

Sing Pao Media Group Limited

(formerly known as STAREASTnet.com Corporation)

(incorporated in the Cayman Islands with limited liability)

www.singpao.com

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成報

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Annual Report

2002

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This document, for which the directors of Sing Pao Media Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sing Pao Media Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

	<i>Page(s)</i>
Corporate Information	2-3
Chairman's Statement	4-6
Management Discussion and Analysis	7-11
Biographical Information of Directors and Senior Management	12-14
Comparison of Business Objectives with Actual Business Progress	15-16
Directors' Report	17-29
Auditors' Report	30
Consolidated Income Statement	31
Consolidated Balance Sheet	32-33
Balance Sheet	34
Consolidated Statement of Recognised Gains and Losses	35
Consolidated Cash Flow Statement	36
Notes to the Financial Statements	37-82
Financial Summary	83-84
Notice of Annual General Meeting	85-88

BOARD OF DIRECTORS

Executive Directors

Tam Wing Lun, Alan (*Chairman*)
Cheung Kwok Wah (*Vice Chairman*)
Chan Pak Cheung, Natalis
Wong Kun To
Wong Lai Shun, Benny
Tong Chin Shing

Non-executive Directors

Chan Kong Sang, Jackie
Masanori Suzuki

Independent Non-executive Directors

Bradford Allen
Dominic Lai
Vincent Ting Kau Cheung

**COMPANY SECRETARY &
QUALIFIED ACCOUNTANT**

Leung Man Fai

COMPLIANCE OFFICER

Tong Chin Shing

AUTHORISED REPRESENTATIVES

Tong Chin Shing
Leung Man Fai

AUDIT COMMITTEE

Bradford Allen
Dominic Lai
Vincent Ting Kau Cheung

LEGAL ADVISERS

Iu, Lai & Li
Conyers Dill and Pearman
(as to Cayman Islands law)

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Wing Hang Bank, Ltd.

SHARE REGISTRARS AND TRANSFER OFFICE

Principal Registrars

Bank of Butterfield International
(Cayman) Limited
P.O. Box 705
Butterfield House, Fort Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Branch Registrars in Hong Kong

Computershare Hong Kong Investor
Services Limited
Rooms 1712-16
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

WARRANT REGISTRARS

Computershare Hong Kong Investor
Services Limited
Rooms 1712-16
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

**HEAD OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

7th Floor, Sing Pao Building
101 King's Road
North Point
Hong Kong

WEBSITES

www.singpao.com
www.stareastnet.com

STOCK CODE

8010

WARRANT CODE

8353

Corporate Information

Chairman's Statement

Management Discussion and Analysis

Biographical Information of Directors and Senior Management

Comparison of Business Objectives with Actual Progress

Directors' Report

Auditors' Report

Chairman's Statement



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Consolidated Income Statement

Consolidated Balance Sheet

Balance Sheet

Consolidated Statement of Recognized G & L

Consolidated Cash Flow Statement

Notes to the Financial Statements

Financial Summary

Notice of Annual General Meeting

I have pleasure to present to shareholders the annual results for the year ended 31st March, 2002 of Sing Pao Media Group Limited (the "Company" or "Sing Pao Media") and its subsidiaries (together, the "Group").

In face of the economic downturn, advertising market in the internet arena has experienced a difficult time. The cost of operating STAREASTnet.com's entertainment and life style portals has far exceeded the revenues generated by these portals. To compensate for the income loss, the Group broadened its income sources by expanding beyond its core online advertising into offline media business, as well as implemented better control on cost saving through sharing of resources in content development, marketing, editorial and administration for both the traditional media and the internet operations. Sing Pao Daily News, a traditional Chinese newspaper acquired by the Group during the year, was re-launched to receive enthusiastic response from its readers. This is shown by improvement in readership, circulation, advertising income and advertising volume.

FINANCIAL RESULTS

For the year ended 31st March, 2002, the Group recorded a turnover of approximately HK\$71.5 million as compared with approximately HK\$48.4 million in the last year representing an increase of approximately 47.7%. The increase was mainly due to a turnover of approximately HK\$50.9 million contributed from the newly acquired newspaper and magazine business which outweighed the drop in turnover of approximately HK\$27.8 million of the website business.

With tight cost control measures being implemented, gross loss for the year ended 31st March, 2002 was decreased to approximately HK\$34.9 million as compared with approximately HK\$40.8 million in the last year. Similarly, loss from operations was decreased from approximately HK\$164.9 million for the last year to approximately HK\$143.6 million for the current year.

Net loss for the year ended 31st March, 2002 was reduced from approximately HK\$174.3 million for the last year to HK\$148.9 million in the current year representing a decrease of approximately 14.6%.

OUTLOOK

SING PAO DAILY NEWS & WIDE ANGLE MAGAZINE

With the acquisition of Sing Pao Daily News and Wide Angle magazine, the Group's leading position as the preferred provider of multimedia entertainment content and cross-media entertainment marketing services in the region can be further strengthened. The acquisition can further expand the Group's editorial and presentation capabilities by being able to access the content created by Sing Pao Daily News and Wide Angle magazine. It is expected that Sing Pao Daily News and Wide Angle magazine will enable the Group to rationalise its print and multimedia publishing operations which will lead to lower costs and better efficiencies.

OUTLOOK *(continued)*

STAREASTNET.COM

STAREASTnet.com continues its principal activities of developing and operating a multimedia entertainment and life style information platform principally through its vertically integrated entertainment portals. Through synergies between its traditional and virtual media businesses, the Group is equipped to provide information of great variety and higher quality. This helps reduce the content production costs and enhance the Group's ability to generate income from classified advertisements and bundle sales.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their continuous support, to the management, celebrities and staff for their contributions and dedicated efforts throughout the year.

Tam Wing Lun, Alan

Chairman

Hong Kong, 20th June, 2002

Management Discussion and Analysis



本報奪同志議題報道獎

【本報特訊】由「智行基金會」主辦的「第二屆同志議題報導獎」昨舉行頒獎禮，本報以同志戀者異性為題的報導獲選為「傑出同志議題報導獎」。

是次活動共有超過一百篇稿件獲選提名，以十八篇入圍，再由評審團甄選出十篇得獎作品。十篇得獎作品分別來自《成報》、《經濟日報》、《明報》、《星島日報》及中文大學新聞系刊物《大學線》。

其中「傑出同志議題報導獎」則由《大學線》的三名記者奪得。

本報記者黃美蘭（見圖）對於得獎感到高興，日後會繼續關注社會上弱勢社群爭取權益的新聞。



Sing Pao reporter Lau Mei Ngan was awarded for her coverage of Gay's and Lesbian's Lives.



Another gathering of Macau horse racing elites. First hand information on Macau horse race is available in Sing Pao Horse Racing Section.



As host of Sing Pao Horse Racing Fans Club, Mr. Natalis Chan shared his experience in horse racing with readers.

ANALYSIS OF THE GROUP'S PERFORMANCE

The Group's turnover for the year ended 31st March, 2002 was approximately HK\$71.5 million, an increase of approximately 47.7% as compared to the last year of approximately HK\$48.4 million. The increase in revenue was mainly generated from the newly acquired newspaper and magazine business with a contribution to the Group's turnover of approximately HK\$50.9 million since December 2001.

Loss from operations decreased by approximately 12.9% to approximately HK\$143.6 million, as compared to the last year of approximately HK\$164.9 million. The decrease in loss from operations was mainly due to massive cut on advertising and promotion expenses and substantial reduction in administrative expenses after stringent cost control was implemented.

The Group has made continued efforts to streamline operations and increase operational efficiency, consequently, approximately HK\$30.7 million was incurred for such streamlining operations. In addition, an aggregate amount of approximately HK\$16.3 million was recorded for the impairment of intangible assets, goodwill and diminution in value of investment in securities.

Overall, the net loss for the year ended 31st March, 2002 was reduced from approximately HK\$174.3 million for the last year to approximately HK\$148.9 million representing a decrease of approximately 14.6%.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year ended 31st March, 2002, the Group had successfully raised sufficient funding to finance the acquisition of the media interests and its general working capital through the issuance of rights shares. The rights issue of 1,538,250,000 rights shares of HK\$0.10 each on the basis of three rights shares for every two existing shares held, with warrants issued in the proportion of one warrant for every two rights shares subscribed was completed on 29th November, 2001.

As at 31st March, 2002, the Group had a total borrowing of about HK\$145.4 million comprising of about HK\$103.5 million payables to shareholders, about HK\$17.1 million payable to a related party and about HK\$24.8 million in obligations under finance leases. About HK\$24.5 million of the total borrowing was repayable within one year. The Group also had a bank balance of about HK\$24.2 million as at the balance sheet date. Gearing ratio calculated as a ratio of the total borrowing to shareholders' fund was improved from approximately 73.7% in last year to approximately 56.8% for the current year.

It is the Group's policy to lease certain of its machinery and equipment under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. An amount of HK\$10,000,000 has been placed with a finance company as security for the repayment of the remaining instalments. The Group did not have any significant contingent liabilities as at 31st March, 2002.

The businesses of the Group were mainly conducted in Hong Kong and most transactions were settled in Hong Kong dollars. The exposure to fluctuations in exchange rates was, therefore, insignificant.



Sing Pao received three awards in Hong Kong News Awards 2001 organised by The Newspaper Society of Hong Kong.



Many celebrities attended the Macau Cup sponsored by Sing Pao.



Renowned horse owners and commentators gave tips to fans during a Sing Pao Horse Racing Fans Club gathering.

COMMENTS ON SEGMENTAL INFORMATION AND SIGNIFICANT INVESTMENTS

SING PAO DAILY NEWS

The twelve months period ended 31st March, 2002 saw significant improvement in many aspects of Sing Pao Daily News. The newspaper was revamped to cater for readers' interests. Re-grouping of printing machines has been completed to increase production capacity and to facilitate the colour printing process. This enabled the transformation of Sing Pao Daily News to an attractive full colour version. In addition, the contents in all sections have been enriched, with the total number of pages in an issue increasing from 50 to 92 during the year. Supplements on contemporary topics such as China's accession to World Trade Organization ("WTO") "中國入世商機系列", 2008 Olympic Game "中國申奧特輯", personal wealth management "個人理財系列", self-enhancement in adversity "逆境自強系列" and lunar new year "春節特輯" were also introduced. The above two factors have been main contributors to the outstanding achievement in terms of circulation, readership, advertising revenue and advertising volume during the year.

Sing Pao Daily News was awarded in Hong Kong News Awards 2001 organised by The Newspaper Society of Hong Kong in the areas of "Best News Writing", "Best Page Design" and "Best News Reporting". In the 8th Annual Most Popular TV Commercial Awards, Sing Pao Daily News was honoured finalist among over 5,000 TV commercials and has been invited to join CCTV International Festival of TV Advertising.

The Group has made strenuous marketing efforts to successfully enhance its image through functions like "Eco Love Tour", donation of which all went to charitable institutions. Other large-scale activities that effectively broadened the publicity of the newspaper include Writing and Drawing Competition for Youngsters, Fortune Pack Redemption Campaign and those associated with Sing Pao Horse Racing Fans Club.



Wide Angle magazine has been re-designed. Enhanced sales and marketing efforts have been devoted to penetrating into the PRC market.



"2002 World Cup Supplement" gave a full preview of 2002 World Cup Events.

COMMENTS ON SEGMENTAL INFORMATION AND SIGNIFICANT INVESTMENTS *(continued)*

WIDE ANGLE MAGAZINE

Over the past years, Wide Angle magazine had successfully established its foothold in Mainland China and has become the dominant player among similar Hong Kong based magazines in the PRC market. For this reason, advertisement is mainly generated from the PRC. During the year under review, the magazine was re-designed to bring a brand new attractive look to cater for changing market conditions. In foreseeable future, enhanced sales and marketing efforts will be devoted to penetrating into the PRC market.

STAREASTNET.COM

STAREASTnet.com has endeavoured to generate revenue from diversified products and value-added services. By offering unique, online and offline cross-media entertainment marketing services with the endorsement of celebrities, STAREASTnet.com has created cost-effective one-stop advertising and marketing services packages to advertisers. Advertising revenue from online and offline entertainment marketing services was the Group's major revenue contributor. In addition, revenue was generated from the licensing of content by the Group to TV broadcasting operators and video distributors and the provision of information technology consulting services.

Synergistic effect has enabled the Group to enrich its website, STAREASTnet.com. Contents in Sing Pao Daily News including various games were brought into the website to attract more page views and hence increase revenues.

The Group has made continued efforts to increase operational and cost efficiency. A number of overseas websites have been changed from operating on individual basis to mirror sites, contents of which are provided by Sing Pao Daily News. In addition to tighter cost control, income is generated from new sources in the form of classified advertisements on the website and bundle sales.

CORPORATE DEVELOPMENT

With the resolution passed by the shareholders of the Company on 15th January, 2002, the name of the Company was changed from “STAREASTnet.com Corporation” to “Sing Pao Media Group Limited” to reflect the Group’s emphasis on synergy between traditional and virtual media business.

On 28th January, 2002, the Company announced a proposal for the reduction of share premium account, reduction of share capital and consolidation of shares under which HK\$110 million standing to the credit of the share premium account would be applied against the accumulated losses and the issued and unissued shares of the Company would be reduced from HK\$0.10 each to HK\$0.0025 each. Thereafter, every 20 issued and unissued reduced shares of HK\$0.0025 each will be consolidated into one share of HK\$0.05 each. The reduction of the share premium account and the reduction of share capital and consolidation of shares took effect on 28th May, 2002.

MATERIAL ACQUISITION

The Group acquired Actiwater Resources Limited, a company which held the media interests comprising principally Sing Pao Daily News, Wide Angle magazine and 60% of the internet portal www.cyol.net, for a consideration of HK\$210 million. The consideration was satisfied as to HK\$50 million in cash and HK\$160 million by the issue of 1,600 million new shares in the Company. The acquisition was completed on 4th December, 2001.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31st March, 2002, the Group employed approximately 550 (2001: 109) employees. Remuneration packages comprised of salary and year-end bonuses based on individual merits.

On 15th January, 2002, the Company adopted a new share option scheme (the “New Share Option Scheme”) under which the board of directors of the Company may at its discretion offer to any director (including non-executive director), executive, employee and contracted celebrity of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme and Chapter 23 of the GEM Listing Rules. No share options were granted during the year ended 31st March, 2002. The Employee Share Option Scheme adopted on 15th May, 2000 was simultaneously terminated but the options which have been granted during the life of the Employee Share Option Scheme shall continue to be exercisable in accordance with their terms of issue and in all other respects the provisions of the Employee Share Option Scheme shall remain in full force and effect.

EXECUTIVE DIRECTORS

Mr. Tam Wing Lun, Alan, aged 51, joined the Company as the Chairman in February 2000. Mr. Tam is one of the Hong Kong's leading recording artistes in Asia and has recorded more than 60 albums, including the award-winning "The Late Coming Spring", "Misty Love" and "Root of Love". For the four consecutive years from 1985 to 1988, he won the "Most Popular Male Singer" award at the TVB Solid Gold Best Ten Awards ceremony in Hong Kong. Mr. Tam performed in more than 150 solo concerts throughout Asia, Europe and North America and appeared in more than 25 movies in Hong Kong. He is also the Chairman of Star East Holdings Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited.

Mr. Cheung Kwok Wah, aged 45, joined the Company as the Vice Chairman in January 2002 and has over 15 years' experience in the legal and merchant banking fields. Mr. Cheung is responsible for the corporate development of the Group. He is also an executive director of ITC Corporation Limited, Hanny Holdings Limited, companies whose shares are listed on The Stock Exchange of Hong Kong Limited, and M Channel Holdings Limited (formerly known as 36.com Holdings Limited), a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Mr. Chan Pak Cheung, Natalis, aged 51, joined the Company as an Executive Director in February 2000 and is a well-known actor, master of ceremonies and horseracing and soccer commentator. Mr. Chan has over 21 years of experience in the entertainment and film industry in Hong Kong. He is also the Deputy Chairman of Star East Holdings Limited.

Mr. Wong Kun To, aged 46, joined the Company as an Executive Director in February 2000. Mr. Wong is a member of the Institute of Engineers (U.K.) and the Hong Kong Institute of Engineers. He is also the managing director of Star East Holdings Limited and an executive director of ITC Corporation Limited and M Channel Holdings Limited.

Mr. Wong Lai Shun, Benny, aged 41, joined the Company as an Executive Director in January 2002. Mr. Wong is responsible for overall strategic development and operation of the Group. Mr. Wong holds a Bachelor's Degree in Art, has 5 years of working experience in the education field and over 9 years of general administration experience in the construction and building management industry.

Mr. Tong Chin Shing, aged 48, joined the Company as an Executive Director and the Compliance Officer in January 2002. Mr. Tong is responsible for corporate strategic development and financial management of the Group. Mr. Tong holds a Bachelor's Degree in Commerce and is a member of the Society of Management Accountants of Canada. Mr. Tong has over 23 years' experience in accounting, finance and general administration.

NON-EXECUTIVE DIRECTORS

Dr. Chan Kong Sang, Jackie, alias **Sing Lung**, MBE, aged 48, joined the Company as a Non-executive Director in February 2000. Dr. Chan has over 21 years' experience in the Hong Kong film industry as a leading film director and actor. He has won a number of film awards both in Hong Kong and abroad and is a popular international movie star. In 1986, Dr. Chan was awarded one of the "Ten Most Outstanding Young Persons" by the Hong Kong Junior Chamber of Commerce for his contributions to the society. He was further awarded one of the "Ten Most Outstanding Young Persons of the World" in Sydney in 1988. Dr. Chan is also the chairman of the Global Food Culture Group Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited and a non-executive director of Emperor Entertainment Group Limited, a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. He is also an executive director of Star East Holdings Limited.

Mr. Masanori Suzuki, aged 42, joined the Company as a Non-executive Director in February 2000. Mr. Suzuki was an executive director of Hikari Tsushin, Inc., a company whose shares are listed on the Tokyo Stock Exchange Division One. Prior to starting his career in Hikari Tsushin, Inc. in 1999, Mr. Suzuki spent 18 years in Japan Associate Finance Co. Ltd., Credit Suisse First Boston Securities Limited, Nomura Securities Co. Ltd. and Marubeni Corporation. Mr. Suzuki is also a director of Hikari Tsushin International Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited. He is currently the president of Ashford Capital, K.K., a private company incorporated in Japan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Bradford Allen, aged 45, joined the Company as an Independent Non-executive Director in February 2000. Mr. Allen graduated with a business degree from Villanova University in 1978 and is the founder and chief executive officer of eFederal Systems, Inc., a leading business-to-government e-commerce portal. In addition, Mr. Allen is the former founder and chief executive officer of BuyGolf.com Inc., a leading on-line golf retailer which was acquired by Buy.com Inc., one of the largest on-line retailers and listed on NASDAQ in February 2000. In addition to his internet experience, Mr. Allen has over 19 years' experience in the private and investment banking business, most recently with Bear, Stearns & Co., Inc. in Hong Kong in 1998 as managing director.

Mr. Dominic Lai, aged 55, joined the Company as an Independent Non-executive Director in May 2000. Mr. Lai is a practising solicitor in Hong Kong and the senior partner of the Hong Kong law firm, lu, Lai & Li. He is also a director of a number of publicly listed companies in Hong Kong.

Mr. Vincent Ting Kau Cheung, aged 60, joined the Company as an Independent Non-executive Director in May 2000. Mr. Cheung is a practising solicitor and the senior partner of the firm of solicitors, Vincent T.K. Cheung, Yap & Co. He obtained a Bachelor of Laws Degree from University College, London and was admitted as a solicitor in the United Kingdom in 1970 and in Hong Kong in 1972. Mr. Cheung is also an executive director of Global Food Culture Group Limited, a non-executive director of Gold Peak Industries (Holdings) Limited and an independent non-executive director of Datronix Holdings Limited, Paul Y. – ITC Construction Holdings Limited and Techtronic Industries Company Limited, companies whose shares are listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Leung Man Fai, aged 37, joined the Group as the Company Secretary and Financial Controller in January 2002. Mr. Leung holds a Bachelor of Arts with Honours Degree in Accountancy and is a member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. Mr. Leung has over 18 years' experience in both private and listed companies.

Mr. Ngai Kai Kwong, aged 53, joined Sing Pao Daily News in 1994 and is the Chief Editor. Mr. Ngai is responsible for news editing and daily operation of Sing Pao Daily News. Prior to joining Sing Pao Daily News, Mr. Ngai worked for a number of major newspaper and magazine companies in Hong Kong and has accumulated over 30 years' experience in press media business.

Ms. Cheung Ying Chun, Jeannette, aged 51, is the Sales and Marketing Director of Sing Pao Daily News and is responsible for the advertising sales and marketing functions of Sing Pao Daily News. Prior to joining Sing Pao Daily News, Ms. Cheung has accumulated over 20 years' experience in advertising and media industry. Ms. Cheung managed the media department of a famous international 4A's advertising agency for more than 9 years and took a major role in the advertising department for a number of major newspapers and magazines in Hong Kong.

Mr. Yung Chi Keung, Godwin, aged 33, is the Senior Manager of technical and content department of the Group. Mr. Yung holds a Bachelor of Science Degree from University of Toronto and is responsible for overseeing the direction and executing project plans for both technical and website development. Prior to joining the Group, Mr. Yung has more than 10 years' experience in UNIX engineering, systems integration and technology management in a famous overseas university and various international companies.

The following is a summary of the actual business progress in comparison with the business objectives set out in the prospectus of the Company dated 23rd May, 2000.

Business objectives up to the second half of the year ended 31st March, 2002 as disclosed in Prospectus	Actual business pursuit up to the second half of the year ended 31st March, 2002
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Content development

- | | |
|---|--|
| 1. Target to recruit at least 5 additional artistes in each of the Group's target market | Due to the global downtrend in the internet arena, the Group's target market has been changed by expanding beyond its core online advertising into offline media business. So such business objective has not been pursued. |
| 2. Continue to enrich the content with new interactive features for new trends in entertainment and life style such as enabling users to offer input on how to design costumes for movies | The cost of producing content of the entertainment and life style portals has far exceeded the revenues generated by these portals. So such business objective has not been pursued. |
| 3. Offer non-entertainment related content, such as health and psychology, specifically for the 3rd generation mobile phone | The Group has already developed non-entertainment related content such as Chinese culture research on history, literature, language and philosophy which are ready for use in the 3rd generation mobile phone. |
| 4. Launch at least one new mega-site featuring one of the Group's contracted celebrities | <i>christychung.stareastnet.com</i> , the official website of movie star Christy Chung, has been launched in October 2001 and <i>victorchen.stareastnet.com</i> , the official website of pop singer Victor Chen, has also been launched in December in the same year. |

E-commerce development

- | | |
|---|--|
| 1. Enter into additional B2C e-commerce product hosting alliances with vendors that sell non-entertainment merchandise, such as fashion and fashion accessories | An alliance with <i>wins88.com</i> was formed in October 2001 to provide the most updated information to our registered members on horse racing tips and statistics of previous horse racing events. |
|---|--|

Business objectives up to the second half of the year ended 31st March, 2002 as disclosed in Prospectus

Actual business pursuit up to the second half of the year ended 31st March, 2002

Technological development

1. Explore new technology for next generation mobile phone and new broadband services to enable users to access the Group's services more readily
2. Continue to incorporate new Web applications, particularly applications that enable users to interact with one another more readily, to support the introduction of new content and new features

Most of the mobile phone network providers have announced to postpone the launch of the 3rd generation mobile phone services, the Group will observe the industry development and respond accordingly.

Personal Digital Assistant version of entertainment news from Sing Pao Daily News has been launched in December 2001.

The Group has continued to enhance its platform by deploying the "XML-based" content management solution.

Overseas expansion

1. Explore opportunities in countries outside of Asia for launching new regional sites
2. Prepare for the launching of new sites in targeted countries

A number of overseas websites have been changed from operating on individual basis to mirror sites. So such business objective has not been pursued.

Such business objective has not been pursued.

The directors present their annual report and the audited financial statements of the Group and the Company for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company with its shares listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The activities of its principal subsidiaries and associates are set out in notes 38 and 17, respectively, to the financial statements.

CHANGE OF NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 15th January, 2002, the name of the Company was changed from STAREASTnet.com Corporation to Sing Pao Media Group Limited.

RESULTS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 31.

SHARE CAPITAL AND WARRANTS

Details of movements in the issued share capital and outstanding warrants of the Company during the year are set out in notes 24 and 25 to the financial statements, respectively. Subsequent to the year end, the Company completed a capital reorganisation, details of which are set out in note 39 to the financial statements.

A summary of the share options for the year ended 31st March, 2002 are set out in note 26 to the financial statements.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 27 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the period from 18th February, 1999 to 31st March, 1999 and for the three years ended 31st March, 2002 is set out on pages 83 and 84.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment are set out in note 13 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the five largest customers account for approximately 22% and approximately 39% of the Group's turnover, respectively, for the year ended 31st March, 2002. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's cost of sales. None of the directors, their associates (within the meaning of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules")) or shareholders (which to the knowledge of the directors own more than 5% in the Company's share capital) have any interest in the customers disclosed above.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS**EXECUTIVE DIRECTORS**

Tam Wing Lun, Alan (*Chairman*)

Wong Kun To

Chan Pak Cheung, Natalis

Cheung Kwok Wah (*Vice-chairman*)

(appointed on 2nd January, 2002)

Wong Lai Shun, Benny

(appointed on 2nd January, 2002)

Tong Chin Shing

(appointed on 2nd January, 2002)

NON-EXECUTIVE DIRECTORS

Chan Kong Sang, Jackie

Masanori Suzuki

Masahide Saito

(resigned on 10th December, 2001)

Peter Anthony Allen

(resigned on 24th September, 2001)

Chung Cho Yee, Mico

(resigned on 24th September, 2001)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Bradford Allen

Dominic Lai

Vincent Ting Kau Cheung

In accordance with Article 98 of the Company's Articles of Association, Messrs. Cheung Kwok Wah, Wong Lai Shun, Benny and Tong Chin Shing will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 115 of the Company's Articles of Association, Messrs. Masanori Suzuki and Bradford Allen will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The terms of office of each of the independent non-executive directors is the period up to his retirement by rotation as required by the Company's Articles of Association.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(continued)*

Messrs. Tam Wing Lun, Alan and Chan Pak Cheung, Natalis have entered into service contracts with the Company for an initial term of three years which commenced on 1st June, 2000 and continues thereafter unless and until terminated by either party by giving to the other party not less than six months' prior written notice.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 31st March, 2002, the interests of the directors and their respective associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or which are required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

INTERESTS IN SHARES IN THE COMPANY

Name of director	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Tam Wing Lun, Alan	–	–	87,150,000 <i>(Note)</i>	–
Chan Pak Cheung, Natalis	–	–	87,150,000 <i>(Note)</i>	–

Note: These shares were beneficially owned by Gold Miracles Limited, a company in which the relevant directors holds one third of its issued share capital. The relevant directors are therefore deemed to be interested in 87,150,000 shares in the Company.

Save as disclosed above and in the section headed "Share Options" below, none of the directors or their associates had, as at 31st March, 2002, any personal, family, corporate or other interests in the shares in the Company or any of its associated corporations as defined in the SDI Ordinance or which are required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

Pursuant to the Pre-IPO Share Option Scheme and Employee Share Option Scheme as described below, as at 31st March, 2002, the directors of the Company and its subsidiaries and the employees and contracted celebrities of the Group had share options granted by the Company to subscribe for shares in the Company as follows:

Name of directors	Date of grant	Option period	Exercise price per share <i>HK\$</i> <i>(Note 1)</i>	Number of underlying shares comprised in the options		
				Outstanding as at 1.4.2001 <i>(Note 1)</i>	Lapsed during the year	Outstanding as at 31.3.2002
Category 1: Directors of the Company						
Tam Wing Lun, Alan	26.5.2000	26.5.2000 to 25.5.2005	0.570	31,250,000	–	31,250,000
Wong Kun To	26.5.2000	26.5.2000 to 25.5.2005	0.570	31,250,000	–	31,250,000
	10.1.2001	10.1.2001 to 9.1.2006	0.532	15,000,000	–	15,000,000
Chan Pak Cheung, Natalis	26.5.2000	26.5.2000 to 25.5.2005	0.570	31,250,000	–	31,250,000
Chan Kong Sang, Jackie	26.5.2000	26.5.2000 to 25.5.2005	0.570	15,000,000	–	15,000,000
Masanori Suzuki	26.5.2000	26.5.2000 to 25.5.2005	0.570	2,500,000	–	2,500,000

SHARE OPTIONS *(continued)*

Name of directors	Date of grant	Option period	Exercise price per share <i>HK\$</i> <i>(Note 1)</i>	Number of underlying shares comprised in the options		
				Outstanding as at 1.4.2001 <i>(Note 1)</i>	Lapsed during the year	Outstanding as at 31.3.2002
Category 1: Directors of the Company (continued)						
Masahide Saito <i>(Note 2)</i>	26.5.2000	26.5.2000 to 25.5.2005	0.570	2,500,000	(2,500,000)	–
Peter Anthony Allen <i>(Note 2)</i>	26.5.2000	26.5.2000 to 25.5.2005	0.570	2,500,000	(2,500,000)	–
Chung Cho Yee, Mico <i>(Note 2)</i>	26.5.2000	26.5.2000 to 25.5.2005	0.570	2,500,000	(2,500,000)	–
Bradford Allen	26.5.2000	26.5.2000 to 25.5.2005	0.570	2,500,000	–	2,500,000
Dominic Lai	26.5.2000	26.5.2000 to 25.5.2005	0.570	2,500,000	–	2,500,000
Vincent Ting Kau Cheung	26.5.2000	26.5.2000 to 25.5.2005	0.570	2,500,000	–	2,500,000
				141,250,000	(7,500,000)	133,750,000

SHARE OPTIONS *(continued)*

Date of grant	Option period	Exercise price per share HK\$ <i>(Note 1)</i>	Number of underlying shares comprised in the options		
			Outstanding as at 1.4.2001 <i>(Note 1)</i>	Lapsed during the year	Outstanding as at 31.3.2002
Category 2: Directors of the Company's subsidiaries					
26.5.2000	26.5.2000 to 25.5.2005	0.570	42,000,000	(2,500,000)	39,500,000
10.1.2001	10.1.2001 to 9.1.2006	0.532	15,000,000	(2,500,000)	12,500,000
			<u>57,000,000</u>	<u>(5,000,000)</u>	<u>52,000,000</u>
Category 3: Employees and contracted celebrities of the Group					
26.5.2000	26.5.2000 to 25.5.2005	0.570	65,100,000	(25,350,000)	39,750,000
5.9.2000	5.9.2000 to 4.9.2005	0.846	13,000,000	(5,000,000)	8,000,000
10.1.2001	10.1.2001 to 9.1.2006	0.532	41,937,500	(36,862,500)	5,075,000
			<u>120,037,500</u>	<u>(67,212,500)</u>	<u>52,825,000</u>
			<u>318,287,500</u>	<u>(79,712,500)</u>	<u>238,575,000</u>

Notes:

- (1) According to the respective terms of the Pre-IPO Share Option Scheme and the Employee Share Option Scheme of the Company, the subscription prices of the shares to be issued and the number of shares to be issued on the exercise of the outstanding share options have been adjusted in respect of the rights issue ("Rights Issue") as disclosed in the Company's rights issue prospectus dated 6th November, 2001.

SHARE OPTIONS *(continued)*

- (2) Messrs. Peter Anthony Allen, Chung Cho Yee, Mico and Masahide Saito resigned as non-executive directors of the Company during the year and their options lapsed one month after their resignation.

The options are exercisable in accordance with the terms of the Pre-IPO Share Option Scheme and Employee Share Option Scheme at any time during a period commencing 1 year after the date of grant and ending 5 years after the date of grant in accordance with the following schedule:

Period since date of grant	Percentage of shares comprised in options which become exercisable
Year 1	zero
Year 2	up to 25%
Year 3	up to 50% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the third anniversary)
Year 5	all shares in respect of which the options have not been previously exercised

None of the above options has been exercised during the year.

Save as disclosed above, at no time during the year was the Company, its subsidiaries or holding company a party to any arrangements to enable the directors, their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PRE-IPO SHARE OPTION SCHEME AND EMPLOYEE SHARE OPTION SCHEME

As at 31st March, 2002, options comprising an aggregate of 238,575,000 underlying shares (adjusted by the Rights Issue) granted pursuant to the Pre-IPO Share Option Scheme and the Employee Share Option Scheme were outstanding. All of these options are subject to the same limitations on the timing of exercise as detailed above. A summary of the major terms of each of the Pre-IPO Share Option Scheme and Employee Share Option Scheme is set out on pages 239 to 245 of the Company's prospectus dated 23rd May, 2000.

SHARE OPTIONS *(continued)*

PRE-IPO SHARE OPTION SCHEME

As at 31st March, 2002, options comprising an aggregate of 198,000,000 underlying shares (adjusted by the Rights Issue) granted on 26th May, 2000 at an initial exercise price of HK\$1.18 each, adjusted to HK\$0.570 per share taken into account of the Rights Issue, were outstanding. The option period is from 26th May, 2000 to 25th May, 2005. These options were granted to the following categories of grantees:

Categories of grantees	Total no. of grantees	No. of underlying shares comprised in the options
Directors of the Company and its subsidiaries	13	158,250,000
Contracted celebrities	2	27,275,000
Employees of the Group	8	<u>12,475,000</u>
Total		<u><u>198,000,000</u></u>

EMPLOYEE SHARE OPTION SCHEME

As at 31st March, 2002, options comprising an aggregate of 40,575,000 underlying shares (adjusted by the Rights Issue) granted on 5th September, 2000 and 10th January, 2001 were outstanding. Any option granted shall lapse when the relevant grantee ceases to be employed by the Group. Details of the outstanding options are as follows:

Categories of grantees	Total no. of grantees	No. of underlying shares comprised in the options	Exercise price per share HK\$	Option period
Employees of the Group	2	8,000,000	0.846	5.9.2000 to 4.9.2005
Directors of the Company and its subsidiaries	4	27,500,000	0.532	10.1.2001 to 9.1.2006
Employees of the Group	14	<u>5,075,000</u>	0.532	10.1.2001 to 9.1.2006
Total		<u><u>40,575,000</u></u>		

The Employee Share Option Scheme was terminated on 15th January, 2002 and was replaced by a new share option scheme (the "New Share Option Scheme").

SHARE OPTIONS *(continued)*

NEW SHARE OPTION SCHEME

On 15th January, 2002, the Company adopted the New Share Option Scheme under which the board of directors of the Company may at its discretion offer to any director (including non-executive director), executive, employee and contracted celebrity (the "Eligible Persons") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the New Share Option Scheme are to recognise the significant contributions of the Eligible Persons to the growth of the Group. The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other outstanding share option schemes of the Company must not in aggregate exceed ten per cent. of the issued share capital of the Company as at 15th January, 2002, i.e. 416,376,900 shares unless approval from the shareholders of the Company has been obtained. The New Share Option Scheme commenced on 15th January, 2002 and end on the day immediately prior to the tenth anniversary of 15th January, 2002. No options were granted up to the date of this report.

The Employee Share Option Scheme was simultaneously terminated but the options which have been granted during the life of the Employee Share Option Scheme shall continue to be exercisable in accordance with their terms of issue and, in all other respects, the provisions of the Employee Share Option Scheme shall remain in full force and effect.

Save as disclosed, no option pursuant to the Pre-IPO Share Option Scheme, Employee Share Option Scheme and New Share Option Scheme had been exercised, cancelled or lapsed during the year ended 31st March, 2002.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

Details of transactions during the year between the Group and connected parties are as follows:

a. Acquisition of subsidiaries

Pursuant to an acquisition agreement entered into by the Company and Expert Solution Limited ("Expert Solution") on 24th September, 2001, the Company acquired the entire issued share capital of, and shareholder's loan to, Actiwater Resources Limited. The consideration was HK\$50,000,000 in cash plus by the issue of 1,600,000,000 news shares in the Company. China Strategic Holdings Limited ("CSH") and Star East Holdings Limited ("SEH"), substantial shareholders of the Company, had a 65% and 35% beneficial interest, respectively, in Expert Solution. The acquisition was approved by the independent shareholders of the Company on 6th November, 2001. The conditions precedent were satisfied in December 2001 and the consideration shares were issued in December 2001.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS *(continued)***b. Trademarks**

The Group entered into an agreement with a wholly-owned subsidiary of SEH on 17th May 2000, pursuant to which the Group was granted rights to use certain trademarks with effect from 1st April, 2000. The annual trademark license fee is HK\$800,000. In addition, the Group will only bear half of the maintenance costs and expenses of the subject trademarks. Trademarks costs incurred by the Group during the year under this agreement was HK\$800,000.

The Stock Exchange has granted a waiver to the Group from strict compliance of the requirements of Chapter 20 of the GEM Listing Rules providing that the aggregate payment to SEH in any one year under the agreement shall not exceed HK\$3,000,000.

c. Advertising services

The Group entered into an agreement with a wholly-owned subsidiary of SEH on 19th May 2000, pursuant to which the Group would provide advertising services on its network to SEH. During the year, the Group has charged SEH approximately HK\$1,369,000 for such advertising services.

The Stock Exchange has granted a waiver to the Group from strict compliance of the requirements of Chapter 20 of the GEM Listing Rules providing that the annual consideration receivable by the Group in relation to such advertising services in any one year shall not exceed HK\$5,000,000.

The independent non-executive directors of the Company have reviewed the above transactions and confirmed that these connected transactions have been entered into:

- (i) in the ordinary and usual course of the Group's business;
- (ii) on normal commercial terms or on terms that are no less favourable than terms available to (or from) independent third parties; and
- (iii) in accordance with the terms of the agreements governing such transactions which are fair and reasonable and in the interest of the Company's shareholders as a whole.

Save as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31st March, 2002 or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests being 10% or more in the Company's issued share capital:

Name of shareholder	Number of shares held	Approximate percentage of shareholding
Hanny Holdings Limited ⁽¹⁾	564,400,000	13.56%
Hanny Magnetics (B.V.I.) Limited ⁽¹⁾	564,400,000	13.56%
Genius Ideas Limited ⁽¹⁾	564,400,000	13.56%
SEH ⁽²⁾	1,064,225,000	25.56%
Value Focus Limited ⁽²⁾	975,000,000	23.42%
Cyber Hero Limited ⁽²⁾	975,000,000	23.42%
CSH ⁽³⁾	1,170,062,000	28.10%
China Strategic (B.V.I.) Limited ⁽³⁾	1,040,000,000	24.98%
Glory Dynamic Limited ⁽³⁾	1,040,000,000	24.98%

Notes:

- (1) Genius Ideas Limited is a wholly-owned subsidiary of Hanny Magnetics (B.V.I.) Limited which is, in turn, a wholly-owned subsidiary of Hanny Holdings Limited ("Hanny"). Hanny and Hanny Magnetics (B.V.I.) Limited are deemed to be interested in an aggregate of 564,400,000 shares in the Company.
- (2) Cyber Hero Limited is a wholly-owned subsidiary of Value Focus Limited which is, in turn, a wholly-owned subsidiary of SEH. SEH through Star East (B.V.I.) Limited, a wholly-owned subsidiary, holds another 89,225,000 shares in the Company. Accordingly, SEH is deemed to be interested in an aggregate of 1,064,225,000 shares in the Company.
- (3) Glory Dynamic Limited is a wholly-owned subsidiary of China Strategic (B.V.I.) Limited which is, in turn, a wholly-owned subsidiary of CSH. CSH through China Pharmaceutical Industrial Limited, a non wholly-owned subsidiary, and Wealthy Gain Limited, a wholly-owned subsidiary, holds another 12,348,000 shares and 117,714,000 shares in the Company, respectively. Accordingly, CSH is deemed to be interested in an aggregate of 1,170,062,000 shares in the Company.

Save as disclosed above, the directors are not aware of any other person having an interest in shares representing 10% or more in the Company's issued share capital as at 31st March, 2002.

SPONSOR'S INTERESTS

To the best knowledge of the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP Paribas" or the "Sponsor"), as at 31st March, 2002 neither the Sponsor nor any of their respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Company's share capital.

BNP Paribas received a fee for acting as the Company's sponsor for the year.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2002.

AUDIT COMMITTEE

The audit committee has three members comprising the three independent non-executive directors, namely Mr. Bradford Allen, Mr. Dominic Lai and Mr. Vincent Ting Kau Cheung.

The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comment thereon to the board of directors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The audit committee held four meetings during the year ended 31st March, 2002.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 37 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2002 with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By Order of the Board

Tong Chin Shing

Director

Hong Kong, 20th June, 2002

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF SING PAO MEDIA GROUP LIMITED
(FORMERLY KNOWN AS STAREASTNET.COM CORPORATION)
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 31 to 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 20th June, 2002

CONSOLIDATED INCOME STATEMENT

sing pao media group limited

31

For the year ended 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
TURNOVER	4	71,493	48,383
COST OF SALES		(106,368)	(89,201)
GROSS LOSS		(34,875)	(40,818)
OTHER REVENUE		6,346	5,407
ADVERTISING AND PROMOTION EXPENSES		(4,723)	(37,597)
ADMINISTRATIVE EXPENSES		(63,436)	(81,191)
IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL OF SUBSIDIARIES	14	(6,357)	–
IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INVESTMENTS IN SECURITIES		(4,500)	–
IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTANGIBLE ASSETS	15	(2,875)	–
IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL OF AN ASSOCIATE	17	(2,520)	–
COST OF STREAMLINING OPERATIONS	6	(30,703)	(10,666)
LOSS FROM OPERATIONS	7	(143,643)	(164,865)
GAIN (LOSS) ON DISPOSAL OF SUBSIDIARIES		1,317	(2,148)
FINANCE COSTS	8	(6,135)	(6,868)
SHARE OF RESULTS OF ASSOCIATES		(545)	(382)
LOSS BEFORE MINORITY INTERESTS		(149,006)	(174,263)
MINORITY INTERESTS		113	–
NET LOSS FOR THE YEAR	27	(148,893)	(174,263)
LOSS PER SHARE (HK\$)	12	(1.30)	(2.72)

CONSOLIDATED BALANCE SHEET

annual report 2002

32

At 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>13</i>	117,075	54,139
Goodwill	<i>14</i>	–	6,343
Intangible assets	<i>15</i>	203,754	5,875
Prepaid airtime	<i>28</i>	–	41,806
Interests in associates	<i>17</i>	4,094	2,618
Investments in securities	<i>18</i>	5,500	10,000
Pledged deposit placed with a finance company	<i>22</i>	10,000	–
		340,423	120,781
CURRENT ASSETS			
Inventories	<i>19</i>	2,865	2,578
Trade and other receivables	<i>20</i>	33,012	12,319
Prepaid airtime	<i>28</i>	41,806	–
Receivables from related parties	<i>28</i>	4,550	5,353
Bank balances and cash		24,163	57,476
		106,396	77,726
CURRENT LIABILITIES			
Trade and other payables	<i>21</i>	43,210	25,972
Payable to an associate		45	325
Payables to related parties	<i>28</i>	19,097	9,279
Obligations under finance leases – due within one year	<i>22</i>	7,360	728
		69,712	36,304
NET CURRENT ASSETS		36,684	41,422
TOTAL ASSETS LESS CURRENT LIABILITIES		377,107	162,203

At 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> (Restated)
NON-CURRENT LIABILITIES			
Obligations under finance leases			
– due after one year	<i>22</i>	17,408	186
Payables to shareholders	<i>23</i>	103,543	68,230
		120,951	68,416
		256,156	93,787
CAPITAL AND RESERVES			
Share capital	<i>24</i>	416,377	102,550
Reserves	<i>27</i>	(160,221)	(8,763)
		256,156	93,787

The financial statements on pages 31 to 82 were approved and authorised for issue by the Board of Directors on 20th June, 2002 and are signed on its behalf by:

Tong Chin Shing
Director

Wong Lai Shun, Benny
Director

BALANCE SHEET

annual report 2002

34

At 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NON-CURRENT ASSET			
Interests in subsidiaries	16	330,053	153,241
CURRENT ASSETS			
Other receivables and prepayment		62	204
Receivable from a related party	28	–	18
Bank balances and cash		16	–
		78	222
CURRENT LIABILITIES			
Other payables and accrued charges		1,306	1,112
Payable to a related party	28	6	–
		1,312	1,112
NET CURRENT LIABILITIES			
		(1,234)	(890)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		328,819	152,351
NON-CURRENT LIABILITIES			
Payables to shareholders	23	73,221	68,230
		255,598	84,121
CAPITAL AND RESERVES			
Share capital	24	416,377	102,550
Reserves	27	(160,779)	(18,429)
		255,598	84,121

Tong Chin Shing
Director

Wong Lai Shun, Benny
Director

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

sing pao media group limited

35

For the year ended 31st March, 2002

	2002 HK\$'000	2001 HK\$'000
Exchange gain arising on translation of accounts of overseas operations not recognised in the consolidated income statement	2,773	1
Net loss for the year	(148,893)	(174,263)
Total recognised losses	(146,120)	(174,262)

CONSOLIDATED CASH FLOW STATEMENT

annual report 2002

36

For the year ended 31st March, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	29	(93,766)	(157,692)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,343	4,634
Finance lease charges		(587)	(138)
Interest paid		(161)	–
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		595	4,496
INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash and cash equivalents acquired	30	(28,471)	(7,515)
Purchase of property, plant and equipment		(9,463)	(44,454)
Payment for intangible assets		(4,000)	(5,000)
Advance to associates		(1,378)	–
Investments in associates		(1,060)	(2,600)
Cash outflow from disposal of subsidiaries	31	(377)	(1)
Proceeds from disposal of property, plant and equipment		10,236	5,389
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(34,513)	(54,181)
NET CASH OUTFLOW BEFORE FINANCING		(127,684)	(207,377)
FINANCING	32		
Proceeds from issue of new shares		153,825	230,690
Share issue expenses		(5,337)	(34,543)
Loans from shareholders		30,000	61,500
Loan from a related party		17,000	–
Proceeds from exercise of warrants		2	–
Repayment of bank borrowings		(90,000)	–
Repayment of a shareholder's loan		(8,000)	–
Repayment of obligations under finance leases		(3,119)	(698)
NET CASH INFLOW FROM FINANCING		94,371	256,949
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(33,313)	49,572
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		57,476	7,904
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		24,163	57,476

For the year ended 31st March, 2002

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the GEM, the Company became the holding company of the Group on 18th May, 2000. Details of the Group Reorganisation are set out in the prospectus of the Company dated 23rd May, 2000.

The Group Reorganisation principally involved the exchange of fully-paid shares of the Company with all the issued shares of StarEastNet (BVI) Limited (“StarEastNet (BVI)”). The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group for the year ended 31st March, 2001 have been prepared using the merger method of accounting in accordance with Statement of Standard Accounting Practice (“SSAP”) 27 “Accounting for group reconstructions”.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 38.

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

In the current year, the Group has adopted for the first time a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. Adoption of these SSAPs 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 SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

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

For the year ended 31st March, 2002

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

LEASES

SSAP 14 (Revised) "Leases" has introduced income amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative disclosures have been restated in order to achieve a consistent presentation.

GOODWILL

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the relevant associate or subsidiary and the date of adoption of SSAP 30 have been recognised retrospectively. Following restatement, goodwill is presented as an asset in the consolidated balance sheet and is amortised over its estimated economical life.

The financial effect of the adoption of SSAP 30 is summarised as follows:

Effect on goodwill reserve at 1st April, 2001:

	Goodwill reserve
	<i>HK\$'000</i>
Balance at 1st April, 2001	
– As originally stated	(8,863)
– Restatement of goodwill previously written off against reserves as assets:–	
– goodwill arising on acquisition of a subsidiary	6,343
– goodwill arising on acquisition of an associate	2,520
	<hr/>
– As restated	–
	<hr/>

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and 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 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, balances and cash flows between group enterprises are eliminated on consolidation.

GOODWILL

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

Goodwill 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 consolidated balance sheet.

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

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

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, less any identified impairment loss.

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

Sales of newspapers and magazines are recognised when newspapers and magazines are delivered and title has passed.

Advertising revenues are recognised on the relevant publication date of the Group's newspapers and magazines.

Advertising revenues are also derived from the sales of banner advertisements and sponsorships on the Group's website. These advertising revenues are recognised over the period in which the advertisements are displayed, provided that no significant obligations remain and collection of the receivable is reasonably assured.

Revenues from sponsorship arrangements are recognised when services are provided.

Revenue from consulting services is recognised when services are provided.

Revenues from internet website content sales are recognised on a straight-line basis over the contract term if the revenues for the service are fixed.

Sales of goods are recognised when goods are delivered and title has passed and the collectibility of the amount receivable is reasonably assured.

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

PREPAID AIRTIME

Prepaid airtime represents amounts paid to reserve airtime, both television and internet, for future usage by the Group. Prepaid airtime is amortised over the life of the contract based on the Group's actual usage and at the rates as stipulated in the contract.

INTANGIBLE ASSETS

Intangible asset is stated at cost less amortisation and any identified impairment loss. The cost of the intangible asset is amortised over the estimated economical life of the intangible asset on a straight-line basis.

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 loss is recognised as expenses immediately.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

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

Leasehold land	Over the term of the lease
Building	4%
Leasehold improvement	Shorter of the lease term or 5 years
Plant and machinery	15% – 20%
Furniture, fixtures and equipment	15% – 20%
Network and computer equipment	15% – 33 $\frac{1}{3}$ %
Operating equipment	20%
Motor vehicle	15% – 20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASED ASSETS

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liabilities to the lessor, net of interest charges, are included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the term of the relevant lease.

INVESTMENTS IN SECURITIES

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

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 period.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value and is calculated using the first-in, first-out method.

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes 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 under 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.

RETIREMENT BENEFITS COSTS

Payments to defined contribution retirement benefits schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollars 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 assets and liabilities of the Group's overseas operations are translated into Hong Kong dollars at the exchange rates ruling on the balance sheet date. Income and expenses are translated into Hong Kong dollars at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and are recognised as income or expenses in the period in which the operation is disposed of.

For the year ended 31st March, 2002

4. TURNOVER

Turnover represents the aggregate of the net amounts received and receivables from third parties in respect of goods sold and service rendered and is summarised as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Newspapers and magazines advertising income	25,695	–
Sales of newspapers and magazines	25,205	–
Advertising and sponsorship	16,211	28,905
Consultancy services	2,466	12,962
Internet website content sales	1,757	1,812
Sales of goods, net of discounts and allowances	159	4,704
	71,493	48,383

For the year ended 31st March, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

BUSINESS SEGMENTS

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's revenue and contribution to operating results and assets and liabilities by business segment is as follows:

For the year ended 31st March, 2002

	Newspaper and magazine business <i>HK\$'000</i>	Website business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue, excluding interest income	51,694	24,802	–	76,496
Segment result	(40,872)	(70,780)	(2,631)	(114,283)
Interest income	410	933	–	1,343
Cost of streamlining operations	–	(30,703)	–	(30,703)
Gain on disposal of subsidiaries	–	1,317	–	1,317
Finance costs	(984)	(5,151)	–	(6,135)
Share of results of associates	–	(545)	–	(545)
Loss before minority interests	(41,446)	(104,929)	(2,631)	(149,006)
ASSETS				
Segment assets	377,767	59,380	78	437,225
Interests in associates	–	4,094	–	4,094
Investments in securities	–	–	5,500	5,500
Consolidated total assets	377,767	63,474	5,578	446,819
LIABILITIES				
Segment liabilities	103,427	85,930	1,306	190,663
	274,340	(22,456)	4,272	256,156
OTHER INFORMATION				
Capital expenditure				
– property, plant and equipment	118,351	7,039	–	125,390
– intangible assets	207,153	–	–	207,153
Depreciation and amortisation	8,906	20,865	–	29,771
Impairment loss recognised in respect of				
– property, plant and equipment	–	24,629	–	24,629
– goodwill of subsidiaries	–	6,357	–	6,357
– investments in securities	–	–	4,500	4,500
– intangible assets	–	2,875	–	2,875
– goodwill of an associate	–	2,520	–	2,520

For the year ended 31st March, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

The Group was solely engaged in website business throughout the year ended 31st March, 2001, accordingly, no analysis by business segment had been presented for that year. In December 2001, the Group acquired from Expert Solution Limited, a company held as to 65% and 35%, respectively, by China Strategic Holdings Limited (“CSH”) and Star East Holdings Limited (“SEH”), substantial shareholders of the Company, the entire issued share capital of Actiwater Resources Limited (“Actiwater”), which is mainly engaged in newspaper and magazine publishing. Upon the completion of the acquisition, newspaper and magazine publishing was regarded as a business segment of the Group.

More than 90% of the Group’s turnover and operating results are derived from Hong Kong and other regions in the People’s Republic of China (“PRC”) during 2002 and 2001. Accordingly, no segmental analysis by geographic market is presented for both years.

6. COST OF STREAMLINING OPERATIONS

As a result of market changes, the Group has streamlined its operations in order to optimise its resource allocation. The expenses incurred as a result of this exercise were as follows:

	2002 <i>HK\$’000</i>	2001 <i>HK\$’000</i>
Impairment loss recognised in respect of property, plant and equipment	24,629	6,361
Loss on disposal of property, plant and equipment	3,348	1,996
Staff redundancy expenses and other costs	2,726	2,309
	30,703	10,666

For the year ended 31st March, 2002

7. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

Staff costs, including directors' remuneration and
staff redundancy expenses
Retirement benefits scheme contributions

Total staff costs

Amortisation of intangible assets included in
administrative expenses

Depreciation and amortisation of property, plant and equipment:
Owned assets
Assets held under finance leases

Total depreciation and amortisation

Auditors' remuneration
Allowance for an amount due from an associate

and after crediting:

Interest income
Operating lease rental income from:
Office premises, net of outgoings of HK\$Nil
(2001: HK\$356,000)
Property, plant and equipment

	2002 HK\$'000	2001 HK\$'000
	51,596	59,901
	2,686	709
	54,282	60,610
	6,399	3,000
	18,807	21,527
	4,565	716
	29,771	25,243
	780	585
	355	-
	1,343	4,634
	-	9
	-	296

8. FINANCE COSTS

Interest on:

Shareholders' loans
Finance leases
Bank borrowings wholly repayable within five years
Loan from a related party

	2002 HK\$'000	2001 HK\$'000
	5,313	6,730
	587	138
	161	-
	74	-
	6,135	6,868

For the year ended 31st March, 2002

9. DIRECTORS' REMUNERATION

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees:		
Executive directors	540	900
Non-executive directors	360	300
	900	1,200
Other emoluments to executive directors:		
Salaries and other benefits	3,018	2,529
Retirement benefits scheme contributions	34	7
	3,052	2,536
Total emoluments	3,952	3,736

There were eight directors who received emoluments of approximately HK\$2,369,000, HK\$433,000, HK\$414,000, HK\$188,000, HK\$188,000, HK\$120,000, HK\$120,000 and HK\$120,000 respectively for the year ended 31st March, 2002. During the year ended 31st March, 2001, there were six directors who received emoluments of approximately HK\$2,836,000, HK\$300,000, HK\$300,000, HK\$100,000, HK\$100,000 and HK\$100,000 respectively. The other directors did not receive any emoluments from the Group.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

For the year ended 31st March, 2002

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2001: one) was a director of the Company whose emoluments are included in note 9 above. The emoluments of the remaining four (2001: four) individuals were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	3,323	5,459
Retirement benefits scheme contributions	33	21
	3,356	5,480

Their emoluments were within the following bands:

	No. of employees	
	2002	2001
Up to HK\$1,000,000	3	–
HK\$1,000,001 to HK\$1,500,000	1	3
HK\$1,500,001 to HK\$2,000,000	–	1
	4	4

11. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no estimated assessable profit for both years. The Group has no estimated assessable profits in other jurisdictions for both years.

Details of potential deferred taxation are set out in note 34.

12. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the net loss for the year of HK\$148,893,000 (2001: HK\$174,263,000) and the weighted average number of approximately 114,105,000 shares (2001: 64,052,000 shares adjusted by rights issue) in issue during the year.

As required by paragraph 42 of SSAP 5 "Earnings per share", the weighted average number of ordinary shares for the purpose of calculating basic loss per share for 2002 and 2001 has been adjusted for the effect of share consolidation approved on 24th May, 2002, details of which are set out in note 39.

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options and warrants as their exercise would have an anti-dilutive effect on the loss per share.

For the year ended 31st March, 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Leasehold improvement HK\$'000	Machinery and equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Network and computer equipment HK\$'000	Operating equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
THE GROUP								
COST								
At 1st April, 2001	–	4,522	–	2,858	64,210	4,660	136	76,386
Acquisitions of subsidiaries	500	1,527	104,558	1,967	6,040	–	1,335	115,927
Additions	–	113	586	298	8,399	44	23	9,463
Disposals	–	(2,590)	–	(1,194)	(16,039)	(2,012)	(220)	(22,055)
Disposal of subsidiaries	–	(138)	–	(84)	(2,915)	–	–	(3,137)
Exchange realignment	–	(79)	–	(57)	(221)	(49)	–	(406)
At 31st March, 2002	500	3,355	105,144	3,788	59,474	2,643	1,274	176,178
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSS								
At 1st April, 2001	–	1,192	–	546	19,319	1,156	34	22,247
Provided for the year	10	895	4,819	448	16,733	381	86	23,372
Impairment loss recognised in the year	–	1,383	–	1,248	21,072	926	–	24,629
Eliminated on disposals	–	(1,410)	–	(397)	(5,974)	(622)	(68)	(8,471)
Disposal of subsidiaries	–	(138)	–	(84)	(2,347)	–	–	(2,569)
Exchange realignment	–	(10)	–	(11)	(75)	(9)	–	(105)
At 31st March, 2002	10	1,912	4,819	1,750	48,728	1,832	52	59,103
NET BOOK VALUES								
At 31st March, 2002	490	1,443	100,325	2,038	10,746	811	1,222	117,075
At 31st March, 2001	–	3,330	–	2,312	44,891	3,504	102	54,139

The land and building is situated in Hong Kong and are held under a medium term lease.

Included in property, plant and equipment are assets held under finance leases with net book values of HK\$96,105,000 (2001: HK\$915,000).

During the year, management of the Group has reviewed the carrying amount of certain property, plant and equipment used in the website business. As these assets are surplus to the requirement of the Group and will be disposed, an impairment loss of HK\$24,629,000, representing the difference between the recoverable amounts and the carrying amounts of those assets, has been identified and recognised in the consolidated income statement.

For the year ended 31st March, 2002

14. GOODWILL

	THE GROUP
	<i>HK\$'000</i>
	(Restated)
COST	
At 1st April, 2001, reclassified from goodwill reserve (Note 2)	6,343
Arising on acquisition of subsidiaries	<u>14</u>
At 31st March, 2002	<u>6,357</u>
AMORTISATION AND IMPAIRMENT LOSS	
At 1st April, 2001	–
Impairment loss recognised in the year	<u>6,357</u>
At 31st March, 2002	<u>6,357</u>
NET BOOK VALUE	
At 31st March, 2002	<u>–</u>
At 31st March, 2001	<u>6,343</u>

Goodwill is amortised on a straight-line basis over a period of up to 20 years.

No amortisation on goodwill had been made in the financial statements for the year ended 31st March, 2001 as the amount involved was insignificant.

During the year, management of the Group reviewed the carrying amount of goodwill with reference to the business operated by certain subsidiaries. Those subsidiaries are mainly engaged in the operation of website and in view of the current economic condition, impairment loss of HK\$6,357,000 has been identified and recognised in the consolidated income statement.

For the year ended 31st March, 2002

15. INTANGIBLE ASSETS

THE GROUP

HK\$'000

COST

At 1st April, 2001	9,000
Acquired on acquisition of subsidiaries	207,153
	<hr/>
At 31st March, 2002	216,153
	<hr/>

AMORTISATION AND IMPAIRMENT LOSS

At 1st April, 2001	3,125
Provided for the year	6,399
Impairment loss recognised in the year	2,875
	<hr/>
At 31st March, 2002	12,399
	<hr/>

NET BOOK VALUE

At 31st March, 2002	203,754
	<hr/>
At 31st March, 2001	5,875
	<hr/>

The intangible assets represent the right to publish newspaper (the "Publish Right") under the trademark and tradename of "Sing Pao" and the exclusive license (the "Exclusive License") to distribute, exploit and exhibit specified films on the internet or any other media of a similar nature. The Publish Right is amortised over a period of 20 years on a straight-line basis. The Exclusive License is amortised over the license period of 3 years on a straight-line basis.

During the year, management of the Group reviewed the carrying value of the Exclusive License with reference to the future economic benefits expected to be generated. Impairment loss of HK\$2,875,000 has been identified and recognised in the consolidated income statement. The carrying amount at 31st March, 2002 of HK\$203,754,000 represented the net book value of the Publish Right.

For the year ended 31st March, 2002

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted shares, at cost	35,589	35,589
Amounts due from subsidiaries	566,406	261,594
Impairment loss recognised	(271,942)	(143,942)
	330,053	153,241

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

Details of the Company's principal subsidiaries as at 31st March, 2002 are set out in note 38.

The amounts due from subsidiaries are unsecured, interest free and have no fixed term of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and, accordingly, they are shown as non-current.

During the year, management of the Company reviewed the carrying value of the investment cost in, and amount due from, a subsidiary with reference to the business operated by this subsidiary. This subsidiary and its subsidiaries are mainly engaged in the website business and in view of the current economic condition, impairment loss of HK\$128,000,000 has been identified and recognised in the Company's income statement.

For the year ended 31st March, 2002

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> (Restated)
Share of net assets	2,896	98
Goodwill arising on acquisition of an associate	–	2,520
	2,896	2,618
Amounts due from associates	1,198	–
	4,094	2,618
The movement in goodwill arising on acquisition of an associate is as follows:		
COST		
At beginning and end of the year, reclassified from goodwill reserve (Note 2)	2,520	2,520
IMPAIRMENT LOSS		
At beginning of the year	–	–
Impairment loss recognised in the year	2,520	–
At end of the year	2,520	–
NET BOOK VALUE		
At end of the year	–	2,520

No amortisation on goodwill had been made in the financial statements for the year ended 31st March, 2001 as the amount involved was insignificant.

During the year, management of the Group reviewed the carrying amount of goodwill with reference to the business operated by an associate. The associate is engaged in the development and operation of website and in view of the current economic condition, impairment loss of HK\$2,520,000 has been identified and recognised in the consolidated income statement.

For the year ended 31st March, 2002

17. INTERESTS IN ASSOCIATES (continued)

Details of the associates at 31st March, 2002 are as follows:

Name of associate	Place of incorporation/ operations	Proportion of nominal value of issued capital	Principal activities
Sherity International Limited	Hong Kong	40%	Development and operation of website
北京魅力東方廣告有限公司	PRC	36%	Provision of advertising services
北京東魅文化傳播有限公司	PRC	27%	Provision of broadcast and distribution services
深圳有生軟件技術有限公司 (formerly known as 深圳萬能信息技術有限公司)	PRC	44%	Provision of information technology consulting services

18. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	10,000	10,000
Impairment loss recognised	(4,500)	—
	5,500	10,000

The directors are of the opinion that the investment is worth at least its carrying value.

For the year ended 31st March, 2002

19. INVENTORIES

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Computer equipment for sale	1,434	–
Printing materials	964	–
Goods for sale	467	2,578
	2,865	2,578

Included in inventories is an amount of HK\$1,472,000 (2001: HK\$2,249,000) carried at net realisable value.

20. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers a credit period ranging from 30 days to 60 days. Included in trade and other receivables are trade receivables of HK\$23,753,000 (2001: HK\$7,968,000), an aged analysis of which is as follows:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Up to 30 days	16,428	1,289
31 – 90 days	2,770	5,670
Over 90 days	4,555	1,009
	23,753	7,968
Other receivables	9,259	4,351
	33,012	12,319

For the year ended 31st March, 2002

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$22,832,000 (2001: HK\$7,015,000), an aged analysis of which is as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	15,160	485
31 – 90 days	3,150	1,126
Over 90 days	4,522	5,404
	22,832	7,015
Other payables	20,378	18,957
	43,210	25,972

For the year ended 31st March, 2002

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The maturity of obligations under finance leases is as follows:				
Within one year	8,478	866	7,360	728
More than one year, but not exceeding two years	8,327	184	7,611	150
More than two years, but not exceeding five years	10,137	52	9,797	36
	26,942	1,102	24,768	914
Less: Future finance charges	(2,174)	(188)	–	–
Present value of lease obligations	24,768	914	24,768	914
Less: Amount due for settlement within one year (shown under current liabilities)			(7,360)	(728)
Amount due after one year			17,408	186

It is the Group's policy to lease certain of its machinery and equipment under finance leases. The average lease term is four years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

An amount of HK\$10,000,000 has been placed with a finance company as security for the repayment of the remaining instalments.

For the year ended 31st March, 2002

23. PAYABLES TO SHAREHOLDERS**THE GROUP**

The amounts include loans of HK\$91,500,000 (2001: HK\$61,500,000) from shareholders, which are unsecured, bear interest at Hong Kong prime interest rate plus 2% per annum and are repayable between 30th April, 2003 and 30th June, 2003. The remaining balance of HK\$12,043,000 (2001: HK\$6,730,000) represents accrued interest thereon which is unsecured and repayable with the principal.

THE COMPANY

The amounts include loans of HK\$61,500,000 (2001: HK\$61,500,000) from shareholders, which are unsecured, bear interest at Hong Kong prime interest rate plus 2% per annum and are repayable on 30th April, 2003. The remaining balance of HK\$11,721,000 (2001: HK\$6,730,000) represents accrued interest thereon which is unsecured and repayable with the principal.

For the year ended 31st March, 2002

24. SHARE CAPITAL

	No. of shares denominated in		Amount
	US\$	HK\$	HK\$'000
Authorised:			
Ordinary shares of US\$0.10 each at 1st April, 2000	500,000	–	390
Increase of ordinary shares of HK\$0.10 each during the year (note a)	–	10,000,000,000	1,000,000
Cancellation of ordinary shares of US\$0.10 each during the year (note a)	(500,000)	–	(390)
			<hr/>
Ordinary shares of HK\$0.10 each at 31st March, 2001, 1st April, 2001 and 31st March, 2002	–	10,000,000,000	1,000,000
			<hr/>
Issued and fully paid:			
Ordinary shares of US\$0.10 each at 1st April, 2000	2	–	–
Ordinary shares of US\$0.10 each repurchased during the year (note a)	(2)	–	–
Issue of ordinary shares of HK\$0.10 each (note a)	–	2	–
Capitalisation issue of ordinary shares of HK\$0.10 each (note b(ii))	–	530,000,000	53,000
Issue of ordinary shares of HK\$0.10 each pursuant to the Group Reorganisation (note c)	–	299,999,998	30,000
Issue of ordinary shares of HK\$0.10 each upon listing of the Company's shares on GEM (note b(i))	–	170,000,000	17,000
Issue of ordinary shares of HK\$0.10 each on exercise of over-allotment option (note d)	–	25,500,000	2,550
			<hr/>
Ordinary shares of HK\$0.10 each at 31st March, 2001 and 1st April, 2001	–	1,025,500,000	102,550
Rights issue of shares (note e)	–	1,538,250,000	153,825
Issue of shares to acquire subsidiaries (note f)	–	1,600,000,000	160,000
Exercise of warrants (note g)	–	19,000	2
			<hr/>
At 31st March, 2002	–	4,163,769,000	416,377
			<hr/>

For the year ended 31st March, 2002

24. SHARE CAPITAL (continued)

Details of changes in the Company's share capital for both years are as follows:

- (a) Pursuant to a written resolution of the sole shareholder of the Company passed on 2nd May, 2000, the authorised share capital of the Company was increased by HK\$1,000,000,000 by the creation of an additional 10,000,000,000 shares of HK\$0.10 each. The then two issued existing shares of US\$0.10 each were repurchased and cancelled and the unissued share capital of US\$49,999.80 was also cancelled. Two shares of HK\$0.10 each were issued to Star East (B.V.I.) Limited ("Star East (BVI)"), credited as fully paid.
- (b) Pursuant to the resolutions passed by the sole shareholder of the Company on 15th May, 2000:
 - (i) the Company issued 170,000,000 new shares of HK\$0.10 each for cash at HK\$1.18 per share on 29th May, 2000 (the "Share Offer"); and
 - (ii) HK\$53,000,000 of the share premium account of the Company, which was credited as a result of the Share Offer, was capitalised and applied in paying up in full at par 530,000,000 shares for allotment and issue to holders of shares on the register of members of the Company as at 23rd May, 2000 pro rata to their shareholdings on a basis of 53 shares for every 30 shares held by the shareholders on 30th May, 2000.
- (c) The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the shares on GEM of the Stock Exchange, pursuant to which the Company became the ultimate holding company within the Group. Pursuant to an agreement entered into on 18th May, 2000, the Company acquired the entire issued share capital of StarEastNet (BVI), the then holding company of the Group, from its then shareholders Hikari Tsushin, Inc., Star East (BVI), Star East Information Technology Management Co. Limited, Gold Miracles Limited and Genius Ideas Limited and, in consideration for such acquisition, the Company allotted and issued 299,999,998 shares in aggregate, credited as fully paid at HK\$0.10 each, to the then existing shareholders of StarEastNet (BVI).
- (d) In June 2000, 25,500,000 new shares of HK\$0.10 each in the Company were issued for cash at a price of HK\$1.18 per share as a result of the exercise of over-allotment option by underwriters.
- (e) In November 2001, 1,538,250,000 new shares of HK\$0.10 each were issued by way of rights issue ("Rights Issue") at an issue price of HK\$0.10 per rights share in the proportion of three rights shares for every two shares then held to provide additional working capital to the Company.

For the year ended 31st March, 2002

24. SHARE CAPITAL (continued)

- (f) Pursuant to an acquisition agreement entered into by the Company and Expert Solution Limited on 24th September, 2001, the Company acquired the entire issued share capital of, and shareholder's loan to Actiwater. The consideration was HK\$50,000,000 in cash plus the issue of 1,600,000,000 new shares (the "Consideration Shares") in the Company. The conditions precedent were satisfied in December 2001 and the consideration shares were issued in December 2001.
- (g) During the year, 19,000 shares of HK\$0.10 each were issued and allotted at HK\$0.10 per share as a result of the exercise of 19,000 warrants. Details of the warrants are set out in note 25.

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

25. WARRANTS

During the year, the Company issued warrant in the proportion of one warrant for every two rights shares subscribed for under the Rights Issue, entitling the holder thereof to subscribe for ordinary shares in the Company at any time from 29th November, 2001 up to 28th May, 2003.

As described in note 24(g) above, 19,000 shares of HK\$0.10 each in the Company were issued as a result of the exercise of 19,000 warrants during the year.

At 31st March, 2002, the Company had outstanding 769,106,000 warrants. Exercise in full of such warrants would result in the issue of 769,106,000 additional ordinary shares of HK\$0.10 each for cash at par.

For the year ended 31st March, 2002

26. SHARE OPTIONS

At 31st March, 2002, the following options to subscribe for shares were outstanding under the Company's share option schemes:

	Exercise price per share <i>HK\$</i>	Option period	Number of outstanding options
Employee Share Option Scheme	0.846	5th September, 2000 to 4th September, 2005	8,000,000
	0.532	10th January, 2001 to 9th January, 2006	32,575,000
			<hr/> 40,575,000
Pre-IPO Share Option Scheme	0.570	26th May, 2000 to 25th May, 2005	198,000,000
			<hr/> 238,575,000

For the year ended 31st March, 2002

27. RESERVES

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
At 1st April, 2000	151,907	–	–	–	(80,012)	71,895
Premium arising from the Share Offer	183,600	–	–	–	–	183,600
Premium arising from the exercise of over-allotment option	27,540	–	–	–	–	27,540
Share issue expenses	(34,543)	–	–	–	–	(34,543)
Capitalisation issue	(53,000)	–	–	–	–	(53,000)
Reserve (reversed) arising from Group Reorganisation	(151,907)	121,914	–	–	–	(29,993)
Exchange differences arising from translation of accounts of overseas operations	–	–	1	–	–	1
Net loss for the year	–	–	–	–	(174,263)	(174,263)
At 31st March, 2001 and 1st April, 2001	123,597	121,914	1	–	(254,275)	(8,763)
Rights issue expenses	(5,337)	–	–	–	–	(5,337)
Reserve released on disposal of a subsidiary	–	–	(1)	–	–	(1)
Exchange differences arising from translation of accounts of overseas operations	–	–	2,773	–	–	2,773
Net loss for the year	–	–	–	–	(148,893)	(148,893)
At 31st March, 2002	118,260	121,914	2,773	–	(403,168)	(160,221)

For the year ended 31st March, 2002

27. RESERVES (continued)

	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY						
At 1st April, 2000	–	–	–	–	–	–
Premium arising from the Share Offer	183,600	–	–	–	–	183,600
Premium arising from the exercise of over-allotment option	27,540	–	–	–	–	27,540
Share issue expenses	(34,543)	–	–	–	–	(34,543)
Capitalisation issue	(53,000)	–	–	–	–	(53,000)
Reserve arising from Group Reorganisation	–	–	–	5,589	–	5,589
Net loss for the year	–	–	–	–	(147,615)	(147,615)
At 31st March, 2001 and 1st April, 2001	123,597	–	–	5,589	(147,615)	(18,429)
Rights issue expenses	(5,337)	–	–	–	–	(5,337)
Net loss for the year	–	–	–	–	(137,013)	(137,013)
At 31st March, 2002	118,260	–	–	5,589	(284,628)	(160,779)

The accumulated losses of the Group included losses of approximately HK\$927,000 (2001: HK\$382,000) attributable to associates.

For the purpose of the preparation of the financial statements, the balance of the share premium shown in the consolidated balance sheet at 1st April, 2000 represented the then share premium of StarEastNet (BVI) which was acquired by the Company on 18th May, 2000 pursuant to the Group Reorganisation.

There were no reserves available for distribution to shareholders of the Company as at 31st March, 2002 and 2001.

The merger reserve of the Group represents the difference between the nominal amount of the share capital and share premium of StarEastNet (BVI) at the date on which it was acquired by the Company and the nominal amount of the Company's shares issued as consideration pursuant to the Group Reorganisation.

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the Group Reorganisation and the nominal amount of the Company's shares issued for the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

annual report 2002

66

For the year ended 31st March, 2002

28. RELATED PARTY BALANCES AND TRANSACTIONS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Prepaid airtime to Pacific Convergence Corporation, Limited ("PCC") (note i)	41,806	41,806	–	–
Receivables from related parties consist of the amounts due from the following companies:				
Group companies of Mobile Media Limited ("Mobile Media") (note ii)	2,092	–	–	–
Group companies of Paul Y.-ITC Construction Holdings Limited ("Paul Y.") (note iii)	247	1,325	–	–
SEH (note iv)	2,141	3,953	–	18
Others	70	75	–	–
	4,550	5,353	–	18
Payables to related parties consist of the amounts due to the following companies:				
Group companies of Pacific Century Cyberworks Limited ("PCCW") (note iv)	–	2,473	–	–
Group companies of Hanny Holdings Limited ("Hanny") (note iv)	1,331	1,007	–	–
Paul Y. (note iii)	15	372	–	–
SEH (note iv)	252	5,195	–	–
ITC Corporation Limited ("ITC") (note iv)	17,499	232	6	–
	19,097	9,279	6	–
Payables to shareholders (note 23)	103,543	68,230	73,221	68,230

For the year ended 31st March, 2002

28. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The balances with related parties are unsecured and have no fixed repayment terms. Except for the payables to shareholders as described in note 23 and a loan from ITC as described in note (iv) below, the balances with related parties arise from the Group's operating activities and are interest free.

Notes:

- (i) The Group on 24th August, 1999 entered into a contract with PCC, an affiliate of PCCW, a company which has a beneficial interest in the Company, to secure and pre-occupy a future Pan Asia promotion platform for access to airtime, including television and internet. The amount paid by the Group under the contract was approximately US\$6,556,000, equivalent to approximately HK\$50,806,000. This airtime would be used for marketing and promotion purposes. The contract contained, amongst others, the following terms:
- a. The value of the airtime used by the Group would be based on the then current fees and charges in PCC's rate cards;
 - b. The airtime must be used by the Group within a two-year period commencing upon the expiry of two years' after the contract date;
 - c. The airtime might be sold by the Group to third parties provided that it was not at rates lower than PCC's then current rates and charges shown on PCC's rate cards; and
 - d. Any unused airtime at 24th August, 2003 would be forfeited.

On 9th March, 2000, the Group and PCC agreed to modify the terms and conditions of this contract. Pursuant to the new agreement consideration for the airtime was reduced to approximately US\$5,394,000 from approximately US\$6,556,000 and the term of usage of airtime was amended to a two-year period commencing from 24th February, 2002. The Group had received a cash refund from PCC in the amount of approximately US\$1,162,000, equivalent to approximately HK\$9,000,000, in March 2000.

At 31st March, 2002, no part of the airtime under the contract had been utilised.

The Group's management believes that the remaining airtime will be fully utilised during the contract term. The Group will evaluate the carrying value of this asset whenever circumstances indicate its carrying amount may no longer be recoverable.

For the year ended 31st March, 2002

28. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- (ii) Mobile Media is an affiliate of SEH. The amount receivable arose from certain transactions as detailed in (v) below.
- (iii) Paul Y. is an affiliate of ITC, a company which has an indirect beneficial interest in the Company. The amount receivable mainly represents the rental deposits pursuant to operating leases for office premises and the amount payable arose from the transactions entered into with Paul Y. as detailed in (v) below.
- (iv) SEH, ITC, Hanny and PCCW are the companies which have beneficial interests in the Company. The balances with SEH arose from the transactions entered into with SEH as detailed in (v) below, the license fee payable to Star East Bob Limited (“Bob”), a subsidiary of SEH and the disposals of property, plant and equipment, as set out in (v) below. The balance with ITC included a loan of HK\$17,000,000 bearing interest at Hong Kong prime interest rate plus 2% per annum. The interest expense on this loan during the year was approximately HK\$74,000. The remaining balance with ITC arose from certain transactions as detailed in (v) below. The balances with Hanny and PCCW arose from certain transactions as detailed in (v) below.
- (v) The Group entered into the following transactions with related parties during the year:

	2002 HK\$'000	2001 HK\$'000
Advertising and sponsorship revenue (note vi)	1,846	4,749
Advertising, promotion and movie sponsorship expenses (note vii)	245	1,579
Artistes shooting and consultancy fees (note viii)	–	79
Consulting services income (note ix)	–	3,079
Content sales revenue (note x)	–	920
Entertainment expenses (note xi)	–	1,745
Interest expenses to shareholders (note xii)	5,313	6,730
Interest expenses to a related party (note iv)	74	–
Internet leased lines expenses (note xiii)	873	3,124
Legal consulting services fee (note xiv)	606	–
License fee (note xv)	800	800
Office rent and building management expenses (note xvi)	1,170	6,434
Rental income (note xvii)	–	652
Salaries (note xviii)	337	3,452
Sales of goods (note xix)	–	923
Sundry expenses (note xx)	28	3
Technical consulting services fee (note xxi)	119	2,674
Telecommunication expenses (note xxii)	30	170

For the year ended 31st March, 2002

28. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- (vi) The advertising and sponsorship revenue was received mainly from CSH and SEH (2001: Tung Fong Hung (Holdings) Limited (“TFH”), an affiliate of ITC, SEH, PCCW and Success Target Limited (“Success Target”), a subsidiary of Hikari Tsushin, Inc. which has a beneficial interest in the Company). The amount was charged in accordance with the Group’s usual scale charges.
- (vii) The advertising, promotion and movie sponsorship expenses were paid to SEH (2001: SEH, TFH, Success Target and Bob). The amount represented the actual advertising and promotion expenses incurred on behalf of the Group. Included in the amount during 31st March, 2001 of HK\$1,579,000 was movie sponsorship of HK\$780,000 paid to Bob, which was charged at prices negotiated by reference to market rates. No movie sponsorship was paid to Bob during the year ended 31st March, 2002.
- (viii) During the year ended 31st March, 2001, the artistes shooting and consultancy fees were paid to SEH. The amounts were charged at prices negotiated by reference to market rates.
- (ix) During the year ended 31st March, 2001, the consulting services income was received from Paul Y. and was charged in accordance with the terms of contracts and at cost plus a percentage mark-up.
- (x) During the year ended 31st March, 2001, the content sales revenue was received from PCCW and was charged in accordance with the terms of contracts and at cost plus a percentage mark-up.
- (xi) During the year ended 31st March, 2001, the entertainment expenses were paid to SEH. The amounts represented the actual amounts incurred by SEH on behalf of the Group.
- (xii) At 31st March, 2002, SEH, Hanny, PCCW, Gold Miracles Limited (“GML”), which has a beneficial interest in the Company and Glory Dynamic Limited, an affiliate of CSH, a substantial shareholder of the Company, advanced to the Group an aggregate amount of HK\$91,500,000 bearing interest at Hong Kong prime interest rate plus 2% per annum. The interest expense charged to the Group was approximately HK\$5,313,000.

During the year ended 31st March, 2001, SEH, Hanny, PCCW and GML advanced to the Group an aggregate amount of HK\$61,500,000 bearing interest at Hong Kong prime interest rate plus 2% per annum. The interest expense charged to the Group was approximately HK\$6,730,000.

- (xiii) The internet leased lines expenses were paid to PCCW. The amounts were charged at pre-agreed fixed monthly rates by reference to market prices of similar transactions.
- (xiv) The legal consulting services fee paid to Messrs. Iu, Lai & Li was charged at prices negotiated by reference to market rates. Mr. Dominic Lai, an independent non-executive director of the Company, is a senior partner of Messrs. Iu, Lai & Li.

For the year ended 31st March, 2002

28. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- (xv) The trademark license fee was paid to SEH. The amount was charged at pre-agreed rate and in accordance with the terms of the trademark license agreement.
- (xvi) During the year ended 31st March, 2002, the office rent and building management expenses of approximately HK\$993,000 were paid to Hanny and the rental expenses of approximately HK\$177,000 was paid to SEH. During the year ended 31st March, 2001, the office rent and building management expenses of approximately HK\$6,067,000 were paid to Paul Y. and the rental expense of approximately HK\$367,000 was paid to SEH. The amounts were charged at pre-agreed fixed monthly rates by reference to market prices of similar transactions.
- (xvii) During the year ended 31st March, 2001, the rental income was received from SEH. The amount was charged at pre-agreed fixed monthly rates by reference to market prices of similar transactions.
- (xviii) During the year ended 31st March, 2002, the salaries were reimbursed to SEH for the secondment of certain employees to the Group or services provided by employees of SEH for business of the Group. During the year ended 31st March, 2001, the salaries were reimbursed to ITC, SEH and Hanny for the secondment of certain employees to the Group or services provided by employees of ITC, SEH and Hanny for the business of the Group. The amounts represented the actual amounts incurred by ITC, SEH and Hanny on behalf of the Group.
- (xix) During the year ended 31st March, 2001, the goods were sold to Hanny, Paul Y., SEH and TFH. The amount was charged at cost plus a percentage mark-up.
- (xx) The sundry expenses were paid to SEH. The amounts represented the actual amounts incurred by SEH on behalf of the Group.
- (xxi) The technical consulting services fee was paid to PCCW (2001: Hanny). The amount represented the actual amount incurred by PCCW and Hanny on behalf of the Group plus a percentage mark-up.
- (xxii) The telecommunication expenses were paid to PCCW. The amount was charged at pre-agreed monthly rates by reference to market prices of similar transactions.

In addition to the above, the Group also entered into the following related party transactions:

- (a) During the year ended 31st March, 2001, the Group purchased property, plant and equipment and inventories from PCCW amounting to approximately HK\$2,139,000 (2002: nil). The amounts were charged in accordance with terms agreed between both parties and by reference to market prices.
- (b) During the year ended 31st March, 2002, the Group sold property, plant and equipment to SEH at a consideration of approximately HK\$488,000 (2001: HK\$355,000). The amount was charged in accordance with terms agreed between both parties and by reference to market prices.

For the year ended 31st March, 2002

28. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- (c) On 17th March, 2000, the Group entered into an agreement with Bob whereby Bob granted to the Group the exclusive license to distribute, exploit and exhibit specified films owned by Bob on the internet or any other media of a similar nature for a term of three years at a consideration of not less than HK\$9,000,000. During the year ended 31st March, 2001, the Group paid HK\$5,000,000 to Bob in respect of the license right; the remaining balance of HK\$4,000,000 was included in payables to related parties at 31st March, 2001 and was fully settled during the year ended 31st March, 2002.
- (d) On 1st April, 2000, the Group entered into an agreement to purchase the entire issued share capital of, and the shareholders' loans to, Real Pleasure Limited at a consideration of approximately HK\$3,695,000 and HK\$3,993,000 respectively. SEH and Hanny had a 50% and 30% beneficial interest, respectively, in this company.
- (e) On 24th September, 2001, the Group entered into an agreement to purchase the entire issued share capital of, and the shareholders' loans to, Actiwater at a consideration of HK\$210,000,000 from Expert Solution Limited. CSH and SEH had a 65% and 35% beneficial interest, respectively, in Expert Solution Limited.

For the year ended 31st March, 2002

29. RECONCILIATION OF LOSS BEFORE MINORITY INTERESTS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss before minority interests	(149,006)	(174,263)
Share of results of associates	545	382
Allowance for amount due from an associate	355	–
Depreciation and amortisation	29,771	25,243
Finance costs	6,135	6,868
Interest income	(1,343)	(4,634)
Loss on disposal of property, plant and equipment	3,348	1,996
(Gain) loss on disposal of subsidiaries	(1,317)	2,148
Impairment loss recognised in respect of property, plant and equipment	24,629	6,361
Impairment loss recognised in respect of goodwill of subsidiaries	6,357	–
Impairment loss recognised in respect of goodwill of an associate	2,520	–
Impairment loss recognised in respect of intangible assets	2,875	–
Impairment loss recognised in respect of investments in securities	4,500	–
Decrease (increase) in inventories	560	(2,361)
Increase in trade and other receivables	4,325	2,198
Decrease in receivables from related parties	803	33
Decrease in trade and other payables	(24,386)	(18,068)
Decrease in payable to an associate	(280)	(75)
Decrease in payables to related parties	(7,256)	(3,520)
Exchange differences	3,099	–
Net cash outflow from operating activities	(93,766)	(157,692)

For the year ended 31st March, 2002

30. ACQUISITION OF SUBSIDIARIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET ASSETS ACQUIRED:		
Property, plant and equipment	115,927	3,859
Intangible asset	207,153	–
Pledged deposits placed with a finance company	10,000	–
Inventories	847	217
Trade and other receivables	25,704	4,705
Bank balances and cash	21,529	2,925
Trade and other payables	(46,112)	(14,214)
Bank borrowings	(90,000)	–
Obligations under finance leases	(26,973)	–
Payable to a shareholder	(8,000)	–
Minority interests	(89)	–
	209,986	(2,508)
Goodwill arising on acquisition	14	12,948
	210,000	10,440
SATISFIED BY:		
Cash	50,000	10,440
Issue of 1,600,000,000 Consideration Shares	160,000	–
	210,000	10,440

Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash consideration	(50,000)	(10,440)
Bank balances and cash acquired	21,529	2,925
	(28,471)	(7,515)

For the year ended 31st March, 2002

30. ACQUISITION OF SUBSIDIARIES (continued)

The subsidiaries acquired during the year contributed HK\$52,104,000 (2001: HK\$3,032,000) to the Group's revenue, HK\$41,446,000 (2001: HK\$8,913,000) to the Group's loss before minority interests, HK\$58,662,000 (2001: HK\$3,582,000) to the Group's net operating cash flows and raised HK\$2,423,000 (2001: HK\$1,040,000) for investing activities and HK\$59,678,000 cash outflows (2001: nil) for financing activities.

31. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
NET ASSETS DISPOSED OF:		
Property, plant and equipment	567	2,043
Trade and other receivables	686	–
Bank balances and cash	377	1
Trade and other payables	(88)	(1)
	1,542	2,043
Exchange reserve realised	(1)	–
Attributable goodwill	–	6,605
Gain (loss) on disposal of subsidiaries	1,317	(2,148)
	2,858	6,500
SATISFIED BY:		
Interest in an associate	2,858	–
Investments in securities	–	6,500
Outflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Bank balances and cash disposed of	(377)	(1)

The subsidiaries disposed of during the year did not have any significant impact on the Group's turnover, operating results and cash flows.

The subsidiaries disposed of during the year ended 31st March, 2001 contributed HK\$723,000 to the Group's revenue, HK\$2,789,000 to the Group's loss before minority interests, HK\$729,000 to the Group's net operating cash outflows, and raised HK\$656,000 from investing activities.

For the year ended 31st March, 2002

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>	Minority shareholders <i>HK\$'000</i>	Payables to shareholders <i>HK\$'000</i>	Payable due to related parties <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>
At 1st April, 2000	151,915	–	–	–	–	1,612
Issue of shares as a result of the Share Offer	200,600	–	–	–	–	–
Issue of shares as a result of Group Reorganisation	30,000	–	–	–	–	–
Issue of shares on exercise of over-allotment option	30,090	–	–	–	–	–
Share issue expenses	(34,543)	–	–	–	–	–
Eliminated on Group Reorganisation	(151,915)	–	–	–	–	–
Borrowings raised	–	–	–	61,500	–	–
Accrued interest	–	–	–	6,730	–	–
Repayment during the year	–	–	–	–	–	(698)
At 31st March, 2001 and 1st April, 2001	226,147	–	–	68,230	–	914
Exercise of warrants	2	–	–	–	–	–
Rights issue of shares	153,825	–	–	–	–	–
Share issue expenses	(5,337)	–	–	–	–	–
Issue of shares for acquisition of subsidiaries	160,000	–	–	–	–	–
Minority interests share of results for the year	–	–	(113)	–	–	–
Borrowings raised	–	–	–	30,000	17,000	–
Accrued interest	–	–	–	5,313	74	–
Acquisition of subsidiaries	–	90,000	89	8,000	–	26,973
Repayment during the year	–	(90,000)	–	(8,000)	–	(3,119)
Minority interests shares of exchange reserve	–	–	24	–	–	–
At 31st March, 2002	534,637	–	–	103,543	17,074	24,768

For the year ended 31st March, 2002

33. MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended 31st March, 2001, the Group acquired an investment in securities (the "Investee") at a consideration of HK\$10,000,000, of which \$6,500,000 was satisfied by the disposal of the Company's entire interest in certain subsidiaries to the Investee and the remaining balance of HK\$3,500,000 was set off against the trade receivable from the Investee.
- (ii) Included in payable to an associate at 31st March, 2001 was an amount of HK\$400,000 which represented the investment cost payable to a shareholder of the associate.
- (iii) The Exclusive License was acquired during the year ended 31st March, 2000 for HK\$9,000,000, \$5,000,000 was paid during the year ended 31st March, 2001 and the remaining balance of \$4,000,000 was paid during the year ended 31st March, 2002.

34. POTENTIAL DEFERRED TAXATION

At 31st March, 2002, the major components of potential deferred tax asset (liability) are as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing difference attributable to:		
Taxation losses available to set off future profits	60,020	45,894
Excess of tax allowances over depreciation	(1,640)	(8,305)
	58,380	37,589

The amounts of potential deferred tax credit (charge) for the year are as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing difference attributable to:		
Taxation losses arising	14,126	34,656
Excess of tax allowances over depreciation	(6,665)	(5,227)
	7,461	29,429

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

The Company did not have any significant potential deferred taxation as at the balance sheet date or during both years.

For the year ended 31st March, 2002

35. OPERATING LEASE ARRANGEMENTS

THE GROUP AS LESSEE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Minimum lease payments paid under operating leases during the year		
– office premises	9,288	9,368
– internet leased lines	2,233	6,001
	11,521	15,369

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			
	Office premises		Internet leased lines	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	8,187	3,253	334	4,152
In the second to fifth year inclusive	6,010	1,611	–	2,093
	14,197	4,864	334	6,245

Operating lease payments represent rentals payable by the Group for certain of its office premises and internet leased lines. Leases are negotiated for a term ranging from 1 to 5 years and rentals are fixed throughout the lease period.

In addition, the Group is committed to pay SEH an annual license fee of HK\$800,000 up to 31st March, 2004 in respect of the right to use the trademark of “Star East”.

THE GROUP AS LESSOR

The Group had no committed tenants or lessees at the balance sheet date. No rental income was earned during the year (2001: HK\$305,000).

The Company had no significant operating lease arrangements as lessee or lessor at the balance sheet date.

For the year ended 31st March, 2002

36. CAPITAL COMMITMENTS

The Group had no significant capital commitments at 31st March, 2002.

As at 31st March, 2001, the Group had capital commitment of HK\$735,000 in respect of acquisition of property and equipment contracted for but not provided in the financial statements.

The Company did not have any significant commitments as at the balance sheet date.

37. RETIREMENT BENEFITS SCHEME

According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1st December, 2000, the Group is required to participate in MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages as calculated under the MPF legislation. Prior to 1st December, 2000, the Group did not have any pension or retirement benefits scheme in place.

For the year ended 31st March, 2002

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued ordinary/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
FIRST BRILLIANT LIMITED	British Virgin Islands	US\$1	100	–	Investment holding
ACTIWATER RESOURCES LIMITED	British Virgin Islands	US\$1	–	100	Investment holding
CHINA YOUTH NET.COM LIMITED	Hong Kong	HK\$2	–	100	Investment holding
DESIGNATE SUCCESS LIMITED	British Virgin Islands	US\$100	–	100	Investment holding
KOMATIC INTERNATIONAL LIMITED	British Virgin Islands	US\$1	–	100	Investment holding
LeonStarEastNet.com Limited	Hong Kong	HK\$2	–	100	Provision of media agency services
MEDIA GROUP LIMITED	Hong Kong	HK\$2	–	100	Investment holding
NA.STAREASTNET.COM CORPORATION	Canada	1 common share with no par value	–	100	Investment holding
NA.STAREASTNET MULTIMEDIA LIMITED	Canada	100 common shares with no par value	–	100	Provision of media agency services and operation of websites
OPTIMA MEDIA HOLDING LIMITED	British Virgin Islands	US\$100	–	100	Holding of intangible asset and investment holding
SPARKFUL INVESTMENTS LIMITED	British Virgin Islands	US\$1	–	100	Investment holding

For the year ended 31st March, 2002

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued ordinary/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
SING PAO NEWSPAPER ASSETS LIMITED	Hong Kong	HK\$2	–	100	Holding of fixed assets
SING PAO NEWSPAPER COMPANY LIMITED	Hong Kong	HK\$2	–	100	Newspaper publication
SING PAO NEWSPAPER DISTRIBUTION LIMITED	Hong Kong	HK\$2	–	100	Provision of management services
SING PAO NEWSPAPER MANAGEMENT LIMITED	Hong Kong	HK\$2	–	100	Provision of management services
SING PAO NEWSPAPER SERVICES LIMITED	Hong Kong	HK\$2	–	100	Provision of nominee services and secretarial services
STAR EAST IT MANAGEMENT LIMITED	Hong Kong	HK\$2	–	100	Investment holding
STAR EAST WEBSITE LIMITED	Hong Kong	HK\$2	–	100	Holding of websites and domain names
StarEastNet (BVI) Limited	British Virgin Islands	US\$1,000	100	–	Investment holding
STAREASTNET HOLDINGS PTE LTD	Singapore	SGD2	–	100	Investment holding
STAREASTNET MANAGEMENT PTE LTD	Singapore	SGD2	–	100	Provision of management services

For the year ended 31st March, 2002

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued ordinary/ registered capital		Principal activities
			held by the Company		
			Directly %	Indirectly %	
STAREASTNET MULTIMEDIA PTE LTD	Singapore	SGD2	–	100	Provision of media agency services and operation of website
StarEastNet.com Management Limited	Hong Kong	HK\$2	–	100	Provision of corporate management services
StarEastNet.com Services Limited	Hong Kong	HK\$2	–	100	Provision of secretarial services
StarNet Generation Limited	Hong Kong	HK\$2	–	100	Provision of information technology consultancy services
STARNET TECHNOLOGY LIMITED	British Virgin Islands	US\$100	–	100	Investment holding
WAH FUNG BOOK STORE LIMITED	Hong Kong	HK\$796,000	–	100	Investment holding
WIDE ANGLE PRESS LIMITED	Hong Kong	HK\$918,400	–	100	Magazines and books publication
東方魅力資訊科技 股份有限公司	Taiwan	NTD1,000,000	–	100	Operation of website
北京中青在線網絡信息 技術有限公司	PRC	RMB5,000,000	–	60	Provision of networking and information services
北京東方魅力資訊 科技有限公司	PRC	RMB12,500,000	–	90	Operation of website

For the year ended 31st March, 2002

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

With the exception of StarEastNet (BVI) and First Brilliant Limited, all the subsidiaries were indirectly held by the Company.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group, to give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

39. POST BALANCE SHEET EVENT

Pursuant to special resolutions passed by the shareholders in an extraordinary general meeting held on 7th March, 2002, the Company carried out a capital reorganisation:

- adjusting the nominal value of the shares in the Company by reducing the nominal value of all the issued shares from HK\$0.10 each to HK\$0.0025 each by the cancellation of HK\$0.0975 paid up share capital on each issued share;
- consolidating every twenty issued and unissued shares of HK\$0.0025 each into one consolidated share of HK\$0.05; and
- cancelling an amount of HK\$110 million from the share premium account of the Company and crediting the amount so cancelled to the accumulated losses account of the Company.

Details of the above capital reorganisation are set out in the Company's circular dated 11th February, 2002. The capital reorganisation was approved by the Grand Court of the Cayman Islands on 24th May, 2002 and became effective on 28th May, 2002.

For the year ended 31st March, 2002

RESULTS

	Period from 18.2.1999 to 31.3.1999 <i>HK\$'000</i>	Year ended 31.3.2000 <i>HK\$'000</i>	Year ended 31.3.2001 <i>HK\$'000</i>	Year ended 31.3.2002 <i>HK\$'000</i>
TURNOVER	–	10,375	48,383	71,493
COST OF SALES	–	(23,505)	(89,201)	(106,368)
GROSS LOSS	–	(13,130)	(40,818)	(34,875)
OTHER REVENUE	–	1,063	5,407	6,346
ADVERTISING AND PROMOTION EXPENSES	–	(20,073)	(37,597)	(4,723)
ADMINISTRATIVE EXPENSES	(197)	(47,512)	(81,191)	(63,436)
IMPAIRMENT LOSSES	–	–	–	(16,252)
COST OF STREAMLINING OPERATIONS	–	–	(10,666)	(30,703)
LOSS FROM OPERATIONS	(197)	(79,652)	(164,865)	(143,643)
(LOSS) GAIN ON DISPOSAL OF SUBSIDIARIES	–	–	(2,148)	1,317
FINANCE COSTS	–	(163)	(6,868)	(6,135)
SHARE OF RESULTS OF ASSOCIATES	–	–	(382)	(545)
LOSS BEFORE MINORITY INTERESTS	–	(79,815)	(174,263)	(149,006)
MINORITY INTERESTS	–	–	–	113
NET LOSS FOR THE PERIOD/YEAR	(197)	(79,815)	(174,263)	(148,893)

For the year ended 31st March, 2002

ASSETS AND LIABILITIES

	At 31st March,			2002 <i>HK\$'000</i>
	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i> (As restated)	
TOTAL ASSETS	1	121,141	198,507	446,819
TOTAL LIABILITIES	197	49,238	104,720	190,663
	(196)	71,903	93,787	256,156

Notes:

1. The Company was incorporated in the Cayman Islands on 31st January, 2000 and became the holding company of the Group on 18th May, 2000 as a result of the Group Reorganisation.
2. The results for the period from 18th February, 1999 to 31st March, 1999 and for each of the two years ended 31st March, 2001 and the assets and liabilities as at 31st March, 1999 and 2000 have been prepared using the merger method of accounting as if the group structure immediately after the Group Reorganisation had been in existence since 18th February, 1999.
3. The assets and liabilities as at 31st March, 2001 have been adjusted to reflect the prior period adjustment as a result of a change in accounting policy for the adoption of the Statement of Standard Accounting Practice 30 "Business combinations". Details are set out in note 2 to the financial statements.

NOTICE IS HEREBY GIVEN that the annual general meeting of Sing Pao Media Group Limited (the “Company”) will be held at Gemini & Libra, Function Rooms, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Thursday, 25th July, 2002 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2002.
2. To re-elect retiring directors and to authorise the board of directors to fix the directors’ remuneration.
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

A. **“THAT:**

- (i) subject to paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or options, warrants, or similar rights to subscribe for any shares and to make or grant offers, agreements and options (including bonds, debentures, notes, warrants or securities convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options (including bonds, debentures, notes, warrants or securities convertible into shares of the Company) which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to:
 - (a) a Rights Issue (as hereinafter defined);
 - (b) the exercise of rights of conversion under any existing warrants, bonds, debentures, notes or securities which are convertible into shares of the Company;

- (c) an issue of shares of the Company by way of scrip dividend or other similar arrangement providing for the allotment of shares of the Company in lieu of the whole or part of a dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time; or
- (d) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to the eligible persons prescribed thereunder to subscribe for, or rights to acquire, shares of the Company,

shall not in aggregate exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

“Rights Issue” means the allotment or issue of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the directors of the Company made to holders of shares of the Company or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

B. “THAT,

(i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its issued shares in the capital of the Company and warrants to subscribe for shares in the capital of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for such purpose and to make offers, agreements and options (including bonds, debentures, notes, warrants or securities convertible into shares of the Company) which might require the exercise of such powers, subject to and in accordance with all the applicable laws, the requirements in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and the rules and regulations of the Securities and Futures Commission and the articles of association of the Company be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) of this resolution shall not exceed 10% of the aggregate nominal amount of share capital of the Company in issue and the aggregate subscription rights attaching to the warrants to subscribe for shares of the Company to be repurchased pursuant to the approval in paragraph (i) above shall not exceed 10% of the subscription rights attaching to all the outstanding warrants, both as at the date of passing of this resolution and the said approval shall be limited accordingly; and

(iii) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or

(c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

annual report 2002

88

- C. “**THAT** conditional upon the resolutions numbered 4A and 4B in the notice of this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the said resolution numbered 4A be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the said resolution numbered 4B.”

By Order of the Board
Leung Man Fai
Company Secretary

Hong Kong, 28th June, 2002

Head office and principal place of business:

7th Floor
Sing Pao Building
101 King's Road
North Point
Hong Kong

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Notes:

1. A member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and vote instead of such member. A proxy need not be a member of the Company.
2. A form of proxy in respect of the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon.
3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited with the head office and principal place of business of the Company at 7th Floor, Sing Pao Building, 101 King's Road, North Point, Hong Kong not less than forty eight hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where there are joint holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.
5. An explanatory statement as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in connection with the proposed Repurchase Mandate under the resolution numbered 4B above will be despatched to the shareholders of the Company together with Annual Report 2002 of the Company.