

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”. Except as described in Note 2, the accounting policies adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2001.

Figures for the year ended 31 March 2001 are extracted from the Group’s annual financial statements for that year.

2. Impact of new and revised Statements of Standard Accounting Practice (“SSAPs”)

The following is a summary of new and revised SSAPs which have been adopted in the preparation of the current period’s financial statements.

SSAP 9 (revised)	:	Events after the Balance Sheet Date
SSAP 14 (revised)	:	Leases
SSAP 28	:	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29	:	Intangible Assets
SSAP 30	:	Business Combinations
SSAP 31	:	Impairment of Assets
SSAP 32	:	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

The Group has complied with SSAP 14 (revised) “Leases” for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Figures for the year ended 31 March 2001 are extracted from the Group’s audited financial statements for that year.

2. Impact of new and revised Statements of Standard Accounting Practice (“SSAPs”) (continued)

Goodwill represents the excess of the cost of an acquisition over the fair values of the Group’s share of the underlying net assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. In the previous years, goodwill was eliminated against reserves in the year in which it arose. Following the introduction of SSAP 30, goodwill arising on acquisitions on or after 1 April 2001 is capitalised as an intangible asset in the balance sheet and is amortised to the profit and loss account using the straight-line method over its estimated useful economic life not exceeding ten years. In accordance with the transitional provisions of SSAP 30, goodwill arising from earlier acquisitions before 1 April 2001 will continue to be held in reserves and no reinstatement has been made.

Apart from SSAP 14 and SSAP 30 as explained above, the implementation of the above SSAPs did not have a material impact on the Group’s financial statements.

3. Analysis of turnover and contribution to profit

By principal activities:

	Unaudited			
	Six months ended 30 September		Contribution to profit from operating activities	
	Turnover		Turnover	
	2001 HK\$’000	2000 HK\$’000	2001 HK\$’000	2000 HK\$’000
Management and sub-licensing of Chinese wet markets	75,169	39,431	9,256	9,063
Management and sub-licensing of shopping centres and car parks	43,154	44,253	262	886
Sale of Chinese medicine, herbs and other medicinal products	23,721	–	6,252	–
Building related contracting business	1,010	171	(1,784)	(2,665)
Technology related business	–	–	–	(8,199)
Others	2,828	3,771	(1,013)	3,666
	<u>145,882</u>	<u>87,626</u>	<u>12,973</u>	<u>2,751</u>

3. Analysis of turnover and contribution to profit (continued)

By geographical area of markets:

	Unaudited Six months ended 30 September		Contribution to profit from operating activities	
	Turnover			
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The People's Republic of China (the "PRC")				
Hong Kong SAR	143,838	87,626	11,928	2,751
Elsewhere	389	–	147	–
North America	1,065	–	577	–
South East Asia	590	–	321	–
	<u>145,882</u>	<u>87,626</u>	<u>12,973</u>	<u>2,751</u>

4. Profit from operating activities

	Unaudited Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
The Group's profit from operating activities is arrived at after charging/(crediting):		
Depreciation	7,479	4,524
Amortisation of goodwill	196	–
Amount released from onerous contracts	(2,062)	(2,485)
Gain on disposal of properties held for re-sale	(6)	(640)
Interest income	(3,179)	(5,075)
Investment income		
– Listed	(632)	(260)
– Unlisted	–	(702)
	<u>–</u>	<u>(702)</u>

5. Tax

	Unaudited Six months ended 30 September	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Group:		
Hong Kong profits tax	2,074	–
Under provision in prior year	189	–
Share of tax attributable to:		
Associates	38	60
	<u>2,301</u>	<u>60</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong for the period under review. The Group did not have any significant unprovided deferred tax in respect of the periods.

6. Earnings per share

The calculation of the basic earnings per share is based on the following data:

	Unaudited	
	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Net profit from ordinary activities attributable to shareholders	<u>7,562</u>	<u>2,268</u>
	No. of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	857,362	741,610
Effect of dilutive potential ordinary shares – share options & convertible bonds	<u>28,380</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>885,742</u>	<u>741,610</u>

7. Pledge of assets

As at 30 September 2001, certain of the Group's investment properties, all of its properties held for re-sale and rental income therefrom were pledged to secure certain banking facilities granted to the Group.

8. Goodwill

Details and movements of goodwill arising on the acquisitions of two associates are summarised below:

	Unaudited <i>HK\$'000</i>
Cost	
Additions and balance at 30 September 2001	16,104
Accumulated amortisation	
Provided during the period and balance at 30 September 2001	(196)
Net carrying amount	
At 30 September 2001	<u>15,908</u>

9. Interests in associates

	Unaudited 30 September 2001 <i>HK\$'000</i>	Audited 31 March 2001 <i>HK\$'000</i>
Share of net assets	5,022	102
Due from associates	<u>24,863</u>	<u>1,227</u>
	29,885	1,329
Provisions for impairment in values	<u>(3,000)</u>	<u>(600)</u>
	<u>26,885</u>	<u>729</u>

Except for the balances of HK\$21,000,000 and HK\$3,000,000 due from an associate which are unsecured, bear interest at Hong Kong dollar prime rate plus 2% per annum and are repayable in February and March 2003, respectively, the remaining balances due from associates are interest-free and have no fixed terms of repayment.

9. Interests in associates (continued)

Particulars of the principal associates which were acquired by the Group during the period are as follows:

	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group %	Principal activities
China Field Enterprises Limited	Corporate	Hong Kong	22	Investment holding
Dailywin Group Limited *	Corporate	Bermuda	29.19	Investment holding

* Listed on The Stock Exchange of Hong Kong Limited

10. Investments

(a) Long term investments

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Held-to-maturity securities		
Hong Kong listed dated debt securities, at amortised cost	12,467	7,437
Investment securities		
Investment in unlisted shares, at cost	32,687	12,521
Less: Provisions for impairment in values	(12,521)	(12,521)
	<u>32,633</u>	<u>7,437</u>

The aggregate market value of the Hong Kong listed dated debt securities totalled approximately HK\$12,800,000 at 30 September 2001 (31 March 2001: HK\$8,132,000).

10. Investments (continued)

(b) Short term investments

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Held-to-maturity securities		
Hong Kong listed dated debt securities, at amortised cost	–	4,906
Investment securities		
Hong Kong listed equity securities, at cost	–	13,531
Less: Provisions for impairment in values	–	(8,194)
Other investments		
Hong Kong listed equity securities, at fair value	–	1,020
	<u>–</u>	<u>11,263</u>
	<u>–</u>	<u>11,263</u>

11. Trade receivables

The aging analysis of trade receivables is as follows:

	Unaudited 30 September 2001		Audited 31 March 2001	
	HK\$'000	%	HK\$'000	%
Current to 90 days	10,702	89	6,460	92
91 days to 180 days	687	6	62	1
Over 180 days	599	5	504	7
	<u>11,988</u>	<u>100</u>	<u>7,026</u>	<u>100</u>
Less: Provision for doubtful debts	<u>(418)</u>		<u>(315)</u>	
	<u>11,570</u>		<u>6,711</u>	

The Group generally does not grant any credit to customers, except for the Group's pharmaceutical business which offers credit terms of 30 to 60 days.

12. Trade payables

The aging analysis of trade payables is as follows:

	Unaudited 30 September 2001		Audited 31 March 2001	
	HK\$'000	%	HK\$'000	%
Current to 90 days	1,251	23	1,191	22
91 days to 180 days	–	–	–	–
Over 180 days	4,301	77	4,249	78
	<u>5,552</u>	<u>100</u>	<u>5,440</u>	<u>100</u>

13. Share capital

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
<i>Authorised:</i> 10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i> 982,060,933 (31 March 2001: 822,060,933) ordinary shares of HK\$0.01 each	<u>9,821</u>	<u>8,221</u>

In August 2001, a total of 160,000,000 ordinary shares of HK\$0.01 each were issued at the subscription price of HK\$0.188 per share upon full exercise of the conversion rights of all convertible bonds in the principal amount of HK\$30,080,000 which had been issued by the Company on 3 August 2001. The net proceeds were mainly applied for acquisitions of associates and long term investments, and for the expansion of the Group's management and sub-licensing operations of Chinese wet markets, car parks and shopping centres.

13. Share capital (continued)

A summary of the movements in the Company's issued ordinary share capital during the period is as follows:

	Nominal value of shares issued <i>HK\$'000</i>	Number of shares issued
At 1 April 2001 (audited)	8,221	822,060,933
Conversion of convertible bonds into ordinary shares at a conversion price of HK\$0.188 per share	<u>1,600</u>	<u>160,000,000</u>
At 30 September 2001 (unaudited)	<u><u>9,821</u></u>	<u><u>982,060,933</u></u>

14. Reserves

	Share premium account <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Accumu- lated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001 (audited)	257,272	254	(105,831)	151,695
Issue of shares	28,480	–	–	28,480
Share issue expenses	(502)	–	–	(502)
Net profit for the period	<u>–</u>	<u>–</u>	<u>7,562</u>	<u>7,562</u>
At 30 September 2001 (unaudited)	<u><u>285,250</u></u>	<u><u>254</u></u>	<u><u>(98,269)</u></u>	<u><u>187,235</u></u>

15. Commitments*(a) Capital commitments*

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Capital commitments:		
Contracted, but not provided for	10,022	3,616

(b) Commitments under operating leases

As at 30 September 2001, the Group had commitments under non-cancellable operating leases as follows:

	Unaudited 30 September 2001 Total commitments HK\$'000	Audited 31 March 2001 Annual commitments HK\$'000
Land and buildings expiring:		
Within one year	128,383	13,395
In the second to fifth years, inclusive	236,915	101,465
After five years	15,158	8,640
	380,456	123,500

Included in the total balance as at 30 September 2001 are approximately HK\$376,384,000 of total future minimum lease payments relating to the Group's management and sub-licensing operations of Chinese wet markets, shopping centres and car parks.

16. Contingent liabilities

As at the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

(a) Guarantees

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Guarantees in respect of performance bonds given to third parties	24,581	24,458
Guarantees given in lieu of utility and property rental deposits	<u>18,175</u>	<u>18,300</u>
	<u>42,756</u>	<u>42,758</u>

- (b) As reported in the Group's 2001 annual report, in the prior year, a sub-contractor claimed against a wholly-owned subsidiary of the Group (the "Subsidiary") for recovery of approximately HK\$900,000 for works performed. In turn, the Subsidiary instigated litigation against the main contractor for recovery of approximately HK\$6,000,000 on works performed. The main contractor then made a counter claim against the Subsidiary for overpayment of approximately HK\$4,900,000.

16. Contingent liabilities (continued)

In the prior year, the Subsidiary also instigated litigation against another sub-contractor for an amount of approximately HK\$120,000 for delay in the completion of works performed. The sub-contractor made a counter claim against the Subsidiary of approximately HK\$1,000,000 on works performed.

The directors, having reviewed the claims and obtained legal advices, consider that the alleged claims from the main and sub-contractors referred to above are without grounds. Therefore, no provision had been made for the alleged claims in the financial statements.

17. Post balance sheet events

Subsequent to the balance sheet date, the following material transactions have occurred:

- (i) In October and November 2001, two top-up placements were made whereby an aggregate of 160,000,000 ordinary shares and 228,000,000 ordinary shares of HK\$0.01 each were issued at an issue price of HK\$0.08 and HK\$0.09 each, respectively. After completion of these two placements, the Company's issued share capital was increased to 1,370,060,933 ordinary shares.
- (ii) Pursuant to a special resolution passed on 9 November 2001, the Company's share premium account was reduced by an amount of HK\$129,269,955.53 which was applied to set off against the audited accumulated lossess of the Company as at 31 March 2001.
- (iii) On 16 November 2001, Macro Pacific Investment Limited ("Macro Pacific"), a wholly owned subsidiary of the Group, entered into an agreement with an independent third party to further acquire approximately 3.6% equity interest in Luxembourg Medicine Company Limited ("Luxembourg") at a consideration of approximately HK\$3.6 million which brought the Group's interest in Luxembourg to 22.6%. Luxembourg is principally engaged in the manufacturing and sale of medicinal products under the brand name of "Madam Pearl".

18. Related party transactions

The Group had the following transactions with related parties during the period:

		Unaudited Six months ended 30 September	
	Notes	2001 HK\$'000	2000 HK\$'000
Rental income received from			
Mr. Tang Ching Ho	(a)	540	540
Income from associates:	(b)		
Consultancy fee		–	300
Promotion fee		–	3,500
Repairs and maintenance		–	25
Management fee		128	624
Interest income		149	–
Rental		–	360
Cleaning expenses paid to an associate	(b)	2,703	673

(a) A property was leased to Mr. Tang Ching Ho for a period of two years from 20 December 1999 at a monthly rental of HK\$90,000, which was approved at the Company's special general meeting held on 17 December 1999. Details of the transaction were set out in the Company's announcement dated 6 November 1999.

(b) The transactions were based on terms as agreed between the Group and the associates.

19. Approval of the unaudited condensed consolidated financial statements

The unaudited condensed consolidated financial statements were approved by the board of directors on 14 December 2001.