



Emperor (China Concept) Investments Limited

REPORT

年報

陸

AZZUAL



peony garden, beijing

tienmapica, xinbei

hongfu villas, dongguang

new century plaza, chongqing

hong tai building, guangzhou

Corporate Information	2
Notice of Annual General Meeting	4
Biographies of Directors and Senior Executives	8
Chairperson's Statement	10
Directors' Report	15
Auditors' Report	22
Consolidated Income Statement	24
Consolidated Balance Sheet	25
Balance Sheet	26
Consolidated Statement of Changes in Equity	27
Consolidated Cash Flow Statement	28
Notes to the Financial Statements	30
Financial Summary	59
Summary of Property	60

## Corporate Information

---

### DIRECTORS

Luk Siu Man, Semon (Chairperson)

Wong Chi Fai

Fan Man Seung, Vanessa

Mok Fung Lin, Ivy

Chan Sim Ling, Irene\*

Lam San Keung\*

\* Independent Non-executive Directors

### COMPANY SECRETARY

Mok Fung Lin, Ivy, LL.B (Hons), P. C. LL, MBA

### BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China

Industrial and Commercial Bank of China

### AUDITORS

Deloitte Touche Tohmatsu

### REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM11

Bermuda

## Corporate Information

---

### PRINCIPAL OFFICE

28th Floor  
Emperor Group Centre  
288 Hennessy Road  
Wanchai  
Hong Kong

### REGISTRARS (in Bermuda)

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### REGISTRARS (in Hong Kong)

Secretaries Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### WEBSITE

<http://www.emperor.com.hk>

### AMERICAN DEPOSITARY BANK

The Bank of New York  
101 Barclay Street, 22nd Floor  
New York, NY 10286, U.S.A.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Emperor (China Concept) Investments Limited (the "Company") will be held at 25th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 27th August, 2003 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2003.
2. To re-elect retiring directors, to fix directors' remuneration and to grant power to the board of directors to appoint additional director(s).
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(A) "THAT

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to a Rights Issue or the exercise of subscription or conversion rights under any warrants of the Company or any securities which are convertible into shares of the Company or any share option scheme, shall not exceed twenty per cent. of the nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and

## Notice of Annual General Meeting

(iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong),”

(B) “THAT

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase issued shares in the capital of the Company, subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the share capital which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) of this resolution shall not exceed ten per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

## Notice of Annual General Meeting

(iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.”

(C) “THAT conditional upon resolution no. 4(B) above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 4(B) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4(A) above.”

By Order of the Board  
**Mok Fung Lin, Ivy**  
Company Secretary

Hong Kong, 7th July, 2003

## Notice of Annual General Meeting

---

Registered Office:  
Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

Principal Office:  
28th Floor  
Emperor Group Centre  
288 Hennessy Road  
Wanchai  
Hong Kong

Notes:

- (i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy in respect of the whole or any part of his holding of shares to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) In order to be valid, the form of proxy must be deposited at the principal office of the Company at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (iii) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

## Biographies of Directors and Senior Executives

### **LUK SIU MAN, SEMON**

#### Executive Director and Chairperson

Aged 47, graduated from the University of Toronto with a bachelor degree in Commerce. She worked in the banking industry for almost 10 years. She is also the Chairperson of Emperor International Holdings Limited, the shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and Emperor Entertainment Group Limited, the shares of which are listed on Growth Enterprise Market ("GEM") of the Stock Exchange. She joined the Group in March 2000.



### **WONG CHI FAI**

#### Executive Director

Aged 47, is a member of the Hong Kong Society of Accountants and a fellow of the Association of Chartered Certified Accountants. He has over 20 years' experience in finance and management spanning a diverse range of businesses from manufacturing to property investment and development. He is also the joint managing director of Emperor International Holdings Limited, the shares of which are listed on Main Board of the Stock Exchange and a director of Emperor Entertainment Group Limited, the shares of which are listed on GEM of the Stock Exchange. He joined the Group in 1991.



### **FAN MAN SEUNG, VANESSA**

#### Executive Director

Aged 40, is a solicitor qualified in Hong Kong and a member of the Association of Chartered Certified Accountants. She holds a master degree in Business Administration. She is also the joint managing director of Emperor International Holdings Limited, the shares of which are listed on Main Board of the Stock Exchange and a director of Emperor Entertainment Group Limited, the shares of which are listed on GEM of the Stock Exchange. She joined the Group in 1991.



## Biographies of Directors and Senior Executives

---

### **MOK FUNG LIN, IVY**

#### Executive Director and Company Secretary

Aged 38, is a solicitor qualified in Hong Kong and the United Kingdom. She holds a master degree in Business Administration. She is also a director of Emperor International Holdings Limited, the shares of which are listed on Main Board of the Stock Exchange. She joined the Group in 1993 as Legal Consultant and was appointed executive director of the Company in February 2000.



### **CHAN SIM LING, IRENE**

#### Independent Non-executive Director

Aged 40, graduated from The University of Hong Kong with a bachelor degree in Laws in 1985. She was appointed independent non-executive director of the Company in May 1998.



### **LAM SAN KEUNG**

#### Independent Non-executive Director

Aged 41, graduated from the University of Essex in England with a bachelor degree in Laws in 1984. He is a solicitor practising in Hong Kong and a partner of Lam, Lee & Lai. He was appointed independent non-executive director of the Company in September 1998.



## Chairperson's Statement

For the year ended 31st March 2003, the Company and its subsidiaries (collectively referred to as the "Group") recorded a turnover of approximately HK\$31.4 million, representing a decrease of 33% as compared with that of the previous year. During the year, the loss attributable to shareholders was approximately HK\$598.3 million as compared to a loss of approximately HK\$33.0 million of the last year. The loss was mainly due to the writing off of the Group's investment in the Beijing Peony Garden project in the People's Republic of China ("PRC").

### OPERATION REVIEW

The existing development projects and investment of the Group in the PRC (other than Hong Kong) are as follows:

#### **Emperor Star City, Shanghai**

Emperor Star City is located in the famous tourist area of Yuyuan, Shanghai. A commercial complex of total floor area of approximately 760,000 sq. ft., including both offices and commercial arcades was originally intended to be erected. The management had been studying the latest market performance in Shanghai. Changes to the previously approved development scheme might be implemented to match the current market condition. In view of the recent improvement in the property market of Shanghai, barring any unforeseeable adverse changes, the management planned to commence the construction works in late 2003. In the meantime, the Group had licensed the site to maximize the income of the Group.

#### **Hong Tai Building, Chongqing**

The Group had entered into agreement to acquire certain units and car parking spaces at Chongqing Hong Tai Building, the construction works of which had been suspended. In view of the prolonged suspension of the development and the impending restructuring scheme of the developer, the Group had already made full provision for the paid deposit of approximately HK\$18.7 million in the previous financial year. The management had been exploring the possibility of disposing of its interest in the building to recover some of its investment cost.

#### **Peony Garden, Beijing**

The Group acquired 80% interest in Peony Garden, the hotel and service apartment development in Beijing, through its acquisition of 80% interest in Canlibol Holdings Limited ("Canlibol"), the holding company of Beijing Peony Garden Apartment House Co., Ltd. ("Beijing Peony"), the registered owner of Peony Garden in December 1997. Pursuant to an agreement with the vendor of the project, the vendor guaranteed a minimum return of approximately HK\$92.6 million per annum to the Group for five years as from June 1998. During the year, the Group had received approximately HK\$53.2 million of guaranteed return by way of set-off against the accrued interest and the principal of the loan notes issued by the Company in satisfaction of part of the purchase price for the Group's acquisition of the project. All loan notes had been set off in full and the liability of the vendor to pay the guaranteed minimum return had become unsecured.

## Chairperson's Statement

### OPERATION REVIEW (continued)

#### Peony Garden, Beijing (continued)

The local management of Beijing Peony had not been cooperative with the Company. The Company had retained PRC lawyers with a view to exerting management control over Beijing Peony. The Company had recently been informed by its PRC lawyers that according to the records of 工商行政管理局, the Group's interest in Beijing Peony was transferred to a third party in August 2001 without the knowledge of the Company. The Company had been in consultation with its PRC lawyers with a view to recovering the Group's interest in Peony Garden. In view of the unauthorised transfer of interest in Beijing Peony, the Group had re-assessed the carrying amount of the project and made an allowance of approximately HK\$627.2 million during the year.

### MAJOR DISPOSALS FOR THE YEAR

#### Hongfu Villas, Dongguan

In June 2001, the Group entered into an agreement with a PRC party to dispose of the entire interest in the project in Zhangmutou, Dongguan for a consideration equivalent to approximately HK\$36.5 million, which was to be received by instalments. The project was indirectly held by a 58% owned subsidiary of the Group. The disposal had been completed and resulted in a gain of approximately HK\$27.7 million for the year. By the end of the year, the Group had received the whole amount of the consideration.

#### Lacework Profits Limited

Shortly prior to the end of the year, Lavergem Holdings Limited ("Lavergem"), a wholly owned subsidiary of the Company, disposed of the entire issued share capital of Lacework Profits Limited ("Lacework") and the loan due from Lacework and its subsidiaries to Lavergem, to Achieve Perfect Group Limited ("Achieve Perfect") at a consideration of approximately HK\$126.6 million (the "Disposal"). Achieve Perfect is a wholly owned subsidiary of Emperor International Holdings Limited, the substantial shareholder of the Company. Lacework is an investment holding company with its subsidiaries principally engaged in the property development projects in Xiamen, Chongqing and Tienmapien, and the management of a holiday resort in Yuhu, the PRC. The proceeds from the Disposal had been used for repayment of the Company's unsecured borrowing due to a related company. Upon completion of the Disposal, the Group recorded a gain of approximately HK\$8.1 million.

## Chairperson's Statement

### MAJOR DISPOSALS FOR THE YEAR (continued)

#### Lacework Profits Limited (continued)

The performance of the projects held by Lacework during the period up to the date of the Disposal ("Period") was as follows:

##### Riverside Garden, Xiamen

Prior to the Disposal, most of the residential units of Phase I of Riverside Garden, Xiamen had been sold. A profit was recorded for this project during the Period. Turnover arising from the sale of properties, however, decreased by 44% to approximately HK\$19.8 million, as compared to HK\$35.4 million of the last year.

##### New Century Plaza, Chongqing

In view of the slack property market in the PRC, construction work of the development had been suspended pending improvement in the market condition. In April 2002, the Group entered into a joint venture agreement pursuant to which the responsibility of developing the project was passed to the joint venture partner. However, the joint venture partner failed to develop the site and the Group had re-exerted its control over the project. As a result of the delay in developing the site, 重慶市國土資源和房屋管理局 gave notice to the Group to repossess the site and cancel the relevant land use certificates in August 2002. The Group entered into agreement with 重慶市城市建設綜合開發管理辦公室 whereunder the government allowed the Group to continue to develop the site subject to a new construction schedule. Construction work accordingly resumed in October 2002, and the foundation of the development had been completed by the end of March 2003.

##### Tienmapien, Xinhui

Construction of the project in Tienmapien, Xinhui, a mixed commercial/recreational group of buildings built on a site of 360,000 sq. ft. has not yet commenced due to the poor sentiment of the property market of Xinhui and pending completion of the infrastructure facilities of the area by the local authority.

##### Yuhu Recreation Village, Xinhui

Yuhu Recreation Village is a holiday resort in Xinhui. Despite the opening of the resort's new entertainment facilities such as sauna and karaoke, the turnover of the resort only slightly improved during the Period. Shortly prior to the Disposal, an agreement was entered into for the surrender of the operating rights of Yuhu Recreation Village and the facilities therein for RMB38.0 million. Completion took place shortly after the year under review. During the Period, a net profit of approximately HK\$21.5 million was recorded. This is mainly attributable to the reversal of impairment loss previously recognised in respect of fixed assets of approximately HK\$26.7 million. Excluding the effects of the impairment loss reversed and recognised in both years respectively, loss from the operation, in fact, increased by approximately HK\$1.2 million as compared with that of the last year. The additional loss is mainly due to provision for laying-off compensation to the local staff in the PRC arising pursuant to the terms of the surrender agreement.

## Chairperson's Statement

### CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group continued to finance its operations and capital expenditure through internally generated cash flow from operations and advances from related companies and minority shareholders of subsidiaries.

As at 31st March, 2003, the Group's current assets were approximately HK\$35.8 million. About 25% of the current assets was represented by bank balances and cash held in hand, which were denominated in Reminbi, U.S. dollars and Hong Kong dollars while the remaining 75% was represented by other receivables, deposits and prepayments.

The Group's current liabilities as at 31st March, 2003 were approximately HK\$2.4 million, which comprised other payables and accruals. Pursuant to the instrument constituting the loan notes and a Deed of Cancellation and Undertakings dated 28th January, 1999 entered into between the Group and the vendor of 80% equity interest in Canlibol, the Group cancelled all loan notes of approximately HK\$50.6 million during the year. Terms of the loan notes remained the same as disclosed in the Group's annual financial statements for the year ended 31st March, 2002.

As at 31st March, 2003, advances from related companies and minority shareholders of subsidiaries were approximately HK\$27.3 million and HK\$18.0 million respectively, which were significantly reduced by approximately HK\$134.8 million and HK\$30.3 million as compared to that of the preceding financial year. The decrease in the advances is due to repayment of the unsecured advances from a related company by using the proceeds from the Disposal and transfer of the advances from certain minority shareholders to Achieve Perfect upon the Disposal. At the end of the year, approximately HK\$11.3 million of the advances from a related company were interest bearing at prevailing market rates while HK\$16.0 million from another related company and all advances from minority shareholders of subsidiaries were interest-free. All these advances were denominated in Hong Kong dollars, unsecured and had no fixed term of repayment.

Save as disclosed above, the Group had no other external borrowings as at 31st March, 2003. With the external borrowings and bank balances and cash held in hand denominated in Reminbi, U.S. dollars and Hong Kong dollars, the Group expected no significant exposure to foreign exchange rate fluctuation in the coming period.

Since the Group had realised its investment in Lacework, the directors of the Company ("Directors") expected the resources of the Group would be consolidated to support the Group's property development project in Shanghai. Moreover, the Directors expected the Group's operation would continue to be funded by advances from related companies.

## Chairperson's Statement

---

### CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

(continued)

As at 31st March, 2003, the Group had a debt to equity ratio (expressed as a percentage of total liabilities over shareholders' fund) of 18% as compared to that of 33% in the preceding financial year. The decrease in the debt to equity ratio is mainly due to cancellation of the loan notes, repayment of the advances from a related company and transfer of the advances from certain minority shareholders upon the Disposal during the year.

### NUMBER AND REMUNERATION OF EMPLOYEES

After the Disposal, no staff was under the employment of the Group as at 31st March, 2003. The management in Hong Kong would closely monitor the daily operation of existing development projects and recruit new staff when the construction works of the projects commenced. Total staff costs, including directors' remuneration, for the year were approximately HK\$4.9 million. All employees were under the remuneration policy of fixed monthly salary with commission and discretionary bonus.

With the expiry of the previous share option scheme on 6th July, 2002, the Directors adopted a new share option scheme on 2nd September, 2002. The purpose of the new share option scheme was to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that were valuable to the Group or any entity in which the Group held an equity interest. No option had been granted since its adoption.

### PROSPECTS

With the disposal of a number of its projects through the disposal of Lacework, the Group was able to consolidate its resources for the development of Emperor Star City in Shanghai, and might cautiously look for new and promising investment opportunities to enrich its development and investment portfolio.

By Order of the Board  
**Luk Siu Man, Semon**  
Chairperson

Hong Kong, 7th July, 2003

## Directors' Report

---

The directors of the Company present their annual report and the audited financial statements of the Group and the Company for the year ended 31st March, 2003.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the financial statements.

### RESULTS

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 24.

The directors of the Company did not recommend the payment of a dividend for the year ended 31st March, 2003.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$1,488,000. The Group also disposed of property, plant and equipment with aggregate net book value of approximately HK\$36,183,000.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

### SHARE CAPITAL

Details of changes in the share capital of the Company are set out in note 21 to the financial statements.

### RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 27 and in note 23 to the financial statements.

# Directors' Report

---

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

**Executive directors:**

Luk Siu Man, Semon (Chairperson)

Wong Chi Fai

Fan Man Seung, Vanessa

Mok Fung Lin, Ivy

**Independent non-executive directors:**

Chan Sim Ling, Irene

Lam San Keung

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-law 87 of the Company's Bye-laws, all directors, who retire in accordance with Bye-law 86(2), retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## Directors' Report

### SUBSTANTIAL SHAREHOLDERS

At 31st March, 2003, according to the register kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the following persons had notified the Company that they were interested in 5% or more of the issued share capital of the Company:

Name	Number of shares
Worthy Strong Investment Limited ("Worthy Strong") (Note 1)	3,411,310
Emperor Investment Limited ("EIL") (Note 1)	3,411,310
Emperor International Holdings Limited ("EIHL") (Note 1)	3,411,310
Charron Holdings Limited ("Charron") (Note 2)	3,411,310
Jumbo Wealth Limited ("Jumbo Wealth") (Note 2)	3,411,310
GZ Trust Corporation ("GZ Trust") (Note 2)	3,411,310
Yeung Sau Shing, Albert ("Mr. Albert Yeung") (Note 2)	3,411,310
Luk Siu Man, Semon ("Ms. Semon Luk") (Note 2)	3,411,310

Notes:

1. Worthy Strong, a wholly-owned subsidiary of EIL, which was a wholly-owned subsidiary of EIHL, held 3,411,310 shares. Accordingly, EIHL and EIL were deemed to be interested in the 3,411,310 shares held by Worthy Strong.
2. EIHL was a company with its shares listed in Hong Kong; 74.72% of the shares of EIHL were registered in the name of and beneficially owned by Charron, a wholly-owned subsidiary of Jumbo Wealth. The entire issued share capital of Jumbo Wealth was held by GZ Trust on trust for The A&A Unit Trust, a unit trust under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Albert Yeung. Accordingly, Mr. Albert Yeung (as founder of the Trust), GZ Trust, Jumbo Wealth and Charron were deemed to be interested in the 3,411,310 shares held by Worthy Strong. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk, spouse of Mr. Albert Yeung, was also deemed to be interested in the above 3,411,310 shares held by Worthy Strong.

## Directors' Report

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31st March, 2003, the interests of the directors and chief executives of the Company and their respective associates in the shares of the Company as recorded in the register required to be maintained under Section 29 of the SDI Ordinance were as follows:

Name of director	Number of shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Ms. Semon Luk	—	3,411,310 (Note)	—	—	3,411,310

Note: The shares were registered in the name of and beneficially owned by Worthy Strong. The entire issued share capital of Worthy Strong was held by EIL, a wholly-owned subsidiary of EIHL. EIHL was a company with its shares listed in Hong Kong; 74.72% of the shares of EIHL were registered in the name of and beneficially owned by Charron, a wholly-owned subsidiary of Jumbo Wealth. The entire issued share capital of Jumbo Wealth was held by GZ Trust on trust for The A & A Unit Trust, a unit trust under the Trust, a discretionary trust set up by Mr. Albert Yeung. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 3,411,310 shares held by Worthy Strong. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk, spouse of Mr. Albert Yeung, was also deemed to be interested in the above 3,411,310 shares held by Worthy Strong.

Save as disclosed above, as at 31st March, 2003, none of the directors or chief executives of the Company or their respective associates had any interest in the equity or debt securities of the Company or its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be maintained under Section 29 of the SDI Ordinance.

### SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme adopted on 2nd September, 2002 are set out in note 22 to the financial statements.

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable any director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

## Directors' Report

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### CONNECTED TRANSACTIONS

1. On 29th March, 2003, the Group disposed of its 100% equity interest in Lacework and its subsidiaries (collectively referred to as the "Lacework Group") and the shareholder's loan outstanding from the Lacework Group to a wholly-owned subsidiary of EIHL, which is the substantial shareholder of the Company, for a cash consideration of approximately HK\$126,637,000.
2. Before the disposal of the 100% equity interest in the Lacework Group to a wholly-owned subsidiary of EIHL as mentioned in (1) above, Riverside Properties Limited ("Riverside"), a subsidiary of Lacework, was a 95% owned subsidiary of the Group indirectly holding a property development project in Xiamen, the PRC. At that time, the Group made advances in proportion to the Group's equity interest in Riverside and to provide general working capital to Riverside and its subsidiary and fellow subsidiaries. During the period up to the date of disposal, the Group received the repayment of advances amounting to approximately HK\$35,143,000 from Riverside. The total outstanding balance of these advances made by the Group of approximately HK\$89,286,000 was then transferred to EIHL upon the disposal. These advances were non-interest bearing, unsecured and had no fixed terms of repayment.
3. During the year, the Group received the repayment of advances amounting to approximately HK\$1,665,000 from Expert Pearl Investments Limited ("Expert Pearl") which is a 90% owned subsidiary of the Group indirectly holding the land use right of a site in Shanghai, the PRC. The advances were made in proportion to the Group's equity interest in Expert Pearl and to provide general working capital to Expert Pearl and its subsidiaries. At 31st March, 2003, the total outstanding balance of these advances made by the Group was approximately HK\$305,759,000. These advances are non-interest bearing, unsecured and have no fixed terms of repayment.

## Directors' Report

### CONNECTED TRANSACTIONS (continued)

4. During the year, the Group was entitled to interest income of approximately HK\$2,099,000 from Star City Entertainment Holdings Limited ("Star City"), which owns 10% equity interest in Expert Pearl. The Group also received the repayment of short-term advances amounting to approximately HK\$126,000 from Star City. At 31st March, 2003, the total outstanding balance of and the interest accrued for these advances were as follows:

	<b>Balance of advances</b>	<b>Interest accrued</b>
	HK\$'000	HK\$'000
Interest bearing at 1% over Hong Kong prime interest rate	<u>17,974</u>	<u>17,624</u>

5. During the year, the Group was entitled to interest income of approximately HK\$355,000 from Wilson Enterprises Limited, which owned 25% equity interest in Gold Spirit Investments Limited, a subsidiary of the Group which was wound up during the year.

### CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or similar rights as at 31st March, 2003. There had been no exercise of convertible securities, options, warrants or similar rights during the year.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Directors' Report

---

### CORPORATE GOVERNANCE

The Company had complied throughout the year ended 31st March, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that: (i) the independent non-executive directors of the Company were not appointed for specific terms. The independent non-executive directors were subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws; and (ii) full board meeting was not held every six months.

### MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year.

During the year, the five largest suppliers contributed to approximately 69% of the Group's total purchases and services received, and the largest supplier accounted for approximately 23% of the Group's total purchases and services received.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the issued share capital of the Company) has any interest in any of the five largest customers or suppliers of the Group for the year ended 31st March, 2003.

### AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Luk Siu Man, Semon**

Chairperson

7th July, 2003

# Auditors' Report

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### **TO THE SHAREHOLDERS OF EMPEROR (CHINA CONCEPT) INVESTMENTS LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 58 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reason assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

# Auditors' Report

---

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

Hong Kong, 7th July, 2003

# Consolidated Income Statement

For the year ended 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	4	<b>31,439</b>	46,792
Cost of sales		<b>(15,353)</b>	(28,381)
Gross profit		<b>16,086</b>	18,411
Other operating income		<b>1,283</b>	1,293
Selling and marketing expenses		<b>(867)</b>	(944)
Administrative expenses		<b>(21,248)</b>	(16,196)
Impairment loss recognised in respect of properties under development		<b>(3,060)</b>	(9,537)
Impairment loss reversed (recognised) in respect of property, plant and equipment		<b>26,741</b>	(6,803)
Profit (loss) from operations	5	<b>18,935</b>	(13,776)
Finance costs	7	<b>(12,195)</b>	(23,437)
Gain on disposal of subsidiaries		<b>35,815</b>	—
Loss on winding up of subsidiaries		<b>(675)</b>	—
Allowance for doubtful recovery of amount due from an unconsolidated subsidiary	13	<b>(627,168)</b>	—
Gain on disposal of an associate		—	8,891
Allowance for doubtful recovery of amount due from a minority shareholder of a subsidiary		—	(5,004)
Share of results of an associate		—	(20)
Loss before taxation		<b>(585,288)</b>	(33,346)
Taxation	9	<b>(381)</b>	(248)
Loss before minority interests		<b>(585,669)</b>	(33,594)
Minority interests		<b>(12,597)</b>	640
Loss attributable to shareholders		<b>(598,266)</b>	(32,954)
Loss per share – basic	10	<b>HK\$ (54.4)</b>	HK\$ (3.0)

# Consolidated Balance Sheet

At 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Property, plant and equipment	11	86	11,593
Properties under development	12	267,000	335,485
Interests in unconsolidated subsidiaries	13	—	680,383
		<b>267,086</b>	1,027,461
Current assets			
Properties held for sale	16	—	29,000
Inventories	17	—	333
Trade receivables	18	—	6,010
Deposits, prepayments and other receivables	19	26,683	27,492
Bank balances and cash		9,131	34,937
		<b>35,814</b>	97,772
Current liabilities			
Trade payables	20	—	688
Accrued charges and other payables		2,356	26,365
		<b>2,356</b>	27,053
Net current assets		<b>33,458</b>	70,719
		<b>300,544</b>	1,098,180
Capital and reserves			
Share capital	21	11	55,034
Reserves		262,304	809,947
		<b>262,315</b>	864,981
Minority interests		<b>(7,031)</b>	(27,825)
Non-current liabilities			
Debentures	24	—	50,647
Amounts due to related companies	26	27,287	162,083
Amounts due to minority shareholders of subsidiaries	27	17,973	48,294
		<b>45,260</b>	261,024
		<b>300,544</b>	1,098,180

The financial statements on pages 24 to 58 were approved and authorised for issue by the Board of Directors on 7th July, 2003 and are signed on its behalf by:

**Wong Chi Fai**  
Director

**Fan Man Seung, Vanessa**  
Director

## Balance Sheet

At 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Investments in subsidiaries	14	<b>114</b>	227
Amounts due from subsidiaries	15	<b>266,742</b>	998,533
		<b>266,856</b>	998,760
Current assets			
Other receivables		<b>3</b>	51
Bank balances and cash		<b>88</b>	86
		<b>91</b>	137
Current liabilities			
Accrued charges and other payables		<b>263</b>	455
Amounts due to subsidiaries		<b>—</b>	18,189
		<b>263</b>	18,644
Net current liabilities			
		<b>(172)</b>	(18,507)
		<b>266,684</b>	980,253
Capital and reserves			
Share capital	21	<b>11</b>	55,034
Reserves	23	<b>255,296</b>	728,391
		<b>255,307</b>	783,425
Non-current liabilities			
Debentures	24	<b>—</b>	50,647
Amount due to a subsidiary	25	<b>90</b>	98
Amount due to a related company	26	<b>11,287</b>	146,083
		<b>11,377</b>	196,828
		<b>266,684</b>	980,253

**Wong Chi Fai**  
Director

**Fan Man Seung, Vanessa**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31st March, 2003

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000 (note 23(b))	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
At 1st April, 2001	55,034	564,363	666	586	514,191	10,718	(246,858)	898,700
Share of reserve by minority shareholders of subsidiaries	—	—	—	—	—	9	—	9
Exchange difference arising on translation of overseas operations	—	—	—	—	—	(188)	—	(188)
Net losses not recognised in the consolidated income statement	—	—	—	—	—	(179)	—	(179)
Share of reserve by a minority shareholder of a subsidiary	—	—	—	(586)	—	—	—	(586)
Loss attributable to shareholders	—	—	—	—	—	—	(32,954)	(32,954)
At 31st March, 2002	55,034	564,363	666	—	514,191	10,539	(279,812)	864,981
Share of reserve by minority shareholders of subsidiaries	—	—	—	—	—	(326)	—	(326)
Exchange difference arising on translation of overseas operations	—	—	—	—	—	4,028	—	4,028
Net gains not recognised in the consolidated income statement	—	—	—	—	—	3,702	—	3,702
Cancellation of shares	(55,023)	—	—	—	55,023	—	—	—
Transfer of contributed surplus to accumulated losses	—	—	—	—	(55,023)	—	55,023	—
Reserve realised upon disposal of subsidiaries	—	—	—	—	—	(8,102)	—	(8,102)
Loss attributable to shareholders	—	—	—	—	—	—	(598,266)	(598,266)
<b>At 31st March, 2003</b>	<b>11</b>	<b>564,363</b>	<b>666</b>	<b>—</b>	<b>514,191</b>	<b>6,139</b>	<b>(823,055)</b>	<b>262,315</b>

# Consolidated Cash Flow Statement

For the year ended 31st March, 2003

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Cash flows from operating activities		
Loss before taxation	<b>(585,288)</b>	(33,346)
Adjustments for:		
Interest income	<b>(378)</b>	(234)
Interest expenses	<b>12,195</b>	23,437
Depreciation and amortisation	<b>3,651</b>	3,201
Loss on disposal of property, plant and equipment	<b>301</b>	7
Gain on disposal of subsidiaries	<b>(35,815)</b>	—
Loss on winding of subsidiaries	<b>675</b>	—
Impairment loss recognised in respect of properties under development	<b>3,060</b>	9,537
Impairment loss (reversed) recognised in respect of property, plant and equipment	<b>(26,741)</b>	6,803
Allowance for doubtful recovery of amount due from an unconsolidated subsidiary	<b>627,168</b>	—
Gain on disposal of an associate	—	(8,891)
Allowance for doubtful recovery of amount due from a minority shareholder of a subsidiary	—	5,004
Share of results of an associate	—	20
Operating cash flows before movements in working capital	<b>(1,172)</b>	5,538
Decrease in properties held for sale	<b>9,767</b>	22,030
Decrease (increase) in inventories	<b>72</b>	(43)
Decrease in trade receivables	<b>5,059</b>	4,080
(Increase) decrease in deposits, prepayments and other receivables	<b>(1,372)</b>	3,942
Increase (decrease) in trade payables	<b>364</b>	(43)
Increase in accrued charges and other payables	<b>15,193</b>	14,341
Net cash generated from operations	<b>27,911</b>	49,845
Overseas tax paid	<b>(381)</b>	(248)
Net cash from operating activities	<b>27,530</b>	49,597

# Consolidated Cash Flow Statement

For the year ended 31st March, 2003

	Note	2003 HK\$'000	2002 HK\$'000
Cash flows from investing activities			
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	29	<b>113,883</b>	—
Interest received		<b>378</b>	234
Proceeds from disposal of property, plant and equipment		<b>283</b>	—
Purchase of property, plant and equipment		<b>(1,488)</b>	(4,594)
Additional costs incurred on properties under development		<b>(4,224)</b>	(7,270)
Advances to an unconsolidated subsidiary		<b>(21)</b>	(238)
Proceeds from disposal of an associate		—	8,928
Repayment of amount due from an associate		—	9,026
Net cash from investing activities		<b>108,811</b>	6,086
Cash flows from financing activities			
Interest paid		<b>(9,606)</b>	(12,217)
Repayment to a related company		<b>(134,796)</b>	(21,025)
Repayment to minority shareholders of subsidiaries		<b>(18,009)</b>	(563)
Net cash used in financing activities		<b>(162,411)</b>	(33,805)
Net (decrease) increase in cash and cash equivalents		<b>(26,070)</b>	21,878
Cash and cash equivalents at the beginning of the year		<b>34,937</b>	13,059
Effect of foreign exchange rate changes		<b>264</b>	—
Cash and cash equivalents at the end of the year		<b>9,131</b>	34,937
Bank balances and cash		<b>9,131</b>	34,937

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 1. GENERAL

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

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

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

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the consolidated cash flow statement and the inclusion of the consolidated statement of changes in equity, but has no material effect on the results for the current or prior years.

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

### Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the year, the policy previously followed by the Group. The income and expenses of overseas operations are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

### Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings, operating, investing and financing, rather than the previous five headings. Interest received and paid, which were previously presented under a separate heading, are classified as investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

# Notes to the Financial Statements

For the year ended 31st March, 2003

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

### Discontinuing operations

SSAP 33 “Discontinuing operations” is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 “Net profit or loss for the period, fundamental errors and changes in accounting polices”. Under SSAP 33, financial statement amounts relating to a discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is approved and announced. The adoption of SSAP 33 has resulted in the identification of the Group’s holiday resort operation as a discontinuing operation in the current year, details of which are disclosed in note 8.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### Basis of consolidation

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

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

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

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

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

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

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

### Negative goodwill

Negative goodwill represents the excess of the Group's interests in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

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

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

### Investments in subsidiaries

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

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment

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

Depreciation and amortisation are provided to write off the cost of the assets over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

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

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### Properties under development

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

### Investments in securities

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

For other securities, unrealised gains and losses are dealt with in reserves, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the actual or estimated selling price in the ordinary course of business less all related selling and marketing costs.

### Inventories

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

### Impairment

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

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

### Revenue recognition

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

Service income is recognised when services are rendered.

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

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Operating leases

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

### Taxation

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

### Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### Retirement benefit costs

Payments to retirement benefit schemes other than the costs attributable to the development of the properties are charged as an expense as they fall due.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 4. SEGMENT INFORMATION

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

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

	2003			Total HK\$'000
	Continuing operation Property sales and development HK\$'000	Discontinuing operation Holiday resort operation HK\$'000	Unallocated corporate items HK\$'000	
TURNOVER	<b>19,813</b>	<b>11,626</b>	—	<b>31,439</b>
RESULTS				
Profit (loss) from operations	<b>370</b>	<b>21,530</b>	<b>(2,965)</b>	<b>18,935</b>
Gain on disposal of subsidiaries	<b>27,703</b>	—	<b>8,112</b>	<b>35,815</b>
Loss on winding up of subsidiaries	<b>(675)</b>	—	—	<b>(675)</b>
Allowance for doubtful recovery of amount due from an unconsolidated subsidiary	<b>(627,168)</b>	—	—	<b>(627,168)</b>
Finance costs				<b>(12,195)</b>
Loss before taxation				<b>(585,288)</b>
Taxation				<b>(381)</b>
Loss before minority interests				<b>(585,669)</b>
BALANCE SHEET				
Assets				
Segment assets	<b>302,809</b>	—	<b>91</b>	<b>302,900</b>
Liabilities				
Segment liabilities	<b>(36,066)</b>	—	<b>(263)</b>	<b>(36,329)</b>
Amount due to a related company	—	—	<b>(11,287)</b>	<b>(11,287)</b>
				<b>(47,616)</b>
OTHER INFORMATION				
Additions to properties under development and property, plant and equipment	<b>4,234</b>	<b>1,478</b>	—	<b>5,712</b>
Depreciation and amortisation of property, plant and equipment	<b>22</b>	<b>3,629</b>	—	<b>3,651</b>
Impairment loss recognised (reversed) in respect of properties under development and property, plant and equipment	<b>3,060</b>	<b>(26,741)</b>	—	<b>(23,681)</b>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 4. SEGMENT INFORMATION (continued)

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

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

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 5. PROFIT (LOSS) FROM OPERATIONS

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration	<b>290</b>	548
Depreciation and amortisation	<b>3,651</b>	3,201
Loss on disposal of property, plant and equipment	<b>301</b>	7
Operating lease rentals in respect of rented premises	<b>—</b>	78
Staff costs, including directors' remuneration (note 6(a)), and retirement benefit scheme contributions (note 6(b))	<b>4,885</b>	4,107
and after crediting:		
Interest income from:		
– bank and other deposits	<b>331</b>	234
– loan receivable	<b>47</b>	—
	<b><u>          </u></b>	<b><u>          </u></b>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Information regarding directors' and employees' emoluments

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
<b>Directors' emoluments</b>		
Directors' fees:		
Executive	<b>400</b>	400
Independent non-executive	<b>200</b>	200
	<hr/>	<hr/>
	<b>600</b>	600
Other emoluments	<hr/> <b>—</b> <hr/>	<hr/> <b>—</b> <hr/>
	<hr/> <b>600</b> <hr/>	<hr/> <b>600</b> <hr/>

The emoluments of the six (2002: six) directors fall within the band from nil to HK\$1,000,000.

### Employees' emoluments

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

### (b) Retirement benefit scheme

The employees of the Group were members of a state-managed retirement benefit scheme operated by the PRC government. The Group was required to contribute a certain percentage of its payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme was to make the required contributions under the scheme. During the year, the retirement benefit scheme contributions amounted to approximately HK\$129,000 (2002: HK\$88,000).

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 7. FINANCE COSTS

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Interest on:		
– debentures	<b>(2,589)</b>	(11,220)
– amount due to a related company	<b>(9,606)</b>	(12,217)
	<b>(12,195)</b>	(23,437)

## 8. DISCONTINUING OPERATION

On 14th February, 2003, the Group entered into a conditional sale and purchase agreement to dispose of its 100% equity interest in Lacework Profits Limited and its subsidiaries (collectively referred to as the "Lacework Group"), which carried out the Group's holiday resort operation and part of the Group's property sales and development operation. The disposal was completed on 29th March, 2003, the date on which control of the Lacework Group was passed to the purchaser. Accordingly, the Group's holiday resort operation is identified as a discontinuing operation in the current year.

The results of the holiday resort operation from 1st April, 2002 to 29th March, 2003, and for the year ended 31st March, 2002 which have been included in the consolidated financial statements are as follows:

	<b>Period ended 29th March, 2003</b> <b>HK\$'000</b>	Year ended 31st March, 2002 HK\$'000
Turnover	<b>11,626</b>	11,404
Cost of sales	<b>(4,561)</b>	(4,323)
Other operating income	<b>193</b>	82
Administrative expenses	<b>(12,469)</b>	(11,149)
Impairment loss reversed (recognised) in respect of property, plant and equipment	<b>26,741</b>	(6,803)
Net profit (loss) for the period/year	<b>21,530</b>	(10,789)

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 8. DISCONTINUING OPERATION (continued)

The holiday resort operation discontinued during the year contributed approximately HK\$17,710,000 to the Group's net operating cash flows, paid approximately HK\$1,298,000 in respect of investing activities and paid approximately HK\$16,664,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of the holiday resort operation at the date of disposal, and at 31st March, 2002 are as follows:

	<b>At 29th March, 2003 HK\$'000</b>	At 31st March, 2002 HK\$'000
Total assets	<b><u>38,606</u></b>	<u>14,276</u>
Total liabilities	<b><u>(109,737)</u></b>	<u>(107,652)</u>

## 9. TAXATION

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

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

Details of unrecognised deferred taxation are set out in note 28.

## 10. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's consolidated loss attributable to shareholders of approximately HK\$598,266,000 (2002: HK\$32,954,000) and on 11,006,883 (2002: 11,006,883 ordinary shares adjusted to take into account of the effects of the 25 to 1 share consolidation effective on 2nd September, 2002 and the 10 to 1 share consolidation effective on 31st March, 2003) ordinary shares in issue during the year.

Diluted loss per share has not been presented for either year as the Company's debentures were fully cancelled during the year and the exercise price of the debentures was higher than the average market price of the Company's shares in the current period up to the cancellation date and in last year.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
COST					
At 1st April, 2002	38,270	36,049	15,692	1,781	91,792
Currency realignment	321	302	131	15	769
Additions	—	129	1,048	311	1,488
Disposals	—	(148)	—	(737)	(885)
Eliminated upon disposal of subsidiaries	(38,591)	(36,035)	(16,871)	(250)	(91,747)
<b>At 31st March, 2003</b>	<b>—</b>	<b>297</b>	<b>—</b>	<b>1,120</b>	<b>1,417</b>
DEPRECIATION, AMORTISATION AND IMPAIRMENT					
At 1st April, 2002	34,192	32,946	11,607	1,454	80,199
Currency realignment	287	275	97	12	671
Provided for the year	862	1,693	1,075	21	3,651
Impairment loss reversed	(19,881)	(6,278)	(582)	—	(26,741)
Eliminated on disposals	—	(137)	—	(164)	(301)
Eliminated upon disposal of subsidiaries	(15,460)	(28,241)	(12,197)	(250)	(56,148)
<b>At 31st March, 2003</b>	<b>—</b>	<b>258</b>	<b>—</b>	<b>1,073</b>	<b>1,331</b>
NET BOOK VALUES					
<b>At 31st March, 2003</b>	<b>—</b>	<b>39</b>	<b>—</b>	<b>47</b>	<b>86</b>
At 31st March, 2002	4,078	3,103	4,085	327	11,593

Notes:

- An impairment loss of approximately HK\$26,741,000 in respect of certain property, plant and equipment of the holiday resort operation, which was recognised in previous years, had been reversed during the year. The reversal of impairment loss is determined with reference to the anticipated selling price of the underlying assets.
- As 31st March, 2002, the leasehold land and buildings were situated in the PRC and were held under medium-term leases.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 12. PROPERTIES UNDER DEVELOPMENT

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
At the beginning of the year	<b>335,485</b>	341,282
Currency realignment	<b>3,433</b>	—
Additions	<b>4,224</b>	7,270
Eliminated upon disposal of subsidiaries	<b>(73,082)</b>	—
	<b>270,060</b>	348,552
Impairment loss recognised	<b>(3,060)</b>	(9,537)
	<b>267,000</b>	339,015
Completed and transferred to properties held for sale included in current assets	<b>—</b>	(3,530)
At the end of the year	<b>267,000</b>	335,485

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

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Terms not less than 50 years	<b>—</b>	12,147
Terms expiring within 50 years	<b>267,000</b>	323,338
	<b>267,000</b>	335,485

The carrying amounts of certain properties under development were reduced by an amount of approximately HK\$3,060,000 (2002: HK\$9,537,000) to their net realisable values which were estimated either by an independent professional valuer or by the directors of the Company on an open market basis.

Included in properties under development at the balance sheet date is net interest capitalised of approximately HK\$21,372,000 (2002: HK\$25,907,000) at a capitalisation rate of 8% (2002: 8%) per annum.

Details of properties under development as at 31st March, 2003 are set out on page 60.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 13. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Carrying value at the date of deconsolidation	—	—
Amount due from an unconsolidated subsidiary	<b>717,556</b>	770,771
Less: Allowance for doubtful recovery	<b>(717,556)</b>	(90,388)
	<b>—</b>	680,383

As at 31st March, 2003, the Group had 80% interest in the equities in and shareholders' loans to Canlibol Holdings Limited ("Canlibol") and its wholly-owned subsidiary, Beijing Peony Garden Apartment House Co., Ltd. ("Beijing Peony" and collectively referred to as the "Canlibol Group"), which are engaged in property development, representing the Group's entire investment costs in the Canlibol Group. 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 to 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.

During the year, the guaranteed income, as explained in note 24, of approximately HK\$53,236,000 (2002: HK\$92,627,000) had been used to reduce the amount due from Canlibol, which is considered as part of the Group's investment costs.

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 had been in consultation with its PRC lawyers with a view to recovering its interest in the project, however, in view of the current development, the directors consider it is appropriate to make an allowance for doubtful recovery of the remaining amount due from Canlibol of approximately HK\$627,168,000 which included additional advances of approximately HK\$21,000 made to Canlibol during the year.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 14. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>227</b>	227
Less: Impairment loss recognised	<b>(113)</b>	—
	<hr/>	<hr/>
	<b>114</b>	227
	<hr/> <hr/>	<hr/> <hr/>

Particulars of the principal subsidiaries of the Company as at 31st March, 2003 are set out in note 36.

## 15. AMOUNTS DUE FROM SUBSIDIARIES

### THE COMPANY

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

## 16. PROPERTIES HELD FOR SALE

### THE GROUP

At 31st March, 2002, the properties held for sale were situated in the PRC, held under long leases and carried at net realisable value.

## 17. INVENTORIES

### THE GROUP

At 31st March, 2002, the inventories represented catering goods of the holiday resort operation and were carried at cost.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 18. TRADE RECEIVABLES

The Group allowed 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 was determined in accordance with the sale and purchase agreements with the purchasers.

The following is an aged analysis of trade receivables:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	—	3,309
31 – 90 days	—	2,678
91 – 180 days	—	23
	<hr/>	<hr/>
	—	6,010
	<hr/> <hr/>	<hr/> <hr/>

## 19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

### THE GROUP

Included in deposits, prepayments and other receivables is an amount of approximately HK\$26,210,000 (2002: HK\$26,289,000) due from a minority shareholder of a subsidiary. The amount is unsecured, bears interest at 1% over Hong Kong prime interest rate and has no fixed terms of repayment.

## 20. TRADE PAYABLES

The following is an aged analysis of trade payables:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
0 – 90 days	—	500
91 – 180 days	—	18
More than 180 days	—	170
	<hr/>	<hr/>
	—	688
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.02 each at 1st April, 2001 and 31st March, 2002	10,000,000,000	200,000
Consolidation of shares upon Initial Consolidation (note (a))	(9,600,000,000)	—
Increase in shares upon Capital Reduction and Share Subdivision (note (b))	1,999,600,000,000	—
Consolidation of shares upon Second Consolidation (note (c))	<u>(1,800,000,000,000)</u>	<u>—</u>
<b>Ordinary shares of HK\$0.001 each at 31st March, 2003</b>	<b><u>200,000,000,000</u></b>	<b><u>200,000</u></b>
Issued and fully paid:		
Ordinary shares of HK\$0.02 each at 1st April, 2001 and 31st March, 2002	2,751,720,884	55,034
Consolidation of shares upon Initial Consolidation (note (a))	(2,641,652,049)	—
Cancellation of share capital and transfer to contributed surplus upon Capital Reduction (note (b))	—	(55,023)
Consolidation of shares upon Second Consolidation (note (c))	<u>(99,061,952)</u>	<u>—</u>
<b>Ordinary shares of HK\$0.001 each at 31st March, 2003</b>	<b><u>11,006,883</u></b>	<b><u>11</u></b>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 21. SHARE CAPITAL (continued)

Notes:

- (a) 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 one share of HK\$0.50 each ("Initial Consolidation") effective from 2nd September, 2002.
- (b) On 28th March, 2003, a resolution was passed at the special general meeting of the Company pursuant to which the paid up capital of the issued shares in the Company was reduced from HK\$0.50 to HK\$0.0001 each by cancellation of HK\$0.4999 paid up capital on each issued shares ("Capital Reduction") effective from 31st March, 2003. As a result of the Capital Reduction, an amount of approximately HK\$55,023,000 was first credited to the contributed surplus and then used to eliminate part of the accumulated losses of the Company. Upon the Capital Reduction taking effect, each unissued share (including the authorised but unissued share arising from the Capital Reduction) was subdivided into 5,000 shares of HK\$0.0001 each ("Share Subdivision"). The new shares rank pari passu with the then existing shares in all aspects.
- (c) Upon the Capital Reduction and Share Subdivision mentioned in note (b) taking effect, every 10 shares of HK\$0.0001 each in the issued and unissued share capital of the Company were consolidated into one share of HK\$0.001 each ("Second Consolidation") effective from 31st March, 2003.

## 22. SHARE OPTION SCHEME

The share option scheme, adopted by the Company on 7th July, 1992, expired on 6th July, 2002. On 27th August, 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") with effect from 2nd September, 2002 (the "Adoption Date").

The New Scheme was adopted for the primary purpose of providing incentives or rewards to participants including the directors and eligible employees of the Group ("Participant(s)"), thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that were valuable to the Group or any entity in which the Group held an equity interest.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 22. SHARE OPTION SCHEME (continued)

Under the New Scheme, the directors of the Company are authorised, at any time within ten years after the Adoption Date, to grant options to any Participant to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Company's share. The total number of shares in respect of which options may be granted under the New Scheme cannot exceed 10% of the total number of shares in issue on the Adoption Date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Company, if any cannot exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any Participant shall not exceed 1% of the total number of shares in issue in any 12-month period. An option may be exercised at any time within ten years from the date of issue of the relevant options, where the acceptance date should not be later than 28 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

No options have been granted since the adoption of the New Scheme.

## 23. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
At 1st April, 2001	564,363	666	514,191	(431,469)	647,751
Net profit for the year	—	—	—	80,640	80,640
At March 31, 2002	564,363	666	514,191	(350,829)	728,391
Cancellation of shares	—	—	55,023	—	55,023
Transfer of contributed surplus to accumulated losses	—	—	(55,023)	55,023	—
Net loss for the year	—	—	—	(528,118)	(528,118)
<b>At 31st March, 2003</b>	<b>564,363</b>	<b>666</b>	<b>514,191</b>	<b>(823,924)</b>	<b>255,296</b>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 23. RESERVES (continued)

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

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

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

In the opinion of the directors, the Company had no distributable reserve at 31st March, 2003.

At 31st March, 2002, the reserves available for distribution to shareholders of the Company amounted to approximately HK\$163,362,000 which represented the net amount of contributed surplus over accumulated losses in that year.

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

## 24. DEBENTURES

### THE GROUP AND THE COMPANY

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

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 24. DEBENTURES (continued)

Pursuant to a Deed of Cancellation and Undertaking dated 28th January, 1999 and a Set-off and Cancellation Agreement dated 30th October, 1999 ("Set-off Agreement") entered into between the Group and Rise Rich Development Limited ("Rise Rich"), the vendor of the Canlibol Group, the Group had the rights to set off the accrued debenture interest against the guaranteed income receivable from Rise Rich pursuant to the sale and purchase agreement dated 9th October, 1997, entered into between the Group and Rise Rich for the acquisition of 80% interest in the Canlibol Group's equities and shareholders' loans, and to cancel any outstanding debentures to the extent the guaranteed income receivable exceeds the accrued debenture interest.

During the year, pursuant to the Set-off Agreement, the Group had taken the rights to cancel debentures held by a debenture holder of approximately HK\$50,647,000 (2002: HK\$81,407,000) by setting off against the net amount of the guaranteed income receivable of approximately HK\$53,236,000 (2002: HK\$92,627,000) and the accrued debenture interest of approximately HK\$2,589,000 (2002: HK\$11,220,000).

## 25. AMOUNT DUE TO A SUBSIDIARY THE COMPANY

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

## 26. AMOUNT(S) DUE TO RELATED COMPANIES/A RELATED COMPANY

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Interest bearing at prevailing market rates (note (a))	<b>11,287</b>	146,083	<b>11,287</b>	146,083
Interest-free (note (b))	<b>16,000</b>	16,000	—	—
	<b>27,287</b>	162,083	<b>11,287</b>	146,083

Notes:

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

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 26. AMOUNT(S) DUE TO RELATED COMPANIES/A RELATED COMPANY

(continued)

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

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

## 27. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES THE GROUP

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

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

## 28. UNRECOGNISED DEFERRED TAX ASSET

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
At the beginning of the year	<b>15,507</b>	13,096
Unrecognised credit for the year	<b>1,987</b>	2,411
	<hr/>	<hr/>
At the end of the year	<b>17,494</b>	15,507
	<hr/> <hr/>	<hr/> <hr/>

At the balance sheet date, the unrecognised deferred tax asset represented principally the tax effect of timing differences attributable to tax losses available to relieve future assessable profits. The deferred tax asset has not been recognised in the financial statements as it is not certain that the tax benefit will be realised in the foreseeable future. There were no other significant timing differences arising during the year or at the balance sheet.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 29. DISPOSAL OF SUBSIDIARIES

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Net liabilities disposed of:		
Property, plant and equipment	<b>35,599</b>	—
Properties under development	<b>73,082</b>	—
Properties held for sales	<b>19,480</b>	—
Inventories	<b>264</b>	—
Trade receivables	<b>1,001</b>	—
Deposits, prepayments and other receivables	<b>2,210</b>	—
Bank balances and cash	<b>34,004</b>	—
Trade payables	<b>(1,058)</b>	—
Accrued charges and other payables	<b>(24,092)</b>	—
Amounts due to minority shareholders of subsidiaries	<b>(9,151)</b>	—
Minority interests	<b>4,035</b>	—
Intercompany debts	<b>(300,061)</b>	—
	<b>(164,687)</b>	—
Translation reserves realised	<b>(8,102)</b>	—
Assignment/waiver of intercompany indebtedness	<b>300,061</b>	—
Gain on disposal of subsidiaries	<b>35,815</b>	—
	<b>163,087</b>	—
Satisfied by:		
Cash	<b>163,087</b>	—
Deposits received in previous year	<b>(15,200)</b>	—
	<b>147,887</b>	—
Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	<b>147,887</b>	—
Bank balances and cash disposed of	<b>(34,004)</b>	—
	<b>113,883</b>	—

The subsidiaries disposed of during the year contributed approximately HK\$31,439,000 to the Group's turnover and approximately HK\$21,480,000 to the Group's profit from operations.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 30. WINDING UP OF SUBSIDIARIES

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Net liabilities of subsidiaries wound up comprise:		
Amounts due to minority shareholders of subsidiaries	<b>(3,161)</b>	—
Minority interests	<b>3,836</b>	—
Intercompany debts	<b>(35,954)</b>	—
	<hr/>	<hr/>
	<b>(35,279)</b>	—
Waiver of intercompany indebtedness	<b>35,954</b>	—
Loss on winding up of subsidiaries	<b>(675)</b>	—
	<hr/>	<hr/>
	<b>—</b>	—
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries wound up during the year did not have significant contribution to the Group's turnover and operating results for the year.

## 31. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, the Group cancelled debentures of approximately HK\$50,647,000 at par (2002: HK\$81,407,000) by setting off against the net amount of the guaranteed income receivable of approximately HK\$53,236,000 (2002: HK\$92,627,000) and the accrued debenture interest of approximately HK\$2,589,000 (2002: HK\$11,220,000).
- (b) During the year, as result of the Capital Reduction, the Company reduced its issued share capital by approximately HK\$55,023,000. The amount reduced was first credited to the contributed surplus and then used to eliminate part of the accumulated losses of the Company.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 32. CAPITAL COMMITMENTS

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Authorised but not contracted for in respect of property development projects	<b>2,917</b>	2,915
Contracted for but not provided in the financial statements, net of deposits paid in respect of property development projects	<b>61,045</b>	97,731
	<b>63,962</b>	100,646

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

## 33. OPERATING LEASE COMMITMENTS THE GROUP AS LESSEE

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

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>110</b>	90
In the second to fifth year inclusive	<b>192</b>	313
Over five years	<b>—</b>	2,032
	<b>302</b>	2,435

Operating leases are negotiated and the lease payments are fixed for an average of 3 years.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 33. OPERATING LEASE COMMITMENTS (continued)

### THE GROUP AS LESSOR

Property rental income earned during the year was approximately HK\$4,240,000 (2002: HK\$3,349,000) which was included in the properties under development. The Group's properties held for rental purposes had a carrying amount of approximately HK\$267,000,000 (2002: HK\$267,000,000) at the balance sheet date.

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

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Within one year	<u>—</u>	<u>3,855</u>

The Company had no significant operating lease commitments as lessee or lessor under non-cancellable operating leases at the balance sheet date.

## 34. CONTINGENT LIABILITIES

The Group had given guarantees to a bank in the PRC in respect of the mortgage loans granted to the purchasers of properties sold by the Group, up to the date of issuance of property ownership certificates. At 31st March, 2002, the aggregate amount of mortgage loans guaranteed by the Group was approximately HK\$36,680,000 (2003: nil).

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

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 35. RELATED PARTY TRANSACTIONS

- (a) On 29th March, 2003, the Group disposed of its 100% equity interest in the Lacework Group and the shareholder's loan outstanding from the Lacework Group to a wholly-owned subsidiary of Emperor International Holdings Limited, which is the substantial shareholder of the Company, for a cash consideration of approximately HK\$126,637,000. Gain of approximately HK\$8,112,000 was arisen upon the disposal of the Lacework Group.
- (b) During the year, the Group had the following transactions with related parties:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Interest from minority shareholders of subsidiaries (note (ii))	<b>2,454</b>	5,335
Interest to a related company (notes (i) and (ii))	<b>9,606</b>	12,217
Management fee to related companies (notes (i) and (iii))	<b>985</b>	1,294
Secretarial fee to a related company (notes (i) and (iv))	<b>320</b>	320
	<b><u>13,365</u></b>	<b><u>19,166</u></b>

Notes:

- (i) Certain director and substantial shareholders of the Company have beneficial or deemed interests in the above related companies.
- (ii) The interest was calculated by reference to the principal outstanding and at the prevailing market interest rates.
- (iii) The management fee was charged on a cost basis.
- (iv) The transaction was carried out after negotiations between the Group and the related company and on basis of estimated market value as determined by the directors of the Company.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 36. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st March, 2003, are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary share/ registered capital	The Group's attributable equity interest %	Principal activities
Indirectly held					
Emperor (Shanghai) Company Limited	PRC – foreign investment enterprise	PRC	US\$30,000,000	90	Property development
Harbour Assets Limited	British Virgin Islands	PRC	US\$1	100	Property investment
Shanghai Star City Department Company Limited	PRC – sino-foreign cooperative joint venture	PRC	US\$606,004	99	Property development

None of the subsidiaries of the Company issued any debt securities as at 31st March, 2003.

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

# Financial Summary

For the year ended 31st March, 2003

## RESULTS

	<b>2003</b> <b>HK\$'000</b>	<b>Year ended 31st March,</b>			
		2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	<b><u>31,439</u></b>	<u>46,792</u>	<u>38,728</u>	<u>45,812</u>	<u>161,151</u>
OPERATING (LOSS) PROFIT	<b>(585,288)</b>	(33,326)	33,391	(64,196)	(207,424)
SHARE OF RESULTS OF AN ASSOCIATE	<u>—</u>	(20)	(75)	(66)	(71)
(LOSS) PROFIT BEFORE TAXATION	<b>(585,288)</b>	(33,346)	33,316	(64,262)	(207,495)
TAXATION (CHARGE) CREDIT	<b>(381)</b>	(248)	—	(2,465)	14,248
(LOSS) PROFIT BEFORE MINORITY INTERESTS	<b>(585,669)</b>	(33,594)	33,316	(66,727)	(193,247)
MINORITY INTERESTS	<b>(12,597)</b>	640	(695)	3,032	22,393
(LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<b><u>(598,266)</u></b>	<u>(32,954)</u>	<u>32,621</u>	<u>(63,695)</u>	<u>(170,854)</u>

## ASSETS AND LIABILITIES

	<b>2003</b> <b>HK\$'000</b>	<b>At 31st March,</b>			
		2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TOTAL ASSETS	<b>302,900</b>	1,125,233	1,260,973	1,570,089	2,382,870
TOTAL LIABILITIES	<b>(47,616)</b>	(288,077)	(390,035)	(739,343)	(1,283,391)
	<b>255,284</b>	837,156	870,938	830,746	1,099,479
MINORITY INTERESTS	<b>7,031</b>	27,825	27,762	33,154	(159,089)
SHAREHOLDERS' FUNDS	<b><u>262,315</u></b>	<u>864,981</u>	<u>898,700</u>	<u>863,900</u>	<u>940,390</u>

# Summary of Property

At 31st March, 2003

## PROPERTY UNDER DEVELOPMENT

Location	Purpose	Site area sq. ft.	Estimated gross floor area sq. ft.	Stage of completion	Estimated completion date	The Group's interest %	Land use right
Emperor Star City, a site at Henan Road South, Huangpu District (known as Plot No. 33-II), Shanghai, the PRC	Commercial/entertainment and office composite	246,173	763,135	Temporary shops and green area	—	90	50 years commencing from 6th November, 1994



# EMPEROR (CHINA CONCEPT) INVESTMENTS LIMITED

## 英皇(中國概念)投資有限公司 #

(Incorporated in Bermuda with limited liability)

### PROXY FORM

#### Form of proxy for use at the Annual General Meeting to be held on 27th August, 2003

I/We<sup>1</sup> \_\_\_\_\_  
of \_\_\_\_\_  
being the registered holder(s) of \_\_\_\_\_  
shares<sup>2</sup> of HK\$0.001 each in the capital of the above-named Company, HEREBY APPOINT THE CHAIRMAN OF THE MEETING  
or<sup>3</sup> \_\_\_\_\_  
of \_\_\_\_\_  
as my/our proxy to vote and act for me/us at the Annual General Meeting (and at any adjournment thereof) of the said Company to be held at 25th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 27th August, 2003 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the Resolutions set out in the Notice convening the said Meeting and at such Meeting (and at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the Resolutions as indicated below<sup>4</sup>.

RESOLUTIONS	FOR	AGAINST
1. To receive and consider the audited consolidated financial statements and the reports of the Directors and Auditors for the year ended 31st March, 2003		
2. (i) To re-elect Ms. Luk Siu Man, Semon as Director.		
(ii) To re-elect Mr. Wong Chi Fai as Director.		
(iii) To re-elect Ms. Fan Man Seung, Vanessa as Director.		
(iv) To re-elect Ms. Mok Fung Lin, Ivy as Director.		
(v) To re-elect Ms. Chan Sim Ling, Irene as Director.		
(vi) To re-elect Mr. Lam San Keung as Director.		
(vii) To authorise the Board of Directors to fix the remuneration of the Directors.		
(viii) To grant power to the Board of Directors to appoint additional Director(s).		
3. To appoint Deloitte Touche Tohmatsu as Auditors and to authorise the Board of Directors to fix their remuneration.		
4. (A) To grant the Directors of the Company a general mandate to allot shares in the capital of the Company.		
(B) To grant a general mandate to Directors to repurchase shares of the Company.		
(C) To add repurchased shares to the general mandate pursuant to Resolution 4(A).		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2003. Signed: \_\_\_\_\_

#### Notes :

- Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
- Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
- If any proxy other than the Chairman is preferred, strike out "the Chairman of the Meeting" here inserted and insert the name and address of the proxy desired in the space provided. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.
- IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE APPROPRIATE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, TICK THE BOX MARKED "AGAINST". Failure to complete any or all the boxes will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting other than those referred to in the Notice convening the Meeting.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
- In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
- To be valid, this form of proxy, together with any power of attorney or other authority, if any, which it is signed or notarially certified copy thereof, must be deposited at the Company's principal office in Hong Kong at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong not less than 48 hours before the time for the holding of the Meeting.
- The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
- Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

# for identification purpose only