

Notes to the Financial Statements

For the Nine Months Ended 31st December, 2001

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The principal activities of the Group are hotel investment and operation, property investment, property development and trading, securities investment and trading, and treasury investment.

The financial statements for the current period cover the nine months period ended 31st December, 2001. The corresponding comparative amounts shown for the income statement, statement of recognised gains and losses, cash flows and related notes cover the full year period ended 31st March, 2001 and therefore may not be comparable with amounts shown for the current period. The period covered by the current period’s financial statements is less than twelve months because the directors determined to bring the balance sheet date into line with that of Shun Ho Technology Holdings Limited (“Shun Ho Technology”) which has become the Company’s holding company during the period. No further changes to reporting dates are anticipated.

The intermediate holding company of Shun Ho Technology is Shun Ho Resources Holdings Limited (“Shun Ho Resources”), a public limited company incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange. The directors consider the Company’s ultimate holding company to be Shun Ho Group Limited, a private limited company incorporated in the Republic of Liberia.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. Adoption of these Standards has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised Standards has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

Goodwill

In adopting SSAP 30 “Business Combinations”, the Group has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and is amortised over its estimated useful life. Negative goodwill arising on acquisitions on or after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

The adoption of this revised accounting policy does not have any material impact on the financial statements of the Group for the period.

Leases

The adoption of SSAP 14 (Revised) “Leases” has not resulted in any significant changes to the accounting treatment adopted for leases, accordingly no prior period adjustment has been required. Disclosure for the Group’s leasing arrangements have been modified so as to comply with the new requirements of SSAP 14 (Revised).

Notes to the Financial Statements *(Continued)*

For the Nine Months Ended 31st December, 2001

2. **ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES** *(Continued)*

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

The results of subsidiaries and associates acquired or disposed of during the period are included in the 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 within the Group have been eliminated on consolidation.

Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions on or after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Notes to the Financial Statements *(Continued)*

For the Nine Months Ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill/negative goodwill *(Continued)*

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits or losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Investments in securities

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

All securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

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 based on independent professional valuations at the balance sheet date. 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 to form part of the gain or loss on disposal.

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

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Hotel property

Hotel property is stated at its open market value based on an independent professional valuation at the balance sheet date. Any revaluation increase arising on the revaluation of the hotel property is credited to the hotel property revaluation reserve except that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the net carrying amount arising on revaluation of the hotel property is dealt with as an expense to the extent that it exceeds the balance on this reserve.

On disposal of hotel property, the balance on the hotel property revaluation reserve attributable to that property is transferred to retained profits.

It is the Group's practice to maintain its hotel property in a continual state of sound repair and to make improvements from time to time, accordingly the directors consider that depreciation is not necessary as the property maintains a residual value at least equal to its carrying value. Repairs and maintenance expenditures are charged to the income statement in the period in which they are incurred.

Other property, plant and equipment

Other property, plant and equipment are stated at cost less depreciation where appropriate. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

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.

No depreciation is provided on property under development. Hotel operating equipment included in furniture, fixtures and equipment is capitalised at historical cost and all subsequent replacements are expensed in the period in which they are incurred. Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

| | |
|-----------------------------------|--------------------------|
| Furniture, fixtures and equipment | 20% – 33 $\frac{1}{3}$ % |
| Motor vehicles and vessels | 20% |

Properties under development

Properties under development is stated at cost less any identified impairment loss. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses.

Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost includes purchase consideration and other attributable expenses. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Inventories

Inventories, representing stocks of food, beverages and general stores, are stated at the lower of cost and net realisable value.

Notes to the Financial Statements *(Continued)*

For the Nine Months Ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases.

Rentals payable (receivable) under operating leases are charged (credited) to income statement on a straight line basis over their respective lease terms.

Convertible bonds

Convertible bonds are separately disclosed and regarded as a liability. The expenses incurred directly in connection with the issue of the bonds are deferred and are amortised over the period of the bonds so as to produce a constant periodic rate of charge on the carrying amount of the bonds.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

Foreign currencies

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

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

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 financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalisation of 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

Revenue recognition

Revenue from hotel operation is recognised when services are rendered.

Rentals receivable in respect of properties under operating leases are recognised and credited to the income statement on a straight line basis over the relevant lease term.

Sales of investments are recognised when the sale becomes unconditional.

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

4. TURNOVER

Turnover represents the aggregate of income from hotel operation, property rentals, proceeds from sale of trading securities, interest and dividend income, analysed as follows:

| | THE GROUP | |
|--|--|---------------------------------|
| | Nine months ended 31.12.2001 HK\$ | Year ended 31.3.2001 HK\$ |
| Income from hotel operation | 24,508,940 | 36,837,421 |
| Property rentals | 15,761,580 | 20,915,984 |
| Proceeds from sale of trading securities | 104,329,380 | 231,970,366 |
| Interest income | 3,764,510 | 7,173,644 |
| Dividend income | 2,355,038 | 2,227,093 |
| | <u>150,719,448</u> | <u>299,124,508</u> |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segment

The business as based on which the Group reports its primary segment information are as follows:

- Hospitality services – hotel investment and operation
- Property investment – property letting
- Property development and trading – development and trading of properties
- Securities investment and trading – investment in and trading of listed securities

Segment information about these businesses is presented below:

REVENUE AND RESULTS

Nine months ended 31st December, 2001

| | Hospitality services HK\$ | Property investment HK\$ | Property development and trading HK\$ | Securities investment and trading HK\$ | Consolidated HK\$ |
|---|---------------------------------|--------------------------------|--|---|----------------------|
| REVENUE | | | | | |
| External sales | <u>24,508,940</u> | <u>18,536,580</u> | <u>–</u> | <u>107,603,116</u> | <u>150,648,636</u> |
| RESULT | | | | | |
| Segment result | <u>4,784,114</u> | <u>7,755,075</u> | <u>–</u> | <u>(4,440,889)</u> | 8,098,300 |
| Interest and other income | | | | | 494,523 |
| Unallocated corporate expenses less amounts reimbursed by related companies | | | | | <u>(12,793,593)</u> |
| Loss from operations | | | | | (4,200,770) |
| Finance costs | | | | | (8,240,275) |
| Shares of results of associates | (13,785) | 2,279,504 | – | – | <u>2,265,719</u> |
| Loss before taxation | | | | | (10,175,326) |
| Taxation | | | | | <u>(268,027)</u> |
| Net loss for the period | | | | | <u>(10,443,353)</u> |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31 December, 2001

| | Hospitality services <i>HK\$</i> | Property investment <i>HK\$</i> | Property development and trading <i>HK\$</i> | Securities investment and trading <i>HK\$</i> | Consolidated <i>HK\$</i> |
|--|--|---|--|---|---|
| ASSETS | | | | | |
| Segment assets | | | | | |
| Investment properties | – | 500,600,000 | – | – | 500,600,000 |
| Property, plant and equipment | 483,420,327 | 80,859,526 | – | – | 564,279,853 |
| Property under development | – | – | 106,470,177 | – | 106,470,177 |
| Interests in associates | (20,340) | 97,127,058 | – | – | 97,106,718 |
| Investments in securities | – | – | – | 63,256,692 | 63,256,692 |
| Properties for sale | – | – | 70,652,730 | – | 70,652,730 |
| Other segment assets | 2,767,334 | 1,327,604 | – | 483,797 | 4,578,735 |
| | 486,167,321 | 679,914,188 | 177,122,907 | 63,740,489 | 1,406,944,905 |
| Unallocated corporate assets | | | | | 13,934,276 |
| Consolidated total assets | | | | | <u>1,420,879,181</u> |
| LIABILITIES | | | | | |
| Segment liabilities | 2,814,826 | 6,361,998 | – | 170,487 | 9,347,311 |
| Unallocated corporate liabilities | | | | | 346,055,100 |
| Consolidated total liabilities | | | | | <u>355,402,411</u> |
| OTHER INFORMATION | | | | | |
| Nine months ended 31st December, 2001 | | | | | |
| | | | | Hospitality services <i>HK\$</i> | Property investment <i>HK\$</i> |
| Capital additions to property, plant and equipment | | | | 467,675 | 13,590,429 |
| Depreciation and amortisation | | | | 348,603 | 37,350 |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

REVENUE AND RESULTS
Year ended 31st March, 2001

| | Hospitality services HK\$ | Property investment HK\$ | Property development and trading HK\$ | Securities investment and trading HK\$ | Consolidated HK\$ |
|---|---------------------------------|--------------------------------|--|---|----------------------|
| REVENUE | | | | | |
| External sales | <u>36,837,421</u> | <u>26,015,984</u> | <u>–</u> | <u>235,986,134</u> | <u>298,839,539</u> |
| RESULT | | | | | |
| Segment result | <u>5,891,282</u> | <u>24,852,245</u> | <u>–</u> | <u>(7,928,106)</u> | 22,815,421 |
| Interest and other income | | | | | 2,131,790 |
| Unallocated corporate expenses less amounts reimbursed by related companies | | | | | <u>(18,664,995)</u> |
| Profit from operations | | | | | 6,282,216 |
| Finance costs | | | | | (12,303,525) |
| Shares of results of associates | (3,742) | 1,302,718 | – | – | <u>1,298,976</u> |
| Loss before taxation | | | | | (4,722,333) |
| Taxation | | | | | <u>(434,212)</u> |
| Net loss for the year | | | | | <u>(5,156,545)</u> |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31st March, 2001

| | Hospitality services HK\$ | Property investment HK\$ | Property development and trading HK\$ | Securities investment and trading HK\$ | Consolidated HK\$ |
|-----------------------------------|---------------------------------|--------------------------------|--|---|----------------------|
| ASSETS | | | | | |
| Segment assets | | | | | |
| Investment properties | – | 511,300,000 | – | – | 511,300,000 |
| Property, plant and equipment | 539,303,454 | 67,306,446 | – | – | 606,609,900 |
| Property under development | – | – | 95,896,941 | – | 95,896,941 |
| Interests in associates | (6,555) | 95,006,715 | – | – | 95,000,160 |
| Investment in securities | – | – | – | 160,449,470 | 160,449,470 |
| Other segment assets | 3,223,875 | 1,008,446 | – | 203,096 | 4,435,417 |
| | 542,520,774 | 674,621,607 | 95,896,941 | 160,652,566 | 1,473,691,888 |
| Unallocated corporate assets | | | | | 13,168,048 |
| Consolidated total assets | | | | | <u>1,486,859,936</u> |
| LIABILITIES | | | | | |
| Segment liabilities | 2,251,897 | 5,970,775 | – | 67,030 | 8,289,702 |
| Unallocated corporate liabilities | | | | | 343,153,373 |
| Consolidated total liabilities | | | | | <u>351,443,075</u> |

OTHER INFORMATION

Year ended 31st March, 2001

| | Hospitality services HK\$ | Property investment HK\$ |
|---|---------------------------------|--------------------------------|
| Capital additions to investment properties and property, plant and equipment | 427,579 | 48,187,738 |
| Depreciation and amortisation | <u>823,507</u> | <u>39,134</u> |

Geographical segments

Substantially all of the Group's turnover and contribution for both periods presented were derived from business operations carried out in Hong Kong. More than 90% of the Group's assets are located in Hong Kong. Accordingly, an analysis of turnover and contribution to results by geographical market and location is not presented.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

6. GAIN (LOSS) ON INVESTMENTS IN SECURITIES

| | THE GROUP | |
|--|--|---------------------------------|
| | Nine months ended 31.12.2001 HK\$ | Year ended 31.3.2001 HK\$ |
| Unrealised holding gain (loss) on trading securities | 605,967 | (19,604,380) |
| Impairment loss on other securities | (138,000) | (158,817) |
| | <u>467,967</u> | <u>(19,763,197)</u> |

7. (LOSS) PROFIT FROM OPERATIONS

| | THE GROUP | |
|---|--|---------------------------------|
| | Nine months ended 31.12.2001 HK\$ | Year ended 31.3.2001 HK\$ |
| (Loss) profit from operations has been arrived at after charging (crediting): | | |
| Auditors' remuneration | 533,000 | 587,500 |
| Depreciation of property, plant and equipment | 2,417,100 | 3,990,444 |
| Staff costs including directors' emoluments | 18,306,806 | 24,804,866 |
| Repairs and maintenance | 1,801,873 | 3,760,116 |
| Realised loss (gain) on trading securities | 8,182,592 | (7,819,323) |
| Rental income in respect of properties under operating leases, less outgoings of HK\$511,689 (31.3.2001: HK\$1,163,739) | (15,249,891) | (19,752,245) |
| Dividends from listed investments | (2,355,038) | (2,227,093) |
| Interest from debt securities | (918,698) | (1,788,675) |
| | <u>(918,698)</u> | <u>(1,788,675)</u> |

8. FINANCE COSTS

| | THE GROUP | |
|--|--|---------------------------------|
| | Nine months ended 31.12.2001 HK\$ | Year ended 31.3.2001 HK\$ |
| Interest on: | | |
| Bank loans and overdrafts | 4,176,799 | 5,028,147 |
| Other loans wholly repayable within five years | 4,159,276 | 13,453,202 |
| Convertible bonds | 2,923,749 | – |
| Bond issue expenses amortised | 592,103 | – |
| | <u>11,851,927</u> | <u>18,481,349</u> |
| Less: Amount capitalised on properties under development | (3,611,652) | (6,177,824) |
| | <u>8,240,275</u> | <u>12,303,525</u> |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

| | THE GROUP | |
|--|--|---------------------------------|
| | Nine months ended 31.12.2001 HK\$ | Year ended 31.3.2001 HK\$ |
| Directors' fees | 30,000 | 80,000 |
| Other emoluments | | |
| Salaries and other benefits | 2,716,479 | 3,959,562 |
| Contributions to provident fund scheme | 27,000 | 12,000 |
| Total emoluments | <u>2,773,479</u> | <u>4,051,562</u> |

Note:

The directors' fees of HK\$30,000 (Year ended 31.3.2001: HK\$80,000) disclosed above were payable to the independent non-executive directors.

Emoluments of the directors were within the following bands:

| HK\$ | Nine months ended 31.12.2001 Number of directors | Year ended 31.3.2001 Number of directors |
|------------------------|--|---|
| Nil to 1,000,000 | 5 | 5 |
| 1,000,001 to 1,500,000 | 1 | 1 |
| 1,500,001 to 2,000,000 | – | 1 |

(b) Employees' emoluments

Of the five individuals in the Group with the highest emoluments, three (Year ended 31.3.2001: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining two (Year ended 31.3.2001: two) individuals, whose emoluments are individually below HK\$1,000,000, are as follows:

| | THE GROUP | |
|--|--|---------------------------------|
| | Nine months ended 31.12.2001 HK\$ | Year ended 31.3.2001 HK\$ |
| Salaries and other benefits | 814,635 | 1,080,720 |
| Contributions to provident fund scheme | 18,000 | 4,000 |
| | <u>832,635</u> | <u>1,084,720</u> |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

10. TAXATION

| | THE GROUP | |
|--------------------------------|--|---------------------------------|
| | Nine months ended 31.12.2001 HK\$ | Year ended 31.3.2001 HK\$ |
| The (charge) credit comprises: | | |
| Company and subsidiaries | | |
| Hong Kong Profits Tax | | |
| – Current year | (289,382) | (718,864) |
| – Prior years' overprovision | 255,516 | 86,167 |
| Deferred taxation | – | 76,000 |
| | <u>(33,866)</u> | <u>(556,697)</u> |
| Associates | | |
| Hong Kong Profits Tax | | |
| – Current year | (234,161) | (30,170) |
| – Prior years' overprovision | – | 152,655 |
| | <u>(234,161)</u> | <u>122,485</u> |
| | <u>(268,027)</u> | <u>(434,212)</u> |

Hong Kong Profits Tax is calculated at 16% (Year ended 31.3.2001: 16%) of the estimated assessable profits for the period.

11. NET LOSS FOR THE PERIOD/YEAR

Of the Group's net loss for the period/year, a profit of HK\$1,003,051 (Year ended 31.3.2001: loss of HK\$1,217,492) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$10,443,353 (Year ended 31.3.2001: HK\$5,156,545) and on the weighted average of 3,256,692,873 (Year ended 31.3.2001: 3,223,566,785) ordinary shares in issue during the period.

The computation of diluted loss per share for either of the periods presented has not assumed the exercise of the convertible bonds, warrants and share options issued or granted by the Company because the exercise of these convertible bonds, warrants and share options would result in reducing the loss per share for both periods.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

13. INVESTMENT PROPERTIES

| | THE GROUP | |
|--|--------------------|--------------------|
| | 31.12.2001 | 31.3.2001 |
| | HK\$ | HK\$ |
| Investment properties in Hong Kong, at valuation | | |
| At beginning of the period/year | 511,300,000 | 473,000,000 |
| Additions | – | 38,192,826 |
| Revaluation (decrease) increase | (10,700,000) | 107,174 |
| | <u>500,600,000</u> | <u>511,300,000</u> |
| At end of the period/year | <u>500,600,000</u> | <u>511,300,000</u> |

An analysis of the Group's investment properties is as follows:

| | 31.12.2001 | 31.3.2001 |
|------------------------------------|--------------------|--------------------|
| | HK\$ | HK\$ |
| Land and buildings in Hong Kong on | | |
| Long lease | 387,000,000 | 400,000,000 |
| Medium-term lease | 113,600,000 | 111,300,000 |
| | <u>500,600,000</u> | <u>511,300,000</u> |

The investment properties of the Group were revalued at 31st December, 2001 on an open market value basis by Dudley Surveyors Limited, an independent firm of property valuers. This valuation gave rise to a revaluation decrease of HK\$10,700,000 of which HK\$430,184 has been debited to the investment property revaluation reserve and the balance of HK\$10,269,816 charged to the income statement.

The investment properties of the Group with an aggregate carrying value of approximately HK\$456 million (31.3.2001: HK\$487 million) were rented out under operating leases at the balance sheet date.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

14. PROPERTY, PLANT AND EQUIPMENT

| | Hotel property HK\$ | Property under development HK\$ | Furniture, fixtures and equipment HK\$ | Motor vehicles and vessels HK\$ | Total HK\$ |
|-------------------------|---------------------------|--|---|--|---------------------------|
| THE GROUP | | | | | |
| COST OR VALUATION | | | | | |
| At 1st April, 2001 | 536,000,000 | 67,134,138 | 12,539,514 | 17,408,958 | 633,082,610 |
| Additions | – | 13,573,068 | 306,225 | 584,137 | 14,463,430 |
| Disposals | – | – | (2,490) | (1,359,932) | (1,362,422) |
| Revaluation decrease | (56,000,000) | – | – | – | (56,000,000) |
| At 31st December, 2001 | <u>480,000,000</u> | <u>80,707,206</u> | <u>12,843,249</u> | <u>16,633,163</u> | <u>590,183,618</u> |
| COMPRISING: | | | | | |
| At cost | – | 80,707,206 | 12,843,249 | 16,633,163 | 110,183,618 |
| At valuation | <u>480,000,000</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>480,000,000</u> |
| | <u>480,000,000</u> | <u>80,707,206</u> | <u>12,843,249</u> | <u>16,633,163</u> | <u>590,183,618</u> |
| DEPRECIATION | | | | | |
| At 1st April, 2001 | – | – | 9,375,834 | 13,353,654 | 22,729,488 |
| Provided for the period | – | – | 270,000 | 2,147,100 | 2,417,100 |
| Eliminated on disposals | – | – | (291) | (1,359,932) | (1,360,223) |
| At 31st December, 2001 | <u>–</u> | <u>–</u> | <u>9,645,543</u> | <u>14,140,822</u> | <u>23,786,365</u> |
| NET BOOK VALUES | | | | | |
| At 31st December, 2001 | <u><u>480,000,000</u></u> | <u><u>80,707,206</u></u> | <u><u>3,197,706</u></u> | <u><u>2,492,341</u></u> | <u><u>566,397,253</u></u> |
| At 31st March, 2001 | <u><u>536,000,000</u></u> | <u><u>67,134,138</u></u> | <u><u>3,163,680</u></u> | <u><u>4,055,304</u></u> | <u><u>610,353,122</u></u> |

The Group's hotel property known as the Ramada Hotel Kowloon, is situated in Hong Kong on medium-term lease and is carried at its open market value, on an existing use basis, at 31st December, 2001 as valued by Dudley Surveyors Limited, an independent firm of property valuers.

Had the Group's hotel property not been revalued, it would have been included in these financial statements at the historical cost of approximately HK\$341,594,000 (31.3.2001: HK\$341,594,000).

Included in property under development, which is situated in the People's Republic of China on medium-term lease, is interest expense of HK\$706,536 (31.3.2001: HK\$93,540) capitalised at Hong Kong Inter-bank Offer Rate plus a specified margin.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Furniture, fixtures and equipment <i>HK\$</i> | Motor vehicles and vessels <i>HK\$</i> | Total <i>HK\$</i> |
|-------------------------|--|--|----------------------|
| THE COMPANY | | | |
| COST | | | |
| At 1st April, 2001 | 61,418 | 2,312,863 | 2,374,281 |
| Additions | 31,182 | 345,144 | 376,326 |
| | <u>92,600</u> | <u>2,658,007</u> | <u>2,750,607</u> |
| At 31st December, 2001 | 92,600 | 2,658,007 | 2,750,607 |
| DEPRECIATION | | | |
| At 1st April, 2001 | 27,630 | 2,304,673 | 2,332,303 |
| Provided for the period | 12,486 | 24,258 | 36,744 |
| | <u>40,116</u> | <u>2,328,931</u> | <u>2,369,047</u> |
| At 31st December, 2001 | 40,116 | 2,328,931 | 2,369,047 |
| NET BOOK VALUES | | | |
| At 31st December, 2001 | <u>52,484</u> | <u>329,076</u> | <u>381,560</u> |
| At 31st March, 2001 | <u>33,788</u> | <u>8,190</u> | <u>41,978</u> |

15. PROPERTY UNDER DEVELOPMENT

| | THE GROUP | |
|---------------------------------|----------------------------------|--------------------------|
| | 31.12.2001 <i>HK\$</i> | 31.3.2001 <i>HK\$</i> |
| At beginning of the period/year | 95,896,941 | 87,701,214 |
| Additions | 10,573,236 | 8,195,727 |
| | <u>106,470,177</u> | <u>95,896,941</u> |
| At end of the period/year | 106,470,177 | 95,896,941 |

Included in property under development, which is situated in Hong Kong on medium-term lease, is interest expense of HK\$12,270,428 (31.3.2001: HK\$9,271,772) capitalised at Hong Kong Inter-bank Offer Rate plus a specified margin.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

16. INTERESTS IN SUBSIDIARIES

| | THE COMPANY | |
|--|--------------------|--------------------|
| | 31.12.2001 | 31.3.2001 |
| | HK\$ | HK\$ |
| Unlisted shares, at cost | 115,020,892 | 115,020,872 |
| Amounts due from subsidiaries less allowance | 842,852,251 | 845,717,367 |
| | <u>957,873,143</u> | <u>960,738,239</u> |

The amounts due from subsidiaries are unsecured with no fixed repayment terms. In the opinion of the directors, repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current assets.

Particulars regarding the subsidiaries at 31st December, 2001 are set out in note 33.

17. INTERESTS IN ASSOCIATES

| | THE GROUP | |
|------------------------------|-------------------|-------------------|
| | 31.12.2001 | 31.3.2001 |
| | HK\$ | HK\$ |
| Share of net assets | 5,470,983 | 3,439,425 |
| Amount due from an associate | 91,635,735 | 91,560,735 |
| | <u>97,106,718</u> | <u>95,000,160</u> |

| | THE COMPANY | |
|-------------------------|-------------|-----------|
| | 31.12.2001 | 31.3.2001 |
| | HK\$ | HK\$ |
| Unlisted share, at cost | <u>1</u> | <u>1</u> |

The amount due from an associate is unsecured with no fixed repayment terms. Such amount to the extent of HK\$60,000,000 (31.3.2001: HK\$60,000,000) carries interest at rates ranging from 5% to 8.5% (Year ended 31.3.2001: 8.5%) per annum and the remaining balance is interest free. Repayment of the amount will not be demanded within one year from the balance sheet date, accordingly, the amount is classified as a non-current asset.

Particulars regarding the associates at 31st December, 2001 are set out in note 34.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

17. INTERESTS IN ASSOCIATES (Continued)

The following financial information has been prepared from the financial statements of a significant associate, Lucky Country Development Limited.

Operating results:

| | Nine months ended 31.12.2001 <i>HK\$'000</i> | Year ended 31.3.2001 <i>HK\$'000</i> |
|--|---|--|
| Turnover | <u>11,982</u> | <u>15,563</u> |
| Profit from ordinary activities before taxation | <u>4,559</u> | <u>2,605</u> |
| Profit from ordinary activities before taxation attributable to the Group | <u>2,280</u> | <u>1,303</u> |

Financial position:

| | 31.12.2001 <i>HK\$'000</i> | 31.3.2001 <i>HK\$'000</i> |
|--------------------------------------|-------------------------------|------------------------------|
| Non-current asset | | |
| Investment property | 185,000 | 185,000 |
| Current assets | 1,722 | 1,718 |
| Current liabilities | (566) | (90) |
| Non-current liabilities | | |
| Amounts due to shareholders | <u>(175,418)</u> | <u>(179,981)</u> |
| Net assets | <u>10,738</u> | <u>6,647</u> |
| Net assets attributable to the Group | <u>5,369</u> | <u>3,324</u> |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

18. INVESTMENTS IN SECURITIES

| | Trading securities (current) | | Other securities (non-current) | |
|-----------------------------------|---------------------------------|--------------------|-----------------------------------|-------------------|
| | 31.12.2001 HK\$ | 31.3.2001 HK\$ | 31.12.2001 HK\$ | 31.3.2001 HK\$ |
| THE GROUP | | | | |
| Listed securities at market value | | | | |
| Equity securities listed: | | | | |
| in Hong Kong | 8,339,301 | 95,915,484 | 32,421,791 | 42,837,686 |
| outside Hong Kong | – | – | 1,459,000 | 1,677,000 |
| Debt securities listed: | | | | |
| outside Hong Kong | 20,256,600 | 19,239,300 | – | – |
| Unlisted investments | – | – | 780,000 | 780,000 |
| | <u>28,595,901</u> | <u>115,154,784</u> | <u>34,660,791</u> | <u>45,294,686</u> |

| Other securities (non-current) | |
|-----------------------------------|-------------------|
| 31.12.2001 HK\$ | 31.3.2001 HK\$ |
| <u>780,000</u> | <u>780,000</u> |

THE COMPANY

| | | |
|----------------------|----------------|----------------|
| Unlisted investments | <u>780,000</u> | <u>780,000</u> |
|----------------------|----------------|----------------|

The Group's non-current equity securities listed in Hong Kong include approximately 15.59% (31.3.2001: 15.29%) interest in Shun Ho Technology and approximately 20.57% (31.3.2001: 20.57%) interest in Shun Ho Resources, both are public companies incorporated and listed in Hong Kong. The principal activities of Shun Ho Technology and Shun Ho Resources and their respective subsidiaries are hotel investment and operation, property investment, property development and trading, securities investment and trading, development of internet portal sites and treasury operations.

The Company has become a subsidiary of Shun Ho Technology and Shun Ho Resources during the period. Under the Companies Ordinance, members of the Group who are shareholders of Shun Ho Technology or Shun Ho Resources have no rights to vote at meetings of the respective companies.

The directors are of the opinion that the Group is not in a position to exercise significant influence over Shun Ho Resources, accordingly, the results of Shun Ho Resources have not been accounted for on an equity basis.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

19. TRADE AND OTHER RECEIVABLES

Except for an average credit period of 30 to 60 days granted to travel agencies and customers of the hotel, the Group does not allow any credit period to its other customers.

The following is an aged analysis of trade and other receivables at the balance sheet date:

| | THE GROUP | |
|--------------|--------------------|-------------------|
| | 31.12.2001 HK\$ | 31.3.2001 HK\$ |
| 0–30 days | 2,319,740 | 2,123,063 |
| 31 – 60 days | 513,447 | 526,583 |
| Over 60 days | 647,787 | 661,278 |
| | <u>3,480,974</u> | <u>3,310,924</u> |

20. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables at the balance sheet date:

| | THE GROUP | |
|--------------|--------------------|-------------------|
| | 31.12.2001 HK\$ | 31.3.2001 HK\$ |
| 0–30 days | 2,567,310 | 2,263,564 |
| 31–60 days | 485,883 | 230,880 |
| Over 60 days | 3,250,880 | 2,272,972 |
| | <u>6,304,073</u> | <u>4,767,416</u> |

21. SHARE CAPITAL

| | THE GROUP AND THE COMPANY | |
|---|---------------------------------|-----------------------|
| | Number of shares | Nominal value HK\$ |
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 31st March, 2001 and 31st December, 2001 | <u>80,000,000,000</u> | <u>800,000,000</u> |
| Issued and fully paid: | | |
| At 1st April, 2000 and 31st March, 2001 | 3,223,566,785 | 32,235,668 |
| Issued upon conversion of convertible bonds (note 23) | 130,047,341 | 1,300,473 |
| | <u>3,353,614,126</u> | <u>33,536,141</u> |
| At 31st December, 2001 | | |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

21. SHARE CAPITAL (Continued)

Notes:

(a) Share option scheme

Other than the share options to subscribe for 12,000,000 ordinary shares in the Company previously granted which had lapsed during the year ended 31st March, 2001, no options were granted, exercised, cancelled or lapsed during either of the financial periods presented. The options outstanding at 31st December, 2001 comprised options to subscribe for 43,799,524 ordinary shares at the subscription price of HK\$0.2 per share exercisable on or before 29th June, 2004.

(b) Warrants

During the period, in connection with the issue of the convertible bonds, the Company issued a total of 644,713,356 units of warrants. The warrants carry an aggregate subscription rights of HK\$22,564,967, entitling the holders thereof to subscribe for shares of the Company at the subscription price of HK\$0.035 per share, subject to adjustment, during the three months period commencing from 14th November, 2002. These warrants remained outstanding at 31st December, 2001.

22. RESERVES

| | Share premium HK\$ | Special capital reserve HK\$ | Hotel property revaluation reserve HK\$ | Investment property revaluation reserve HK\$ | Securities revaluation reserve HK\$ | Goodwill on consolidation HK\$ | Retained profits HK\$ | Total HK\$ |
|---|--------------------------|---------------------------------------|---|--|--|---|-----------------------------|---------------|
| THE GROUP | | | | | | | | |
| At 1st April, 2000 | 114,368,951 | 612,477,689 | 194,405,908 | 2,451,064 | (7,857,613) | (922,952) | 226,167,427 | 1,141,090,474 |
| Increase (decrease) on revaluations: | | | | | | | | |
| – property | – | – | – | 107,174 | – | – | – | 107,174 |
| – other securities | – | – | – | – | (32,859,910) | – | – | (32,859,910) |
| Net loss for the year | – | – | – | – | – | – | (5,156,545) | (5,156,545) |
| At 31st March, 2001 | 114,368,951 | 612,477,689 | 194,405,908 | 2,558,238 | (40,717,523) | (922,952) | 221,010,882 | 1,103,181,193 |
| Issue of shares | 6,502,367 | – | – | – | – | – | – | 6,502,367 |
| Share issue expenses | (6,503) | – | – | – | – | – | – | (6,503) |
| Decrease on revaluations: | | | | | | | | |
| – property | – | – | (56,000,000) | (430,184) | – | – | – | (56,430,184) |
| – other securities | – | – | – | – | (10,862,891) | – | – | (10,862,891) |
| Net loss for the period | – | – | – | – | – | – | (10,443,353) | (10,443,353) |
| At 31st December, 2001 | 120,864,815 | 612,477,689 | 138,405,908 | 2,128,054 | (51,580,414) | (922,952) | 210,567,529 | 1,031,940,629 |

Property revaluation reserves are not distributable to shareholders until they are realised.

Included in reserves of the Group are the Group's share of investment property revaluation reserve and retained profits of associates amounted to HK\$2,128,054 (31.3.2001: HK\$2,128,054) and HK\$3,445,353 (31.3.2001: HK\$1,413,795) respectively.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

22. RESERVES (Continued)

| | Share premium HK\$ | Special capital reserve HK\$ | Retained profits HK\$ | Total HK\$ |
|---------------------------|--------------------------|---------------------------------------|-----------------------------|--------------------|
| THE COMPANY | | | | |
| At 1st April, 2000 | 114,368,951 | 612,477,689 | 62,727,729 | 789,574,369 |
| Net loss for the year | — | — | (1,217,492) | (1,217,492) |
| At 31st March, 2001 | 114,368,951 | 612,477,689 | 61,510,237 | 788,356,877 |
| Issue of shares | 6,502,367 | — | — | 6,502,367 |
| Share issue expenses | (6,503) | — | — | (6,503) |
| Net profit for the period | — | — | 1,003,051 | 1,003,051 |
| At 31st December, 2001 | <u>120,864,815</u> | <u>612,477,689</u> | <u>62,513,288</u> | <u>795,855,792</u> |

When sanctioning the reduction in nominal value of the Company's shares in 1999, the High Court of the Hong Kong Special Administrative Region stipulated that the credit arising on the reduction be transferred to a special capital reserve, and that the reserve, which may be reduced by any increase in the issued share capital and share premium of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves, is not regarded as realised profit and distributable until all of the liabilities of the Company as at 22nd September, 1999, the date on which the reduction of share capital took effect, are settled. The liabilities of the Company at that date have not yet been fully settled at 31st December, 2001, accordingly the special capital reserve was not considered distributable.

The Company's reserves available for distribution to shareholders as at 31st December, 2001 comprised the retained profits of HK\$62,513,288 (31.3.2001: HK\$61,510,237).

23. CONVERTIBLE BONDS

| | THE GROUP AND THE COMPANY | |
|---------------------------------------|--|-----------|
| | 31.12.2001 | 31.3.2001 |
| | HK\$ | HK\$ |
| Unsecured convertible bonds | 88,904,164 | — |
| Less: Unamortised bond issue expenses | (809,037) | — |
| | <u>88,095,127</u> | <u>—</u> |

During the period, the Company issued 1,611,783,392 units of convertible bonds ("Bonds") and 644,713,356 units of warrants at an aggregate consideration of HK\$96,707,004. The Bonds, which carry interest at 5 per cent per annum payable quarterly in arrears with the last payment due on 14th November, 2002, entitle the holders thereof to convert the Bonds into shares of the Company at a conversion price of HK\$0.06 per share during the period from 14th May, 2001 to 14th November, 2002 (the "Maturity Date"). The Company may redeem all or some of the Bonds at any time prior to the Maturity Date, subject to giving not less than 30 days nor more than 60 days of advance notice, at 120 per cent of their principal amount together with accrued interest. On the Maturity Date, any units of the Bonds not redeemed, repaid or converted will be mandatorily converted into shares of the Company at the conversion price.

During the period, the Bonds with an aggregate principal value of HK\$7,802,840 were converted into 130,047,341 new ordinary shares of the Company of HK\$0.01 each at the conversion price of HK\$0.06 per share.

Details regarding the warrants are set out in note 21(b).

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

24. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free with no fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as a non-current liability.

25. DEFERRED TAXATION

At the balance sheet date, the major components of unprovided deferred tax assets were as follows:

| | THE GROUP | |
|---|--------------------|----------------|
| | 31.12.2001 | 31.3.2001 |
| | <i>HK\$</i> | <i>HK\$</i> |
| Tax effect of timing differences because of: | | |
| Differences between tax allowances and depreciation charges | (3,275,015) | (2,604,349) |
| Unutilised tax losses | 4,034,811 | 3,329,278 |
| | <u>759,796</u> | <u>724,929</u> |

The unprovided deferred taxation has not been recognised in the financial statements as it is not expected that the potential deferred taxation will crystallise in the foreseeable future.

The unprovided deferred tax credit (charge) for the period/year is as follows:

| | THE GROUP | |
|---|--------------------------|----------------|
| | Nine months ended | Year ended |
| | 31.12.2001 | 31.3.2001 |
| | <i>HK\$</i> | <i>HK\$</i> |
| Tax effect of timing differences because of: | | |
| Differences between tax allowances and depreciation charges | (670,666) | (1,522,917) |
| Tax losses arising | 705,533 | 1,989,286 |
| | <u>34,867</u> | <u>466,369</u> |

Deferred tax has not been provided on the increases or decreases arising on the revaluation of properties and other securities held for long term investment purposes as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation increases or decreases do not constitute a timing difference for tax purposes.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

26. RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

| | Nine months ended 31.12.2001 HK\$ | Year ended 31.3.2001 HK\$ |
|---|--|---------------------------------|
| Loss from ordinary activities before taxation | (10,175,326) | (4,722,333) |
| Share of profits of associates | (2,265,719) | (1,298,976) |
| Unrealised holding (gain) loss on trading securities | (605,967) | 19,604,380 |
| Impairment loss on other securities | 138,000 | 158,817 |
| Decrease on revaluation of investment properties | 10,269,816 | – |
| Interest expenses | 7,648,172 | 12,303,525 |
| Bond issue expenses amortised | 592,103 | – |
| Depreciation of property, plant and equipment | 2,417,100 | 3,990,444 |
| Gain on disposal of property, plant and equipment | (177,801) | (1,526,018) |
| Movements in assets/liabilities held for operating activities: | | |
| Decrease (increase) in inventories | 67,132 | (69,908) |
| Increase in properties for sale | (70,652,730) | – |
| (Increase) decrease in trade and other receivables, deposits and prepayments | (654,847) | 997,837 |
| (Increase) decrease in trade balances due from shareholders | (148,260) | 7,798,634 |
| Decrease (increase) in investments in trading securities | 87,164,850 | (48,970,601) |
| Increase (decrease) in trade and other payables and rental and other deposits received | 803,820 | (180,813) |
| Decrease in trade balance due to an associate | (25,588) | (11,450) |
| NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES | 24,394,755 | (11,926,462) |

27. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD/YEAR

| | Share capital and premium HK\$ | Bank loans HK\$ | Advance from a related party HK\$ | Advance from a shareholder HK\$ | Convertible bonds HK\$ |
|---|---|--------------------|--|--|------------------------------|
| At 1st April, 2000 | 146,604,619 | 41,559,500 | 21,491,718 | 171,149,099 | – |
| Net cash (outflow) inflow from financing | – | (23,952,830) | 1,171,179 | 12,255,821 | – |
| At 31st March, 2001 | 146,604,619 | 17,606,670 | 22,662,897 | 183,404,920 | – |
| Net cash (outflow) inflow from financing | (6,503) | 47,509,611 | 494,613 | (89,321,038) | 95,305,864 |
| Issue of shares upon conversion of convertible bonds | 7,802,840 | – | – | – | (7,802,840) |
| Bond issue expenses amortised | – | – | – | – | 592,103 |
| At 31st December, 2001 | 154,400,956 | 65,116,281 | 23,157,510 | 94,083,882 | 88,095,127 |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

28. CAPITAL COMMITMENTS

At the balance sheet date, the Group had outstanding commitments in respect of property development expenditure as follows:

| | THE GROUP | |
|---|-------------------|-------------------|
| | 31.12.2001 | 31.3.2001 |
| | HK\$ | HK\$ |
| Contracted but not provided for in the financial statements | <u>10,141,822</u> | <u>21,641,000</u> |
| Authorised but not contracted for | <u>1,853,000</u> | <u>1,916,000</u> |

The Company had no material capital commitments at the balance sheet date.

29. OPERATING LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the period is approximately HK\$15,762,000 (Year ended 31.3.2001: HK\$20,916,000). The properties under lease have committed tenants for one to three years without termination options granted to tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

| | THE GROUP | |
|--|-------------------|-------------------|
| | 31.12.2001 | 31.3.2001 |
| | HK\$ | HK\$ |
| Within one year | 15,867,658 | 16,379,063 |
| In the second to fifth years inclusive | <u>3,962,397</u> | <u>6,235,624</u> |
| | <u>19,830,055</u> | <u>22,614,687</u> |

The Group as lessee

| | THE GROUP | |
|--|----------------------|------------------|
| | Nine months ended | Year ended |
| | 31.12.2001 | 31.3.2001 |
| | HK\$ | HK\$ |
| Minimum lease payments for office premises paid under operating leases during the period/year | <u>937,500</u> | <u>1,232,500</u> |

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

29. OPERATING LEASE COMMITMENTS (Continued)

In addition, at the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | THE GROUP | |
|--|----------------|----------------|
| | 31.12.2001 | 31.3.2001 |
| | HK\$ | HK\$ |
| Operating leases which expire: | | |
| Within one year | 210,000 | – |
| In the second to fifth years inclusive | 80,150 | 210,000 |
| | <u>290,150</u> | <u>210,000</u> |

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated and rentals are fixed for an average term of 3 years.

30. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

At the balance sheet date, the bank loan facilities of subsidiaries, which were utilised to the extent of approximately HK\$136 million (31.3.2001: HK\$134 million), were secured by the following:

- (a) guarantees issued by the Company amounted to approximately HK\$164 million (31.3.2001: HK\$120 million);
- (b) properties of the Group together with related assets with an aggregate carrying net book value of approximately HK\$554 million (31.3.2001: HK\$540 million);
- (c) pledge of shares in and subordination of loans due from subsidiaries with an aggregate carrying value of approximately HK\$177 million (31.3.2001: HK\$191 million);
- (d) assignment of the rentals and hotel revenue of a subsidiary; and
- (e) pledge of listed securities and bank deposits held by subsidiaries with a carrying value of approximately HK\$55 million (31.3.2001: HK\$147 million) and HK\$5.6 million (31.3.2001: HK\$4.8 million) respectively.

The facilities secured by the pledge of bank deposits had not been utilised at the balance sheet date.

31. LONG SERVICE PAYMENTS

At 31st December, 2001, certain employees of the Group had completed the required number of years of service under Hong Kong's Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances which are specified in the Ordinance. Had the employment of all eligible employees been terminated on 31st December, 2001 under the circumstances specified by the Ordinance, the maximum potential exposure would have been approximately HK\$2,250,000 (31.3.2001: HK\$2,275,000). No provision has been made in the financial statements in respect of such long service payments.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

32. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties:—

- (a) The property owned by a subsidiary of the Company's immediate holding company, Shun Ho Technology, was leased to the Group at the agreed rental of HK\$90,000 (Year ended 31.3.2001: HK\$90,000) per month. Net rentals paid by the Group for the period amounted to HK\$780,000 (Year ended 31.3.2001: HK\$1,040,000).
- (b) During the period, Shun Ho Technology made unsecured short-term advances to the Group which carry interest at Hong Kong Inter-bank Offer Rate ("HIBOR") plus a specified margin and are repayable on demand. Interest payable by the Group on such advances amounted to HK\$3,666,323 (Year ended 31.3.2001: HK\$12,204,051) in respect of the period. At the balance sheet date, advances from Shun Ho Technology amounted to HK\$94,021,426 (31.3.2001: HK\$183,073,150) remained outstanding.

In addition, Shun Ho Technology also made unsecured interest free advances to the Group which are repayable on demand. At the balance sheet date, such advances amounted to HK\$62,456 (31.3.2001: HK\$331,770) remained outstanding.

- (c) During the period, a related party, Mr. William Cheng Kai Man, a director of the Company, made unsecured short-term advances to the Group which carry interest chargeable at bank fixed deposit rates and are repayable on demand. Interest payable by the Group on such advances amounted to HK\$492,953 (Year ended 31.3.2001: HK\$1,248,118) in respect of the period.
- (d) As disclosed in note 23, during the period the Company issued 1,611,783,392 units of convertible bonds and 644,713,356 units of warrants which were underwritten by Shun Ho Technology free of underwriting commission. Shun Ho Technology and its subsidiaries subscribed for a total of approximately 1,573,403,000 (Year ended 31.3.2001: Nil) units of convertible bonds together with 629,361,000 (Year ended 31.3.2001: Nil) units of warrants issued by the Company at an aggregate consideration of approximately HK\$94,404,000. Interest payable on the convertible bonds to Shun Ho Technology and its subsidiaries amounted to HK\$2,850,653 (Year ended 31.3.2001: Nil) in respect of the period.
- (e) The trade balance due from the intermediate holding company, Shun Ho Resources, to the Group at the balance sheet date was HK\$170,760 (31.3.2001: HK\$22,500) which is unsecured, interest free and repayable on demand.
- (f) During the period, a subsidiary of the Company, Claymont Services Limited ("Claymont"), made unsecured advances to its associate, Lucky Country Development Limited, with no fixed repayment terms. Such advances to the extent of HK\$60,000,000 (31.3.2001: HK\$60,000,000) carry interest chargeable at rates ranging from 5% to 8.5% (31.3.2001: 8.5%) per annum and the remaining balance is interest free. Interest receivable by Claymont on such advances amounted to HK\$2,775,000 (Year ended 31.3.2001: HK\$5,100,000) in respect of the period. At the balance sheet date, advances due from the associate amounted to HK\$91,635,735 (31.3.2001: HK\$91,560,735) remained outstanding.
- (g) During the period, the Group provided certain administrative facilities to Shun Ho Technology and Shun Ho Resources, for which fees of HK\$1,178,432 (Year ended 31.3.2001: HK\$1,721,410) and HK\$112,500 (31.3.2001: HK\$150,000), calculated on a cost reimbursement basis, were respectively charged.

Notes to the Financial Statements (Continued)

For the Nine Months Ended 31st December, 2001

33. PARTICULARS OF SUBSIDIARIES

All the subsidiaries are incorporated and operating principally in Hong Kong except otherwise indicated. None of the subsidiaries had any loan capital outstanding at 31st December, 2001 or at any time during the period.

| Name of subsidiary | Paid up issued/ registered ordinary share capital | | Proportion of nominal value of capital held | | Principal activities |
|---|---|---------------|---|-----------------|---|
| | Number of shares | Par value | by the Company | | |
| | | | Directly % | Indirectly % | |
| Ascot Apartment Hotel Limited | 10,000 | HK\$1 | 100 | – | Inactive |
| Ascot House Limited | 1,000,000 | HK\$1 | – | 100 | Inactive |
| Ascot Lodge Limited | 2 | HK\$1 | – | 100 | Inactive |
| Ascot Villas Limited | 4,000,000 | HK\$1 | – | 100 | Inactive |
| Babenna Limited | 2 | HK\$10 | 100 | – | Investment holding |
| Brunker Trading Limited (i) | 1 | US\$1 | – | 100 | Investment holding |
| Claymont Services Limited (i) | 1 | US\$1 | 100 | – | Investment holding |
| Gainwell Holdings Limited | 4 | HK\$1 | – | 100 | Property investment |
| Harbour Rich Industrial Limited | 10,000 | HK\$1 | – | 100 | Property development |
| Hotel Royale International Limited | 2 | HK\$1 | 100 | – | Property investment |
| Houston Venture Limited (i) | 1 | US\$1 | 100 | – | Investment holding |
| Joes River Limited | 2 | HK\$1 | 100 | – | Property investment |
| Joligance Limited | 2 | HK\$1 | 100 | – | Investment holding |
| Longham Investment Limited (i) | 1 | US\$1 | – | 100 | Investment holding |
| Lynista Services Limited (i) | 1 | US\$1 | – | 100 | Inactive |
| Mercury Fast Limited | 2 | HK\$1 | 100 | – | Securities dealings and investment holding |
| Mulbinga Limited (i) | 1 | US\$1 | – | 100 | Investment holding |
| New Champion Developments Limited (i) | 1 | US\$1 | – | 100 | Vessel holding |
| On Sea Limited | 2 | HK\$1 | 100 | – | Vessel holding |
| Pearmon Limited | 100 | HK\$10 | 100 | – | Property trading |
| Perfect View Investment Limited | 2 | HK\$1 | – | 100 | Inactive |
| Shanghai Shun Ho (Lands Development) Limited (i) | 1 | US\$1 | 100 | – | Investment holding |
| Shanghai Shun Ho Property Development Co., Ltd. (ii) | Registered capital | US\$4,950,000 | – | 100 | Property development |
| Shun Ho Building Limited | 2 | HK\$1 | 100 | – | Inactive |
| Shun Ho Capital Properties Limited (i) | 1 | US\$1 | 100 | – | Investment holding |
| Shun Ho Construction (Holdings) Limited | 2 | HK\$10 | 100 | – | Inactive |
| Silver Courage Company Limited | 2 | HK\$10 | 100 | – | Property investment |
| Sungalia Enterprises Limited (i) | 1 | US\$1 | – | 100 | Investment holding |
| Trans-Profit Limited | 1,000,000 | HK\$1 | – | 100 | Property investment |
| United Assets Company Limited | 2,000,000 | HK\$1 | – | 100 | Hotel ownership and investment holding |
| Wah Leung Finance Limited | 2,500,000 | HK\$1 | 100 | – | Inactive |

(i) Incorporated in the British Virgin Islands

(ii) Wholly foreign owned enterprise established and operating principally in the PRC

Notes to the Financial Statements *(Continued)*

For the Nine Months Ended 31st December, 2001

34. PARTICULARS OF ASSOCIATES

All the associates are incorporated and operating in Hong Kong.

| Name of company | Proportion of nominal value of issued ordinary capital held by the Group | | Principal activities |
|-----------------------------------|---|-----------------|--------------------------------------|
| | Directly % | Indirectly % | |
| Lucky Country Development Limited | – | 50 | Property investment |
| Shun Ho Real Estate Limited | 50 | – | Provision of hospitality services |