

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- property development
- property investment
- provision of property management services

In the opinion of the directors, the ultimate holding company of the Company is Coastal International Holdings Limited ("Coastal International"), which is incorporated in the British Virgin Islands.

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- |                     |   |  |
|---------------------|---|--|
| • SSAP 1 (Revised)  | : | "Presentation of financial statements" |
| • SSAP 11 (Revised) | : | "Foreign currency translation"         |
| • SSAP 15 (Revised) | : | "Cash flow statements"                 |
| • SSAP 34           | : | "Employee benefits"                    |

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 28 of the financial statement in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and jointly-controlled entities are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

### 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) *(continued)*

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes and the prior year adjustments that have resulted from them are included in the accounting policies for “Cash and cash equivalents” and “Foreign currencies” in note 3 and in note 32(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company’s share option schemes, as detailed in note 29 to the financial statements. These share option scheme disclosures are similar to the disclosures under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the SSAP.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain properties held for development and certain fixed assets, as further explained below.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company’s subsidiaries.

#### Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Subsidiaries** *(continued)*

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

#### **Joint venture companies**

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

#### **Jointly-controlled entities**

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit-sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit-sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment of assets** *(continued)*

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### **Fixed assets and depreciation**

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of leasehold land and buildings are dealt with as movements in the land and buildings revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining lease terms, including renewal periods
Buildings	2% to 5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

### Properties under development and properties under development for sale

Properties under development, for which pre-sales have not yet commenced, are stated at cost less any impairment losses. Cost includes all costs attributable to such developments, including financial charges.

Properties under development which have been pre-sold are stated at cost plus attributable profits less sale deposits/instalments received and receivable and any foreseeable losses. Properties under development which have been pre-sold and in respect of which occupation permits are expected to be granted within one year from the balance sheet date are classified under current assets.

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 properties pre-sold during the accounting period is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, limited to the amount of sale deposits/instalments received, with due allowances for contingencies.

### Properties held for development

Properties held for development are stated at cost or at carrying value, being the valuation made by independent professional qualified valuers as at 31 March 1995 on an open market basis, less any impairment losses.

No further revaluations of the properties held for development have been carried out since 1995, as the Group has relied upon the exemption granted under the transitional provisions of SSAP 17 "Property, plant and equipment" (issued in 1995), from the requirements to carry out future revaluations of its properties held for development which were stated at valuation at that time.

For properties held for development received in exchange for previously-held properties held for development, their fair value at the date of exchange is treated as the cost of acquisition.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

#### Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to operating leases relating to the development of properties are capitalised during the development period. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

#### Long term investment

A long term investment which is intended to be held on a continuing basis is stated at cost less any impairment losses on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to an impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

#### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the consolidated profit and loss account.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Foreign currencies *(continued)*

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and jointly-controlled entities and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. These changes have had no material effect on the amounts reported in previous years' financial statements.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate for the year is based on the actual cost of the related borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of properties, when the legally binding unconditional sale contracts are signed and exchanged;
- (b) from the pre-sale of properties under development, when the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out under the accounting policy headed "Properties under development and properties under development for sale";
- (c) rental income, in the period in which the properties are let out on the straight-line basis over the lease terms;



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Revenue recognition** *(continued)*

- (d) property management income, when the related management services are provided; and
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

#### **Employee benefits**

##### *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

##### *Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

##### *Share option scheme*

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Employee benefits *(continued)*

#### *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 8% to 25.5% of their payroll costs to the central pension scheme.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the property development segment engages in the construction of properties in the PRC;
- (b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential;
- (c) the property management segment engages in the management of properties in the PRC; and
- (d) the corporate and others segment mainly engages in investment holding.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 4. SEGMENT INFORMATION *(continued)*

#### (a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

	Property development		Property investment		Property management		Corporate and others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	579,528	179,574	29,681	21,110	1,565	1,312	–	–	610,774	201,996
Segment results	56,143	(448,302)	18,421	1,780	(5,508)	548	(30,680)	(28,042)	38,376	(474,016)
Interest income									227	157
Profit/(loss) from operating activities									38,603	(473,859)
Finance costs									(14,037)	(17,900)
Share of profits and losses of jointly-controlled entities	–	(22)	–	–	–	(2,340)	–	–	(8)	(2,362)
Profit/(loss) before tax									24,558	(494,121)
Tax									(18,577)	(5,345)
Profit/(loss) before minority interests									5,981	(499,466)
Minority interests									(70)	(41)
Net profit/(loss) from ordinary activities attributable to shareholders									5,911	(499,507)

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 4. SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

The following table presents certain asset, liability and expenditure information for the Group's business segments.

	Property development		Property investment		Property management		Corporate and others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,140,407	2,183,197	455,420	383,434	12,019	8,333	11,130	(122)	2,618,976	2,574,842
Interests in jointly-controlled entities	17,396	517	-	-	-	-	(4,495)	(4,633)	12,901	(4,116)
Unallocated assets									560	560
Bank overdrafts included in segments assets	-	-	-	-	-	-	8,323	9,141	8,323	9,141
Total assets									2,640,760	2,580,427
Segment liabilities	377,837	360,527	78,507	56,248	4,047	2,363	5,162	2,866	465,553	422,004
Unallocated liabilities									676,394	666,568
Bank overdrafts included in segments assets	-	-	-	-	-	-	8,323	9,141	8,323	9,141
Total liabilities									1,150,270	1,097,713
Other segment information:										
Depreciation	637	610	4,140	2,310	105	5	801	609	5,683	3,534
Provision for impairment of properties held for development	-	379,649	-	-	-	-	-	-	-	379,649
Provision for impairment of properties under development	-	94,686	-	-	-	-	-	-	-	94,686
Provision for impairment of completed properties for sale	-	36,000	-	-	-	-	-	-	-	36,000
Reduction in land grant fees upon exchange of properties held for development	-	(63,649)	-	-	-	-	-	-	-	(63,649)
Provision for land appreciation tax	-	1,560	-	-	-	-	-	-	-	1,560
Loss on disposal of fixed assets	-	6	-	-	-	-	125	104	125	110
Loss on disposal of an investment property	-	-	-	-	-	-	-	7,716	-	7,716
Capital expenditure	5,689	9,495	8,812	163	280	15	257	2,543	15,038	12,216

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 4. SEGMENT INFORMATION *(continued)*

#### (b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the PRC		Corporate and others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	–	65	610,307	201,772	467	159	610,774	201,996
Other segment information:								
Segment assets	711	229	2,632,525	2,573,266	(799)	(2,209)	2,632,437	2,571,286
Bank overdrafts included in segment assets	–	–	–	–	8,323	9,141	8,323	9,141
							2,640,760	2,580,427
Capital expenditure	–	31	14,781	9,673	257	2,512	15,038	12,216

### 5. TURNOVER

Turnover represents gross proceeds, net of returns, from the sale of properties and pre-sale of properties under development, adjusted to reflect the progress of the development, together with gross rental income and property management income.

Included in the Group's turnover is revenue arising from the following activities:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Sale of properties	579,528	179,574
Gross rental income	29,681	21,110
Property management income	1,565	1,312
	610,774	201,996



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Group	
	2003 HK\$'000	2002 HK\$'000
Cost of properties for sale sold	494,885	175,770
Depreciation	6,622	3,973
Less: Amounts capitalised in properties under development	(939)	(439)
	5,683	3,534
Minimum lease payments under operating leases for land and buildings	1,252	1,344
Less: Amounts capitalised in properties under development	(20)	(71)
	1,232	1,273
Auditors' remuneration	800	800
Staff costs (including directors' remuneration - note 8)	22,619	18,436
Pension scheme contributions	476	1,095
Less: Amounts capitalised in properties under development	(3,372)	(5,020)
	19,723	14,511
Provisions for impairment of:		
– properties held for development* (note 16)	–	379,649
– properties under development*	–	94,686
– completed properties for sale**	–	36,000
	–	510,335

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES *(continued)*

	Group	
	2003 HK\$'000	2002 HK\$'000
Provision for land appreciation tax*	—	1,560
Loss on disposal of fixed assets (other than investment properties)	125	110
Loss on disposal of an investment property*	—	7,716
Reduction in land grant fees upon exchange of properties held for development* (note 16)	—	(63,649)
Revaluation deficit on leasehold land and buildings	526	-
Interest income	(227)	(157)
Exchange gains, net	(715)	(1,856)
Gross rental income	(29,681)	(21,110)
Less: Outgoings	7,169	14,960
Net rental income	(22,512)	(6,150)

\* Included in "Other operating expenses, net" on the face of the profit and loss account.

\*\* Included in "Cost of sales" on the face of the profit and loss account.

### 7. FINANCE COSTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	33,423	27,206
Interest on other loans	—	4,608
	33,423	31,814
Less: Amounts capitalised in properties under development	(19,386)	(13,914)
	14,037	17,900

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 8. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fees:		
Executive directors	–	–
Non-executive directors	10	30
Independent non-executive directors	60	60
Executive directors' other emoluments:		
Basic salaries and bonuses	5,108	5,213
Pension scheme contributions	60	60
Housing benefits, other allowances and benefits in kind	744	934
	<b>5,982</b>	<b>6,297</b>

The number of directors whose remuneration fell within the following bands is set out below:

	<b>Number of directors</b>	
	<b>2003</b>	<b>2002</b>
Nil - HK\$1,000,000	7	8
HK\$1,000,001 - HK\$1,500,000	3	2
HK\$1,500,001 - HK\$2,000,000	1	2
	<b>11</b>	<b>12</b>

All of the executive directors agreed to waive their entitlements to directors' fees totalling HK\$50,000 (2002: HK\$50,000) for the year. Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2002: four) directors, details of whose remuneration are set out in note 8 above. The remuneration of the remaining one (2002: one) non-director, highest paid individual fell within the band of Nil - HK\$1,000,000 (2002: HK\$1,000,001 - HK\$1,500,000), details of which are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Basic salary and bonus	759	1,109
Pension scheme contributions	12	12
	<u>771</u>	<u>1,121</u>

### 10. TAX

	Group	
	2003 HK\$'000	2002 HK\$'000
Group:		
Elsewhere than Hong Kong	20,566	2,964
Underprovision in prior years	—	2,381
Deferred tax - note 26	(1,989)	—
	<u>18,577</u>	<u>5,345</u>

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the year (2002: Nil).

The Group's profits tax represents tax charges on the assessable profits of subsidiaries operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy income tax reductions.

### 11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year dealt with in the financial statements of the Company is approximately HK\$6,411,000 (2002: HK\$507,993,000).

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) from ordinary activities attributable to shareholders for the year of HK\$5,911,000 (2002: net loss of HK\$499,507,000) and the 1,024,000,000 (2002: weighted average of 1,003,744,966) shares in issue during the year.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the years ended 31 March 2003 and 2002, they exerted no dilution effect on the basic earnings/(loss) per share for the years ended 31 March 2003 and 2002.

### 13. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	2,409,683	2,409,683
Amounts due from subsidiaries	457,250	462,910
	2,866,933	2,872,593
Less: Provision for impairment	(1,409,798)	(1,409,798)
	1,457,135	1,462,795

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Further particulars of the principal subsidiaries are set out in note 38 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 14. FIXED ASSETS

Group	Investment properties HK\$'000	Leasehold land and buildings in Hong Kong HK\$'000	Long term leasehold land and buildings in the PRC HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	380,430	3,850	11,700	13,402	8,772	5,393	423,547
Additions	–	–	–	7,926	4,418	2,694	15,038
Disposals	–	–	(541)	–	(1,712)	(1,261)	(3,514)
Deficit on revaluation	–	(680)	–	–	–	–	(680)
At 31 March 2003	380,430	3,170	11,159	21,328	11,478	6,826	434,391
Accumulated depreciation:							
At beginning of year	–	77	1,110	4,012	5,529	3,643	14,371
Provided during the year	–	77	725	4,146	1,281	393	6,622
Disposals	–	–	(217)	–	(1,588)	(980)	(2,785)
Write back on revaluation	–	(154)	–	–	–	–	(154)
At 31 March 2003	–	–	1,618	8,158	5,222	3,056	18,054
Net book value:							
At 31 March 2003	380,430	3,170	9,541	13,170	6,256	3,770	416,337
At 31 March 2002	380,430	3,773	10,590	9,390	3,243	1,750	409,176
Analysis of cost or valuation:							
At cost	–	–	–	21,328	11,478	6,826	39,632
At valuation	380,430	3,170	11,159	–	–	–	394,759
	380,430	3,170	11,159	21,328	11,478	6,826	434,391

The leasehold land and buildings in Hong Kong are held under medium term leases as to the amount of approximately HK\$710,000 and under long term leases as to the amount of approximately HK\$2,460,000.

In the opinion of the directors, the fair values of the Group's leasehold land and buildings in the PRC did not differ materially from the carrying values of the respective assets at the balance sheet date and no further revaluation was therefore performed.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 14. FIXED ASSETS *(continued)*

The Group's leasehold land and buildings in Hong Kong were revalued at 31 March 2003 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$3,170,000 on an open market, existing use basis. A revaluation deficit of HK\$526,000 resulting from the above valuation has been charged to the profit and loss account.

Had the Group's total leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$9,902,000 (2002: HK\$10,597,000).

The Group's investment properties are situated in the PRC and are held under the following lease terms:

	2003 HK\$'000
Medium term leases	359,000
Long term leases	21,430
	<u>380,430</u>

All of the Group's investment properties in the PRC were revalued at 31 March 2003 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$380,430,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34 to the financial statements.

Certain investment properties with an aggregate carrying value of HK\$379,000,000 (2002: HK\$304,697,000) have been pledged to banks to secure banking facilities granted to the Group (note 24).

Further particulars of the Group's investment properties are set out on pages 77 and 78 of the annual report.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2003 HK\$'000	2002 HK\$'000
At beginning of year	530,476	345,106
Additions	412,399	210,132
Transfer from properties held for development (note 16)	96,935	145,283
Attributable profits	39,991	23,066
	<b>1,079,801</b>	723,587
Less: Sale deposits and instalments received	(256,284)	(98,425)
	<b>823,517</b>	625,162
Provision for impairment	—	(94,686)
	<b>823,517</b>	530,476
Transfer to completed properties for sale	(253,937)	—
	<b>569,580</b>	530,476
Portion classified as properties under development for sale under current assets	(489,131)	(423,481)
	<b>80,449</b>	106,995

The properties under development of the Group are situated in the PRC and are held under medium term leases as to the amount of approximately HK\$60,892,000 and under long term leases as to the amount of approximately HK\$508,688,000.

Certain properties under development with an aggregate carrying value of HK\$381,379,000 (2002: HK\$342,935,000) have been pledged to banks to secure banking facilities granted to the Group (note 24).

Further particulars of the Group's properties under development are set out on page 79 of the annual report.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 16. PROPERTIES HELD FOR DEVELOPMENT

	Group	
	2003 HK\$'000	2002 HK\$'000
At beginning of year	1,261,918	1,618,778
Additions	18,280	62,480
Acquisition of a subsidiary (note 32(b))	—	106,374
Provision for impairment	—	(379,649)
Transfer to properties under development (note 15)	(96,935)	(145,283)
Revaluation reserve eliminated upon reclassification to properties under development (note 30)	—	(782)
At 31 March	1,183,263	1,261,918

The properties held for development of the Group are situated in the PRC and are held under long term leases.

In the prior year, the Group obtained approval from the relevant government authorities for the replacement of certain properties in the PRC held for development as at 31 March 2001, by other properties in the PRC to be held for future development by the Group. The replacement was completed during the year ended 31 March 2002. As a consequence of this exchange of assets, the attributable revaluation reserve of the properties being replaced, amounting to approximately HK\$1,256,214,000, was transferred from the properties held for development revaluation reserve to retained profits upon the replacement last year (note 30). The prior year's provision for impairment of the replacement land, amounting to HK\$379,649,000, was therefore charged to the profit and loss account for the year ended 31 March 2002 (note 6). The reduction in the land grant fees payable resulting from the replacement of the properties, amounting to approximately HK\$63,649,000 (note 25), representing the difference between the fees payable for the new properties and the properties being replaced, was credited to the profit and loss account for the year ended 31 March 2002 upon the exchange (note 6).

As at 31 March 2003, the above properties include certain properties held for development amounting to approximately HK\$1,110 million (2002: HK\$1,125 million), for which the Group has obtained only provisional land use right certificates. The procedures for the issue of provisional land use rights certificates and full formal land use rights certificates, together with details of the further land grant fees payable to the local government authorities in connection with the land use rights, are set out in note 25 to the financial statements.

Certain properties held for development with a carrying value of HK\$164,502,000 (2002: Nil) have been pledged to a bank to secure banking facilities granted to the Group (note 24).

Further particulars of the Group's properties held for development are set out on page 80 of the annual report.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	25,429	6,756
Amounts due from jointly-controlled entities	742	1,113
Amounts due to jointly-controlled entities	(13,270)	(11,985)
	<u>12,901</u>	<u>(4,116)</u>

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of registration	Group's percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
New Shanghai International Property Management Co., Ltd.*	Corporate	PRC	30%	43%	30%	Property management
Qingdao Coastal Realty Development Co., Ltd.*	Corporate	PRC	50%	25%	50%	Property development
Anshan Haiji Property Development Limited*	Corporate	PRC	67%	67%	67%	Property development

\* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

### 18. LONG TERM INVESTMENT

	Group	
	2003 HK\$'000	2002 HK\$'000
Club membership debenture, at cost	<u>560</u>	<u>560</u>

### 19. PLEDGED DEPOSITS

The balance mainly represents deposits pledged to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 20. COMPLETED PROPERTIES FOR SALE

The carrying amount of completed properties for sale carried at net realisable value is HK\$103,236,000 (2002: HK\$106,223,000).

Certain completed properties for sale with an aggregate carrying value of HK\$69,050,000 (2002: HK\$41,745,000) have been pledged to banks and other parties to secure bank and other loans granted to the Group (note 24).

Further particulars of the Group's completed properties for sale are set out on pages 77 to 78 of the annual report.

### 21. TRADE RECEIVABLES

The Group's credit policy is set on a project-by-project basis taking into account the prevailing market situations for each project.

An aged analysis of the trade receivables as at the balance sheet date, net of provisions for bad and doubtful debts, is as follows:

	2003		2002	
	Balance HK\$'000	Percentage	Balance HK\$'000	Percentage
0 – 30 days	3,334	7	2,430	6
31 – 60 days	–	–	1,516	3
61 – 90 days	–	–	1,294	3
Over 90 days	46,146	93	38,124	88
	<u>49,480</u>	<u>100</u>	<u>43,364</u>	<u>100</u>

### 22. DUE TO THE ULTIMATE HOLDING COMPANY

Except for an amount of HK\$20,000,000 as at 31 March 2002 which was repayable after more than one year, the amount due to the ultimate holding company is unsecured, interest-free and is repayable on demand.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 23. TRADE PAYABLES

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

	2003		2002	
	Balance HK\$'000	Percentage	Balance HK\$'000	Percentage
0 - 30 days	4	—	7,578	7
31 - 60 days	387	—	5,731	5
61 - 90 days	230	—	368	—
Over 90 days	95,792	100	93,570	88
	<b>96,413</b>	<b>100</b>	<b>107,247</b>	<b>100</b>

### 24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank overdrafts:		
Secured	—	—
Unsecured	8,323	9,141
	<b>8,323</b>	<b>9,141</b>
Bank loans:		
Secured	500,483	393,616
Unsecured	41,918	65,938
	<b>542,401</b>	<b>459,554</b>
Other loans:		
Secured	51,115	65,985
Unsecured	14,407	14,825
	<b>65,522</b>	<b>80,810</b>
	<b>616,246</b>	<b>549,505</b>

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 24. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank overdrafts repayable within one year or on demand	8,323	9,141
Bank loans repayable:		
Within one year or on demand	405,648	284,702
In the second year	136,753	63,384
In the third to fifth years, inclusive	—	111,468
	542,401	459,554
Other loans repayable:		
Within one year	51,673	66,542
In the second year	558	558
In the third to fifth years, inclusive	1,673	1,673
Beyond five years	11,618	12,037
	65,522	80,810
	616,246	549,505
Portion classified as current liabilities	(465,644)	(360,385)
Long term portion	150,602	189,120

- (a) Certain of the Group's bank loans are secured by:
- (i) certain investment properties of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$379 million;
  - (ii) certain properties under development of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$381 million;
  - (iii) certain completed properties for sale of the Group with an aggregate carrying value at the balance sheet date of approximately HK\$69 million;
  - (iv) certain properties held for development of the Group with a carrying value at the balance sheet date of approximately HK\$165 million; and
  - (v) corporate guarantees from the Company and certain of its subsidiaries.
- (b) Certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$42 million at the balance sheet date. The other loans bear interest at rates ranging from 5.6% to 6.5% per annum.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 25. LONG TERM PAYABLES

	Group	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of year	151,847	227,140
Additions for properties held for development	8,790	24,159
Reclassification to trade payables	(49,162)	(35,803)
Reduction in land grant fees upon replacement of properties held for development (note 16)	—	(63,649)
At 31 March	111,475	151,847

The long term payables mainly represent land grant fees due in respect of the acquisition of land use rights in the PRC.

In accordance with the terms of the land use grant agreements and the sale and purchase agreements, the further land grant fee considerations are payable only upon the commencement of development of the relevant projects and according to the progress of the development. Until the land grant fee in respect of a particular site has been fully paid, the Group is only permitted to apply for a provisional land use right certificate, not the formal land use right certificate, for that site and the Group is not allowed to transfer, mortgage or lease the relevant properties in respect of that site without the consent of the local government authorities.

As at 31 March 2003, the Group has obtained only provisional land use right certificates for certain properties held for development amounting to approximately HK\$1,110 million (2002: HK\$1,125 million). The balance of the land grant fees in respect of these properties held for development, comprising the long term payable amount above, will not be payable within one year because the Company's directors have confirmed that the development of the relevant projects will not commence within one year from the balance sheet date.

### 26. DEFERRED TAX

	Group	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of year	1,989	1,989
Write back – note 10	(1,989)	—
At 31 March	—	1,989

The provision for deferred tax in the prior year was principally made for exchange gain arising from a PRC subsidiary.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 26. DEFERRED TAX *(continued)*

At the balance sheet date, the Group had an unprovided deferred tax liability of approximately HK\$443 million (2002: HK\$28 million) in respect of the surplus arising from the revaluation of certain investment properties and properties held for development, and an unrecognised deferred tax asset of approximately HK\$8 million (2002: HK\$5 million) in respect of tax losses arising in Hong Kong. The directors are of the opinion that such deferred tax liability will not crystallise in the foreseeable future.

### 27. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of year	—	—	—	—
Provision for the year	1,658	—	835	—
At 31 March	1,658	—	835	—

### 28. SHARE CAPITAL

	2003	2002
	HK\$'000	HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$0.10 each	150,000	150,000
Issued and fully paid:		
1,024,000,000 ordinary shares of HK\$0.10 each	102,400	102,400

### 29. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading “Employee benefits” in note 3 to the financial statements. As a result, the following disclosures relating to the Company’s share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

On 20 September 1997, the Company adopted a share option scheme (the “Scheme 1997”) for the eligible participants, including the directors of the Company (other than non-executive directors) or any of its subsidiaries and other employees of the Group, pursuant to which options to subscribe for an aggregate of up to 10% of the issued share capital of the Company from time to time were able to be granted. Under the Scheme 1997, the Directors were able to terminate the Scheme 1997 at any time and in accordance therewith, the Directors terminated the Scheme 1997 on 30 August 2002. However, all the options granted under the Scheme 1997 which remained outstanding on the date of termination of the Scheme 1997 continue to be valid and exercisable in accordance with the provisions of the Scheme 1997.

## 29. SHARE OPTION SCHEMES *(continued)*

A new option scheme (the “Scheme 2002”) was adopted by the shareholders of the Company at the annual general meeting held on 24 September 2002. Under the Scheme 2002, the Directors of the Company may, subject to and in accordance with the provisions of the Scheme 2002 and the Listing Rules, grant share options to any eligible participant to subscribe for shares in the capital of the Company. A summary of the principal terms of the Scheme 2002 is set out as follows:

### (a) Purpose of the Scheme 2002

The purpose of the Scheme 2002 is to provide incentives or rewards to eligible participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (“Invested Entity”).

### (b) Eligible participants (“Participants”)

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up options to subscribe for shares in the capital of the Company:

- (i) any eligible employee of the Company or its subsidiaries;
- (ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any legal or financial adviser of the Group or any Invested Entity or any technical consultant that provides research, development or other technological support to the Group or any Invested Entity; and
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity who have made or may make a contribution to the development and growth of the Group or any Invested Entity;

and, for the purposes of the Scheme 2002, options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust.

The basis of eligibility of any of the above classes of Participants to the grant of any option shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 29. SHARE OPTION SCHEMES *(continued)*

#### (c) Maximum number of shares

- (i) The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (ii) The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme 2002 and any other share option schemes of the Company) to be granted under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 102,400,000 shares, representing 10% of the issued share capital of the Company.
- (iii) At 31 March 2003, the number of shares issueable under share options granted under the Scheme 1997 was 62,720,000, which represented approximately 6.1% of the Company's shares in issue at that date.

#### (d) Maximum entitlement of each Participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme 2002 and any other share option schemes of the Company (including both exercised and outstanding options) to each Participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options to a Participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant is subject to the issue of a circular to the shareholders and the shareholders' approval in a general meeting of the Company with such Participant and his associates abstaining from voting.

#### (e) Grant of options to connected persons

- (i) Any grant of options under the Scheme 2002 to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (ii) Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Company's shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
  - (aa) representing in aggregate over 0.1% of the Company's shares in issue; and



### 29. SHARE OPTION SCHEMES *(continued)*

#### (e) Grant of options to connected persons *(continued)*

- (bb) having an aggregate value, based on the closing price of the Company's shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the options granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates must be approved by the shareholders in a general meeting.

#### (f) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by a Participant within 28 days from the date of the offer of grant of the option. A consideration of HK\$1 in total is payable on acceptance of the offer of grant of an option.

An option may be exercised in accordance with the terms of the Scheme 2002 at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the day on which the offer for the grant of options is made but shall end in any event not later than ten years from the date of grant of the option subject to the provisions for early termination thereof. The Directors may at their discretion determine the minimum period for which an option granted under the Scheme 2002 must be held before it can be exercised, although there is no specific requirement of such a minimum period under the Scheme 2002.

#### (g) Basis of determining the option exercise price

The subscription price for the shares under the Scheme 2002 shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's shares. Without prejudice to the generality of the foregoing, the Directors may grant options in respect of which the subscription price is fixed at different prices for different periods during the option period provided that the subscription price for the Company's shares for each of the different periods shall not be less than the subscription price determined in the manner set out herein.

#### (h) Period of the Scheme 2002

The Scheme 2002 will remain in force for a period of ten years commencing on 24 September 2002.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 29. SHARE OPTION SCHEMES (continued)

No share options have been granted under the Scheme 2002 since its adoption. The following share options were outstanding under the Scheme 1997 during the year:

	Number of share options							Exercise price
Name or category of participant	At 1 April 2002	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2003	Date of grant of share options <sup>(1)</sup>	Exercise period of share options <sup>(3)</sup>	of share options <sup>(2)</sup> HK\$
Directors								
Chan Boon Teong	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Jiang Ming	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Tao Lin	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Cheng Wing Bor	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Lin Chen Hsin	1,600,000	–	–	–	1,600,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Other employees								
In aggregate	35,520,000	–	–	–	35,520,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
	62,720,000	–	–	–	62,720,000			

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (3) The share options are exercisable in tranches during the period from 1 October 2000 to 19 September 2007, as specified in the share option certificates.

At the balance sheet date, the Company had 62,720,000 share options outstanding under the Scheme 1997. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 62,720,000 additional ordinary shares of the Company and additional share capital of HK\$6,272,000 and share premium of HK\$6,272,000 (before issue expenses).

# NOTES TO FINANCIAL STATEMENTS

31 March 2003

## 30. RESERVES

Group	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Properties held for development revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	PRC reserve funds (Note) HK\$'000	Total HK\$'000
At 1 April 2001	289,500	131,803	9,852	11,051	60,104	1,275,770	(472)	68,240	–	1,845,848
Rights issue of shares	23,040	–	–	–	–	–	–	–	–	23,040
Share issue expenses	(1,560)	–	–	–	–	–	–	–	–	(1,560)
Revaluation reserve released upon disposal of land and buildings	–	–	–	(5,218)	–	–	–	5,218	–	–
Deficit on revaluation	–	–	–	–	(2,000)	–	–	–	–	(2,000)
Realisation of revaluation deficit upon disposal of an investment property	–	–	–	–	7,540	–	–	–	–	7,540
Revaluation reserve released upon replacement of properties held for development (note 16)	–	–	–	–	–	(1,256,214)	–	1,256,214	–	–
Revaluation reserve eliminated upon transfer of properties held for development to properties under development (note 16)	–	–	–	–	–	(782)	–	–	–	(782)
Revaluation reserve eliminated shared by minority shareholders upon transfer of properties held for development to properties under development	–	–	–	–	–	157	–	–	–	157
Net loss for the year	–	–	–	–	–	–	–	(499,507)	–	(499,507)
Transfer	–	–	929	–	–	–	–	(2,973)	2,044	–
At 31 March 2002 and 1 April 2002	310,980	131,803	10,781	5,833	65,644	18,931	(472)	827,192	2,044	1,372,736
Net profit for the year	–	–	–	–	–	–	–	5,911	–	5,911
Transfer	–	–	–	–	–	–	–	(1,663)	1,663	–
At 31 March 2003	310,980	131,803	10,781	5,833	65,644	18,931	(472)	831,440	3,707	1,378,647

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 30. RESERVES (continued)

Group	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Properties held for development revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	PRC reserve funds (Note) HK\$'000	Total HK\$'000
Reserves retained by:										
Company and subsidiaries	310,980	131,803	10,781	5,833	65,644	18,931	(472)	833,854	3,707	1,381,061
Jointly-controlled entities	–	–	–	–	–	–	–	(2,414)	–	(2,414)
31 March 2003	<u>310,980</u>	<u>131,803</u>	<u>10,781</u>	<u>5,833</u>	<u>65,644</u>	<u>18,931</u>	<u>(472)</u>	<u>831,440</u>	<u>3,707</u>	<u>1,378,647</u>
Reserves retained by:										
Company and subsidiaries	310,980	131,803	10,781	5,833	65,644	18,931	(472)	829,598	2,044	1,375,142
Jointly-controlled entities	–	–	–	–	–	–	–	(2,406)	–	(2,406)
31 March 2002	<u>310,980</u>	<u>131,803</u>	<u>10,781</u>	<u>5,833</u>	<u>65,644</u>	<u>18,931</u>	<u>(472)</u>	<u>827,192</u>	<u>2,044</u>	<u>1,372,736</u>

Note: Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries in the PRC has been transferred to reserve funds which are restricted as to their use.

Company	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2001	289,500	2,409,483	(853,208)	1,845,775
Rights issue of shares	23,040	–	–	23,040
Share issue expenses	(1,560)	–	–	(1,560)
Net loss for the year	<u>–</u>	<u>–</u>	<u>(507,993)</u>	<u>(507,993)</u>
At 31 March 2002 and 1 April 2002	310,980	2,409,483	(1,361,201)	1,359,262
Net loss for the year	<u>–</u>	<u>–</u>	<u>(6,411)</u>	<u>(6,411)</u>
At 31 March 2003	<u>310,980</u>	<u>2,409,483</u>	<u>(1,367,612)</u>	<u>1,352,851</u>

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 30. RESERVES (continued)

The contributed surplus of the Group represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Group, (i) in the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Group in 1995; and (ii) at a premium to third parties in 1997.

The contributed surplus of the Company arose as a result of the Group reorganisation completed in September 1997 and represents the excess of the then combined net assets of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor.

### 31. NEGATIVE GOODWILL

The amount of the negative goodwill remaining in consolidated reserves as at 31 March 2003, arising from acquisitions of subsidiaries prior to 1 April 2001, is as follows:

Group	Negative goodwill credited to consolidated capital reserve HK\$'000
Cost:	
At beginning of year and 31 March 2003	9,852

67

### 32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid and interest paid and received are now included in cash flows from operating activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

#### (a) Prior year adjustments *(continued)*

Also, the definition of “cash equivalents” under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading “Cash and cash equivalents” in note 3 to the financial statements. This has resulted in bank overdrafts, which do not form an integral part of the Group’s cash management, no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 March 2002 has been adjusted to remove bank overdrafts amounting to HK\$9,141,000 previously included at that date. The year’s movement in bank overdrafts is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

#### (b) Acquisition of a subsidiary in the prior year

	2002 HK\$'000
Net assets acquired:	
Fixed assets	494
Properties held for development	106,374
Prepayments, deposits and other receivables	9
Other payables	(929)
Bank loan	(35,781)
Minority interests	(3,513)
	<hr/>
	66,654
Satisfied by:	
Cash	34,126
Other payables	32,528
	<hr/>
	66,654

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

#### (b) Acquisition of a subsidiary in the prior year *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary was as follows:

	2002 HK\$'000
Cash consideration	34,126
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	34,126

On 15 January 2002, the Group acquired a 95% interest in Beijing Xing Gang Real Estate Company Limited, which is engaged in property development. The purchase consideration for the acquisition was in the form of cash, with HK\$34,126,000 being paid during the prior year.

The subsidiary acquired in the prior year made no significant contribution to the Group in respect of the Group's turnover and contribution to the consolidated loss after tax and before minority interests for that year.

#### (c) Major non-cash transaction

During the year, the Group assigned a debt of approximately HK\$32,528,000, being the consideration payable for the acquisition of Beijing Xing Gang Real Estate Company Limited, to Coastal International.

### 33. CONTINGENT LIABILITIES

At 31 March 2003, the Group had given guarantees to the extent of approximately HK\$342,103,000 (2002: HK\$171,731,000) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

At 31 March 2003, the Company had given guarantees to the extent of approximately HK\$142,006,000 (2002: HK\$232,055,000) to banks for facilities granted to its subsidiaries.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 34. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 month to 3 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	14,523	11,947
In the second to fifth years, inclusive	6,676	2,007
	<u>21,199</u>	<u>13,954</u>

#### (b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	1,767	932
In the second to fifth years, inclusive	124	937
	<u>1,891</u>	<u>1,869</u>

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group	
	2003 HK\$'000	2002 HK\$'000
Property development expenditure:		
Contracted, but not provided for	261,685	94,884
Authorised, but not contracted for	339,432	520,751
	<u>601,117</u>	<u>615,635</u>

At 31 March 2003, the Group's share of capital commitment in respect of a jointly controlled entity was approximately HK\$6,759,000 (2002: Nil).

At the balance sheet date, the Company did not have any significant commitments.

### 36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, the Group had the following transactions with a related party:

- (a) Under a licence contract dated 20 September 1997 between Coastal International and the Company, Coastal International agreed to grant to the Company, for an annual fee of HK\$10 payable by the Company under the agreement, a non-exclusive licence to use its trademark for an initial term of ten years.

The independent non-executive directors of the Company have reviewed and confirmed that the above transaction was conducted in the ordinary and usual course of the Group's business, is in accordance with the terms of the agreements governing the transaction, and is fair and reasonable so far as the shareholders of the Company are concerned.

- (b) In the prior year, Coastal International entered into an underwriting agreement with the Company in respect of the rights issue completed during that year. As a result, Coastal International received an underwriting commission of approximately HK\$660,000 from the Company in accordance with the terms of the underwriting agreement.



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 37. POST BALANCE SHEET EVENTS

On 17 April 2003, the Company entered into various acquisition agreements with Coastal Enterprise Group Limited, a wholly-owned subsidiary of Coastal International, and three independent third parties in relation to the acquisition of an aggregate 47.5% indirect interest in Tangshan New Island Tourism Development Company Limited, a Sino-foreign joint venture company established in the PRC (the "Joint Venture Company") (the "Acquisitions"). The Joint Venture Company is principally engaged in the development of the Da Wang Gang Island, which is situated at Lao Ting County, Tang Shan City, Hebei Province, the PRC, into a tourist resort with ancillary real estate development. The aggregate consideration for the Acquisitions is HK\$100,000,000, which was satisfied by the allotment and issue of 1,000,000,000 new shares of the Company (the "Consideration Shares") at an issue price of HK\$0.10 per share. The Consideration Shares represent approximately 49.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Coastal Enterprise Group Limited is a wholly-owned subsidiary of Coastal International, which in turn is the controlling shareholder of the Company. By virtue of the Listing Rules, the Acquisitions constituted a major and connected transaction of the Company.

In order to accommodate the allotment and issue of the Consideration Shares, the Directors proposed to increase the authorised share capital of the Company from HK\$150,000,000 to HK\$300,000,000 by the creation of an additional 1,500,000,000 unissued shares.

The Directors also proposed to change the Company's name to "Coastal Greenland Limited" and adopt the Chinese name of "沿海綠色家園有限公司" to align with the business strategy of the Group.

The Acquisitions and the allotment and issue of the Consideration Shares were approved by the independent shareholders of the Company and the increase in the authorised share capital of the Company and the change of the Company's name were approved by the shareholders of the Company at a special general meeting held on 9 June 2003.

Further details in respect of the Acquisitions, the increase in the authorised share capital of the Company and the change of the Company's name are set out in the Company's announcement dated 23 April 2003 and the Company's circular to shareholders dated 13 May 2003. The Acquisitions, the increase in the authorised capital of the Company and the change of the Company's name were completed in June 2003.

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Directly held subsidiary:</b>				
Coastal Realty (BVI) Limited	British Virgin Islands/Hong Kong	US\$200 Ordinary	100%	Investment holding
<b>Indirectly held subsidiaries:</b>				
Beijing Xing Gang Real Estate Company Limited ^	PRC	RMB112,050,000	95%	Property development
Coastal Greenland Development (An Shan) Ltd. ^	PRC	RMB50,000,000	96%	Property development
Coastal Greenland Development (Fujian) Ltd.#	PRC	US\$10,000,000	100%	Property development
Coastal Greenland Development (Shenzhen) Ltd.#	PRC	US\$12,000,000	100%	Property development
Coastal Greenland Development (Wuhan) Ltd.#	PRC	RMB50,000,000	100%	Property development
Coastal Greenland Development (Xiamen) Ltd.#	PRC	RMB100,000,000	100%	Property development
Coastal Realty Development Co. Limited	Hong Kong	HK\$10 Ordinary HK\$20,000,000 Non-voting deferred (Note ii)	100%	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd.#	PRC	US\$12,000,000	100%	Property investment
Coastal Realty Management Company Limited	Hong Kong	HK\$500,000 Ordinary	100%	Investment holding

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Indirectly held subsidiaries:</b> (continued)				
Comfort Property Management (Anshan) Ltd.#	PRC	RMB1,000,000	100%	Property management
My Home Services (Shenzhen) Ltd.# (formerly Comfort Property Management (Shenzhen Ltd.)	PRC	US\$121,000	100%	Property management
My Home Services (Wuhan) Ltd.# (formerly Comfort Property Management (Wuhan) Ltd.)	PRC	HK\$1,000,000	100%	Property management
Comfort Property Management (Xiamen) Ltd.#	PRC	RMB3,000,000	100%	Property management
Direct Pole Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Dragon Gain Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Fenhall Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Fenson Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Frenwick Development Limited	Hong Kong	HK\$10,000 Ordinary	100%	Property investment
Greaton Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Kingdom Ace Development Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment

## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
<b>Indirectly held subsidiaries:</b> (continued)				
Kings Crown Holdings Ltd.	British Virgin Islands/Hong Kong	US\$50,000 Ordinary	100%	Investment holding
Pearl Square Enterprises Limited	Hong Kong	HK\$2 Ordinary	100%	Investment holding
Shanghai Coastal Golden Bridge Real Estate Ltd. ^	PRC	RMB10,000,000	100%	Property development
Shanghai Coastal Greenland Real Estate Ltd. ^	PRC	RMB20,000,000	100%	Investment holding
Shanghai Ling Zhi Properties Co., Ltd. ^	PRC	US\$25,000,000	100%	Property investment
Shanghai My Home Services Co., Ltd.^ (formerly Shanghai Xin Jia Management Co., Ltd.)	PRC	RMB3,000,000	100%	Property management
Strive More Industrial Limited	Hong Kong	HK\$102,500 Ordinary	100%	Investment holding
Tacklemate Investment Limited	Hong Kong	HK\$2 Ordinary	100%	Property investment
Trenco Properties Limited	Hong Kong	HK\$10,000 Ordinary	100%	Investment holding
Wuhan Commercial Plaza Co., Ltd.#	PRC	US\$5,000,000	100%	Property investment
Xiamen Linzi Construction Development Co., Ltd.#	PRC	US\$5,000,000	100%	Property investment



## NOTES TO FINANCIAL STATEMENTS

31 March 2003

### 38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(continued)*

Notes:

- (i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.
- (ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding-up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the holders of the ordinary shares *pari passu* among themselves in each case in proportion to the amounts paid up on the shares held by them respectively.

# wholly foreign owned enterprise

^ contractual joint venture

The above table lists the subsidiaries of the Company 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 other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

### 39. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of new and revised SSAPs during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

### 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2003.