



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2002.

In the Period, the Group has adopted for the first time the following new and revised SSAPs issued by the Hong Kong Society of Accountants:

SSAP No. 1 (Revised)	Presentation of Financial Statements
SSAP No. 11 (Revised)	Foreign Currency Translation
SSAP No. 15 (Revised)	Cash Flow Statements
SSAP No. 34	Employee Benefits

The new and revised standards have introduced revised disclosure requirements which have been adopted in the condensed financial statements. The adoption of these standards has resulted in a change in the format of the cash flow statement and the statement of changes in equity. Comparative amounts for prior period have been restated in order to achieve a consistent presentation. The adoption of these standards has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

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

	Property sales and development (unaudited)	Holiday resort operation (unaudited)	Unallocated corporate items (unaudited)	Total (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended				
30th September, 2002				
TURNOVER	12,034	6,932	—	18,966
RESULTS				
Loss from operations	(2,163)	(1,524)	(1,479)	(5,166)
Gain on disposal of a subsidiary	27,703	—	—	27,703
Loss on winding up of subsidiaries	(675)	—	—	(675)
Allowance for doubtful recovery of amount due from an unconsolidated subsidiary	(627,164)	—	—	(627,164)
Finance costs				(7,549)
Loss before taxation				(612,851)
Taxation				(378)
Loss before minority interests				(613,229)
Minority interests				(11,663)
Loss attributable to shareholders				(624,892)
	Property sales and development (unaudited)	Holiday resort operation (unaudited)	Unallocated corporate items (unaudited)	Total (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended				
30th September, 2001				
TURNOVER	13,089	4,417	—	17,506
RESULTS				
Profit (loss) from operations	9,333	(2,783)	(1,508)	5,042
Finance costs				(13,802)
Share of results of an associate				(13)
Loss before taxation				(8,773)
Taxation				(104)
Loss before minority interests				(8,877)
Minority interests				83
Loss attributable to shareholders				(8,794)

During the Period, less than 10% of the operations of the Group in terms of turnover and results of operations were carried out outside the PRC. Accordingly, no geographical segmental information is shown.



4. (LOSS) PROFIT FROM OPERATIONS

	Six months ended	
	30th September, 2002 (unaudited)	30th September, 2001 (unaudited)
	HK\$'000	HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Depreciation	1,796	1,458
Loss on disposal of property, plant and equipment	182	—
and after crediting:		
Interest income from:		
– bank and other deposits	94	35
– loan receivable	—	1,295

5. FINANCE COSTS

	Six months ended	
	30th September, 2002 (unaudited)	30th September, 2001 (unaudited)
	HK\$'000	HK\$'000
Interest on:		
– debentures	(2,539)	(6,621)
– amount due to a related company	(5,010)	(7,181)
	(7,549)	(13,802)

6. DISPOSAL OF A SUBSIDIARY

During the Period, the Group disposed of its entire interest in Dongguan Emperor Hongfu Villas Commercial Housing Development Company Limited, which was held by a 58% owned subsidiary of the Group, at a consideration of HK\$36,450,000. At the date of disposal, the net assets and amount due from immediate holding company to the subsidiary disposed of amounted to approximately HK\$10,112,000 and HK\$1,365,000 respectively.

The subsidiary disposed of during the Period did not contribute significantly to the operating results of the Group.

7. TAXATION

Taxation charge for both periods represents the taxation arising in the PRC, which is calculated at the rates prevailing in the PRC.

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



8. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's unaudited consolidated loss attributable to shareholders of approximately HK\$624,892,000 (2001: HK\$8,794,000) and on 110,068,835 (2001: 110,068,835 adjusted to take into account of the effect of the 25 to 1 share consolidation taken place during the Period) ordinary shares in issue during the Period.

Diluted loss per share has not been presented for either period as the exercise price of the Company's debentures was higher than the average market price of the Company's shares in both periods.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent approximately HK\$528,000 on acquisition of property, plant and equipment.

10. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	30th September, 2002 (unaudited)	31st March, 2002 (audited)
	HK\$'000	HK\$'000
Carrying value at date of deconsolidation	—	—
Amount due from an unconsolidated subsidiary	—	680,383
	—	680,383

As at 31st March, 2002, the Group had an equity interest of 80% in Canlibol and its wholly-owned subsidiary, Beijing Peony (collectively referred to as the "Canlibol Group"), which are engaged in property development. The Group was 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 obtain financial information. Against this background, the Directors considered that the Group had lost the ability to exercise effective control over the Canlibol Group and the Canlibol Group had been dealt with as unconsolidated subsidiaries since 1st October, 2000.

Subsequent to the Period and shortly before the date of this report, on 22nd November, 2002, the Company was informed by its PRC lawyers that an unauthorised registration had been filed with the relevant authority in the PRC pursuant to which the entire interest in Beijing Peony had already been transferred to a party unknown to the Company. The Directors will take actions to contest against the aforesaid registration, however, in view of the current development, the Directors consider it is appropriate to make an allowance for doubtful recovery of the net amount due from Canlibol.



11. TRADE RECEIVABLES

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:

	30th September, 2002 (unaudited) HK\$'000	31st March, 2002 (audited) HK\$'000
0 – 30 days	2,090	3,309
31 – 90 days	273	2,678
91 – 180 days	33	23
	2,396	6,010

12. TRADE PAYABLES

The following is an aged analysis of trade payables:

	30th September, 2002 (unaudited) HK\$'000	31st March, 2002 (audited) HK\$'000
0 – 90 days	407	500
91 – 180 days	123	18
More than 180 days	5	170
	535	688

13. SHARE CAPITAL

	30th September, 2002 (unaudited) HK\$'000	31st March, 2002 (audited) HK\$'000
<i>Authorised:</i>		
400,000,000 shares of HK\$0.5 each	200,000	—
10,000,000,000 shares of HK\$0.02 each	—	200,000
	200,000	200,000
<i>Issued and fully paid:</i>		
110,068,835 shares of HK\$0.5 each	55,034	—
2,751,720,884 shares of HK\$0.02 each	—	55,034
	55,034	55,034

On 27th August, 2002, a resolution was passed at the special general meeting of the Company pursuant to which every 25 shares of HK\$0.02 each in the issued and unissued share capital of the Company were consolidated into a single share of HK\$0.5 each.



14. CONTINGENCY AND COMMITMENTS

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 30th September, 2002, the aggregate amount of mortgage loans guaranteed by the Group was approximately HK\$44,028,000 (31st March, 2002: HK\$36,680,000).

Capital commitments

	30th September, 2002 (unaudited)	31st March, 2002 (audited)
	HK\$'000	HK\$'000
Authorised but not contracted for in respect of property development projects	2,915	2,915
Contracted for but not provided in the consolidated financial statements in respect of property development projects	176,539	97,731
	179,454	100,646

15. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30th September, 2002 (unaudited)	30th September, 2001 (unaudited)
	HK\$'000	HK\$'000
Interest from minority shareholders of subsidiaries (note (b))	1,047	2,911
Interest to a related company (notes (a) and (b))	5,010	7,181
Management fees to related companies (notes (a) and (c))	484	477
Secretarial fee to a related company (notes (a) and (d))	160	160

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) The management fees were charged on a cost basis.
- (d) These transactions were carried out after negotiations between the Group and the related company.