Less: Provision for doubtful amounts	(105,488,695)	(130,541,168)	(105,488,695)	(130,545,821)
	7,704,170	39,918,291	7,704,170	22,670,000
Less: Amounts repayable on demand classified as current assets	(7,704,170)	(22,674,653)	(7,704,170)	(22,670,000)
	—	17,243,638	—	—
	—	97,650,855	—	80,412,362

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



17. JOINTLY CONTROLLED ENTITIES *(continued)*

Movements of the Group's and the Company's obligations to jointly controlled entities during the year are as follows:

	Group HK\$	Company HK\$
Balance at 1 April 2001	12,676,078	—
Charge for the year	4,064,855	16,740,933
Balance at 31 March 2002 <i>(note (b))</i>	<u>16,740,933</u>	<u>16,740,933</u>

Notes:

- (a) The loan due from a jointly controlled entity is unsecured, bearing interest at 12% per annum and repayable on demand. No accrual has been made for interest receivable for the current and previous years as provision for doubtful amounts had been made. The Company's interest in this loan has been subordinated to a joint venture partner in first priority and to Sino Earn in second priority for loan facilities granted as referred to in notes 21 (b)(v) and 21 (b)(iii) respectively to the financial statements.
- (b) The obligations to jointly controlled entities were provided based on the net exposure of the Group and of the Company on the outstanding bank loan balances drawn down by the jointly controlled entities.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

17. JOINTLY CONTROLLED ENTITIES *(continued)*

Particulars of jointly controlled entities at 31 March 2002 are as follows:

Name of jointly controlled entity	Place of incorporation and principal place of operations	Effective percentage holding		Issued and fully paid share/registered capital	Principal activities
		2002 %	2001 %		
Asian Eagle Limited <i>(note (i))</i>	Hong Kong	35	35	Ordinary HK\$10,000	Property development
Hungexpress Investment Limited <i>(note (iii))</i>	Hong Kong	—	50	Ordinary HK\$1,000,000	Investment holding
MT Finance Limited	Hong Kong	50	50	Ordinary HK\$10,000,000	Money lending
Silver Star Hotel Limited <i>(note (i))</i>	PRC	—	25	Registered capital US\$6,600,000	Hotel operation
Westly Limited <i>(note (iii))</i>	Hong Kong	50	50	Ordinary HK\$10,000	Investment holding

Notes:

- (i) The Company indirectly holds the interest in this jointly controlled entity.
- (ii) The Company's interest in the issued share capital of Hungexpress Investment Limited ("Hungexpress", which owned 50% equity interest in Silver Star Hotel Limited) was under share charge in favour of a bank to secure loan facilities granted to the Company. The charged shares in Hungexpress were enforced and sold on 23 November 2001 and as a result the Group incurred a loss on disposal of HK\$58,524,946 as shown in the consolidated income statement.
- (iii) The Company's interest in the issued share capital of Westly Limited ("Westly") is under first share charge in favour of a joint venture partner, to secure loan granted to the Company as referred to in note 21 (b)(v) to the financial statements, and is under mortgage in favour of the joint venture partner, to secure loans granted to Westly, and is under second share charge, among other securities, in favour of Sino Earn to secure loans granted to the Company as referred to in note 21 (b)(iii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



17. JOINTLY CONTROLLED ENTITIES (continued)

Notes: (continued)

- (iv) Extracts of the unaudited management accounts as at and for the year ended 31 March 2002 of Westly, the principal jointly controlled entity of the Group, are set out below. The financial year-end of Westly is 31 December.

	HK\$
Current assets	43,611,708
Current liabilities	(28,983,526)
Loans and amounts due to shareholders	(337,066,983)
Income	69,740,000
Loss for the year	<u>(43,401,919)</u>

18. ASSOCIATES

	Group		Company	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Unlisted shares, at cost	—	—	6,475,051	19,225,955
Less: Provision for impairment losses	—	—	(1,899,999)	(1,899,999)
Written off on deregistration	—	—	—	(12,750,904)
	<u>—</u>	<u>—</u>	<u>4,575,052</u>	4,575,052
Share of net assets other than goodwill	<u>15,784,817</u>	16,362,086	<u>—</u>	<u>—</u>
	15,784,817	16,362,086	4,575,052	4,575,052
Amounts due from associates	658,500	658,500	658,500	658,500
Less: Provision for doubtful amounts	<u>(8,500)</u>	(8,500)	<u>(8,500)</u>	(8,500)
	<u>16,434,817</u>	<u>17,012,086</u>	<u>5,225,052</u>	<u>5,225,052</u>

The amounts due from associates are unsecured, interest-free and repayable on demand.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

18. ASSOCIATES (continued)

Particulars of associates at 31 March 2002 are as follows:

Name of associate	Place of incorporation and principal place of operations	Effective percentage holding		Issued and fully paid share capital	Principal activities
		2002 %	2001 %		
Austin Land Investment Limited	Hong Kong	46.82	46.82	Ordinary HK\$6,300,000	Provision of building management services
Ealing Court Limited (note (a))	Hong Kong	33.33	33.33	Ordinary HK\$6,000,000	Property investment
Ming Sun Contractors Limited	Hong Kong	49.50	49.50	Ordinary HK\$1,000,000	Inactive
Sherrin Property Investment Limited (note (a))	Hong Kong	33.33	33.33	Ordinary HK\$3	Property investment

Note:

- (a) The Company's interests in the issued share capital of these associates are under share charge, among other securities, in favour of Sino Earn for loan facilities granted to the Company as referred to in note 21(b)(iii) to the financial statements.

19. AMOUNTS DUE FROM RELATED COMPANIES

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Xiamen Puyi Real Estate Company Limited (note (a))	—	2,607,525	—	—
Hungexpress (note (b))	15,294,388	—	—	—
	15,294,388	2,607,525	—	—
Less: Provision for doubtful amounts	—	(2,607,525)	—	—
	15,294,388	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



19. AMOUNTS DUE FROM RELATED COMPANIES (continued)

Notes:

- (a) Xiamen Puyi Real Estate Company Limited ("Xiamen Puyi") is wholly-owned by Mr HUNG To, a shareholder and director of Skycheer, a former subsidiary of the Group. The amount due from Xiamen Puyi was unsecured, interest-free and repayable on demand, and a full provision had been made in the prior year. The maximum amount due from Xiamen Puyi during the year was HK\$2,607,525.
- (b) The amount due from Hungexpress was unsecured, interest-free and with no fixed terms of repayment. The maximum amount due from Hungexpress during the year was HK\$15,294,388.

Mr WANG Hai Min is a common director of the Company and Hungexpress. As further explained in note 17(ii) above, Hungexpress ceased to be a jointly controlled entity upon the sale of the Group's charged shares in Hungexpress on 23 November 2001. Accordingly, the amount due from Hungexpress has been reclassified as amounts due from related companies. Whilst the Directors expect that the amount due to be fully recoverable within a reasonable timeframe, the Directors are currently unable to determine with reasonable certainty the timing of settlement of the amount due. Accordingly the Directors are currently unable to determine whether a provision, if any, is required against the amount due from Hungexpress.

20. ACCOUNTS RECEIVABLE, UTILITY DEPOSITS AND PREPAYMENTS

	Group		Company	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Accounts receivable (net of provisions for bad and doubtful debts), with aging analysis				
Current to 6 months	458,484	6,625,554	21,248	142,741
Over 6 months	730,610	2,139,097	5,931	5,915
	1,189,094	8,764,651	27,179	148,656
Utility deposits and prepayments	884,691	661,075	148,042	297,566
	2,073,785	9,425,726	175,221	446,222

The Group has defined credit terms which are agreed with each of its trade customers.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

21. BANK AND OTHER BORROWINGS

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Bank loans and overdrafts (note (a))	358,277,001	427,773,471	71,749,081	129,859,134
Other borrowings (note (b))	212,116,576	206,246,509	212,116,576	206,246,509
	570,393,577	634,019,980	283,865,657	336,105,643

Notes:

(a)(i) Bank loans and overdrafts are analysed as follows:

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Secured				
— bank loans	268,336,922	348,056,584	52,811,610	111,131,748
— overdrafts	83,189,398	71,956,388	16,439,369	16,302,924
Unsecured				
— bank loans	6,750,681	7,760,499	2,498,102	2,424,462
	358,277,001	427,773,471	71,749,081	129,859,134

(a)(ii) Bank loans and overdrafts are repayable as follows:

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
On demand or				
within one year	358,277,001	418,339,467	71,749,081	129,859,134
In the second year	—	7,484,636	—	—
In the third to fifth years				
inclusive	—	1,949,368	—	—
	358,277,001	427,773,471	71,749,081	129,859,134

As the Group defaulted in payment on schedule of most of its bank loans, all banking facilities of the Group became immediately due and repayable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



21. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(b)(i) Other borrowings are analysed as follows:

	Note	Group		Company	
		2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Secured					
— loans from a shareholder	(b)(iii)	145,288,265	142,618,599	145,288,265	142,618,599
— loan from a related company	(b)(iv)	42,000,000	42,000,000	42,000,000	42,000,000
— loan from a joint venture partner	(b)(v)	7,420,000	7,420,000	7,420,000	7,420,000
— loan from a third party	(b)(vi)	3,526,551	—	3,526,551	—
Unsecured					
— amount due to a related company	(b)(vii)	73,632	73,179	73,632	73,179
— loan from a former jointly controlled entity	(b)(viii)	3,899,550	3,899,550	3,899,550	3,899,550
— loans from associates	(b)(viii)	6,908,630	6,708,630	6,908,630	6,708,630
— loans from third parties	(b)(ix)	2,999,948	3,526,551	2,999,948	3,526,551
		212,116,576	206,246,509	212,116,576	206,246,509

(b)(ii) Other borrowings are repayable as follows:

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
On demand or within one year	212,116,576	206,246,509	212,116,576	206,246,509

(b)(iii) Secured loans from a shareholder

The loan facilities granted by Sino Earn are secured and bearing interest at 10.5% per annum plus default interest at 1.5% per annum, of which HK\$70,000,000 has been due for repayment since 1 January 2000 and the remaining balance has been due for repayment since 30 June 2001.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

21. BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(b)(iv) Secured loan from a related company

The loan facility granted by Jian Xing has been due for repayment since 1 April 2000 and is secured and interest bearing at 10.5% per annum plus default interest at 1.5% per annum. Jian Xing is a company related to Sino Earn.

(b)(v) Secured loan from a joint venture partner

The loan facility granted by a joint venture partner is secured and bearing interest at prime rate plus 3.5% per annum with default interest chargeable at 3% per annum. The loan has been due for repayment since 31 December 2001.

(b)(vi) Secured loan from a third party

The loan from a third party is secured by certain investment properties of the Company with carrying value of HK\$1,600,000 as at 31 March 2002 and interest bearing at 12% per annum. The loan has been due for repayment since 30 September 2001.

(b)(vii) Amount due to a related company

The amount due to a related company, Fushan Holdings Limited ("Fushan", formerly known as Fu Hui Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited), represented advance made to the Company, which was unsecured, interest-free and with no fixed terms of repayment. Mr SO Sik, a director of the Company, was a ex-director of and is a shareholder in Fushan.

(b)(viii) Unsecured loans from a former jointly controlled entity and associates

The loans from a former jointly controlled entity and associates are unsecured, non-interest bearing and with no fixed terms of repayment.

(b)(ix) Unsecured loans from third parties

These comprise a loan of HK\$1,000,000 which is unsecured, interest bearing at prime rate plus 2% per annum and repayable on demand, and a loan of HK\$1,999,948 which is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



22. ACCOUNTS PAYABLE, ACCRUED CHARGES AND TENANTS' DEPOSITS

	Group		Company	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Accounts payable with aging analysis				
Current to 6 months	9,098,584	5,896,084	2,172,506	3,238,763
Over 6 months	16,989,644	16,629,657	6,427,580	4,388,572
	26,088,228	22,525,741	8,600,086	7,627,335
Accrued charges and tenants' deposits	4,668,015	4,034,587	1,439,047	2,301,699
	30,756,243	26,560,328	10,039,133	9,929,034

23. UNCLAIMED DIVIDENDS

In accordance with article 156 of the Company's Articles of Association, all dividends unclaimed for six years after having been declared may be forfeited by the Directors and shall revert to the Company. Unclaimed dividends in an aggregate amount of HK\$Nil (2001: HK\$539,826) shall be forfeited by the Company within one year from 31 March 2002.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

24. MINORITY INTERESTS

- (a) Minority interests comprise accumulated net losses borne by minority shareholders of the non-wholly-owned subsidiaries of the Group, less full provision made for doubtful amounts receivable from minority shareholders.
- (b) Loans from minority shareholders

	Group	
	2002	2001
	HK\$	HK\$
Loans from a minority shareholder to Real Wide Limited (note (b)(i))	3,739,396	3,735,319
Loans from a minority shareholder to Triplenic Realty Limited (note (b)(ii))	498,320	498,320
Loans from a minority shareholder to Yan Hei (note (b)(iii))	—	—
Loans from a minority shareholder to Skycheer and Hong Du (note (b)(iii))	—	—
	<u>4,237,716</u>	<u>4,233,639</u>

Notes:

- (b)(i) Loans to Real Wide Limited ("Real Wide") from Fushan, being a minority shareholder which owned 45% equity interest in Real Wide, are unsecured, non-interest bearing and with no fixed terms of repayment.
- (b)(ii) Loans to Triplenic Realty Limited ("Triplenic Realty") from Mr FU Ngai Man Raymond ("Mr FU"), being a minority shareholder who owned 25% equity interest in Triplenic Realty, are unsecured, non-interest bearing and with no fixed terms of repayment. Mr FU is a director both of Triplenic Realty and its wholly-owned subsidiary, Billion Lion Limited.
- (b)(iii) Before the date of the Rescission Order, Mr HUNG To, pursuant to the Agreement, had become a minority shareholder owning 37% equity interest in Skycheer and Hong Du, had made loans to Skycheer and Hong Du of HK\$52,479,698 and HK\$17,537,699 respectively. Pursuant to the same Agreement, Mr HUNG To had also been beneficially interested in a shareholder's loan assigned to Good Fortune due by Yan Hei of HK\$58,242,606 by virtue of his being the 100% beneficial owner of Good Fortune. The aforementioned loans from the minority shareholders are unsecured, non-interest bearing and with no fixed terms of repayment. Upon the granting of the Rescission Order as referred to in note 6(a) to the financial statements, loans from the minority shareholders of Skycheer and Hong Du in an aggregate amount of HK\$70,017,397 would be excluded as the Group's liabilities, and loans previously assigned to Good Fortune in an aggregate amount of HK\$58,242,606 would be reverted to the Group's interest during the year ended 31 March 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



25. SHARE CAPITAL

	2002		2001	
	<i>Number of shares</i>	<i>HK\$</i>	<i>Number of shares</i>	<i>HK\$</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.125 each	<u>4,000,000,000</u>	<u>500,000,000</u>	<u>4,000,000,000</u>	<u>500,000,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.125 each	<u>1,074,328,367</u>	<u>134,291,046</u>	<u>1,074,328,367</u>	<u>134,291,046</u>

26. SHARE OPTIONS

On 22 January 1997, the Company approved a share option scheme under which the Directors may, at their discretion, invite any employee or executive directors of the Company and the Group to take up options to subscribe for shares in the capital of the Company at any time during the ten years from the date of offer. The subscription price of the Company's shares shall be referred to the average closing price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited for five dealing days immediately preceding the offer date. The maximum number of shares on which options may be granted may not exceed 10% of the ordinary share capital of the Company in issue from time to time.

As at 31 March 2001, the Company had outstanding options conferring rights to subscribe for a total of 20,000,000 shares granted to Mr HUNG To, which were exercisable at HK\$0.21 per share (subject to adjustment). All of these share options were expired on 27 October 2001.

There was no option of the Company being exercised during the year or outstanding as at 31 March 2002.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

27. RESERVES

	Group					Total HK\$
	Share premium <i>(note (a))</i> HK\$	Capital reserve/ negative goodwill <i>(note (b))</i> HK\$	Investment properties revaluation reserve attributable to associates <i>(note (c))</i> HK\$	Exchange fluctuation reserve <i>(note (c))</i> HK\$	Accumulated losses <i>(note (d))</i> HK\$	
At 1 April 2000	498,369,397	—	9,529,866	25,517	(775,335,069)	(267,410,289)
Written off against exchange loss	—	—	—	(25,517)	—	(25,517)
Deficit on revaluation of associates' investment properties	—	—	(733,333)	—	—	(733,333)
Written back on effecting the Rescission Order	—	20,309,992	—	—	—	20,309,992
Loss for the year	—	—	—	—	(108,126,722)	(108,126,722)
At 31 March 2001 and at 1 April 2001	498,369,397	20,309,992	8,796,533	—	(883,461,791)	(355,985,869)
Deficit on revaluation of associates' investment properties	—	—	(666,667)	—	—	(666,667)
Unclaimed dividends written back	—	—	—	—	539,364	539,364
Exchange differences on translation	—	—	—	(33,454)	—	(33,454)
Loss for the year	—	—	—	—	(196,007,841)	(196,007,841)
At 31 March 2002	498,369,397	20,309,992	8,129,866	(33,454)	(1,078,930,268)	(552,154,467)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



27. RESERVES (continued)

	Company			Total HK\$
	Share premium <i>(note (a))</i> HK\$	Capital reserve <i>(note (e))</i> HK\$	Accumulated losses HK\$	
At 1 April 2000	498,358,945	10,000,000	(677,097,063)	(168,738,118)
Loss for the year	—	—	(167,848,706)	(167,848,706)
At 31 March 2001 and at 1 April 2001	498,358,945	10,000,000	(844,945,769)	(336,586,824)
Unclaimed dividends written back	—	—	539,364	539,364
Loss for the year	—	—	(212,273,675)	(212,273,675)
At 31 March 2002	498,358,945	10,000,000	(1,056,680,080)	(548,321,135)

Notes:

- (a) The application of share premium is governed by Section 48B of the Hong Kong Companies Ordinance.
- (b) Pursuant to the Rescission Order as more fully described in note 2(b) to the financial statements, two previously disposed subsidiaries had been reverted to the Group from the date of the Rescission Order. Accordingly, the previously realised capital reserve, representing the excess of the identifiable net assets of these subsidiaries acquired by the Company over the purchase consideration, had also been reverted to the Group in the year ended 31 March 2001.
- (c) The exchange fluctuation reserve and revaluation reserve have been set up and dealt with in accordance with the accounting policies adopted for translation of foreign currencies (note 4(o)) and revaluation of investment properties (note 4(h)).
- (d) Accumulated losses of HK\$1,078,930,268 (2001: HK\$883,461,791) included amounts of losses of HK\$149,009,834 (2001: HK\$142,294,752) attributable to jointly controlled entities and profits of HK\$2,705,766 (2001: HK\$2,498,368) attributable to associates.
- (e) Pursuant to the Directors' meeting in prior years, the capital reserve of the Company was being set aside for general purpose.
- (f) At 31 March 2002, no distributable reserves of the Company was available for distribution as dividends (2001: HK\$Nil).



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

28. RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2002	2001
	HK\$	HK\$
Loss from ordinary activities before taxation	(194,677,831)	(108,082,929)
Share of results of jointly controlled entities	6,715,082	52,511,626
Share of results of associates	(241,719)	(198,535)
Deficit on revaluation of investment properties	27,290,000	56,561,517
Depreciation of hotel properties and owned fixed assets	12,522,980	12,176,851
Depreciation of fixed assets held under hire purchase contracts	—	331,234
Interest income	(7,563)	(34,885)
Interest expenses	67,552,162	81,531,944
Interest element of hire purchase contracts	—	281,054
Loss on disposal of fixed assets	55,280	3,471,877
Loss on dissolution of an associate	—	(29,032)
Loss on deregistration of jointly controlled entities	—	19,723
Loss on disposal of a jointly controlled entity	58,524,946	—
Loss on disposal of investment properties	1,246,082	2,195,006
Net gain on exclusion of 60% interests in Skycheer and Hong Du	—	(99,855,548)
Net gain on inclusion of 40% interests of Yan Hei and Xiamen Plaza	—	(45,222,244)
Provision for amount due from Hong Du	—	32,530,041
Provision for amount due from a related company	—	2,607,525
Provision for amount due from a related party written back	—	(74,795)
Provision for minority interests	—	4,676,563
Provision for loan to a jointly controlled entity	14,970,483	—
Provision for obligations to jointly controlled entities	4,064,855	—
Changes in working capital:		
— loan to a jointly controlled entity	15,294,388	—
— amount due from a related company	(15,294,388)	180,633
— accounts receivable, utility deposits and prepayments	7,351,941	(4,650,914)
— inventories	(94,412)	140,533
— accounts payable, accrued charges and tenants' deposits	4,195,915	4,965,996
Net cash inflow/(outflow) from operating activities	9,468,201	(3,966,759)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



29. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS ON EFFECTING THE RESCISSION ORDER

(a) Net cash outflow on de-consolidation of subsidiaries

	<i>HK\$</i>
Cash and bank balances of Skycheer and Hong Du at 31 March 2001	75,587
Net outflow of cash and cash equivalents in respect of the de-consolidation of subsidiaries	75,587

(b) Effect on exclusion of Skycheer and Hong Du from consolidated financial statements

	<i>HK\$</i>
Net liabilities de-consolidated:	
Non-current assets	(285,000,000)
Current assets	(2,110,535)
Current liabilities	316,948,686
Loan from a shareholder, Mr HUNG To	70,017,397
Net gain on exclusion of 60% interests in Skycheer and Hong Du	99,855,548

(c) Effect on inclusion of 40% interests in Yan Hei and Xiamen Plaza back to the Group

	<i>HK\$</i>
Share of net assets	7,285,630
Loan assigned pursuant to Agreement	58,246,606
Net claims	65,532,236
Reinstatement of negative goodwill/capital reserve	(20,309,992)
Net gain on inclusion of 40% interests in Yan Hei and Xiamen Plaza	45,222,244



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including premium) HK\$	Obligations under hire purchase contracts HK\$	Bank and other borrowings HK\$	Loans from jointly controlled entities and associates HK\$	Loans from minority shareholders HK\$
At 1 April 2000	632,660,443	1,159,166	692,274,098	7,149,538	132,486,467
Loans repaid					
— to banks in Hong Kong	—	—	(25,535,826)	—	—
— to banks in the PRC	—	—	(1,876,975)	—	—
Loans from a related company	—	—	73,179	—	—
Repayment to a third party	—	—	(65,487)	—	—
Loan from a jointly controlled entity	—	—	—	3,899,550	—
Write back of loans from a jointly controlled entity on deregistration	—	—	—	(161,908)	—
Write back of loans from an associate	—	—	—	(279,000)	—
Capital element of hire purchase rentals	—	(1,159,166)	—	—	—
Advances from a minority shareholder	—	—	—	—	7,175
Exclusion of interests in Skycheer and Hong Du	—	—	(113,413,577)	—	(70,017,397)
Reversion to loan previously assigned	—	—	—	—	(58,242,606)
At 31 March 2001 and at 1 April 2001	632,660,443	—	551,455,412	10,608,180	4,233,639
New loans raised					
— from banks in Hong Kong	—	—	73,640	—	—
— from a substantial shareholder	—	—	2,669,666	—	—
— from third parties	—	—	2,999,948	—	—
— from an associate	—	—	—	200,000	—
— from a related company	—	—	453	—	—
Loans repaid					
— to banks in Hong Kong	—	—	(80,410,605)	—	—
— to banks in the PRC	—	—	(392,515)	—	—
Advances from a minority shareholder	—	—	—	—	4,077
At 31 March 2002	632,660,443	—	476,395,999	10,808,180	4,237,716

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



31. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2002 HK\$	2001 <i>HK\$</i>
Cash and bank balances	1,935,801	1,270,193
Bank overdrafts	(83,189,398)	(71,956,388)
	<u>(81,253,597)</u>	<u>(70,686,195)</u>

32. CONTINGENT LIABILITIES

As at 31 March 2002, the Group and the Company had contingent liabilities not provided for in the financial statements as follows:

	Group		Company	
	2002 HK\$	2001 <i>HK\$</i>	2002 HK\$	2001 <i>HK\$</i>
Guarantees of loans of jointly controlled entities	7,259,067	58,034,687	7,259,067	70,710,765
Guarantees of bank loans and overdrafts of subsidiaries	—	—	340,042,183	340,042,183
	<u>7,259,067</u>	<u>58,034,687</u>	<u>347,301,250</u>	<u>410,752,948</u>

33. PLEDGE OF ASSETS

Bank loans of HK\$235,743,630 (2001: HK\$320,406,814) and bank overdrafts of HK\$83,189,398 (2001: HK\$71,956,388) as at 31 March 2002 are secured by the Group's investment properties with carrying value amounting to HK\$124,600,000 (2001: HK\$213,371,660).

The Group's investment properties with carrying value of HK\$11,400,000 as at 31 March 2002 (2001: HK\$14,250,000) are secured, among other securities, in favour of Sino Earn for loan facilities granted to the Company amounting to HK\$145,288,265 (2001: HK\$142,618,599) as referred in note 21(b)(iii) to the financial statements.

The Group's investment properties with carrying value of HK\$1,600,000 as at 31 March 2002 (2001: HK\$2,140,000) are secured in favour of a third party for a loan granted to the Company amounting to HK\$3,526,551 (2001: HK\$Nil) as referred in note 21(b)(vi) to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

34. OPERATING LEASE COMMITMENTS

At 31 March 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Within one year	—	409,800	—	409,800
In the second to fifth years inclusive	—	307,350	—	307,350
	<u>—</u>	<u>717,150</u>	<u>—</u>	<u>717,150</u>

35. RELATED PARTY TRANSACTIONS

Details of significant transactions with related parties entered into during the year, on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated, are set out as follows:

- (a) Pursuant to the management agreement dated 1 January 1998 entered into between the Company and Fushan for the provision of office utilities and management function to Fushan, a fee of HK\$643,076 was deducted against the utilities deposit paid in advance by Fushan for the year ended 31 March 2001. The management agreement was terminated on 30 November 2000.
- (b) Pursuant to the management agreement approved by the Directors on 15 July 1998 and as supplemented by subsequent management agreements thereafter entered into between the Company and Sino Earn, a fee of HK\$1,950,000 was charged by Sino Earn during the year ended 31 March 2001 for the provision of management function and advice through the nomination of officers to the Company. Such fee was waived by Sino Earn for the year ended 31 March 2002.
- (c) Pursuant to an agreement entered into on 5 February 1999 between, inter alia, Sino Bless International Limited ("Sino Bless"), a wholly-owned subsidiary of the Company, and Sino Earn, Sino Earn was allowed to use a commercial property unit owned by Sino Bless as its office premises at a monthly fee of HK\$22,500. A total fee of HK\$195,968 was charged to Sino Earn for the year ended 31 March 2001. The agreement was terminated in December 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



35. RELATED PARTY TRANSACTIONS *(continued)*

- (d) Pursuant to an agreement entered into on 22 April 1999 between the Company and Fushan, Fushan shall pay the Company a monthly fee of HK\$182,863 or 35% of the rental and charges payable by the Company in respect of the office premises rented by the Company and shared with Fushan. A total fee of HK\$1,597,511 was received from Fushan for the year ended 31 March 2001. The agreement was terminated on 30 November 2000.
- (e) On 12 December 2000, the Company entered into an office management fee agreement with Sino Earn, pursuant to which the Company shares the existing office premises and utilities with Sino Earn at an irrevocable monthly fee of HK\$34,150 for the period from 10 January 2001 to 9 January 2003. A total fee of HK\$409,800 (2001: HK\$102,450) was charged by Sino Earn during the year.

36. POST BALANCE SHEET EVENTS

- (a) On 8 April 2002, Eastborough Enterprises Limited, a wholly-owned subsidiary of the Company, was adjudged by the District Court (Tax Claim 142/2002) to pay to the Inland Revenue Department, Hong Kong profits tax due together with surcharge in the amount of HK\$1,335,409 in respect of the year of assessment 1997/1998.
- (b) On 7 December 2001, a form of claim was filed against the Company by a resigned employee of the Company through the Labour Tribunal (LBTC 9744/2001) demanding salaries in dispute in the sum of HK\$758,918. On 19 March 2002, a deed of settlement was entered into between the Company and the resigned employee to settle this claim. Subsequent to the balance sheet date, on 16 April 2002, the claim was withdrawn by the claimant and dismissed by the Labour Tribunal.
- (c) On 21 January 2002, a winding-up petition (HCCW 74/2002) (the "Winding-up Petition") was served on the Company by its six former employees claiming outstanding payments in lieu of notice, provident fund payments and severance payments in a total sum of HK\$489,425.20. Subsequent to the balance sheet date, on 29 July 2002, the Winding-up Petition was dismissed by the High Court upon the satisfaction of the payment for this claim.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

36. POST BALANCE SHEET EVENTS *(continued)*

- (d) On 3 June 2002, the Company announced that the MOU was entered into on 29 May 2002 between the Company and the New Investors, pursuant to which the Company granted to the New Investors the exclusive right for a period of three months from the date of the MOU (which period may be extended for a further period of nine months at the sole discretion of the New Investors) to (i) enter into the Investment Agreements (as defined therein) with the Company for the purposes of enabling the New Investors to acquire at least 51% of the then issued share capital of the Company and (ii) assist the Company in the finalisation of the terms of the Debt Restructuring Agreement (as defined therein) with the financial creditors of the Group.
- (e) On 17 June 2002, two wholly-owned subsidiaries of the Company, Xiamen Plaza (as the first defendant), and Yan Hei (as the second defendant), were adjudged by the Xiamen Intermediate Court (福建省廈門市中級人民法院) in the PRC to repay the loan principal of RMB30,000,000 taken out by Xiamen Plaza and guaranteed by Yan Hei, together with interest thereon, to a creditor bank in the PRC.
- (f) On 6 August 2002, an amended writ of summons was issued by a tenant through the High Court (HCA 1220/2002) against a wholly-owned subsidiary of the Group, Texway Industries Limited ("Texway") as the first defendant, and the Company as the second defendant, demanding the refund of tenancy deposits of HK\$607,477 held by Texway and guaranteed by the Company, upon the expiration of tenancy on 28 February 2002 in respect of the premises let to the tenant at Units 1-6, 21st Floor, Island Place Tower, Island Place, No.510 King's Road, North Point, Hong Kong. On 26 August 2002, the Company and Texway were adjudged to pay the sum of HK\$607,477 to the tenant.
- (g) On 19 July 2002, a writ of summons was issued by a printing company through the District Court (DCCJ 4520/2002) against the Company for outstanding printing charges amounting to HK\$69,611 together with interest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002



36. POST BALANCE SHEET EVENTS *(continued)*

- (h) According to available information from the Land Registry, the following investment properties of the Group under receivership were enforced and sold by bankers subsequent to the balance sheet date:
- (i) Office Nos. 1 and 2 on 35th Floor and car parking space Nos. 4109 & 4109A and 4110 on 4th Floor, Bank of America Tower, No.12 Harcourt Road, Admiralty, Hong Kong of Sino Bless, with an aggregate carrying value of HK\$36,400,000 as at 31 March 2002, was sold on 5 June 2002 at HK\$42,500,000.
 - (ii) Office Nos. 3 and 4 on 35th Floor, Bank of America Tower, No.12 Harcourt Road, Admiralty, Hong Kong of Sino Bless, with an aggregate carrying value of HK\$19,200,000 as at 31 March 2002, was sold on 22 July 2002 at HK\$17,800,000.
 - (iii) Units 1 to 10 on 21st Floor, Island Place Tower, Island Place, No.510 King's Road, Hong Kong of Texway, with an aggregate carrying value of HK\$46,000,000 as at 31 March 2002, was sold on 31 July 2002 at HK\$48,000,000.
 - (iv) Unit 17 on 9th Floor, Seapower Tower, Concordia Plaza, No.1 Science Museum Road, Kowloon of Link Smart Investment Limited, with an aggregate carrying value of HK\$6,800,000 as at 31 March 2002, was sold on 18 June 2002 at HK\$6,980,000.

37. COMPARATIVES

The comparatives presented in the financial statements have been derived from the financial statements for the year ended 31 March 2001 which were audited by another certified public accountants, whose report dated 22 August 2001 was qualified in respect of a number of audit scope limitations and fundamental uncertainties.

As more fully explained in note 3 to the financial statements, comparatives have been adjusted to take into account the requirements of SSAP 14 (Revised) "Leases".

Certain comparatives in the cash flow statement have been reclassified to conform with the current year's presentation.

38. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 September 2002.