

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 49.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment 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 set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries, jointly controlled entities and associates which are acquired or disposed of during the year 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 inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Any premium arising on the acquisition of an interest in a jointly controlled entity, representing the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the jointly controlled entity at the date of acquisition, is capitalised as part of the Group's interests in jointly controlled entities and amortised over a period of 20 years using the straight line method or, where appropriate, written off immediately to reserves on acquisition. Where the estimated recoverable amount of the premium arising on the acquisition of an interest in a jointly controlled entity that has been capitalised as part of the Group's interests in jointly controlled entities falls below its carrying amount, the carrying amount of the premium, to the extent to which it is considered to be irrecoverable, is written off immediately to the income statement.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall, respectively, of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill arising on acquisition of subsidiaries.

On disposal of investments in subsidiaries, jointly controlled entities or associates, the attributable amount of premium not previously written off to the income statement or goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary, jointly controlled entity or associate.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision for permanent diminution in value, if necessary.

Notes to the Financial Statements

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the relevant jointly controlled entities plus the premium paid on acquisition in so far as it has not already been written off or amortised. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

Other joint venture arrangements

Investments made by means of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or dealt with as investments in securities (where the Group exercises neither control nor significant influence).

Investments in associates

An associate is an enterprise, over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

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 and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Revenue recognition

Revenue from movies and television dramas produced for third parties is recognised as income when the relevant production is completed and released.

Income from movies, television dramas and documentary distribution is recognised when the movies, television dramas and documentary production is completed, released and the amount can be measured reliably.

Revenue from the operations of the entertainment complex, including theme restaurants, is recognised when the services are rendered to customers.

Non-refundable fixed franchise income is recognised when the right to use the Group's trademark has been assigned to the franchisee. Other franchise income is recognised on an accrual basis in accordance with the terms of the relevant franchising agreement and when the Group's entitlement to payments has been established.

Sales of goods are recognised when goods are delivered and title has passed.

Services income is recognised when the services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES – continued**Revenue recognition – continued**

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the period of the respective leases.

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

Sales of investments in securities are recognised when the sales contract becomes unconditional.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

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 open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit 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 deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

No depreciation and amortisation is provided on investment properties except where the unexpired term, including the renewal period, of the relevant lease is twenty years or less.

Property, plant and equipment*Construction in progress*

Construction in progress is stated at cost, which includes land cost and the related construction cost and borrowing costs capitalised in accordance with the Group's accounting policies, less provision for impairment in value, if necessary. No depreciation or amortisation is provided on construction in progress until the construction is completed and the properties are ready for use.

Other property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and amortisation. 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 the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Notes to the Financial Statements

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

Other property, plant and equipment – continued

Depreciation and amortisation is provided to write off the cost of the assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	2% or the term of the lease, if shorter
Leasehold improvements	Over the term of the lease
Furniture and equipment	20% to 33 $\frac{1}{3}$ %
Motor vehicles	20%
Operating equipment	20%

Properties held for development

Properties held for development where no decision has yet been taken to re-sell or hold for long-term purposes are stated at cost less provision for impairment in value, if necessary. No depreciation or amortisation is provided on properties held for development until the construction is completed and the properties are ready for their intended uses.

Costs comprise land cost, construction costs, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to the properties held for development.

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

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

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Work in progress represents movie, television drama and documentary production still in progress and is stated at production costs incurred to date, less foreseeable losses and applicable royalty income and progress payments received and receivable. Where royalty income and progress payments received and receivable on movies, television dramas and documentaries exceed production costs incurred to date less foreseeable losses, the surplus is shown in the balance sheet as deferred income.

Such production costs are carried forward as work in progress and are transferred to film stocks upon completion and released. Film stocks are amortised over the period of the expected total income being generated from film distribution on a straight-line basis. Fully amortised film stocks are carried forward at HK\$100 each.

2. 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 takes 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 expenses in the period in which they are incurred.

Trademark

Trademark, which represents initial fees for the registration of the Group's trademark in the respective country/place of registration, is stated at cost less amortisation and provision, if necessary, for permanent diminution in value. The cost of trademark is amortised over a period of five years.

Foreign currencies

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

On consolidation, the financial statements of the subsidiaries and associates which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. Exchange differences arising on consolidation are taken directly to reserves.

Taxation

The charge for taxation is based on the results for the year after adjusting 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 the resulting 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 an asset will crystallise in the foreseeable future.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

Retirement Benefit Scheme

With effective from 1st December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contributions payable in the future years.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the income statement represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

The amount of contributions payable to pension schemes in jurisdictions other than Hong Kong are charged to the income statement.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks which are repayable within three months from the dates of the advances.

Notes to the Financial Statements

For the year ended 31st March, 2001

3. TURNOVER

	2001 HK\$'000	2000 HK\$'000
Movies, television dramas and documentary production, distribution and licensing income	127,194	35,675
Sales of marketable securities	45,729	763
Theme restaurant income	37,862	–
Interest income from provision of finance	10,747	6,540
Property rental income	7,313	18,542
Entertainment complexes and theme restaurant franchising income	4,512	4,183
Media agency and promotional service income	2,412	2,856
Others	3,414	1,744
	<u>239,183</u>	<u>70,303</u>

Details of the analysis of the Group's turnover and operating results by principal activity and geographical market are set out in note 53.

4. LOSS ATTRIBUTABLE TO INVESTMENT PROPERTIES/PROPERTIES HELD FOR DEVELOPMENT

	2001 HK\$'000	2000 HK\$'000
Loss attributable to investment properties:		
Deficit arising on revaluation	17,790	65,820
Loss on disposals	2,558	21,980
	<u>20,348</u>	<u>87,800</u>
Loss attributable to properties held for development:		
Provision for impairment in value	7,311	–
Loss on disposal	–	18,606
	<u>7,311</u>	<u>18,606</u>

5. PROVISION FOR LOANS AND RECEIVABLES

	2001 HK\$'000	2000 HK\$'000
Provision for amounts due from jointly controlled entities	6,778	15,833
Provision for loans and interest receivables	5,869	25,882
	<u>12,647</u>	<u>41,715</u>

Notes to the Financial Statements

For the year ended 31st March, 2001

7. DIRECTORS' REMUNERATION

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	240	–
	<u>240</u>	<u>–</u>
Other emoluments:		
Executive		
Salaries and other benefits	4,353	3,482
Retirement benefits scheme contribution	4	–
Independent non-executive	–	–
	<u>4,357</u>	<u>3,482</u>
Total directors' emoluments	<u>4,597</u>	<u>3,482</u>

The emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	16	17
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	–
	<u>18</u>	<u>18</u>

During the year, no emoluments were paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the year, no director waived any emoluments.

8. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three directors (2000: three directors) of the Company, whose emoluments are included in note 7 above. The aggregate emoluments of the remaining highest paid individuals attributable to the Group were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	2,271	1,055
Retirement benefits scheme contribution	8	–
	<u>2,279</u>	<u>1,055</u>

The emoluments of the individuals were within the following bands:

	Number of employees	
	2001	2000
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	2	–
	<u>2</u>	<u>2</u>

9. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	5,488	48,647
Bank and other borrowings not wholly repayable within five years	4,388	–
	<u>9,876</u>	<u>48,647</u>
Convertible notes	8,402	2,483
	<u>18,278</u>	<u>51,130</u>

10. RESULT ON DILUTION OF INTEREST IN AN ASSOCIATE AND A JOINTLY CONTROLLED ENTITY

	2001 HK\$'000	2000 HK\$'000
Gain on dilution of interest in an associate	30,737	33,168
Loss on dilution of interest in a jointly controlled entity	–	(36,500)
	<u>30,737</u>	<u>(3,332)</u>

The gain on dilution of interest in an associate during the year represents the gain on the dilution of the Group's interest in STAREASTnet.com Corporation ("STAREASTnet.com") after the release of goodwill arising on acquisition of HK\$7,112,000 (2000: HK\$4,146,000) previously written off against the Group's reserves.

Details of the Group's interest in STAREASTnet.com are set out in notes 20 and 21.

The loss on dilution of interest in a jointly controlled entity for the year ended 31st March, 2000 represented the loss on the dilution of the Group's interest in Legend Power Ltd. ("Legend Power") after the write off of premium arising on acquisition of HK\$36,500,000. Details of the Group's interest in Legend Power are set out in note 20.

11. GAIN ON DISPOSAL AND DILUTION OF INTEREST IN SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Gain on disposal of subsidiaries	81,760	–
Gain on dilution of interest in a subsidiary	23,578	–
	<u>105,338</u>	<u>–</u>

The gain on disposal of subsidiaries comprises (i) the gain on the partial disposal of StarEastWorks Limited ("StarEastWorks"); and (ii) the gain on disposal of Tin Hang Profits Limited.

The gain on dilution of interest in a subsidiary represents the gain on the further dilution of the Group's interest in StarEastWorks to 50% following the subscription of new shares by the new shareholder.

Notes to the Financial Statements

For the year ended 31st March, 2001

12. TAXATION

The charge comprises:

Hong Kong Profits Tax of the Company and its subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Current year	-	-
Overprovision in previous period	-	(170)
Additional tax provision attributable to subsidiaries	-	20,513
Overseas taxation of subsidiaries	740	-
Share of Hong Kong Profits Tax of jointly controlled entities	-	(401)
Share of Hong Kong Profits Tax of associates	-	48
Share of overseas taxation of associates	298	-
	<u>1,038</u>	<u>19,990</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The additional tax provision attributable to subsidiaries for the year ended 31st March, 2000 represented tax demands by Inland Revenue Department ("IRD") in relation to sales of properties by subsidiaries in a previous period. Notices of assessment were issued by the IRD during the year ended 31st March, 2000. The amount was provided for based on the notices of assessment. However, the directors vigorously object to the assessments on the ground that the profits arising from the sales of properties were capital in nature and should not be subject to Hong Kong Profits Tax.

Details of unrecognised deferred taxation are set out in note 42.

13. NET LOSS FOR THE YEAR

Of the Group's net loss for the year, a net loss of HK\$584,955,000 (2000: HK\$295,477,000) has been dealt with in the financial statements of the Company.

14. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share for the year is based on the following data:

	2001 HK\$'000	2000 HK\$'000
Loss:		
Loss attributable to shareholders	(215,801)	(335,319)
Less: Cumulative dividend for preference shares not yet declared	(2,567)	(2,567)
Loss attributable to ordinary shareholders for the purposes of basic loss per share	<u>(218,368)</u>	<u>(337,886)</u>

Number of ordinary shares:

	Ordinary shares	
Weighted average number of ordinary shares in issue for the purposes of basic loss per ordinary share	<u>769,900,106</u>	<u>298,534,387</u>

No diluted loss per ordinary share has been calculated for either year as the exercise and conversion of the share options and convertible notes would result in a decrease in the loss per ordinary share for both years.

15. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1st April, 2000	232,000
Acquired on acquisition of subsidiaries	25,723
Transferred from properties held for resale	28,500
Eliminated on disposal of a subsidiary	(7,000)
Disposals	(191,023)
Deficit arising on revaluation	(17,790)
	<hr/>
At 31st March, 2001	<u>70,410</u>

The Group's investment properties were revalued at 31st March, 2001 by RHL Appraisal Ltd., an independent firm of professional property valuers, on an open market value basis. The deficit arising on revaluation has been charged to the income statement.

The Group's investment properties are held for rental under operating leases.

The carrying value of the investment properties comprises:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Properties held under long-term leases in Hong Kong	–	180,800
Properties held under medium-term leases in Hong Kong	41,110	51,200
Properties held under medium-term land use rights in the People's Republic of China, other than Hong Kong (the "PRC")	<u>29,300</u>	–
	<u>70,410</u>	<u>232,000</u>

Notes to the Financial Statements

For the year ended 31st March, 2001

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Operating equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st April, 2000	–	5,346	7,834	1,100	–	–	14,280
Exchange realignment	–	–	–	–	(232)	–	(232)
Acquired on acquisition of subsidiaries	150,000	327	762	207	1,980	–	153,276
Additions	1,580	8,833	7,575	791	5,053	23,948	47,780
Disposal of subsidiaries	–	(3,522)	(4,019)	(294)	–	–	(7,835)
Disposals	(27,700)	(2,284)	(2,431)	(1,421)	(175)	–	(34,011)
At 31st March, 2001	<u>123,880</u>	<u>8,700</u>	<u>9,721</u>	<u>383</u>	<u>6,626</u>	<u>23,948</u>	<u>173,258</u>
DEPRECIATION							
At 1st April, 2000	–	1,439	2,777	442	–	–	4,658
Acquired on acquisition of subsidiaries	–	94	397	108	–	–	599
Provided for the year	16	884	1,669	92	96	–	2,757
Eliminated on disposal of subsidiaries	–	(178)	(241)	(2)	–	–	(421)
Eliminated on disposals	–	(1,304)	(533)	(506)	–	–	(2,343)
At 31st March, 2001	<u>16</u>	<u>935</u>	<u>4,069</u>	<u>134</u>	<u>96</u>	<u>–</u>	<u>5,250</u>
NET BOOK VALUES							
At 31st March, 2001	<u>123,864</u>	<u>7,765</u>	<u>5,652</u>	<u>249</u>	<u>6,530</u>	<u>23,948</u>	<u>168,008</u>
At 31st March, 2000	<u>–</u>	<u>3,907</u>	<u>5,057</u>	<u>658</u>	<u>–</u>	<u>–</u>	<u>9,622</u>

The carrying value of the Group's land and buildings comprises:

	2001 HK\$'000	2000 HK\$'000
Property held under medium-term leases in Hong Kong	122,300	–
Property held under long-term land use rights in the PRC	1,564	–
	<u>123,864</u>	<u>–</u>

16. PROPERTY, PLANT AND EQUIPMENT – continued

	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE COMPANY			
COST			
At 1st April, 2000	83	720	803
Disposals	–	(720)	(720)
	<u>83</u>	<u>–</u>	<u>83</u>
At 31st March, 2001	83	–	83
	<u>83</u>	<u>–</u>	<u>83</u>
DEPRECIATION			
At 1st April, 2000	41	360	401
Provided for the year	17	24	41
Eliminated on disposals	–	(384)	(384)
	<u>58</u>	<u>–</u>	<u>58</u>
At 31st March, 2001	58	–	58
	<u>58</u>	<u>–</u>	<u>58</u>
NET BOOK VALUES			
At 31st March, 2001	<u>25</u>	<u>–</u>	<u>25</u>
At 31st March, 2000	<u>42</u>	<u>360</u>	<u>402</u>

17. PROPERTIES HELD FOR DEVELOPMENT

	THE GROUP HK\$'000
COST	
At 1st April, 2000	–
Acquired on acquisition of subsidiaries	52,311
Provision for impairment in value	(7,311)
	<u>45,000</u>
At 31st March, 2001	<u>45,000</u>

The Group's properties held for development are situated in the PRC and held under long-term land use rights.

Notes to the Financial Statements

For the year ended 31st March, 2001

18. TRADEMARK

	THE GROUP HK\$'000	THE COMPANY HK\$'000
COST		
At 1st April, 2000	1,149	–
Additions	<u>1,330</u>	<u>120</u>
At 31st March, 2001	<u>2,479</u>	<u>120</u>
AMORTISATION		
At 1st April, 2000	62	–
Provided for the year	<u>400</u>	<u>18</u>
At 31st March, 2001	<u>462</u>	<u>18</u>
NET BOOK VALUES		
At 31st March, 2001	<u>2,017</u>	<u>102</u>
At 31st March, 2000	<u>1,087</u>	<u>–</u>

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost less provision	100,981	374,831
Amounts due from subsidiaries, less provision	<u>845,925</u>	<u>700,325</u>
	<u>946,906</u>	<u>1,075,156</u>
Amounts due to subsidiaries	<u>(454,491)</u>	<u>(269,717)</u>

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed repayment terms.

Details of the Company's principal subsidiaries at 31st March, 2001 are set out in note 49.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES/AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share of jointly controlled entities' net assets	<u>94,286</u>	<u>16,059</u>	<u>-</u>	<u>-</u>
Premium arising on acquisition of a jointly controlled entity less amortisation	-	72,500	-	-
Less: Written off to income statement	-	(36,500)	-	-
Transferred to investments in securities	-	(36,000)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>94,286</u>	<u>16,059</u>	<u>-</u>	<u>-</u>
Amounts due from jointly controlled entities, less provision	<u>41,547</u>	<u>78,134</u>	<u>4,761</u>	<u>306</u>
	<u>135,833</u>	<u>94,193</u>	<u>4,761</u>	<u>306</u>
Amounts due to jointly controlled entities	<u>(36,056)</u>	<u>(35,408)</u>	<u>(431)</u>	<u>(409)</u>

- (a) During the year ended 31st March, 2000, the Group through its wholly-owned subsidiary, Tin Hang Profits Limited, held 25% interest in Smart Time Holdings Limited ("Smart Time") which was transferred to Legend Power following a group reorganisation whereby interest held by the venturers in Smart Time was transferred to Legend Power in exchange for the same percentage shareholding in Legend Power. The Group's interest in Legend Power was reduced from 25% to 12.5% upon the issue and allotment of shares to Cheung Kong Infrastructure Holdings Limited, a company listed on the Stock Exchange, which then became the major shareholder of Legend Power. Accordingly, the investment in Legend Power held by the Group was reclassified under investments in securities.

The Group also entered into an agreement with Pacific Century CyberWorks Limited ("PCCW"), a company listed on the Stock Exchange, to establish a jointly controlled entity, Star East Information Technology Management Co. Limited ("SEIT"). The Group and PCCW agreed to transfer each of their 20% interest in STAREASTnet (BVI) Limited ("Stareastnet"), an associate of the Group and details of which are set out in note 21, to SEIT, which resulted in an aggregate of 40% interest in Stareastnet being held by SEIT.

- (b) During the year ended 31st March, 2001, the interest in Stareastnet as held by the Group and PCCW through SEIT was transferred to STAREASTnet.com, upon a group reorganisation, whereby the interest in Stareastnet was surrendered in exchange for an interest in STAREASTnet.com. Accordingly, the 40% interest in Stareastnet held by SEIT was replaced by an interest in STAREASTnet.com. STAREASTnet.com listed its shares on the Growth Enterprise Market ("GEM") on the Stock Exchange in June 2000, as a result of which SEIT's interest in STAREASTnet.com was further reduced. Details of such changes are set out in note 21.

Upon a group reorganisation, certain assets of the Group were transferred to StarEastWorks, a former wholly-owned subsidiary. The Group then disposed of its 29% interest in StarEastWorks to a subsidiary of Singapore Press Holdings Limited, a company listed in Singapore Exchange Securities Trading Limited, and further reduced its interest to 50% following the issue and allotment of new shares in StarEastWorks to the new shareholder. Accordingly, the Group's interest in StarEastWorks is treated as an interest in a jointly controlled entity.

Included in the amounts due from jointly controlled entities, less provision, is an amount of HK\$4,750,000 due from Earn Elite Development Limited (2000: Nil), which carried interest at the prevailing market rate. All the other amounts due from and due to jointly controlled entities are unsecured, interest-free and have no fixed repayment terms.

Details of the Group's principal jointly controlled entities at 31st March, 2001 are set out in note 50.

Notes to the Financial Statements

For the year ended 31st March, 2001

21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share of associates' net assets	4,152	4,319	–	–
Amounts due from associates, less provision	127,124	15,720	90,292	–
	<u>131,276</u>	<u>20,039</u>	<u>90,292</u>	<u>–</u>
Amount due to an associate	–	(2,450)	–	–

Particulars of the principal associates at 31st March, 2001 are as follows:

Name of associate	Place of incorporation	Proportion of nominal value of issued share capital held by the Company		Principal activities
		Directly	Indirectly	
		%	%	
Applause Holdings Limited	British Virgin Islands	–	30	Movie production and distribution
STAREASTnet.com	Cayman Islands	–	19.67 *	Provision of interactive multimedia entertainment and life-style information to the Chinese community worldwide through its entertainment portals
Gold Brilliant Limited	British Virgin Islands	–	35 **	Investment holding

* During the year ended 31st March, 2000, the Group acquired 100% interest in Star East (B.V.I.) Limited ("Star East BVI") and, through its interest in Star East BVI, held 30% interest in Stareastnet. The Group's interest was reduced to 27% and 24.3% following the issue and allotment of new shares in Stareastnet to Hikari Tsushin, Inc and PCCW respectively.

As mentioned in note 20, the Group injected its 20% interest in Stareastnet into SEIT and the remaining 4.3% interest in Stareastnet was held directly by the Group. Accordingly, the Group effectively held 24.3% interest in Stareastnet and classified this as an interest in an associate.

During the year ended 31st March, 2001, the Group's interest in Stareastnet was transferred to STAREASTnet.com upon a group reorganisation carried out by Stareastnet, whereby the Group exchanged its 24.3% interest in Stareastnet for 24.3% effective interest in STAREASTnet.com. The Group's interest was reduced to 19.67% when STAREASTnet.com listed its shares on GEM on the Stock Exchange in June 2000.

** During the year ended 31st March, 2001, the Group's 35% owned associate, Optima Media Holding Limited ("Optima"), acquired from Sing Pao Newspapers and Publications Limited the right to publish newspapers in Hong Kong under the trademarks and tradenames of "Sing Pao" and the machineries and equipment necessary to carry out the printing and publication of the newspaper ("Sing Pao").

The Group's 35% owned associate, Gold Brilliant Limited ("Gold Brilliant"), entered into agreements to acquire approximately 38.65% interest in Sing Pao Media Group Limited ("Sing Pao Media", formerly Huey Tai International Limited), a company listed on the Stock Exchange. The Group simultaneously disposed of its 35% interest in Optima to Sing Pao Media.

Upon completion of the acquisition and disposal, Gold Brilliant was required to make a cash offer to acquire all the shares in Sing Pao Media. Following the close of the cash offer, Gold Brilliant held 76.20% interest in Sing Pao Media, which was further reduced to 74.99% following the disposal of certain shares in Sing Pao Media on the Stock Exchange.

Subsequent to the balance sheet date, the Group entered into an agreement to dispose of its interest in Gold Brilliant to a third party, details of which are set out in note 54.

21. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES – continued

Included in the amounts due from associates is an amount of HK\$18,225,000 due from STAREASTnet.com (2000: Nil) which carried interest at the prevailing market rate. All the other amounts due from and to associates are unsecured, interest-free and have no fixed repayment terms.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Extracts from the audited financial statements of STAREASTnet.com, the Group's major associate, are set out in note 52.

22. INVESTMENTS IN SECURITIES

	THE GROUP					
	Investment securities		Other investments		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity securities:						
Listed–Overseas	56,356	–	17	–	56,373	–
Listed–Hong Kong	–	–	–	75,927	–	75,927
Unlisted	–	46,002	115	1,234	115	47,236
	<u>56,356</u>	<u>46,002</u>	<u>132</u>	<u>77,161</u>	<u>56,488</u>	<u>123,163</u>
Debt securities:						
Unlisted	–	–	77,600	–	77,600	–
Classified under						
Current	–	–	132	77,161	132	77,161
Non-current	56,356	46,002	77,600	–	133,956	46,002
	<u>56,356</u>	<u>46,002</u>	<u>77,732</u>	<u>77,161</u>	<u>134,088</u>	<u>123,163</u>
Market value of listed securities	<u>19,761</u>	–	<u>17</u>	<u>75,927</u>	<u>19,778</u>	<u>75,927</u>

The carrying value of the overseas listed securities at 31st March, 2001 represents the cost of a 18.4% interest in Planet Hollywood International, Inc. ("PHII"), a company listed on NASDAQ Bulletin Board. The investment in PHII is held for a long-term strategic purpose and the directors are of the opinion that no provision for impairment in value is required to be made against its carrying value.

The carrying value of the unlisted debt securities represented investment of two convertible bonds issued by G-Prop Holdings Limited ("G-Prop Bonds"), a company listed on the Stock Exchange. The G-Prop Bonds carry interest at 7.5% per annum and are both due to be redeemed on 23rd November, 2002. At the date of redemption, the holders are entitled to convert the G-Prop Bonds into shares in G-Prop Holdings Limited at a conversion price of HK\$0.304 per share (subject to adjustment).

During the year ended 31st March, 2000, certain listed investment securities of approximately HK\$115,500,000 were transferred to and reclassified as other investments following the Group's abandonment of its long-term strategic purpose for holding these investments. The unrealised loss of HK\$20,167,000 arising from such transfer was charged to the income statement.

Notes to the Financial Statements

For the year ended 31st March, 2001

23. INVENTORIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Work in progress	25,686	16,119
Goods held for resale	3,186	502
Food and beverage	1,309	–
	<u>30,181</u>	<u>16,621</u>

Included in above are goods held for resale of HK\$3,186,000 (2000: Nil) and food and beverage of HK\$710,000 (2000: Nil) which are carried at net realisable value.

24. LOANS AND INTEREST RECEIVABLES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Loans and interest receivables	495,848	527,139
Less: Provision	(426,743)	(431,011)
	<u>69,105</u>	<u>96,128</u>

The Group allows its loan borrowers a repayment period normally ranging from 3 months to 1 year, the aged analysis of loan and interest receivables (net of provision) at the balance sheet date is as follows:

	2001 HK\$'000	2000 HK\$'000
Current	33,497	3,478
0 – 6 months	32,608	69,654
6 months – 1 year	–	7,322
Over 1 year	3,000	15,674
	<u>69,105</u>	<u>96,128</u>

The securities for certain receivables were property interests pledged to the Group, shares of companies which are under common control of the borrowers pledged to the Group and personal guarantees from independent third parties. These receivables carry interest at the prevailing market rates.

25. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows its trade customers a credit period normally ranging from 30 days to 60 days. Included in debtors, deposits and prepayments are trade debtors (net of provision for bad and doubtful debts) with the following aged analysis:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade debtors:				
0 – 30 days	990	3,477	–	–
31 – 60 days	1,279	5,346	–	–
> 60 days	4,725	4,610	–	–
	<u>6,994</u>	<u>13,433</u>	<u>–</u>	<u>–</u>
Other debtors, deposits and prepayments	30,848	30,091	820	63,796
	<u>37,842</u>	<u>43,524</u>	<u>820</u>	<u>63,796</u>

26. AMOUNTS DUE FROM/TO ASSOCIATES

The amounts mainly represents trade receivables from and trade payables to wholly owned subsidiaries of an associate, which are unsecured, interest-free and are repayable on demand.

27. AMOUNTS DUE FROM RELATED COMPANIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Gold Picture Management Limited ("Gold Picture") <i>(note i)</i>	538	983
Star East Cafe and Entertainment Limited <i>(note ii)</i>	–	9,748
Star East Starmate Limited <i>(note ii)</i>	–	237
Star East Group Limited ("Star East Group") <i>(note i)</i>	–	184
Gold Miracles Limited <i>(note iii)</i>	–	6
Altantic Top Limited <i>(note ii)</i>	–	4
	<u>538</u>	<u>11,162</u>

Notes:

- (i) Gold Picture is a shareholder of Star East Group, which is an associate of a substantial shareholder of the Company.
- (ii) Star East Cafe and Entertainment Limited, Star East Starmate Limited, Altantic Top Limited were wholly-owned subsidiaries of Star East Group.
- (iii) Gold Miracles Limited is a company in which certain directors of the Company have beneficial interests.

All of the above amounts are unsecured, interest-free and are repayable on demand.

Notes to the Financial Statements

For the year ended 31st March, 2001

28. CREDITORS, ACCRUED CHARGES AND DEPOSITS

Included in creditors, accrued charges and deposits are trade creditors with the following aged analysis:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade creditors:				
0 – 30 days	12,563	10,286	–	–
31 – 60 days	7,615	455	–	–
> 60 days	19,140	15,919	–	–
	39,318	26,660	–	–
Other creditors, accrued charges and deposits	67,328	41,995	4,310	11,608
	106,646	68,655	4,310	11,608

29. AMOUNTS DUE TO RELATED COMPANIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Star East Group	1,154	–
Paul Y. – ITC Management Limited (“Paul Y. Management”) <i>(note i)</i>	446	18
Rosedale Park Limited (“Rosedale”) <i>(note i)</i>	94	–
ITC Management Limited (“ITC Management”) <i>(note ii)</i>	70	–
Easy Talking International Limited <i>(note iii)</i>	8	8
Pop Generation Limited <i>(note iii)</i>	8	8
Paul Y. – ITC Building Management Limited (“Paul Y. Building”) <i>(note i)</i>	3	–
Gold Picture	–	8
	1,783	42

Note:

- (i) Paul Y. Management, Rosedale and Paul Y. Building are wholly-owned subsidiaries of Paul Y. – ITC Construction Holdings Limited (“Paul Y.”), which is an associate of a substantial shareholder of the Company.
- (ii) ITC Management is a wholly-owned subsidiary of ITC Corporation Limited (“ITC”), a substantial shareholder of the Company.
- (iii) Easy Talking International Limited and Pop Generation Limited are shareholders of Star East Group.

All of the above amounts are unsecured, interest-free and are repayable on demand.

Notes to the Financial Statements

For the year ended 31st March, 2001

30. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans	122,095	232,820	120,000	225,820
Other short-term loans *	2,082	17,082	–	–
Loan note payable to a subsidiary of a former substantial shareholder**	–	5,591	–	–
Bank overdraft	–	73,156	–	73,156
	124,177	328,649	120,000	298,976
Analysed as				
– secured	120,000	305,976	120,000	298,976
– unsecured	4,177	22,673	–	–
	124,177	328,649	120,000	298,976
Repayable as follows:				
Within one year	16,177	153,649	12,000	123,976
Between one to two years	12,000	40,000	12,000	40,000
Between two to five years	36,000	135,000	36,000	135,000
Over five years	60,000	–	60,000	–
	124,177	328,649	120,000	298,976
Less: Amount due within one year included under current liabilities	16,177	153,649	12,000	123,976
Amount due after one year	108,000	175,000	108,000	175,000

* Included in other short-term loans at 31st March, 2000 was an advance of HK\$15,000,000 from a former associate of a substantial shareholder of the Company, which was unsecured, carried interest at prevailing market rate and was fully repaid prior to the disposal of the aforesaid associate by the substantial shareholder during the year.

** The loan note payable to a subsidiary of a former substantial shareholder was interest-free and was fully repaid during the year.

Notes to the Financial Statements

For the year ended 31st March, 2001

31. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Preference shares of HK\$0.10 each		
– balance at 1st April, 1999, 31st March, 2000 and 31st March, 2001	40,000,000	4,000
Ordinary shares of HK\$0.10 each		
– balance at 1st April, 1999, 31st March, 2000 and 31st March, 2001	<u>5,000,000,000</u>	<u>500,000</u>
	<u>5,040,000,000</u>	<u>504,000</u>
Issued and fully paid:		
Preference shares of HK\$0.10 each		
– balance at 1st April, 1999	30,000,000	3,000
– repurchased during the year	<u>(27,433,000)</u>	<u>(2,744)</u>
– balance at 31st March, 2000 and 31st March, 2001	<u>2,567,000</u>	<u>256</u>
Ordinary shares of HK\$0.10 each		
– balance at 1st April, 1999	62,814,449	6,282
– issue of new shares during the year	706,055,332	70,605
– repurchased during the year	<u>(21,132,000)</u>	<u>(2,113)</u>
– balance at 31st March, 2000	747,737,781	74,774
– issue of new shares during the year	99,141,104	9,914
– repurchased during the year	<u>(20,774,000)</u>	<u>(2,077)</u>
– balance at 31st March, 2001	<u>826,104,885</u>	<u>82,611</u>
Total at 31st March, 2001		<u>82,867</u>
Total at 31st March, 2000		<u>75,030</u>

(a) During the year ended 31st March, 2000, the movements in preference and ordinary share capital are as follows:

- (i) Pursuant to a resolution passed at a special general meeting of the Company on 30th August, 1999:
 - 27,433,000 preference shares were repurchased by the issue and allotment of 54,866,000 ordinary shares to holders of preference shares following a conditional general offer to repurchase all of the preference shares of the Company at a consideration of two ordinary shares of HK\$0.10 each for every preference share.
 - 142,856,000 ordinary shares of HK\$0.10 each were issued and allotted to institutional investors at HK\$0.70 per share under a private share placement.
 - 71,428,571 ordinary shares of HK\$0.10 each were issued at HK\$0.70 per share to satisfy the partial consideration for the acquisition of entire interest in Star East BVI.
- (ii) 55,400,000 ordinary shares of HK\$0.10 each were issued and allotted to institutional investors at HK\$2.10 per share, representing a discount of approximately 9.7% on the closing price of HK\$2.325 per share on 11th November, 1999, under a private share placement. These shares were issued under the general mandate granted to the directors on 21st September, 1999.

31. SHARE CAPITAL – continued

- (iii) As part of the private share placement set out in (ii) above, 144,600,000 ordinary shares of HK\$0.10 were further issued and allotted to institutional investors at HK\$2.10 per share pursuant to a resolution passed at a special general meeting on 13th December, 1999.
- (iv) Pursuant to a resolution passed at a special general meeting held on 4th January, 2000:
- 61,904,761 ordinary shares of HK\$0.10 each were issued at HK\$2.10 per share to satisfy the consideration for the acquisition of entire interest in Star East Bob Limited ("Bob", formerly Bob & Partners Co. Limited).
 - 55,000,000 ordinary shares of HK\$0.10 each were issued at HK\$2.10 per share to acquire 73,333,333 shares in Ananda Wing On Travel (Holdings) Limited, a company listed on the Stock Exchange, which represents a shareholding of approximately 9.5%.
- (v) Under a placing agreement entered on 3rd March, 2000, 120,000,000 existing ordinary shares of HK\$0.10 each were placed to institutional investors at HK\$1.68 per share and under a subscription agreement entered into on the same day, 100,000,000 and 20,000,000 new ordinary shares were issued and allotted to ITC and a subsidiary of Tung Fong Hung (Holdings) Limited, respectively, at HK\$1.68 per share. These shares were issued under the general mandate granted to the directors on 4th January, 2000. The issue price of HK\$1.68 represented a discount of approximately 9.19% to the closing price of HK\$1.85 on 3rd March, 2000.
- (vi) The Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per ordinary share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
March 2000	21,132,000	1.62	1.15	28,811

The above ordinary shares were subsequently cancelled.

All the shares issued for the year rank pari passu with the then existing ordinary shares in all respects.

- (b) During the year ended 31st March, 2001, the movements in ordinary share capital are as follows:
- (i) During the year, the Company issued 99,141,104 ordinary shares of HK\$0.10 each at an agreed price of HK\$0.815 per share to satisfy the consideration for the acquisition of approximately 66.67% of the issued share capital of Planet Hollywood Asia Pte Ltd ("PHA"). The closing price on the date of completion of the acquisition amounted to HK\$0.41 per share. These shares were issued under the general mandate granted to the directors on 21st September, 2000.
- (ii) The Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per ordinary share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2000	8,310,000	1.50	0.87	9,084
May 2000	5,214,000	0.93	0.68	4,135
June 2000	7,250,000	0.70	0.63	4,866
	<u>20,774,000</u>			<u>18,085</u>

The above ordinary shares were subsequently cancelled.

All the shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

Notes to the Financial Statements

For the year ended 31st March, 2001

31. SHARE CAPITAL – continued

The remaining preference shares carry a cumulative dividend at a rate of HK\$1 per annum payable semi-annually. They rank in priority to the ordinary shares as to dividends and return of capital. Holders of the preference shares are not permitted to attend or vote at general meetings of the Company except on a resolution to approve the winding up of the Company or a reduction of capital. During the years ended 31st March, 2001 and 2000, dividends for the remaining preference shares were not declared as there were no distributable profits available for distribution. At 31st March, 2001, cumulative arrears of dividends for the outstanding preference shares amounting to HK\$8,339,000 (2000: HK\$5,772,000) have not been provided for in the financial statements as the Company had no reserves available for distribution.

The Company is entitled to redeem all, or a minimum of 10% of, the outstanding preference shares according to the following schedule:

Period/date of redemption	Redemption price per preference share HK\$
From 21st March, 2000 to 20th March, 2001	10.20
From 21st March, 2001 to 20th March, 2002	10.10
On 21st March, 2002	10.00

No preference shares were redeemed by the Company or any of its subsidiaries during the years ended 31st March, 2001 and 2000.

32. SHARE OPTION SCHEME

Pursuant to the Company's employee share option scheme adopted on 29th April, 1996, the Company may grant options to executive directors and employees of the Company or its subsidiaries to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Options granted are exercisable not earlier than half year nor later than three and a half years after the date the options are granted. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time.

A summary of the movements during the year in the share options granted under the Company's employee share option scheme is as follows:

Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 31.3.2001
		Outstanding at 1.4.2000	Granted during the year	Exercised during the year	Lapsed during the year	
14.3.2000 to 13.3.2003	1.5880	27,600,000	–	–	–	27,600,000
20.6.2000 to 19.6.2003	1.7400	25,500,000	–	–	(5,500,000)	20,000,000
17.9.2000 to 16.9.2003*	1.1600	22,500,000	–	–	(4,500,000)	18,000,000
3.5.2001 to 2.5.2004	0.2680	–	7,000,000	–	–	7,000,000
23.6.2001 to 22.6.2004	0.2256	–	10,000,000	–	–	10,000,000
		<u>75,600,000</u>	<u>17,000,000</u>	<u>–</u>	<u>(10,000,000)</u>	<u>82,600,000</u>

* The expiry date of the aforesaid share options was amended from 16th March, 2004 to 16th September, 2003.

Consideration received by the Company for options granted during the year is not significant.

33. RESERVES

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Goodwill on consolidation HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
THE GROUP							
At 1st April, 1999	952,899	2,090	-	-	556,707	(1,241,976)	269,720
Share of deficit on revaluation of investment properties of an associate	-	(2,090)	-	-	-	-	(2,090)
Arising on acquisition of interests in subsidiaries and an associate	-	-	(239,501)	-	-	-	(239,501)
Realised on dilution of interest in an associate	-	-	4,146	-	-	-	4,146
Issue of shares upon placements	675,314	-	-	-	-	-	675,314
Issue of shares for acquisition of interest in subsidiaries and investments in securities	276,667	-	-	-	-	-	276,667
Shares issue expenses	(23,059)	-	-	-	-	-	(23,059)
Repurchase of ordinary and preference shares	(29,441)	-	-	-	-	-	(29,441)
Net loss for the year	-	-	-	-	-	(335,319)	(335,319)
At 1st April, 2000	1,852,380	-	(235,355)	-	556,707	(1,577,295)	596,437
Exchange realignment	-	-	-	860	-	-	860
Arising on acquisition of interest in an associate	-	-	(17,231)	-	-	-	(17,231)
Arising on acquisition of interest in a subsidiary	-	-	(7,421)	-	-	-	(7,421)
Realised on dilution of interest in an associate	-	-	7,112	-	-	-	7,112
Issue of shares for acquisition of interest in subsidiaries	30,734	-	-	-	-	-	30,734
Share of net reserve movements of jointly controlled entities	-	-	(1,641)	(266)	-	-	(1,907)
Share of net reserve movements of an associate	-	-	(353)	858	-	-	505
Shares issue expenses	(186)	-	-	-	-	-	(186)
Repurchase of ordinary shares	(16,008)	-	-	-	-	-	(16,008)
Net loss for the year	-	-	-	-	-	(215,801)	(215,801)
At 31st March, 2001	1,866,920	-	(254,889)	1,452	556,707	(1,793,096)	377,094
Attributable to:							
- the Company and subsidiaries	1,866,920	-	(252,895)	860	556,707	(1,618,603)	552,989
- jointly controlled entities	-	-	(1,641)	(266)	-	(125,629)	(127,536)
- associates	-	-	(353)	858	-	(48,864)	(48,359)
	1,866,920	-	(254,889)	1,452	556,707	(1,793,096)	377,094

Notes to the Financial Statements

For the year ended 31st March, 2001

33. RESERVES – continued

	Share premium HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 1999	952,899	561,538	(1,259,452)	254,985
Issue of shares upon placements	675,314	–	–	675,314
Issue of shares for acquisition of interests in subsidiaries and investment in securities	276,667	–	–	276,667
Shares issue expenses	(23,059)	–	–	(23,059)
Repurchase of ordinary and preference shares	(29,441)	–	–	(29,441)
Net loss for the year <i>(note 13)</i>	–	–	(295,477)	(295,477)
	<u>1,852,380</u>	<u>561,538</u>	<u>(1,554,929)</u>	<u>858,989</u>
At 1st April, 2000	1,852,380	561,538	(1,554,929)	858,989
Issue of shares for acquisition of interests in subsidiaries	30,734	–	–	30,734
Shares issue expenses	(186)	–	–	(186)
Repurchase of ordinary shares	(16,008)	–	–	(16,008)
Net loss for the year <i>(note 13)</i>	–	–	(584,955)	(584,955)
	<u>1,866,920</u>	<u>561,538</u>	<u>(2,139,884)</u>	<u>288,574</u>
At 31st March, 2001	<u>1,866,920</u>	<u>561,538</u>	<u>(2,139,884)</u>	<u>288,574</u>

In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31st March, 2001 and 2000, the Company had no reserves available for distribution to shareholders.

34. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Star East Group <i>(note a)</i>	50,000	50,000
Paul Y. <i>(note b)</i>	100,000	–
	150,000	50,000

- (a) During the year ended 31st March, 2000, the Company issued a convertible note in the amount of HK\$50 million to Star East Group as partial consideration for the acquisition of Star East BVI. The convertible note bears interest at the prevailing market rates, is secured by a first charge on the shares in Star East BVI and is redeemable on 2nd September, 2002 unless it is previously converted or cancelled. The holder of the convertible note has the option to convert the convertible note into ordinary shares of the Company of HK\$0.10 each at an initial conversion price of HK\$0.70, subject to adjustment, at any time during the period from 2nd March, 2000 up to 2nd September, 2002.

Subsequent to the balance sheet date, the Group entered into an agreement with Star East Group to amend the conversion price to HK\$0.185, details of which are set out in note 54.

- (b) During the year ended 31st March, 2001, the Group issued a convertible note in the amount of HK\$100 million to a wholly-owned subsidiary of Paul Y. as partial consideration for the acquisition of Unicon Industrial Group Limited ("Unicon"). The convertible note bears interest at 5% per annum and is redeemable on 28th June, 2002 unless it is previously converted or cancelled. The holder of the convertible note has the option to convert the convertible note into ordinary shares of the Company of HK\$0.10 each at an initial conversion price of HK\$1.68, subject to adjustment, at any time during the period from 28th June, 2000 up to 28th June, 2002.

35. OTHER LONG-TERM PAYABLE

The other long-term payable of the Group represents advance from minority shareholders of subsidiaries. The amount is unsecured, interest-free and has no fixed repayment term.

Notes to the Financial Statements

For the year ended 31st March, 2001

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

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(214,786)	(315,602)
Interest expenses	18,278	51,130
Depreciation	2,757	2,273
Amortisation of trademark	400	62
Loss on disposal of property, plant and equipment	30,799	4,823
Loss on disposal of investments in securities	30,200	47
Provision for impairment in value of investment securities	10,000	-
Unrealised loss on other investments	11	40,271
Gain on disposal and dilution of interest in subsidiaries	(105,338)	-
Gain on disposal of jointly controlled entities	(3,054)	-
Interest income, other than from loans receivable	(16,340)	(6,019)
Deficit arising on revaluation of investment properties	17,790	65,820
Loss on disposal of investment properties	2,558	21,980
Provision for impairment in value of properties held for development	7,311	-
Loss on disposal of properties held for development	-	18,606
Provision for amounts due from jointly controlled entities	6,778	15,833
Provision for amounts due from associates and jointly controlled entities	34,467	-
Provision for loans and interest receivables	5,869	25,882
Provision for properties held for resale	-	6,500
Result on dilution of interest in an associate and a jointly controlled entity	(30,737)	3,332
Amortisation of premium of a jointly controlled entity	-	3,500
Share of results of jointly controlled entities	68,521	33,977
Share of results of associates	42,532	6,114
(Increase) decrease in inventories	(20,501)	3,984
(Increase) decrease in loans and interest receivables	(61,183)	219,153
Increase in debtors, deposits and prepayments	(34,786)	(11,917)
Decrease (increase) in amounts due from associates	7,621	(8,274)
Decrease (increase) in amounts due from related companies	10,625	(10,281)
Decrease in investments in securities	46,818	1,559
Increase (decrease) in creditors, accrued charges and deposits	44,205	(18,859)
Increase in amount due to an associate	2,740	-
Increase (decrease) in amounts due to related companies	1,741	(3,098)
	<u>(94,704)</u>	<u>150,796</u>
Net cash (outflow) inflow from operating activities	<u>(94,704)</u>	<u>150,796</u>

37. PURCHASE OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Investment properties	25,723	–
Property, plant and equipment	152,677	3,415
Properties held for development	52,311	–
Trademark	–	773
Interests in jointly controlled entities	23,154	–
Interests in associates	–	1,708
Investments in securities	–	3,595
Inventories	4,827	20,605
Loans and interest receivables	2,509	–
Debtors, deposits and prepayments	79,528	23,214
Amounts due from related companies	1	881
Bank balances and cash	8,559	652
Creditors, accrued charges and deposits	(100,300)	(55,989)
Taxation	(601)	–
Amount due to an associate	–	(243)
Amounts due to related companies	–	(3,140)
Bank loans	(11,849)	–
Other loan	–	(2,081)
Minority interests	(450)	(273)
	<u>236,089</u>	<u>(6,883)</u>
Net assets (liabilities)		
Goodwill arising on acquisition	7,421	239,501
	<u>243,510</u>	<u>232,618</u>
Interest in an associate previously held	20,399	–
	<u>263,909</u>	<u>232,618</u>
Satisfied by:		
Cash consideration paid	53,461	2,618
Forgiveness of loans and interest receivables	69,800	–
Convertible note	100,000	50,000
Issue of ordinary shares	40,648	180,000
	<u>263,909</u>	<u>232,618</u>
Total consideration		
Analysis of net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	(53,461)	(2,618)
Bank balances and cash acquired	8,559	652
	<u>(44,902)</u>	<u>(1,966)</u>

The subsidiaries acquired during the year contributed HK\$41,984,000 (2000: HK\$44,459,000) of turnover and HK\$67,758,000 of loss (2000: HK\$1,787,000 of profit) from operations for the period between the date of acquisition and the balance sheet date.

During the period since acquisition, the subsidiaries acquired have contributed approximately HK\$4,200,000 of the Group's net operating cash inflows, paid approximately HK\$1,000,000 in respect of returns on investments and servicing of finance paid approximately HK\$600,000 in respect of taxation, utilised approximately HK\$5,200,000 on investing activities and repaid approximately HK\$4,400,000 in respect of financing activities.

Notes to the Financial Statements

For the year ended 31st March, 2001

38. DISPOSAL OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Investment properties	7,000	–
Property, plant and equipment	7,414	–
Interests in associates	59,265	–
Investments in securities	36,002	–
Inventories	11,591	–
Loans and interest receivables	15,046	–
Debtors, deposits and prepayments	120,748	–
Bank balances and cash	10,898	–
Creditors, accrued charges and deposits	(103,235)	–
Short-term bank borrowings	(7,000)	–
Other long-term payable	(2,131)	–
	<hr/>	<hr/>
Net assets	155,598	–
Gain on disposal and dilution of interest in subsidiaries	105,338	–
Interest in a jointly controlled entity	(94,985)	–
	<hr/>	<hr/>
	165,951	–
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash consideration received	165,951	–
	<hr/> <hr/>	<hr/> <hr/>
Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	165,951	–
Bank balances and cash disposed of	(10,898)	–
	<hr/>	<hr/>
	155,053	–
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of during the year contributed HK\$8,018,000 (2000: Nil) of turnover and HK\$198,000 (2000: Nil) of profit from operations.

The subsidiaries disposed of during the year contributed approximately HK\$21,900,000 of the Group's net operating cash outflows and utilised approximately HK\$62,700,000 on investing activities.

Notes to the Financial Statements

For the year ended 31st March, 2001

39. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Amounts due to jointly controlled entities HK\$'000	Amounts due to associates HK\$'000	Loan notes HK\$'000	Bank loans HK\$'000	Other loans and payable HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April, 1999	962,181	34	259	18,631	391,103	220,626	-	1,592,834
Acquired on acquisition of subsidiaries	-	-	243	-	-	2,081	273	2,597
Loss attributable to minority interests	-	-	-	-	-	-	(273)	(273)
Issue of share for acquisition of interest in subsidiaries and investment in securities	295,500	-	-	-	-	-	-	295,500
Issue of share upon placements	721,599	-	-	-	-	-	-	721,599
Borrowings raised	-	35,374	2,207	-	-	3,492	-	41,073
Repurchase of shares	(28,811)	-	-	-	-	-	-	(28,811)
Repayment of borrowings	-	-	(259)	(13,040)	(158,283)	(206,197)	-	(377,779)
Share issue expenses	(23,059)	-	-	-	-	-	-	(23,059)
At 1st April, 2000	1,927,410	35,408	2,450	5,591	232,820	20,002	-	2,223,681
Acquired on acquisition of subsidiaries	-	-	-	-	11,849	-	450	12,299
Exchange realignment	-	-	-	-	(230)	-	-	(230)
Disposal of subsidiaries	-	-	-	-	(7,000)	(2,131)	-	(9,131)
Loss attributable to minority interests	-	-	-	-	-	-	(23)	(23)
Issue of share for acquisition of interest in subsidiaries and investment in securities	40,648	-	-	-	-	-	-	40,648
Borrowings raised	-	648	-	-	120,000	145	-	120,793
Repurchase of shares	(18,085)	-	-	-	-	-	-	(18,085)
Repayment of borrowings	-	-	(2,450)	(5,591)	(235,344)	(15,299)	-	(258,684)
Share issue expenses	(186)	-	-	-	-	-	-	(186)
At 31st March, 2001	1,949,787	36,056	-	-	122,095	2,717	427	2,111,082

40. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	68,777	437,524
Bank overdraft	-	(73,156)
	68,777	364,368

Notes to the Financial Statements

For the year ended 31st March, 2001

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March, 2001, the major non-cash transactions are as follows:

- (a) The Group acquired the entire interest in PHA and Unicon at a total consideration of approximately HK\$222,000,000. A proportion of this consideration was satisfied by the issue of ordinary shares and convertible note of approximately HK\$41,000,000 and HK\$100,000,000 respectively.
- (b) Decrease in loans and interest receivables of approximately HK\$69,800,000 was part of consideration for the acquisition of certain subsidiaries.
- (c) Addition in interest in an associate and interest in investments in securities amounting to HK\$31,683,000 and HK\$31,682,000 respectively were transferred from deposit paid on acquisition of investments.

During the year ended 31st March, 2000, the Group acquired a 100% interest in Star East BVI and Bob, and approximately 9.5% interest in Ananda Wing On Travel (Holdings) Limited at a total consideration of approximately HK\$345,500,000 which was satisfied by the issue of ordinary shares and convertible note of approximately HK\$295,500,000 and HK\$50,000,000 respectively.

42. UNRECOGNISED DEFERRED TAXATION

At 31st March, 2001, the Group and the Company had an unrecognised deferred tax asset of approximately HK\$165,000,000 (2000: HK\$133,000,000) and HK\$8,000,000 (2000: HK\$8,000,000), respectively, mainly representing the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. These deferred tax assets have not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

43. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make the following rental payments for land and buildings in the following year under non-cancellable operating leases which expire:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year	12,354	1,755
In the second to fifth year inclusive	24,276	2,639
Over five years	3,059	—
	<u>39,689</u>	<u>4,394</u>

At 31st March, 2001 and 2000, the Company had no significant lease commitments.

44. COMMITMENTS

At 31st March, 2001, the Group had capital commitment of HK\$21,032,000 (2000: Nil) in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements.

In addition to the above, the Group's share of the capital commitments of its jointly controlled entities in respect of acquisition of property, plant and equipment are as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for	1,189	—
Authorised but not contracted for	1,091	—

The Group had also entered into agreements to acquire 80% of the entire issued share capital of a joint stock company incorporated in Japan at a consideration of approximately HK\$900,000. The Group had further agreed to make capital contribution to the aforesaid company in the amount of approximately HK\$47,000,000.

At 31st March, 2001 and 2000, the Company had no significant capital commitments and other commitments.

45. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company have given guarantees to a bank in respect of credit facilities utilised by:

	2001 HK\$'000	2000 HK\$'000
An associate	17,500	–
A subsidiary	–	7,000
	<u>17,500</u>	<u>7,000</u>

46. PLEDGE OF ASSETS

At 31st March, 2001, certain of the Group's property interests with an aggregate net book value of approximately HK\$41 million (2000: HK\$208 million) were pledged to banks to secure credit facilities for the Company and certain of its subsidiaries.

47. RETIREMENT BENEFIT SCHEME

After the introduction of the Mandatory Provident Fund ("MPF") scheme in Hong Kong, the Group has participated in an approved MPF scheme effective from 1st December, 2000 to provide MPF scheme to all eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution limited to 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation.

The amount of contribution payable to pension scheme required by respective jurisdiction other than Hong Kong is charged to the income statement.

48. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had the following significant transactions with the related parties:

Name of parties	Nature of Transactions	2001 HK\$'000	2000 HK\$'000
G-Prop Management Limited	Rental and building management expenses paid by the Group	–	426
ITC Management Limited	Management service fee paid by the Group	720	700
Paul Y. Management	Management service fee paid by the Group	–	980
Cycle Company Limited and Gunnell Properties Limited	Rental and building management expenses paid by the Group	2,074	414
Gold Focus Limited	Interest expenses paid by the Group	349	1,539
Star East IT Management Limited	Management service income received by the Group	–	1,779
	Advertising and promotion expenses paid by the Group	–	2,565
Star East Multimedia Limited	Advertising and promotion expenses paid by the Group	4,374	–
	Sponsorship income received by the Group	3,300	–
	Movies distribution income received by the Group	–	5,000
Stareastnet	Disposal of 50% interest in Real Pleasure Limited by the Group	5,231	–
	Acquisition of 100% interest in Perpetual Gold Limited, which holds 51% interest in The Saint News Limited, by the Group	–	2,550

Notes to the Financial Statements

For the year ended 31st March, 2001

48. RELATED PARTY TRANSACTIONS AND BALANCES – continued

Name of parties	Nature of Transactions	2001 HK\$'000	2000 HK\$'000
Gold Picture	Management service fee paid by the Group	1,440	–
StarEastWorks	Production income received by the Group	4,831	–
Star East Website Limited	Licence fee income received by the Group	800	–
Earn Elite Development Limited	Interest income received by the Group	640	–
STAREASTnet.com	Interest income received by the Group	2,067	–
Star East Cafe and Entertainment Limited	Franchise income received by the Group	900	2,223
	Merchandise purchased by the Group	86	30
	Artistes performance fee received by the Group	375	432
Star East Group	Interest on convertible note paid by the Group	4,607	2,483
	Acquisition of 100% interest in Star East Cafe and Entertainment Limited	900	–
Movie Dragon Limited	Management service fee received by the Group	27	160
Trend Cheer Limited	Issue of a convertible note by the Company	100,000	–
	Interest on convertible note paid by the Group	3,795	–

The amount disclosed above represent transactions made after these parties became related parties of the Group.

G-Prop Management Limited is a wholly-owned subsidiary of G-Prop Holdings Limited, a former substantial shareholder of the Company.

ITC Management Limited is a wholly-owned subsidiary of ITC, a substantial shareholder of the Company.

Paul Y. Management, Cycle Company Limited and Gunnell Properties Limited and Trend Cheer Limited, are wholly-owned subsidiaries of Paul Y.

Gold Focus Limited ("Gold Focus") is a wholly-owned subsidiary of Tung Fong Hung (Holdings) Limited which was a former associate of ITC. The interest was paid in respect of an advance from Gold Focus, which is classified under bank and other borrowings and details of which are set out in note 30.

Star East IT Management Limited, Star East Multimedia Limited and Star East Website Limited are wholly-owned subsidiaries of STAREASTnet.com, an associate of the Group.

48. RELATED PARTY TRANSACTIONS AND BALANCES – continued

Stareastnet is a former associate of the Group. The Group's interests in Stareastnet was exchanged for the interest in STAREASTnet.com upon the group reorganisation carried out during the year.

Star East Cafe and Entertainment Limited was a wholly-owned subsidiary of Star East Group, in which ITC had a 45% beneficial interest.

Movie Dragon Limited is a wholly-owned subsidiary of a jointly controlled entity of the Group. The Group's interest therein was disposed of to STAREASTnet.com during the year.

Earn Elite Development Limited is a jointly controlled entity of the Group.

Interests on the convertible notes were paid by the Company according to the interest rate stipulated in the respective convertible note. In the opinion of the directors, the other transactions disclosed above were entered at terms determined and agreed by the Group and the relevant parties.

Details of balances with related parties as at the balance sheet date are set out in the consolidated balance sheet and in notes 20, 21, 27 and 29.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

49. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2001 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Best Win Group Limited	British Virgin Islands	US\$1	100%	–	Investment holding
Lucky Man (BVI) Limited	British Virgin Islands	HK\$1,000	100%	–	Investment holding
Silver Epoch Ltd.	British Virgin Islands	US\$2	100%	–	Investment holding
Star East BVI	British Virgin Islands	US\$2	100%	–	Investment holding
Capital Deal Investments Limited	British Virgin Islands	US\$1	100%	–	Investment holding
Best Thought Entertainment Limited	Hong Kong	HK\$100	–	70%	Provision of artistes agency and talent management services
Cornhill Development Limited	Hong Kong	HK\$2	–	100%	Provision of finance

Notes to the Financial Statements

For the year ended 31st March, 2001

49. PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Extra Wealth Investment Ltd.	British Virgin Islands/ Hong Kong	US\$1	–	100%	Property investment
Global Step Limited	Hong Kong	HK\$2	–	100%	Property investment
Jumbo Field Limited	Hong Kong	HK\$2	–	100%	Property investment
Liberway Limited	Hong Kong	HK\$2	–	100%	Provision of finance
Kan Hock Investment & Development Co. Limited	Hong Kong/ PRC	HK\$2	–	100%	Property investment
Lucky Cosmos Limited	Hong Kong	HK\$2	–	100%	Securities investment
Lucky Group Investments Limited	Hong Kong	HK\$1,000,000	–	100%	Provision of finance
Lucky Man Properties Limited	Hong Kong	HK\$1,000	–	100%	Investment holding
Real Park Limited	Hong Kong/ PRC	HK\$2	–	100%	Property investment
Sea Ruby Limited	Hong Kong/ PRC	HK\$20	–	100%	Property holding
Magnetic Light Profits Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Planet Hollywood Asia Pte Ltd	Singapore	S\$30,320,001	–	100%	Investment holding
Planet Hollywood Australia Pty Ltd	Australia	A\$2	–	100%	Investment holding
Planet Hollywood Hong Kong Limited	Hong Kong	HK\$57,693,399	–	64%	Operation of theme restaurant
Planet Hollywood (Melbourne) Ltd	Australia	A\$2	–	100%	Operation of theme restaurant
Planet Hollywood Singapore Pte Ltd	Singapore	S\$2	–	100%	Operation of theme restaurant
Planet Hollywood (Sydney) Ltd	Australia	A\$2	–	100%	Operation of theme restaurant
Star East Archive Limited	Hong Kong	HK\$2	–	100%	Movies distribution
Star East Bob Limited	Hong Kong	HK\$344	–	100%	Movies and television dramas production and distribution

49. PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Star East E-stage Limited	Hong Kong	HK\$2	–	100%	Stage performance
Star East (Hong Kong) Limited	Hong Kong	HK\$10,000	–	100%	Trading of merchandise
Star East Management Limited	Hong Kong	HK\$100	–	100%	Franchising of entertainment complexes and provision of corporate management services
Star East Management Services Limited	Hong Kong	HK\$2	–	100%	Provision of management services
Star East Music Limited	Hong Kong	HK\$2	–	100%	Music entertainment
Star East (Taishan Properties) Limited	Hong Kong	HK\$2	–	100%	Investment holding
The Saint News Limited	Hong Kong	HK\$100	–	51%	Publication of news on horse-racing
Unicon Industrial Limited	Hong Kong	HK\$2	–	100%	Property holding
Well Bright (Asia) Limited	Hong Kong	HK\$2	–	100%	Property investment
上海東魅餐飲娛樂有限公司*	PRC	US\$2,100,000	–	99.7%	Operation of entertainment complexes

* This subsidiary is a Sino-foreign cooperative joint venture.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

Notes to the Financial Statements

For the year ended 31st March, 2001

50. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the Group's principal jointly controlled entities which were held indirectly by the Company at 31st March, 2001 are as follows:

Name of jointly controlled entity	Place of incorporation	Attributable proportion of nominal value of issued capital	Principal activity
Canaria Holding Limited	British Virgin Islands	50%	Investment holding
Earn Elite Development Limited	Hong Kong	50%	Property investment
Planet Hollywood (Taiwan) Co. Limited	Taiwan	50%	Operation of theme restaurant
StarEastWorks	British Virgin Islands	50%	Investment holding
SEIT	British Virgin Islands	50%	Investment holding

The above tables lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Extracts from the audited financial statements of StarEastWorks, the Group's major jointly controlled entity, are set out in note 51.

51. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR JOINTLY CONTROLLED ENTITY

Extracts from the most recent audited financial statements of StarEastWorks for the period ended 31st March, 2001, which are material in the context of the Group's financial statements, are as follows.

Income statement

For the period ended 31st March, 2001

Turnover	2001 HK\$'000 <u>15,839</u>
Loss before taxation	(77,088)
Taxation	<u>-</u>
Loss for the period	<u>(77,088)</u>
Group's share of loss for the period since acquisition	<u>(33,530)</u>

Net tangible assets

At 31st March, 2001

Non-current assets	2001 HK\$'000 21,915
Current assets	111,713
Current liabilities	(10,717)
Non-current liabilities	<u>-</u>
Net tangible assets	<u>122,911</u>
Group's share of net tangible assets	<u>61,456</u>

Notes to the Financial Statements

For the year ended 31st March, 2001

52. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR ASSOCIATE

Extracts from the most recent audited financial statements of STAREASTnet.com for the year ended 31st March, 2001, which are material in the context of the Group's financial statements, are as follows.

Income statement

For the year ended 31st March, 2001

	2001 HK\$'000	2000 HK\$'000
Turnover	48,383	10,375
Loss before taxation	(174,263)	(79,815)
Taxation	-	-
Loss for the year	(174,263)	(79,815)
Group's share of loss for the year/since acquisition	(36,622)	(19,783)

Net tangible assets

At 31st March, 2001

	2001 HK\$'000	2000 HK\$'000
Non-current assets	111,918	94,539
Current assets	77,726	26,602
Current liabilities	(36,304)	(48,345)
Non-current liabilities	(68,416)	(893)
Net tangible assets	84,924	71,903
Group's share of net tangible assets	16,705	17,472

53. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating results by principal activity and geographical market is as follows:

	Turnover		Operating results	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Movies, television dramas and documentary production, distribution and licensing income	127,194	35,675	(46,656)	8,781
Sales of marketable securities	45,729	763	(34,867)	(19,876)
Theme restaurant income	37,862	–	(24,215)	–
Interest income from provision of finance	10,747	6,540	11,462	(44,032)
Property rental income	7,313	18,542	(59,563)	(135,699)
Entertainment complexes and theme restaurant franchising income	4,512	4,183	(5,249)	(5,699)
Media agency and promotion service income	2,412	2,856	288	281
Others	3,414	1,744	(21,317)	(4,638)
	<u>239,183</u>	<u>70,303</u>	<u>(180,117)</u>	<u>(200,882)</u>
By geographical market:				
Hong Kong	209,711	68,080	(140,281)	(195,585)
The PRC	1,008	2,223	(21,110)	(5,297)
Other Asian and Pacific countries	28,464	–	(18,726)	–
	<u>239,183</u>	<u>70,303</u>	<u>(180,117)</u>	<u>(200,882)</u>

54. POST BALANCE SHEET EVENTS

The following significant events have occurred subsequent to the balance sheet date:

- As announced on 23rd April, 2001, the Group entered into a placing agreement to place 205,000,000 new ordinary shares of HK\$0.10 each at the price of HK\$0.14 per share to institutional investors.
- As announced on 23rd May, 2001, the Group, together with China Strategic Holdings Limited ("CSH"), the other shareholder of Gold Brilliant, entered into an agreement to dispose of their respective 35% and 65% interest in Gold Brilliant to a third party at an aggregate consideration of approximately HK\$206,000,000. Pursuant to the agreement, the parties agreed that approximately 5.25% and 9.74% interest in Sing Pao Media held by Gold Brilliant would be transferred to the Group and CSH respectively as repayment of the shareholders' loans due by Gold Brilliant to them. After the transfer of shares, Gold Brilliant would hold 60% interest in Sing Pao Media. On the same date, the Group, together with CSH, through Expert Solution Limited, a company in which the Group owns 35% interest, agreed to acquire the entire interest in Optima and two other companies engaging in media interest business from Sing Pao Media at a consideration of approximately HK\$110,000,000.
- As announced at 12th June, 2001, the Group entered into (a) a conditional placing agreement to place through a placing agent an aggregate of 383,000,000 new ordinary shares of HK\$0.10 each at a price of HK\$0.185 per share to independent investors; (b) a conditional subscription agreement with ITC in which ITC conditionally agreed to subscribe for an aggregate of 67,000,000 new ordinary shares of HK\$0.10 each at a subscription price of HK\$0.185 per share; and (c) a conditional note amendment agreement with Star East Group, the noteholder of HK\$50,000,000 convertible note, to amend the conversion price of the convertible note from HK\$0.70 per share to HK\$0.185 per share.