



1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of the Company’s principal subsidiaries and the Group’s principal associates are set out in note 39.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Goodwill or capital reserve

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of interests in associates, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets of the associates at the date of acquisition, is dealt with in the same manner as that described above for goodwill or capital reserve.

On disposal of investments in subsidiaries or associates, the attributable amount of goodwill and premium or discount previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.



2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service revenue is recognised when services are rendered.

Sales of securities are recognised when the sale agreement becomes unconditional.

Dividend income from investments is recognised when the Group's or the Company's right to receive payment has been established.

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

Rental income is recognised on a straight-line basis over the period of respective leases.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation. The cost of an asset comprises its purchase price and any direct attributable costs of bringing the asset to working condition for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of an asset, expected future cash flows are not discounted to their present values.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged to the income statement to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

No amortisation is provided in respect of freehold land.



2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Amortisation is provided to write off the cost or valuation of land use rights and leasehold land over the remaining period of the relevant lease using the straight-line method.

The cost or valuation of buildings is depreciated, using the straight-line method, over their estimated useful lives of fifty years or the remaining period of the relevant lease, whichever is shorter.

Depreciation is provided to write off the cost of other assets over their estimated useful lives, using the straight-line method, at the following rates per annum:

Plant, machinery and office equipment	10 – 33%
Motor vehicles	10 – 30%
Furniture and fixtures	10 – 20%

Investment properties

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

Investment properties are stated at their open market values at each balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

No depreciation is provided on investment properties except which are held on leases with an unexpired term of less than twenty years.

Investments in subsidiaries

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

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

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.



2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates *(continued)*

When a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Properties held for resale

Properties held for resale are classified under current assets and are stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition plus other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to be incurred in marketing and selling.

Inventories

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

Convertible notes

Convertible notes are separately disclosed and regarded as debts unless conversion actually occurs. The finance costs recognised in the income statement in respect of the convertible notes is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible notes for each accounting period.

The costs incurred in connection with the issue of convertible notes are deferred and amortised on a straight-line basis over the term of the convertible notes, that is from the dates of issue of the notes to their final redemption dates. If any of the notes are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised cost will be charged immediately to the income statement.



2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

Foreign currencies

Transactions in currencies other than Hong Kong dollar are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of operations which are denominated in currencies other than Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Operating leases

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

Retirement benefit schemes

Payments to defined contribution plans are charged as expenses as they fall due.

Cash equivalents

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



3. TURNOVER AND SEGMENTAL INFORMATION

The Group's turnover and contribution to operating results for the year ended 31st March, 2001 analysed by principal activity and geographical location are as follows:

	Turnover		Contribution	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Continuing operations				
Investment and finance	57,049	103,419	25,282	151,632
Sale of building materials and machinery	6,095	7,354	1,819	1,734
	<u>63,144</u>	<u>110,773</u>	<u>27,101</u>	<u>153,366</u>
Discontinued operations				
Toll revenue	–	12,114	–	4,275
	<u>63,144</u>	<u>122,887</u>	<u>27,101</u>	<u>157,641</u>
Corporate expenses			<u>(12,098)</u>	<u>(28,883)</u>
Profit from operations			<u>15,003</u>	<u>128,758</u>
By geographical location:				
Continuing operations				
Hong Kong	57,605	106,844	26,027	158,755
Other regions in the People's Republic of China (the "PRC")	48	133	32	93
Others	5,491	3,796	1,042	(5,482)
	<u>63,144</u>	<u>110,773</u>	<u>27,101</u>	<u>153,366</u>
Discontinued operations				
PRC	–	12,114	–	4,275
	<u>63,144</u>	<u>122,887</u>	<u>27,101</u>	<u>157,641</u>
Corporate expenses			<u>(12,098)</u>	<u>(28,883)</u>
Profit from operations			<u>15,003</u>	<u>128,758</u>

Investment and finance comprised principally the gross revenue received and receivable from securities trading and interest income.

The discontinued operations represented the toll road business which was disposed of in June 1999.


4. PROFIT FROM OPERATIONS

	2001	2000
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	441	459
Retirement benefit scheme contributions, net of forfeited contributions of HK\$489,000 (2000: HK\$21,000)	248	876
Loss on disposal of property, plant and equipment	–	75
Rental payments in respect of properties under operating leases	3,484	4,557
and after crediting:		
Gain on disposal of property, plant and equipment	58	–
Rental income in respect of properties under operating leases	4,026	4,522
Interest income	<u>42,720</u>	<u>16,183</u>

5. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals for the year are as follows:

(a) Directors' emoluments

	2001	2000
	HK\$'000	HK\$'000
Directors' fees:		
– executive	90	80
– independent non-executive	<u>240</u>	<u>240</u>
	<u>330</u>	<u>320</u>
Other emoluments (executive directors):		
– salaries and other benefits	11,079	14,206
– retirement benefit scheme contributions	<u>504</u>	<u>579</u>
	<u>11,583</u>	<u>14,785</u>
	<u><u>11,913</u></u>	<u><u>15,105</u></u>


5. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

 (a) Directors' emoluments *(continued)*

Emoluments of the directors were within the following bands:

	2001	2000
	Number of directors	Number of directors
Nil to HK\$1,000,000	5	5
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	<u>1</u>	<u>2</u>

(b) Employees' emoluments

The five highest paid individuals in the Group for each of the two years ended 31st March, 2001 were all directors and information regarding their emoluments has been included in the disclosures in paragraph (a) above.

6. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Amortisation of deferred expenditure on issuance of convertible notes	3,113	685
Interest payable on:		
Bank borrowings wholly repayable within five years	893	953
Convertible notes	49,889	21,538
Other borrowings wholly repayable within five years	<u>2,193</u>	<u>35,280</u>
	<u>56,088</u>	<u>58,456</u>

No interest was capitalised by the Group during the year.

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year. The charge for each of the two years ended 31st March, 2001 represents the Group's share of tax on the results of associates.

Details of unprovided deferred taxation are set out in note 26.

8. (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's loss attributable to shareholders for the year of approximately HK\$542,370,000 (2000: profit of HK\$553,823,000), a loss of approximately HK\$271,122,000 (2000: loss of HK\$107,081,000) has been dealt with in the financial statements of the Company.



9. DIVIDENDS

The directors do not recommend the payment of a dividend to ordinary shareholders for the year ended 31st March, 2001.

Preference share dividend on the 267,980,000 compulsorily convertible cumulative preference shares at HK\$0.069 per share per annum has not been accrued for the year in the financial statements.

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	2001 HK\$'000	2000 HK\$'000
(Loss) profit for the year	(542,370)	553,823
Dividend for preference shares	<u>(18,491)</u>	<u>(18,491)</u>
(Loss) profit for the purposes of basic (loss) earnings per share	(560,861)	535,332
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	(3,248)	(19,195)
Interest on convertible notes	–	8,006
Amortisation of deferred expenditure on issuance of convertible notes	<u>–</u>	<u>685</u>
(Loss) profit for the purposes of diluted (loss) earnings per share	<u>(564,109)</u>	<u>524,828</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	525,960,774	463,322,654
Effect of dilutive potential ordinary shares:		
Share options	–	7,295,955
Convertible notes	<u>–</u>	<u>72,084,309</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u>525,960,774</u>	<u>542,702,918</u>

The share options and convertible notes are anti-dilutive in current year as the exercise of these share options and convertible notes would result in a decrease in loss per share for the year.


11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Plant, machinery and office equipment HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
THE GROUP					
COST OR VALUATION					
At 1st April, 2000	22,342	590	7,742	2,116	32,790
Translation adjustments	(1,513)	(12)	(23)	(50)	(1,598)
Additions	–	183	2,723	240	3,146
Disposals	–	(57)	(139)	–	(196)
Adjustment arising on revaluation	(1,491)	–	–	–	(1,491)
	<u>19,338</u>	<u>704</u>	<u>10,303</u>	<u>2,306</u>	<u>32,651</u>
At 31st March, 2001	<u>19,338</u>	<u>704</u>	<u>10,303</u>	<u>2,306</u>	<u>32,651</u>
Comprising:					
At cost	–	704	10,303	2,306	13,313
At valuation – 2001	19,338	–	–	–	19,338
	<u>19,338</u>	<u>704</u>	<u>10,303</u>	<u>2,306</u>	<u>32,651</u>
DEPRECIATION AND AMORTISATION					
At 1st April, 2000	–	281	3,891	528	4,700
Translation adjustments	–	(7)	(13)	(32)	(52)
Provided for the year	253	125	980	288	1,646
Eliminated on disposals	–	(4)	(98)	–	(102)
Written back on revaluation	(253)	–	–	–	(253)
	<u>–</u>	<u>395</u>	<u>4,760</u>	<u>784</u>	<u>5,939</u>
At 31st March, 2001	<u>–</u>	<u>395</u>	<u>4,760</u>	<u>784</u>	<u>5,939</u>
NET BOOK VALUES					
At 31st March, 2001	<u>19,338</u>	<u>309</u>	<u>5,543</u>	<u>1,522</u>	<u>26,712</u>
At 31st March, 2000	<u>22,342</u>	<u>309</u>	<u>3,851</u>	<u>1,588</u>	<u>28,090</u>

Land and buildings of the Group were revalued as at 31st March, 2001 on an open market value basis by RHL Appraisal Ltd., an independent professional property valuer.


11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The net book values of land and buildings held by the Group as at the balance sheet date comprised:

	2001	2000
	HK\$'000	HK\$'000
Freehold properties in Canada	17,888	20,892
Long term leasehold properties in the PRC	1,450	1,450
	<u>19,338</u>	<u>22,342</u>

As at 31st March, 2001, had the Group's land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$23,085,000 (2000: HK\$25,045,000).

12. INVESTMENT PROPERTIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
VALUATION		
At 1st April	1,230	1,230
On acquisition of subsidiaries	21,000	–
Surplus arising on revaluation	1,570	–
	<u>23,800</u>	<u>1,230</u>
At 31st March	<u>23,800</u>	<u>1,230</u>

The Group's investment properties are held for use under operating leases. The carrying value of the Group's investment properties comprises:

	2001	2000
	HK\$'000	HK\$'000
Properties held under		
– medium term land use right in the PRC	1,000	1,230
– medium term lease in Hong Kong	22,800	–
	<u>23,800</u>	<u>1,230</u>

The investment property of the Group located in the PRC was revalued as at 31st March, 2001 on an open market value basis by RHL Appraisal Ltd., an independent professional property valuer. The investment property of the Group located in Hong Kong was stated at open market value as at 31st March, 2001 estimated by the directors with reference to the provisional sale and purchase agreement entered into by the Group in February 2001 for the sale of the property after the balance sheet date.

The valuations gave rise to a revaluation increase of HK\$1,570,000, of which HK\$1,120,000 is credited to the income statement to offset the valuation deficit previously charged to the income statement and the remaining balance of HK\$450,000 is credited to the investment properties revaluation reserve.


13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	<u>2,623,120</u>	<u>2,860,659</u>
	2,623,121	2,860,660
Less: Impairment loss recognised	<u>(272,086)</u>	<u>(272,086)</u>
	<u>2,351,035</u>	<u>2,588,574</u>

Details of the Company's principal subsidiaries as at 31st March, 2001 are set out in note 39.

14. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates being equity accounted for:				
Share of net assets of associates:				
Listed in Hong Kong	1,642,795	1,691,915	–	–
Listed overseas	4,632	3,600	–	–
Unlisted	<u>7,021</u>	<u>14,048</u>	<u>–</u>	<u>–</u>
	1,654,448	1,709,563	–	–
Convertible note receivable from an associate listed in Hong Kong	<u>385,900</u>	<u>385,900</u>	<u>385,900</u>	<u>385,900</u>
	2,040,348	2,095,463	385,900	385,900
Convertible note receivable from an associate – due within one year and shown under current assets	<u>(385,900)</u>	<u>–</u>	<u>(385,900)</u>	<u>–</u>
	<u>1,654,448</u>	<u>2,095,463</u>	<u>–</u>	<u>385,900</u>
Market value of listed securities:				
Hong Kong	283,606	1,208,997	–	–
Overseas	<u>46,460</u>	<u>44,195</u>	<u>–</u>	<u>–</u>
	<u>330,066</u>	<u>1,253,192</u>	<u>–</u>	<u>–</u>


14. INTERESTS IN ASSOCIATES *(continued)*

- (a) The Group increased its equity interest in Hanny Holdings Limited (“Hanny”) from 21.61% at the beginning of the year to 27.24% at the end of the year and increased its equity interest in Paul Y. - ITC Construction Holdings Limited (“Paul Y. - ITC”) from 37.53% at the beginning of the year to 40.91% at the end of the year.
- (b) During the year, the Group disposed of its entire interest in Tung Fong Hung (Holdings) Limited to an independent third party for a cash consideration of about HK\$180,000,000, resulting in a loss of HK\$187,866,000 which has been included in the income statement.
- (c) The convertible note receivable from an associate listed in Hong Kong represents the remaining unconverted amount of a convertible note of HK\$555,900,000 issued by Hanny on 11th January, 2000 as the consideration for acquisition from the Group of the Group’s entire interest in a wholly-owned subsidiary. The convertible note is unsecured, bears interest at prime rate and is repayable on the second anniversary of the issue date. The noteholder has the right to convert all or part of the principal amount of the convertible note outstanding into shares of Hanny at par value of HK\$0.10 each at an initial conversion price of HK\$5.00 per share, subject to adjustment, within two years of the issue of the convertible note.

In January 2000, the shares of Hanny of HK\$0.10 each were subdivided into four shares of HK\$0.025 each. Accordingly, the conversion price of the convertible note has been adjusted from HK\$5.00 per share to HK\$1.25 per share. The conversion price was further adjusted to HK\$1.09 per share due to the rights issue of Hanny in February 2001.

Extracts from the consolidated results and financial position of the Group’s significant associates, Paul Y. - ITC and Hanny from their respective audited financial statements for the year ended 31st March, 2001 are set out in note 40.

	THE GROUP	
	2001	2000
	HK\$’000	HK\$’000
Associates not equity accounted for:		
Unlisted shares, at cost <i>(note)</i>	2,400	2,400
Amounts due from associates	710	710
	3,110	3,110
Less: Impairment losses recognised	(3,110)	(3,110)
	—	—

Note: The investments represent 50% and 30% equity interests in two PRC joint ventures, namely Spark Energy Development (Guizhou) Co., Ltd. and Anhui Xing Chang Chemical Ind. Co., Ltd., respectively. The operating results of these two joint ventures have not been equity accounted for and the investment costs have been fully provided for as, in the opinion of the directors, the Group cannot exercise significant influence through participation in the financial and operating policy decisions of these joint ventures, and these two joint ventures are unlikely to generate future benefits to the Group. The Group is not committed to provide further financial support to these joint ventures.


15. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Equity securities:						
Listed securities:						
– Hong Kong	242,449	235,802	3	18	242,452	235,820
– Elsewhere	–	–	2,217	33,503	2,217	33,503
	<u>242,449</u>	<u>235,802</u>	<u>2,220</u>	<u>33,521</u>	<u>244,669</u>	<u>269,323</u>
Unlisted club debentures	–	–	1,589	845	1,589	845
	<u>–</u>	<u>–</u>	<u>1,589</u>	<u>845</u>	<u>1,589</u>	<u>845</u>
Total	<u>242,449</u>	<u>235,802</u>	<u>3,809</u>	<u>34,366</u>	<u>246,258</u>	<u>270,168</u>
Market value of listed securities	<u>24,650</u>	<u>201,547</u>	<u>2,220</u>	<u>33,521</u>	<u>26,870</u>	<u>235,068</u>

16. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of trade receivables:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Trade receivables		
0 – 30 days	943	694
31 – 60 days	199	49
61 – 90 days	151	18
Over 90 days	131	91
	<u>1,424</u>	<u>852</u>
Other receivables, prepayments and deposits	<u>1,020</u>	<u>8,355</u>
	<u>2,444</u>	<u>9,207</u>

The general credit term is 30 to 60 days.

17. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured and repayable on demand. Of these amounts, an amount of approximately HK\$31,223,000 (2000: HK\$31,785,000) bears interest at commercial rates and the remaining balance is interest-free.



18. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Trade payables		
0 – 30 days	13,450	11,028
31 – 60 days	21	64
61 – 90 days	–	–
Over 90 days	15	15
	<u>13,486</u>	<u>11,107</u>
Other payables and accrued charges	23,447	42,654
	<u><u>36,933</u></u>	<u><u>53,761</u></u>

At 31st March, 2001, amounts payable under margin accounts included in other payables of approximately HK\$9,531,000 (2000: Nil) are secured by certain listed investments held by the Group with an aggregate carrying value of approximately HK\$122,410,000 (2000: Nil).

19. AMOUNTS DUE TO ASSOCIATES

The amounts are repayable on demand. Of these amounts, an amount of approximately HK\$6,780,000 (2000: Nil) bears interest at 3% over prime rate and is secured by certain listed investments of the Group. The remaining balance is unsecured and interest-free.

20. BANK OVERDRAFTS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts, which are repayable within one year, are analysed as follows:				
Secured	9,365	11,992	–	–
Unsecured	7,968	–	4,949	–
	<u>17,333</u>	<u>11,992</u>	<u>4,949</u>	<u>–</u>

21. OTHER LOAN

The loan is unsecured, bears interest at commercial rates and is repayable within one year.


22. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April, 1999, 31st March, 2000 and 31st March, 2001	<u>2,000,000,000</u>	<u>200,000</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 1999, 31st March, 2000 and 31st March, 2001	<u>280,000,000</u>	<u>28,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April, 1999	350,675,357	35,068
Placing of new shares	154,000,000	15,400
Exercise of warrants	<u>21,285,417</u>	<u>2,128</u>
At 31st March, 2000 and 31st March, 2001	<u>525,960,774</u>	<u>52,596</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 1999, 31st March, 2000 and 31st March, 2001	<u>267,980,000</u>	<u>26,798</u>

The preference shares are non-voting, non-redeemable and are entitled to a cumulative dividend of HK\$0.069 per share per annum. The preference shares rank in priority to the ordinary shares in the Company as to dividends and return of capital. The preference shares are convertible into ordinary shares of the Company at the option of the holders at any time. However, the preference shares may be converted at the option of the Company in any of the following cases:

- the closing price of the ordinary shares in the Company on the Stock Exchange is 125% or more of the adjusted conversion value of HK\$21.20, subject to further adjustments, for twenty consecutive trading days; or
- there are less than 50,000,000 preference shares in issue.

Subsequent to the balance sheet date, the Company allotted 105,000,000 new ordinary shares of HK\$0.10 each at an issue price of HK\$0.60 per share to Galaxyway Investments Limited (“Galaxyway”). Further details of the placing are set out in note 37.



23. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 24th January, 1992, the board of directors of the Company may grant options to any directors or full time employees of the Company or any of its subsidiaries to subscribe for ordinary shares in the Company at a price not less than the higher of 80% of the average closing price of the Company's ordinary shares on the five trading days immediately preceding the offer of the options and the nominal value of the ordinary shares. The maximum number of ordinary shares in respect of which options may be granted may not exceed 10% of the ordinary share capital of the Company in issue from time to time.

The movements of share options granted by the Company to the directors and full time employees of the Company or any of its subsidiaries during the year were as follows:

Date of grant	Exercise price per share HK\$	Number of ordinary shares to be issued upon exercise of the share options		
		Balance at 1.4.2000	Lapsed during the year	Balance at 31.3.2001
28.8.1997	4.5600	21,000,000	(21,000,000)	–
18.12.1998	0.3792	6,600,000	–	6,600,000
17.12.1999	1.0816	24,500,000	–	24,500,000
		<u>52,100,000</u>	<u>(21,000,000)</u>	<u>31,100,000</u>

The options granted on 18th December, 1998 can be exercised at any time during the three year period commencing on a day after the date of offer, subject to certain restrictions contained in the offer letters.

The options granted on 17th December, 1999 can be exercised at any time during the period commencing on a day after the date of offer until 23rd January, 2002 (the expiry date of the share option scheme of the Company).

No share options were granted or exercised during the year.


24. RESERVES

	Share premium HK\$'000	Warrant reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
THE GROUP									
At 1st April, 1999	6,661	-	2,092,234	908	-	(31,618)	(590,350)	(341,343)	1,136,492
Exchange differences arising from translation of overseas operations	-	-	-	-	-	(235)	-	-	(235)
Issue of ordinary shares	150,343	-	-	-	-	-	-	-	150,343
Shares issue expenses	(3,161)	-	-	-	-	-	-	-	(3,161)
Reserve movements arising on acquisition of subsidiaries	-	-	-	-	-	-	(74,625)	-	(74,625)
Reserve movements arising on acquisition of associates	-	-	-	-	-	-	(270,206)	-	(270,206)
Released on disposal of subsidiaries	-	-	-	-	-	(336)	163,299	-	162,963
Reserve movements arising on reduction of interests in associates	-	-	-	-	-	4,717	102,509	-	107,226
Share of post-acquisition reserve movements of associates	-	5,432	-	-	-	(23,850)	(114,149)	-	(132,567)
Profit for the year	-	-	-	-	-	-	-	553,823	553,823
At 31st March, 2000	<u>153,843</u>	<u>5,432</u>	<u>2,092,234</u>	<u>908</u>	<u>-</u>	<u>(51,322)</u>	<u>(783,522)</u>	<u>212,480</u>	<u>1,630,053</u>
Attributable to:									
The Company and its subsidiaries	153,843	-	2,092,234	908	-	(324)	(682,982)	503,541	2,067,220
Associates	-	5,432	-	-	-	(50,998)	(100,540)	(291,061)	(437,167)
	<u>153,843</u>	<u>5,432</u>	<u>2,092,234</u>	<u>908</u>	<u>-</u>	<u>(51,322)</u>	<u>(783,522)</u>	<u>212,480</u>	<u>1,630,053</u>
At 1st April, 2000	153,843	5,432	2,092,234	908	-	(51,322)	(783,522)	212,480	1,630,053
Exchange differences arising from translation of overseas operations	-	-	-	-	-	775	-	-	775
Reserve movements arising on acquisition of subsidiaries	-	-	-	-	-	-	698	-	698
Reserve movements arising on acquisition of associates	-	-	-	-	-	-	188,524	-	188,524
Released on disposal of subsidiaries	-	-	-	-	-	-	10	-	10
Released on disposal of associates	-	(5,367)	-	-	-	(129)	259,978	-	254,482
Reserve movements arising on reduction of interests in associates	-	(65)	-	-	-	467	14,010	-	14,412
Share of post-acquisition reserve movements of associates	-	-	-	-	-	(13,734)	(15,373)	-	(29,107)
Impairment loss recognised in respect of goodwill of an associate arising from previous acquisition	-	-	-	-	-	-	14,596	-	14,596
Surplus on revaluation	-	-	-	-	450	-	-	-	450
Loss for the year	-	-	-	-	-	-	-	(542,370)	(542,370)
At 31st March, 2001	<u>153,843</u>	<u>-</u>	<u>2,092,234</u>	<u>908</u>	<u>450</u>	<u>(63,943)</u>	<u>(321,079)</u>	<u>(329,890)</u>	<u>1,532,523</u>
Attributable to:									
The Company and its subsidiaries	153,843	-	2,092,234	908	450	450	(928)	205,401	2,452,358
Associates	-	-	-	-	-	(64,393)	(320,151)	(535,291)	(919,835)
	<u>153,843</u>	<u>-</u>	<u>2,092,234</u>	<u>908</u>	<u>450</u>	<u>(63,943)</u>	<u>(321,079)</u>	<u>(329,890)</u>	<u>1,532,523</u>


24. RESERVES *(continued)*

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
THE COMPANY					
At 1st April, 1999	6,661	2,117,993	908	170,087	2,295,649
Issue of ordinary shares	150,343	–	–	–	150,343
Shares issue expenses	(3,161)	–	–	–	(3,161)
Loss for the year	–	–	–	(107,081)	(107,081)
	<u>153,843</u>	<u>2,117,993</u>	<u>908</u>	<u>63,006</u>	<u>2,335,750</u>
At 31st March, 2000	153,843	2,117,993	908	63,006	2,335,750
Loss for the year	–	–	–	(271,122)	(271,122)
	<u>153,843</u>	<u>2,117,993</u>	<u>908</u>	<u>(208,116)</u>	<u>2,064,628</u>
At 31st March, 2001	<u>153,843</u>	<u>2,117,993</u>	<u>908</u>	<u>(208,116)</u>	<u>2,064,628</u>

Notes:

The contributed surplus of the Group comprises the difference between the nominal amount of the ordinary share capital issued by the Company in exchange for the nominal amount of the share capital of a subsidiary acquired pursuant to a corporate reorganisation on 24th January, 1992 and the credits arising from the changes in the capital and reserves of the Company pursuant to the capital reorganisation.

The contributed surplus of the Company comprises the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's ordinary share capital issued as consideration for the acquisition and the credits arising from the changes in the capital and reserves of the Company pursuant to the capital reorganisation.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its 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, subject to the restrictions as stipulated in the Companies Act 1981 of Bermuda as described above, the Company's reserves available for distribution to shareholders were as follows:

	2001 HK\$'000	2000 HK\$'000
Contributed surplus	2,117,993	2,117,993
Accumulated (loss) profits	(208,116)	63,006
	<u>1,909,877</u>	<u>2,180,999</u>


25. CONVERTIBLE NOTES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
HK\$150,000,000 6.25% convertible notes due 2002 (<i>note a</i>)	150,000	150,000	–	–
HK\$120,000,000 prime rate convertible notes due 2002 (<i>note b</i>)	120,000	120,000	120,000	120,000
Less: Unamortised deferred expenditure	(1,033)	(1,722)	(1,033)	(1,722)
	118,967	118,278	118,967	118,278
HK\$460,000,000 prime rate convertible notes due 2003 (<i>note c</i>)	460,000	460,000	460,000	460,000
Less: Unamortised deferred expenditure	(4,446)	(6,870)	(4,446)	(6,870)
	455,554	453,130	455,554	453,130
	724,521	721,408	574,521	571,408
The convertible notes are repayable as follows:				
Within one year	150,000	–	–	–
More than one year, but not exceeding two years	574,521	721,408	574,521	571,408
	724,521	721,408	574,521	571,408
Less: Amount due within one year and shown under current liabilities	(150,000)	–	–	–
Amount due after one year	574,521	721,408	574,521	571,408



25. CONVERTIBLE NOTES (continued)

Notes:

- (a) The convertible notes bear interest at 6.25% per annum, are unconditionally and irrevocably guaranteed by the Company and are redeemable on 14th February, 2002 unless they are previously converted, redeemed or purchased and cancelled.

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an adjusted conversion price of HK\$15.940 per share, subject to adjustment, on or before 14th February, 2002. The conversion price was further adjusted to HK\$15.292 per share pursuant to a placing and subscription of ordinary shares of the Company subsequent to the balance sheet date. The ordinary shares to be issued upon such conversion are to rank pari passu in all respects with the ordinary shares in issue on the relevant conversion date.

The Group may redeem the whole of the convertible notes at any time after twelve months from the date of issue and at a redemption price which will cause the convertible notes to provide a yield of 9% per annum up to the date of redemption to the holders of the convertible notes, in the event that the market price of the ordinary shares of the Company is at least 130% of the conversion price during a stipulated period.

- (b) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 30th September, 1999, the Company issued on 5th October, 1999 HK\$50,000,000 convertible notes to each of Galaxyway and independent investors by subscription and placement, respectively, with an over-allotment option granted to the independent investors of an amount up to HK\$20,000,000. The Company further issued HK\$20,000,000 convertible notes on 3rd November, 1999 pursuant to the over-allotment option exercised by the independent investors. Galaxyway was a wholly-owned subsidiary of Chinaview International Limited which was, in turn, wholly-owned by Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company.

The notes bear interest at prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited and payable semi-annually in arrears.

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$1.10 per share, subject to adjustment, on or before 5th October, 2002. The conversion price was adjusted to HK\$1.06 per share pursuant to a placing and subscription of ordinary shares of the Company subsequent to the balance sheet date. The ordinary shares to be issued upon such conversion are to rank pari passu in all respects with the ordinary shares in issue on the relevant conversion date.

- (c) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 25th February, 2000, the Company issued on 29th February, 2000 HK\$200,000,000 convertible notes to each of Galaxyway and independent investors by subscription and placement, respectively, with an over-allotment option granted to the independent investors of an amount up to HK\$60,000,000. The Company further issued HK\$60,000,000 convertible notes on 30th March, 2000 pursuant to the over-allotment option exercised by the independent investors.

The notes bear interest at prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited and payable semi-annually in arrears.

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$1.75 per share, subject to adjustment, on or before 1st March, 2003 (or the next following business day if it is not a business day). The conversion price was adjusted to HK\$1.68 per share pursuant to a placing and subscription of ordinary shares of the Company subsequent to the balance sheet date. The ordinary shares to be issued upon such conversion are to rank pari passu in all respects with the ordinary shares in issue on the relevant conversion date.



26. DEFERRED TAXATION

The components of the deferred taxation credit not recognised for the year were as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Tax losses	15,128	12,736
(Excess) shortfall of tax allowances over depreciation	<u>(287)</u>	<u>15</u>
	<u>14,841</u>	<u>12,751</u>

At the balance sheet date, the components of the net potential deferred taxation asset not recognised in the financial statements were as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Unutilised tax losses	53,141	38,013
Excess of tax allowances over depreciation	<u>(857)</u>	<u>(570)</u>
	<u>52,284</u>	<u>37,443</u>

The net potential deferred taxation asset has not been recognised in the financial statements as realisation of this asset in the foreseeable future is uncertain.

The Company did not have any significant unprovided deferred taxation for the year or at the balance sheet date.


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

	2001 HK\$'000	2000 HK\$'000
(Loss) profit before taxation	(516,500)	594,751
Share of results of associates	236,906	(206,402)
Interest expenses	52,975	57,771
Depreciation and amortisation	1,646	3,796
Deficit arising from revaluation of land and buildings	1,238	–
Surplus arising from revaluation of investment properties	(1,120)	–
Amortisation of deferred expenditure on issuance of convertible notes	3,113	685
Loss (gain) arising from dilution of interest in and disposal of associates	213,470	(3,855)
Impairment loss recognised in respect of goodwill of an associate arising from previous acquisition	14,596	–
Provision for amounts due from associates	10,546	–
Loss (gain) on disposal of investments in securities	5,409	(122,870)
Gain on disposal of subsidiaries	(221)	(314,192)
Unrealised loss (gain) on valuation of other investments	458	(15,647)
Unrealised loss from transfer of investment securities to other investments	–	2,425
Loss on exercise of a put option in respect of a listed security	–	44,370
(Gain) loss on disposal of property, plant and equipment	(58)	75
(Increase) decrease in inventories	(79)	553
Decrease (increase) in property held for resale	2,311	(78)
Decrease (increase) in trade and other receivables	7,445	(18,150)
Decrease in deposit with a securities broker	–	51,425
Increase in amounts due from associates	(271)	(7,860)
(Increase) decrease in loan receivables	(5,440)	5,000
(Decrease) increase in trade and other payables	(9,189)	9,062
Increase in amounts due to associates	8,098	575
	<hr/>	<hr/>
Net cash inflow from operating activities	25,333	81,434


28. PURCHASE OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
NET ASSETS PURCHASED		
Property, plant and equipment	–	867
Investment property	21,000	–
Investment in securities	744	–
Trade and other receivables	2,640	2,474
Loan receivables	2,560	–
Bank balances and cash	7	4,765
Trade and other payables	(588)	(9,904)
Amounts due to associates	–	(27)
Minority interests	–	2,730
	<hr/>	<hr/>
	26,363	905
(Capital reserve) goodwill arising on acquisition of subsidiaries	(698)	74,625
	<hr/>	<hr/>
	25,665	75,530
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash	25,665	75,530
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries acquired during the year contributed cash inflow of HK\$6,232,000 to the Group's net operating cash inflow and paid HK\$8,000 in respect of investing activities.

The subsidiaries acquired during the year contributed approximately HK\$1,445,000 to the Group's turnover and a profit of approximately HK\$1,169,000 to the Group's results of operations for the year.


29. DISPOSAL OF SUBSIDIARIES

	2001	2000
	HK\$'000	HK\$'000
NET ASSETS DISPOSED OF		
Property, plant and equipment	–	106,577
Interests in associates	–	240,541
Investments in securities	–	25,192
Trade and other receivables	1,902	18,691
Bank balances and cash	–	19,099
Trade and other payables	(170)	(11,358)
Amounts due to associates	(1,902)	–
Loans from minority shareholders	–	(215,751)
Minority interests	–	(4,942)
	(170)	178,049
Gain on disposal of subsidiaries	221	314,192
Goodwill reserve released on disposal of subsidiaries	10	163,299
Translation reserve released on disposal of subsidiaries	–	(336)
	61	655,204
Satisfied by:		
Cash	61	101,591
Convertible notes	–	555,900
Expenses incurred	–	(2,287)
	61	655,204

The results and net cash flows of subsidiaries disposed of during the year are not significant to the Group as a whole.

30. ANALYSIS OF THE NET (OUTFLOW) INFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASE/DISPOSAL OF SUBSIDIARIES

	2001	2000
	HK\$'000	HK\$'000
PURCHASE OF SUBSIDIARIES		
Cash consideration paid	(25,665)	(75,530)
Bank balances and cash acquired	7	4,765
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(25,658)	(70,765)
DISPOSAL OF SUBSIDIARIES		
Cash consideration received	61	101,591
Expenses incurred	–	(2,287)
Bank balances and cash disposed of	–	(19,099)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	61	80,205


31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Convertible notes HK\$'000	Other loans HK\$'000	Amounts payable under margin accounts HK\$'000	Loans from minority shareholders HK\$'000
At 1st April, 1999	68,527	150,000	210,294	92,412	213,669
Issue of ordinary shares	167,871	–	–	–	–
Issue of convertible notes	–	580,000	–	–	–
Expenditure incurred for issuance of convertible notes	–	(9,277)	–	–	–
Shares issue expenses	(3,161)	–	–	–	–
New borrowings raised	–	–	95,400	230	2,082
Repayments during the year	–	–	(288,377)	(92,642)	–
Amortisation of deferred expenditure	–	685	–	–	–
Disposal of subsidiaries	–	–	–	–	(215,751)
	<u>233,237</u>	<u>721,408</u>	<u>17,317</u>	<u>–</u>	<u>–</u>
At 31st March, 2000	233,237	721,408	17,317	–	–
New borrowings raised	–	–	4,000	9,531	–
Repayments during the year	–	–	(4,000)	–	–
Amortisation of deferred expenditure	–	3,113	–	–	–
	<u>233,237</u>	<u>724,521</u>	<u>17,317</u>	<u>9,531</u>	<u>–</u>
At 31st March, 2001	<u>233,237</u>	<u>724,521</u>	<u>17,317</u>	<u>9,531</u>	<u>–</u>

32. RETIREMENT BENEFIT SCHEMES

The Group has a defined contribution retirement benefit scheme for qualifying employees. The assets of the scheme are separately held in funds under the control of an authorised insurer.

The cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, there were no significant forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

With effect from 1st December, 2000, the Group has also joined a Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the Scheme. No forfeited contributions are available to reduce the contributions payable in future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to funds by the Group at rates specified in the rules of the MPF Scheme.



33. CONTINGENT LIABILITIES

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Guarantees given to holders of the 2002 convertible notes issued by a subsidiary (<i>note 25(a)</i>)	150,000	150,000
Guarantees given to banks and financial institutions in respect of general credit facilities utilised by subsidiaries	<u>12,550</u>	<u>—</u>
	<u>162,550</u>	<u>150,000</u>

The Group did not have any significant contingent liabilities at the balance sheet date.

34. MATERIAL LITIGATION

The liquidators of Hoi Sing Construction Company Limited (“Hoi Sing”), a former wholly-owned subsidiary of the Company, instituted proceedings against the Company on 10th July, 1998 claiming approximately HK\$297,441,000 plus interest pursuant to an alleged guarantee by the Company for debt owed by Hoi Sing Builders Limited to Hoi Sing. The Company does not admit the existence of the guarantee, and has put Hoi Sing to strict proof of its terms and the amounts claimed under it. Even if the Court upholds the alleged guarantee, the Company has a defence of “set off” arising from a claim against Hoi Sing for approximately HK\$308,207,000. The Company is a principal creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of the Company’s claim as at 31st March, 2001. The balance is being adjudicated by the liquidators of Hoi Sing.

35. COMMITMENTS

(a) Operating lease commitments

The Group and the Company did not have any significant commitments under non-cancellable operating leases at 31st March, 2001.

At 31st March, 2000, the Group had annual commitment of approximately HK\$4,656,000 in respect of a non-cancellable operating lease of premises which expired in the second to the fifth year inclusively from the balance sheet date.

(b) Capital commitments

The Group and the Company did not have any significant capital commitments at the balance sheet date.

36. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group’s land and buildings and listed investments with an aggregate carrying value of approximately HK\$244,447,000 (2000: HK\$1,012,689,000) were pledged to banks and other financial institutions to secure general credit facilities granted to the Group.



37. POST BALANCE SHEET EVENT

On 21st June, 2001, the Company issued 105,000,000 new ordinary shares of HK\$0.10 each at an issue price of HK\$0.60 per share to Galaxyway. The proceeds of the subscription were used as additional working capital of the Company, apart from HK\$12.4 million to subscribe for the shares in Star East Holdings Limited pursuant to a conditional agreement as announced by Star East Holdings Limited on 12th June, 2001.

All the new ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.

38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year or at the balance sheet date, the Group had transactions/balances with the following related parties, details of which are as follows:

	2001 HK\$'000	2000 HK\$'000
Associates:		
Sales (<i>note a</i>)	422	2,551
Dividend income	12,239	34,501
Rental income received (<i>note b</i>)	2,910	4,130
Interest income received (<i>note c</i>)	39,040	12,745
Interest paid	43	6
Balance due by the Group (<i>note d</i>)	6,798	1,217
Balance due to the Group (<i>note e</i>)	42,391	46,220
Convertible note (<i>note 14</i>)	385,900	385,900
Disposal of a subsidiary	–	555,900
Acquisition of an associate	–	195,944
Amounts advanced and fully repaid during the year	–	316,920
	<u> </u>	<u> </u>
Directors or companies controlled by directors:		
Interest paid by the Group (<i>note f</i>)	15	180
Interest payable on convertible notes issued by the Group (<i>note g</i>)	23,034	3,636
	<u> </u>	<u> </u>

Notes:

- (a) Sales are carried out by reference to the prevailing market price for comparable transactions.
- (b) Rentals are charged with reference to the market price.
- (c) Interest is charged at a range from prime rate less 2.75% to 2% over prime rate.
- (d) The amounts are repayable on demand. Approximately HK\$6,780,000 (2000: Nil) out of the balance bears interest at 3% over prime rate and is secured by certain listed investments of the Group. The remaining balance is unsecured and interest-free.
- (e) The amounts are unsecured and repayable on demand. Approximately HK\$31,223,000 (2000: HK\$31,785,000) out of the balance bears interest at a range from prime rate less 2.75% to 2% over prime rate. The remaining balance is interest-free.
- (f) Interest is charged at 1% over prime rate.
- (g) Interest is charged at prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited.



39. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries as at 31st March, 2001 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Burcon Group Limited	Canada	CAD1,000 class A common share	100	100	Investment and property holding
CEF Concord (BVI) Company Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Provision of financial services
Dreyer and Company Limited	Hong Kong	HK\$6,424,000 ordinary shares	99	99	Trading of building materials and machinery
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Development Co. Limited (formerly known as Hoi Sing B.V.I. Limited)	British Virgin Islands	US\$15,000 ordinary shares	100*	100	Investment holding
ITC Investment Group Limited (formerly known as Wealthood Limited)	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Investment Holdings Limited (formerly known as Woodside Agents Limited)	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Management Group Limited (formerly known as Asian Venture Limited)	British Virgin Islands	US\$2 ordinary shares	100*	100	Investment holding


39. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(continued)*

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Provision of management and administrative services
Landwin Properties Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Milla Holdings Limited	Hong Kong	HK\$10 ordinary shares	100	100	Leasing of property
Spark Fortune Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding

All of the above subsidiaries operate in Hong Kong with the exception of Burcon Group Limited which operates in Canada.

Except for CEF Concord (BVI) Company Limited which has issued convertible notes with an aggregate principal value of HK\$150 million in which the Group had no interest, none of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.


39. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(continued)*

Details of the Group's principal associates as at 31st March, 2001 are as follows:

Name of associates	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital held by the Group %	Principal activities
Burcon NutraScience Corporation	Canada	CAD8,962,207 common shares	26.60	Investment holding in company engaged in the development of commercial canola protein
CU Futures Limited	Hong Kong	HK\$12,000,000 ordinary shares	40.00	Dealing and broking in futures contract
CU Securities Limited	Hong Kong	HK\$11,000,000 ordinary shares	40.00	Dealing and broking in securities
Great Concept Profits Limited	British Virgin Islands	HK\$20 ordinary shares	40.00	Investment holding
Hanny Holdings Limited	Bermuda	HK\$160,779,507 ordinary shares	27.24	Investment holding in companies engaged in the manufacturing, distribution and marketing of data storage media, the distribution of related products, securities investment and strategic investment in information technology related businesses and other businesses
Paul Y. - ITC Construction Holdings Limited	Bermuda	HK\$99,248,839 ordinary shares	40.91	Investment holding in companies engaged in construction, engineering, mining, resources, infrastructure and rail services, property development and investment and hotel operations


39. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(continued)*

Name of associates	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital held by the Group %	Principal activities
Star East Group Limited	British Virgin Islands	US\$10,000 class A shares <i>(note)</i>	45.00	Investment holding
		US\$30 class B shares <i>(note)</i>	46.67	

Note: The holders of class A shares have no rights to receive notice of or attend or vote at any general meeting of the company but are entitled to dividend, as and when declared, and distribution of surplus assets upon liquidation of the company.

The holders of class B shares have rights to receive notice of or attend or vote at any general meeting of the company but are not entitled to any dividend and distribution of any surplus assets upon liquidation of the company.

All of the above associates are held indirectly by the Company and operate in Hong Kong with the exception of Burcon NutraScience Corporation which operates in Canada.

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



40. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES

The following is extracted from the audited financial statements of Paul Y. - ITC and Hanny for the year ended 31st March, 2001.

Paul Y. - ITC

(a) Consolidated income statement

For the years ended 31st March, 2001 and 2000

	2001	2000
	HK\$'000	HK\$'000
Turnover	10,803,255	11,111,678
Cost of sales	(10,046,207)	(10,382,529)
Gross profit	757,048	729,149
Other revenue	14,297	231,643
Administrative expenses	(525,577)	(528,929)
Other operating expenses	(25,246)	(96,032)
Profit from operations	220,522	335,831
Finance costs	(211,650)	(220,230)
Investment (expenses) income – net	(18,742)	94,379
(Loss) gain on disposal and dilution of interests in subsidiaries and associates	(333,916)	171,406
Share of results of associates	14,969	59,688
Share of results of a jointly controlled entity	293	–
(Loss) profit before taxation	(328,524)	441,074
Taxation	(49,953)	(96,303)
(Loss) profit before minority interests	(378,477)	344,771
Minority interests	(91,343)	(56,603)
(Loss) profit for the year	(469,820)	288,168
Dividends	19,777	22,127
(Loss) earnings per share		
Basic	(HK\$0.479)	HK\$0.333
Diluted	(HK\$0.487)	HK\$0.299


40. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*
Paul Y. - ITC *(continued)*

(b) Consolidated balance sheet

As at 31st March, 2001 and 2000

	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS		
Investment properties	585,130	598,130
Property, plant and equipment	1,200,272	2,914,305
Properties held under development	–	512,155
Interests in associates	460,057	38,850
Interest in a jointly controlled entity	276	–
Investments in securities	768,315	26,866
Other long term investments	16,226	15,968
	<u>3,030,276</u>	<u>4,106,274</u>
CURRENT ASSETS		
Properties under development held for resale	174,359	145,411
Amounts due from customers for contract works	367,784	1,289,619
Debtors, deposits and prepayments	1,441,677	2,533,568
Amounts due from related companies	144,534	108,880
Amounts due from associates	55,576	229,218
Unsecured loans receivable	87,487	381,320
Investments in securities	16,903	337,573
Taxation recoverable	4,247	21,805
Short term bank deposits	527,260	896,242
Bank balances and cash	63,180	430,302
	<u>2,883,007</u>	<u>6,373,938</u>


40. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*
Paul Y. - ITC *(continued)*

 (b) Consolidated balance sheet *(continued)*
As at 31st March, 2001 and 2000

	2001 HK\$'000	2000 HK\$'000
CURRENT LIABILITIES		
Amounts due to customers for contract works	804,685	841,665
Creditors and accrued expenses	1,275,854	2,133,906
Bills payable	–	1,118
Amounts due to related companies	1,582	3,464
Amounts due to associates	6,164	1,043
Amount due to a jointly controlled entity	13,390	–
Dividend payable	9,925	9,801
Taxation payable	11,960	119,115
Loans from minority shareholders of subsidiaries		
– due within one year	–	95,100
Obligations under finance leases and hire purchase contracts – due within one year	6,450	62,350
Bank borrowings – due within one year	54,341	571,280
Other loans – due within one year	321,760	–
Convertible bonds	–	1,066,214
	2,506,111	4,905,056
NET CURRENT ASSETS	376,896	1,468,882
TOTAL ASSETS LESS CURRENT LIABILITIES	3,407,172	5,575,156
MINORITY INTERESTS	15,162	605,061
NON-CURRENT LIABILITIES		
Loans from minority shareholders of subsidiaries		
– due after one year	–	33,034
Obligations under finance leases and hire purchase contracts – due after one year	–	176,090
Bank borrowings – due after one year	338,270	290,851
Other loans – due after one year	–	715,975
Convertible notes	450,000	616,425
Deferred taxation	42,358	216,852
	830,628	2,049,227
NET ASSETS	2,561,382	2,920,868
CAPITAL AND RESERVES		
Share capital	99,249	98,011
Reserves	2,462,133	2,822,857
SHAREHOLDERS' FUNDS	2,561,382	2,920,868


40. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*
Hanny

(a) Consolidated income statement

For the years ended 31st March, 2001 and 2000

	2001 HK\$'000	2000 HK\$'000
Turnover	3,595,783	2,819,998
Cost of sales	<u>(2,952,453)</u>	<u>(2,258,713)</u>
Gross profit	643,330	561,285
Other (expenses) revenue	(84,445)	178,682
Distribution costs	(408,409)	(320,963)
Administrative expenses	<u>(256,522)</u>	<u>(250,648)</u>
(Loss) profit from operations	(106,046)	168,356
Finance costs	(111,362)	(63,787)
Share of results of associates	(30,072)	(34,386)
Impairment loss on investment securities	(208,720)	–
Net gain on disposal of subsidiaries and associates	<u>218,611</u>	<u>199,565</u>
(Loss) profit before taxation	(237,589)	269,748
Taxation	<u>22,871</u>	<u>3,074</u>
(Loss) profit before minority interests	(260,460)	266,674
Minority interests	<u>(7,635)</u>	<u>8,361</u>
(Loss) profit for the year	<u>(252,825)</u>	<u>258,313</u>
Dividends	<u>20,366</u>	<u>16,600</u>
(Loss) earnings per share		
Basic	<u>(5.73 cents)</u>	<u>9.16 cents</u>
Diluted	<u>N/A</u>	<u>8.40 cents</u>



40. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Hanny *(continued)*

(b) Consolidated balance sheet

As at 31st March, 2001 and 2000

	2001 HK\$'000	2000 HK\$'000
Non-current Assets		
Property, plant and equipment	105,547	82,642
Intangible assets	166,959	178,368
Interests in associates	192,934	180,265
Investments in securities	1,230,782	766,518
Deferred expenditure	–	6,022
Other receivables – due after one year	129,779	–
	<u>1,826,001</u>	<u>1,213,815</u>
Current Assets		
Inventories	257,638	396,099
Trade and other receivables	796,642	728,728
Investments in securities	779,280	575,240
Short-term loans receivable	138,906	89,581
Margin loans receivable	119,204	180,915
Bills receivable	–	4,606
Tax recoverable	387	1,497
Bank balances and cash	595,967	662,882
	<u>2,688,024</u>	<u>2,639,548</u>
Current Liabilities		
Trade and other payables	682,078	348,682
Margin loans payable	24,407	78,429
Bills payable	27,372	1,513
Taxation	23,233	5,276
Proposed dividend	9,647	9,886
Borrowings – due within one year	844,211	502,896
Convertible note	385,900	–
Obligations under finance leases and hire purchase contracts – due within one year	3,187	2,537
Bank overdrafts	49,813	22,362
	<u>2,049,848</u>	<u>971,581</u>
Net Current Assets	<u>638,176</u>	<u>1,667,967</u>
	<u>2,464,177</u>	<u>2,881,782</u>


40. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*
Hanny *(continued)*

 (b) Consolidated balance sheet *(continued)*
As at 31st March, 2001 and 2000

	2001 HK\$'000	2000 HK\$'000
Capital and Reserves		
Share capital	160,780	96,728
Reserves	<u>1,998,866</u>	<u>2,203,750</u>
	<u>2,159,646</u>	<u>2,300,478</u>
Minority interests	<u>182,623</u>	<u>94,873</u>
Non-current Liabilities		
Borrowings – due after one year	116,093	88,182
Convertible note	–	385,900
Obligations under finance leases and hire purchase contracts – due after one year	3,144	6,216
Amounts due to minority shareholders	<u>2,671</u>	<u>6,133</u>
	<u>121,908</u>	<u>486,431</u>
	<u><u>2,464,177</u></u>	<u><u>2,881,782</u></u>

Full details of the results and financial position of Paul Y. - ITC and Hanny can be found in their annual reports dated 14th July, 2001 and 20th July, 2001, respectively.