

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

### 1. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2001, except as described below.

SSAP 26 "Segment Reporting" has introduced new principles for reporting financial information by segment. Segment disclosures for the six months ended 30 September 2000 have been modified in order to conform with the requirement of the standard.

### 2. SEGMENTAL INFORMATION

By principal activity :

	Turnover		Segment Result	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Hotel operation	<b>5,086,136</b>	5,004,701	<b>560,704</b>	1,179,248
Property rental	<b>4,407,175</b>	5,062,881	<b>(2,128,158)</b>	(1,712,638)
Securities trading and investments	<b>82</b>	2,148,084	<b>(640,642)</b>	(1,779,081)
Interest income	<b>2,000,084</b>	3,276,612	<b>2,000,084</b>	3,276,612
	<b><u>11,493,477</u></b>	<b><u>15,492,278</u></b>	<b><u>(208,012)</u></b>	<b><u>964,141</u></b>
Unallocated corporate expenses			<b><u>(5,991,105)</u></b>	<b><u>(5,641,722)</u></b>
Loss from operations			<b><u>(6,199,117)</u></b>	<b><u>(4,677,581)</u></b>

By geographical location of operation :

	Turnover		Segment Result	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Hong Kong	<b>7,086,301</b>	10,429,397	<b>1,603,903</b>	2,364,530
Other regions in the People's Republic of China ("PRC")	<b>4,407,176</b>	5,062,881	<b>(1,811,915)</b>	(1,400,389)
	<b><u>11,493,477</u></b>	<b><u>15,492,278</u></b>	<b><u>(208,012)</u></b>	<b><u>964,141</u></b>
Unallocated corporate expenses			<b><u>(5,991,105)</u></b>	<b><u>(5,641,722)</u></b>
Loss from operations			<b><u>(6,199,117)</u></b>	<b><u>(4,677,581)</u></b>

### 3. DEPRECIATION

During the period, depreciation of HK\$2,601,076 (2000: HK\$2,627,919) was charged in respect of the Group's property, plant and equipment.

### 4. FINANCE COSTS

	Six months ended 30 September	
	2001	2000
	HK\$	HK\$
Interest on borrowings wholly repayable within 5 years:		
Bank loans & overdraft	<b>1,582,340</b>	1,585,730
Obligation under finance leases	<b>24,981</b>	13,506
Interest on mortgage loans wholly repayable after 5 years:	<b>288,170</b>	425,322
Bank charges	<b>50,000</b>	—
	<b><u>1,945,491</u></b>	<b><u>2,024,558</u></b>

## 5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries incurred tax losses in both the current and the prior interim reporting period.

## 6. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$7,932,766 (2000: HK\$5,962,012) and on the 488,842,675 (2000: 488,842,675) shares in issue during the period.

### (b) Diluted loss per share

No diluted loss per share has been presented because the exercise prices of the outstanding share options of the Company were greater than the average market price of shares for both the current and the prior interim reporting period.

## 7. INTERESTS IN ASSOCIATES

The following financial information is extracted from the unaudited financial statements of the associated companies.

	<b>Bolan Holdings N.V.</b> (unaudited) HK\$	<b>Central More Limited</b> (unaudited) HK\$	<b>Star River Investment Limited</b> (unaudited) HK\$
Operating results for the six months ended 30 June 2001:			
Turnover	4,105,584	-	-
Depreciation	116,860	-	-
Loss from ordinary activities before taxation	<u>314,488</u>	<u>6,000</u>	<u>4,105</u>
Loss from ordinary activities before taxation attributable to the Group	<u>141,520</u>	<u>3,000</u>	<u>2,052</u>
Financial position at 30 June 2001:			
Total assets	501,678,793	1,427,157,583	69,550,461
Total liabilities	<u>(60,870,100)</u>	<u>(1,427,300,661)</u>	<u>(69,599,108)</u>
Shareholders' funds (deficit)	<u>440,808,693</u>	<u>(143,078)</u>	<u>(48,647)</u>
Amount attributable to the Group	<u>187,154,160</u>	<u>(71,539)</u>	<u>(24,323)</u>

## 8. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group generally allows an average credit period of not more than 30 days to its customers.

The following is an aged analysis of trade debtors at the reporting date:

	<b>30/09/2001</b>	31/03/2001
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	<b>249,869</b>	209,683
31 – 60 days	<b>83,187</b>	141,073
Over 60 days	<b>169,654</b>	241,737
	<u>502,710</u>	<u>592,493</u>
Other advances and prepayments	<b>4,406,633</b>	3,063,692
	<u><b>4,909,343</b></u>	<u>3,656,185</u>

## 9. CREDITORS, ACCRUALS AND OTHER PAYABLES

The following is an aged analysis of trade creditors at the reporting date:

	<b>30/09/2001</b>	31/03/2001
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	<b>455,713</b>	334,482
31 – 60 days	<b>315,347</b>	500,924
Over 60 days	<b>1,387,188</b>	1,284,860
	<u>2,158,248</u>	<u>2,120,266</u>
Accruals	<b>3,719,639</b>	3,273,521
	<u><b>5,877,887</b></u>	<u>5,393,787</u>

## 10. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

## 11. RESERVES

	Share premium <i>HK\$</i>	Capital reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Deficit <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2001	92,805,386	21,223,231	28,990,000	(24,520,044)	118,498,573
Net loss for the period	-	-	-	(7,932,766)	(7,932,766)
Share of exchange adjustments of an associate	-	-	-	34,046	34,046
<b>At 30 September 2001</b>	<b>92,805,386</b>	<b>21,223,231</b>	<b>28,990,000</b>	<b>(32,418,764)</b>	<b>110,599,853</b>

## 12. CONTINGENCIES AND COMMITMENTS

### (a) Contingencies

	30/09/2001 <i>HK\$</i>	31/03/2001 <i>HK\$</i>
Guarantees given to banks in respect of facilities utilised by :		
Associate	-	425,000,000

The amount of facilities utilised by the associate as at 31 March 2001 amounted to approximately HK\$104 million.

### (b) Commitments

The Group had contracted with an independent consultancy company for the acquisition of exchange and/or joint venture development of Kau Wah Keng Old Village, Lai Chi Kok, Kowloon and the outstanding commitment at 30/09/2001 on procurement fee amounted to HK\$28,000,000 (31/03/2001: HK\$28,000,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

The loss attributable to shareholders for the six months ended 30 September 2001 is HK\$7,932,766 (six months ended 30 September 2000: HK\$5,962,012).

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2001 (2000: Nil).

## **REVIEW OF OPERATIONS AND PROSPECTS**

As the global economy had shown no signs of recovery during the period under review and coupled with the “911 event”, the businesses of the Company was inevitably further affected. As a result, Cheung Chau Warwick Hotel recorded a slightly increase in turnover by 2% while Beijing Warwick International Apartments recorded a downturn of 13% in its turnover respectively compared with corresponding previous period.

Loss in securities trading and investments was mainly due to a provision made for diminution in value of securities held of approximately HK\$650,000.

Our overseas associated company, which owns and operates the Old Sydney Town Theme Park in Australia and is also travel related, also suffered loss of which the Group shared a loss of approximately HK\$141,000.

The result of the sale of the joint venture project, Nob Hill’s residential units was encouraging under the current low interest period. Although the “911 event” did cause negative effect on the sale, our associated company, Central More Limited, could and can still maintain a steady sale thereafter.

It is anticipated that the certificate of compliance of the Nob Hill will be issued in July 2002 and the Company is quite optimistic that the sale of the residential units will pick up in accordance with the market trend by then. As to the commercial portion of the project, Central More Limited has commenced to negotiate with potential tenants and the Company believes that the successful letting out of the commercial units will bring positive recurrent income accordingly.

## **EMPLOYEES**

The Group has approximately 130 employees. Employees are remunerated according to nature of the job and market trend, with build-in merit component incorporated in the annual increment to reward and motivate individual performance.

## **FINANCE ACTIVITIES**

At the interim reporting date, the Group had bank loans and overdraft facilities amounted to HK\$131,141,457 (31/03/2001: HK\$71,468,853), of which HK\$111,875,198 (31/03/2001: HK\$53,569,961) were utilised. These facilities were secured by legal mortgages over the Group’s properties and deposits with an aggregate net book value of HK\$60,383,706 (31/03/2001: HK\$58,362,430) and HK\$2,232,561 (31/03/2001: HK\$2,283,911) respectively. A floating charge on all assets, properties and undertakings both present and future including uncalled capital of the Company.

At 30 September 2001, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30/09/2001 amounted to approximately HK\$599 million (31/03/2001: approximately HK\$607 million). Accordingly, the Group's gearing ratio (total bank loans and overdraft facilities utilised to shareholders' funds) at 30/09/2001 is 19% (31/03/2001: 9%).

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

### (1) SHARES

At 30 September 2001, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (SDI Ordinance) were as follows:

#### Number of ordinary shares of HK\$1.00 each held

Name of director	Personal interests	Family interests	Corporate interests
Mr. Deacon Te-ken Chiu	12,491,424	–	111,901,052 ( <i>Note 1</i> )
Madam Chiu Ju Ching-lan	188,000	–	–
Mr. Dick Tat-sang Chiu	12,172,800	–	22,277,033 ( <i>Note 2</i> )
Mr. David Tat-cheong Chiu	3,144,627	–	–
Ms. Margaret Chiu	676,240	–	5,000,000 ( <i>Note 3</i> )
Mr. Derek Chiu	11,394,000	–	108,930,299 ( <i>Note 4</i> )

#### Notes:

- Of the 111,901,052 shares, 100,939,842 shares were held by various private companies controlled by Mr. Deacon Te-ken Chiu, 295,210 shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited, and 10,666,000 shares were held by Brentford Investments Inc., a wholly-owned subsidiary of Far East Technology International Limited. Mr. Deacon Te-ken Chiu is a controlling shareholder of these companies.
- The 22,277,033 shares were held by various private companies controlled by Mr. Dick Tat-sang Chiu.
- The 5,000,000 shares were held by a private company controlled by Ms. Margaret Chiu.

- (4) The 108,930,299 shares were held by Energy Overseas Ltd, a company controlled by Mr. Derek Chiu.

## (2) SHARE OPTIONS

At 30 September 2001, the directors had personal interests in share options to subscribe for shares in the Company as follows:

Name of director	Date of grant	Subscription	Number of share options			
		price per share (subject to adjustment) HK\$	Outstanding at 1/04/2001	Granted during the period	Exercised during the period	Outstanding at 30/09/2001
Mr. Derek Chiu	16/10/1995	1.44	590,000	-	-	590,000
	09/09/1997	3.01	1,000,000	-	-	1,000,000
Mr. Deacon Te-ken Chiu	15/11/1995	1.42	5,000,000	-	-	5,000,000
Madam Chiu Ju Ching-lan	11/04/1996	1.60	4,000,000	-	-	4,000,000
Mr. Sung-ki Tang	11/04/1996	1.60	150,000	-	-	150,000
	29/01/2000	1.00	6,000,000	-	-	6,000,000
Ms. Margaret Chiu	19/11/1997	1.74	7,000,000	-	-	7,000,000

Options granted under this Share Option Scheme are exercisable within 10 years from the respective date of grant.

Save as disclosed above, as at 30 September 2001, none of the directors had any interests in the share capital of the Company or any associated corporation as defined in the SDI Ordinance, and none of the directors, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed no person as having an interest of 10% or more in the issued share capital of the Company as at 30 September 2001.