

NOTES TO THE PROFORMA FINANCIAL STATEMENTS

For the year ended 31st March, 2002

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF PROFORMA FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 26th October, 2001. Its ultimate holding company is Climax Park Limited, a company which is incorporated in the British Virgin Islands (the "BVI").

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the group (the "Group") formed after the completion of the Group Reorganisation on 25th April, 2002.

The Group Reorganisation principally involved the exchange of fully-paid shares of the Company with all the issued shares of Sino Prosper Group Limited.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, these proforma financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group. The directors consider that this basis provides meaningful information for shareholders as regards the historical performance of the companies now comprising the Group.

Details of the Group Reorganisation are set out in the prospectus (the "Prospectus") issued by the Company dated 30th April, 2002.

The shares of the Company were listed on the Stock Exchange on 15th May, 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

The proforma financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong, except for the non compliance with Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions" ("SSAP 27") described under basis of consolidation below. The principal accounting policies adopted are as follows:

Basis of consolidation

The proforma consolidated financial statements incorporate the financial statements of the Company and the companies which became the Company's subsidiaries on 25th April, 2002 made up to 31st March each year.

The proforma consolidated financial statements incorporate the effects of the Group Reorganisation completed on 25th April, 2002 (as described in note 1 above). For the purposes of the proforma presentation, the reorganisation has been accounted for by using merger accounting. This treatment is not in accordance with SSAP 27 because, although the group reorganisation meets the definition of a group reconstruction under SSAP 27, SSAP 27 specifies that financial statements should not incorporate a combination which occurs after the date of the most recent balance sheet included in the financial statements.

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

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

Revenue recognition

Sales of completed properties held for sales are recognised upon the execution of legally binding sales agreements.

Sales of properties under development are recognised upon the execution of legally binding sales agreements provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out in "Properties under development".

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

For the year ended 31st March, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment

Plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Motor vehicles	30%
Furniture, fixtures and equipment	20%

The gain or loss arising on 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.

Impairment

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 value. Any revaluation increase or decrease 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Properties under development

Properties under development are stated at cost less allowances for any possible losses. Cost includes all development expenditure, interest charges and other direct costs attributable to such properties.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, and is limited to the recoverable amount after due allowance for contingencies.

Properties under development which have either been pre-sold or are intended for sale are classified as current assets.

For the year ended 31st March, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment securities

The Company has selected the benchmark treatment to measure securities other than held to maturity securities under SSAP 24 "Accounting for investments in securities" issued by the Hong Kong Society of Accountants.

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

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, interest charges and other direct costs attributable to such properties until they reach a marketable condition. Net realisable value is estimated by the directors based on prevailing market conditions.

Foreign currencies

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

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

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 expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the proforma financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Retirement benefit scheme

The Group's contributions to a local municipal government retirement scheme in the PRC are expensed as incurred while the local municipal government in the PRC undertakes to assume the retirement obligations of all existing and future retirees of the qualified staff in the PRC.

3. TURNOVER

Turnover represents proceeds received and receivable from the sales of properties in the PRC to outside customers less business tax and discounts, if any, during the year, and is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Proceeds from sales of properties	119,282	73,691
Less: business tax	(5,964)	(3,684)
	<u>113,318</u>	<u>70,007</u>

Business tax is calculated at 5% on the proceeds received and receivable from the sales of properties during the year.

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4. SEGMENTAL INFORMATION

The Group is engaged only in the provision of property development and its operations are all located in the PRC.

5. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration	584	500
Other staff costs	739	332
Retirement benefit scheme contributions (excluding directors)	32	14
	<u>1,355</u>	<u>846</u>
Less: Amounts capitalised in properties under development	(243)	(185)
Total staff costs	<u>1,112</u>	<u>661</u>
Auditors' remuneration	355	4
Depreciation	72	37
Management fee	1,922	625
Net exchange losses	15	84
and after crediting:		
Interest income	<u>135</u>	<u>36</u>

6. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank borrowings wholly repayable within five years	5,077	4,744
Less: Amounts capitalised in properties under development	(4,231)	(4,744)
	<u>846</u>	<u>-</u>

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7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
Directors		
Directors' fees:		
Executive	—	—
Independent non-executive	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>
Other emoluments to executive directors:		
Salaries and allowances	572	500
Retirement benefits scheme contribution	12	—
	<u>584</u>	<u>500</u>
Total directors' remunerations	<u>584</u>	<u>500</u>

The aggregate emoluments of each of the directors during the year were less than HK\$1,000,000.

Other emoluments to executive directors were emoluments paid to the directors and officers of the Company's subsidiaries who became directors of the Company prior to their appointment and the incorporation of the Company.

Employees

The five highest paid individuals included two directors (2001: one director) whose emoluments are set out above. The emoluments of the remaining three (2001: four) highest paid individuals for the year were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and allowances	406	155
Retirement benefits scheme contribution	—	6
	<u>406</u>	<u>161</u>

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7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

During the years ended 31st March, 2001 and 2002, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

The aggregate emoluments of each of the employees during the year were less than HK\$1,000,000.

8. TAXATION

The charge comprises:

	2002 HK\$'000	2001 HK\$'000
The PRC income tax	16,689	8,359
Land Appreciation Tax ("LAT")	7,552	—
	<u>24,241</u>	<u>8,359</u>

The PRC income tax is calculated at a rate of 33% on the assessable profits arising in the PRC for both years.

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong.

Under the Implementation Regulations on the Provisional Regulations of the PRC on LAT issued on 27th January, 1995, all added value from transfer of real estate in the PRC from 1st January, 1994 is subject to LAT at progressive rates up to 60 per cent. An exemption to LAT is applicable to first hand sales contracts entered into on or before 31st December, 2000 in respect of those property development contracts signed before 1st January, 1994, or those related project proposals approved before 1st January, 1994 and whose capital for the development has been injected according to the contract. The properties under development was approved in 1993, accordingly, there was no LAT exposure to the Group for the period from 1st April, 1998 to 31st December, 2000.

All added value arising from sales agreements of the properties under development entered into subsequent to 31st December, 2000 is subject to LAT at progressive rates up to 60 per cent.

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8. TAXATION (continued)

Deferred taxation has not been provided for in the financial statements as the amounts involved are not significant.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of approximately HK\$27,766,000 (2001: HK\$21,970,000) and the weighted average number of ordinary shares of 670,000,000 of the Company in issue and issuable comprising 20,000,000 shares of the Company in issue as at the date of the Prospectus and 650,000,000 shares to be issued pursuant to the capitalisation issue as are fully explained in Appendix V to the Prospectus, had been effective on 30th April, 2002.

10. PLANT AND EQUIPMENT

	Motor vehicles <i>HK\$ '000</i>	Furniture, fixtures and equipment <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
COST			
At 1st April, 2001	346	153	499
Exchange realignment	1	–	1
Additions	–	17	17
	<hr/>	<hr/>	<hr/>
At 31st March, 2002	347	170	517
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1st April, 2001	185	101	286
Exchange realignment	1	–	1
Provided for the year	57	15	72
	<hr/>	<hr/>	<hr/>
At 31st March, 2002	243	116	359
	<hr/>	<hr/>	<hr/>
NET BOOK VALUES			
At 31st March, 2002	104	54	158
	<hr/>	<hr/>	<hr/>
At 31st March, 2001	161	52	213
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11. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1st April, 2001	–
Transferred from properties under development	49,111
Revaluation surplus	46,689
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At 31st March, 2002	95,800
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Investment properties were valued at their open market value at 31st March, 2002 by Castores Magi Surveyors Limited, professional valuer, a firm of independent valuers, on an open market existing use basis. This valuation gave rise to a revaluation increase of HK\$46,689,000 which has been credited to the investment properties revaluation reserve.

The Group's investment properties have been pledged to secure banking facilities granted to the Group.

The carrying amount of investment properties comprises land in the PRC under medium-term leases.

As at balance sheet date, the Group did not enter into any operating lease arrangements.

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12. PROPERTIES UNDER DEVELOPMENT

	2002	2001
	HK\$'000	HK\$'000
At beginning of the year, at cost	192,784	175,356
Exchange realignment	68	294
Interest capitalised	4,231	4,744
Additions	77,190	45,534
Transferred to cost of sales	(53,648)	(33,144)
Transferred to investment properties	(49,111)	–
Transferred to completed properties held for sales	(79,230)	–
	<u>92,284</u>	<u>192,784</u>
At end of the year, at cost	92,284	192,784
Less: Amount included in current assets	(92,284)	(148,197)
	<u>–</u>	<u>44,587</u>
Amount included in non-current assets	–	44,587

At 31st March, 2001, properties under development amounting to approximately HK\$44,587,000 were held for investment purpose by the Group. Accordingly, these amounts had been classified as non-current assets. The remaining balances held for sales purpose have been classified as current assets.

13. INVESTMENT SECURITIES

	2002	2001
	HK\$'000	HK\$'000
Unlisted equity shares, at cost	<u>–</u>	<u>111</u>

At 31st March, 2001, the investment securities represented the Group's interest in Dalian Asia Finance Property Management Consultant Services Co., Ltd ("Asia Finance"). During the year, additional contributed capital of Asia Finance amounting to HK\$629,000 (note 28) has been paid up by the Group. Accordingly, the Group has accounted for Asia Finance as a subsidiary in current year.

NOTES TO THE PROFORMA FINANCIAL STATEMENTS

For the year ended 31st March, 2002

14. COMPLETED PROPERTIES HELD FOR SALES

During the year, the Group has entered an arbitration proceeding with a contractor claiming approximately HK\$5,769,000 against the Group. The amount claimed is fully provided in the financial statements and disclosed in page 24 of the Prospectus.

Completed properties held for sales amounting to approximately HK\$10,073,000 were subject to a charging order ordered by the People's Court of the PRC pending the execution in respect of the above arbitration

15. DEPOSIT PAID

The amount represents deposit paid for the acquisition of land in the PRC for the development of properties for sale.

16. TRADE RECEIVABLES

The Group grants credit terms to purchasers of properties on the merit of individual purchaser's credit. The aged analysis of trade receivables at the balance sheet date is as follows:

	2002	2001
	HK\$'000	HK\$'000
0 – 90 days	35,434	–
1 – 2 years	23	11,584
Over 2 years	–	1,789
	<u>35,457</u>	<u>13,373</u>

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17. AMOUNT DUE (TO) FROM A DIRECTOR

Particulars of amount due (to) from a director disclosed pursuant to section 161B of the Companies Ordinance are as follows:

	2002	2001	Maximum debit amount outstanding during the year
	HK\$'000	HK\$'000	HK\$'000
Mr. Leung Ngai Man	(2,136)	25,549	25,549

The amount was unsecured, non – interest bearing and was fully settled after the balance sheet date.

18. TRADE PAYABLES

The aged analysis of trade payables at the balance sheet date is as follows:

	2002	2001
	HK\$'000	HK\$'000
0 – 90 days	31	13,474
91 – 180 days	954	3,454
181 – 365 days	41,538	20,164
1 – 2 years	27,740	40,203
Over 2 years	19,569	26,902
	<u>89,832</u>	<u>104,197</u>

19. AMOUNT DUE TO A RELATED COMPANY

The amount was unsecured, non-interest bearing and was fully repaid after the balance sheet date. Mr. Leung Ngai Man, a director of the Company, has a beneficial interest in the related company, Pacific Glory Group Holding Limited.

NOTES TO THE PROFORMA FINANCIAL STATEMENTS

For the year ended 31st March, 2002

20. SHARE CAPITAL

For the purpose of the preparation of these proforma financial statements, the balance of the share capital shown in the proforma consolidated balance sheet at 31st March, 2002 and 2001, respectively, represents the issued capital of Sino Prosper Group Limited ("Sino Prosper") which was acquired by the Company pursuant to the Group Reorganisation.

	2002	2001
Issued and fully paid	<u>US\$10,000</u>	<u>US\$1</u>
Shown in the financial statements as	<u>HK\$78,000</u>	<u>HK\$8</u>

The authorised share capital of Sino Prosper is US\$50,000 shares of US\$1 each for both years.

Sino Prosper was incorporated on 17th October, 2000 with an authorised share capital of US\$50,000. At the time of incorporation, 1 share of US\$1 was issued at par to the subscriber to provide the initial capital of the Company. On 31st July, 2001, 9,999 shares of US\$1 each were issued at par to Sino Prosper's shareholder and these shares rank pari passu with the then existing share.

21. RESERVES

	Translation reserve HK\$'000	Properties revaluation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st April, 2000	(13,515)	–	30,315	16,800
Exchange differences arising from translation of financial statements of the overseas operations	72	–	–	72
Profit for the year	<u>–</u>	<u>–</u>	<u>21,970</u>	<u>21,970</u>
At 31st March, 2001	(13,443)	–	52,285	38,842
Exchange differences arising from translation of financial statements of the overseas operations	22	–	–	22
Revaluation increase	–	44,355	–	44,355
Profit for the year	<u>–</u>	<u>–</u>	<u>27,766</u>	<u>27,766</u>
At 31st March, 2002	<u>(13,421)</u>	<u>44,355</u>	<u>80,051</u>	<u>110,985</u>

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22. PARTICULARS OF THE COMPANY'S SUBSIDIARIES

Details of the Company's subsidiaries at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest held by the Company		Principal activities
			Direct	Indirect	
Access Power Group Limited ("Access Power")	The BVI	US\$1	–	100%	Provision for marketing and subcontracting services
Better Best Limited	The BVI	US\$1	–	100%	Investment holding
Asia Finance 大連亞太物業行有限公司	The PRC	US\$105,000	–	95%	Provision for property management services
Dalian Dong Gang Real Estate Development Co., Ltd. ("Dong Gang") 大連東港房地產開發有限公司	The PRC	US\$5,000,000	–	95%*	Property development
Joint Profit Group Limited 駿港集團有限公司	Hong Kong	HK\$2	–	100%	Inactive
Sino Prosper Group Limited	The BVI	US\$10,000	100%	–	Investment holding
World Giant Investments Holdings Limited	The BVI	US\$1	–	100%	Investment holding

* Dong Gang was a wholly owned subsidiary for the period from November 1999 to August 2000.

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23. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	53,026	30,737
Interest income	(135)	(36)
Depreciation	72	37
Finance cost	846	–
Loss on disposal of a 5% minority interest in a subsidiary	–	438
Increase in deposit paid	(29,974)	–
Increase in properties under development	(19,696)	(3,405)
(Increase) decrease in trade receivables	(22,079)	18,439
Decrease (increase) in other receivables and prepayments	3,396	(6,572)
Increase in amount due from a minority shareholder	(408)	(175)
(Decrease) increase in trade payables	(14,399)	3,712
Increase in other payables and accruals	4,356	4,703
Increase in amount due to a related company	42	24
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NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(24,953)	47,902
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24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Amount due to (from) a director HK\$ '000	Bank borrowings HK\$ '000	Minority interest HK\$ '000
At 1st April, 2000	13,223	67,721	–
Exchange realignment	(14)	110	–
Advance to a director	(36,954)	–	–
New bank borrowings raised	–	32,973	–
Repayment	–	(32,973)	–
Consideration of investment securities paid by a director (Note 25(a))	111	–	–
Receipt on disposal of a 5% interest in a subsidiary by a director (Note 25(b))	(1,915)	–	2,353
Share of results of minority interests	–	–	408
Share of translation reserve by minority shareholder	–	–	2
	<hr/>	<hr/>	<hr/>
At 31st March, 2001	(25,549)	67,831	2,763
Exchange realignment	(10)	23	–
Advance from a director	27,818	–	–
New bank borrowings raised	–	34,866	–
Repayment	–	(34,866)	–
Issue of new shares (Note 25(c))	(78)	–	–
Share of results of minority interests	–	–	1,019
Share of properties revaluation reserve	–	–	2,334
Capital injection in a subsidiary by a minority shareholder (Note 25(d))	(45)	–	45
	<hr/>	<hr/>	<hr/>
At 31st March, 2002	<u>2,136</u>	<u>67,854</u>	<u>6,161</u>

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25. MAJOR NON-CASH TRANSACTIONS

- (a) The investment cost of investment securities was paid by a director and included in amount due to (from) a director.
- (b) The disposal of the 5% interest of a subsidiary was received on behalf of the Group by a director and included in the amount due to (from) a director.
- (c) New shares of the Company were issued to its existing shareholder and included in the amount due to (from) a director.
- (d) Capital injection in a subsidiary by a minority shareholder was received by a director and included in the amount due to (from) a director.

26. OPERATING LEASE COMMITMENTS

Minimum lease payments paid under operating leases for rented premises during the year amounting to approximately HK\$283,000 (2001: HK\$240,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to approximately HK\$90,000 (2001: HK\$88,000).

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for an average term of half year.

27. MANAGEMENT FEE COMMITMENTS

At the balance sheet date the Group had outstanding commitments under non-cancellable management fee agreements which fall due as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	1,246	2,282
In the second to fifth year inclusive	—	1,246
	<u>1,246</u>	<u>3,528</u>

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28. CAPITAL COMMITMENTS

	2002	2001
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of capital contribution in Asia Finance	—	629

29. OTHER COMMITMENTS

	2002	2001
	HK\$'000	HK\$'000
Expenditure contracted for but not provided in the financial statements in respect of construction of the properties under development	3,223	2,791

30. CONTINGENT LIABILITIES

	2002	2001
	HK\$'000	HK\$'000
Penalties for late completion of properties (note 1)	8,469	6,208
Guarantees given to a bank in respect of mortgage facilities granted to purchasers for the acquisition of the properties (note 2)	94,867	84,400
Total contingent liabilities	103,336	90,608

Notes:

1. The relevant parties have not claimed for late completion up to now, in the opinion of the directors, it is unlikely for these parties to make the claims and accordingly, no provision has been made.
2. The guarantees given will be released upon the earliest of: (i) registration of mortgage by the purchaser-mortgagors holding the relevant housing ownership certificate; (ii) repayment of loan by the purchaser-mortgagors; and (iii) two years from the date of any breach of obligations by the purchaser-mortgagors.

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31. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its assets in respect of banking facilities granted to the Group as follows:

	2002	2001
	HK\$'000	HK\$'000
Investment properties	95,800	–
Completed properties held for sales	36,259	–
Properties under development	–	125,418
	<u>132,059</u>	<u>125,418</u>

32. RETIREMENT BENEFIT SCHEME

During the year, the Group contributed to a local Municipal Government retirement scheme to all qualified employees in the PRC.

The retirement benefit scheme contributions arising from the PRC Municipal Government retirement scheme charged to the consolidated income statement represent contributions paid or payable by the Group at rates specified in the rules of the schemes.

33. RELATED PARTY TRANSACTION

The Group entered into the following related party transaction during the year:

Name of related party	Nature of transaction	2002	2001
		HK\$'000	HK\$'000
Pacific Glory Group Holding Limited ("Pacific Glory")	Rental expenses paid	<u>21</u>	<u>24</u>

Mr. Leung Ngai Man, a director of the Company, has a beneficial interest in the above company.

In the opinion of the directors, the above transaction is based on terms agreed by both parties and in the ordinary course of business. The Group has discontinued the rental transactions with Pacific Glory subsequent to 31st March, 2002.

34. POST BALANCE SHEET EVENTS

- (a) On 24th April, 2002, a written resolution was passed by the sole shareholder of the Company to sub-divide each share having a par value of HK\$0.10 each in the share capital of the Company into ten shares.
- (b) On 25th April, 2002, the following written resolutions were passed by the sole shareholder of the Company:
 - (i) the authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000 by the creation of additional 10,000,000 shares with a nominal value of HK\$0.01 each;
 - (ii) the authorised share capital of the Company was then increased from HK\$200,000 to HK\$200,000,000 by the creation of a further addition of 19,980,000,000 shares with a nominal value of HK\$0.01 each; and
 - (iii) adoption of a share option scheme for the employees of the Company and its subsidiaries.
- (c) The companies comprising the Group underwent a reorganisation prior to and in preparation for the listing of the shares on the Stock Exchange. Pursuant to the agreement on 25th April, 2002, the Company acquired the entire issued share capital of Sino Prosper from Climax in consideration of (i) allotting and issuing 10,000,000 shares to Climax credited as fully paid at par, and (ii) crediting as fully paid at par the 10,000,000 nil paid shares then held by Climax.