

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2001

1 General

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 17.

2 Significant accounting policies

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

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

Basis of consolidation

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

The results of subsidiaries and associates which were 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 intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

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

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed

to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill arising on acquisition of subsidiaries.

On disposal of investments in subsidiaries or associates, goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

Investments in subsidiaries

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

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

Investments in associates

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

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

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

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

Recognition of revenue

Revenue of the Group for the year is recognised on the following bases:

Sales of goods is recognised when goods are delivered and title has passed to the customers.

Revenue from online advertising services is recognised when the advertising impressions are delivered through third party websites provided the collection of the resulting receivable is reasonably assured.

Revenue from other advertising services is recognised when the services are rendered.

Dividend income from investments in securities is recognised when the shareholders' rights to receive payment have been established.

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

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at open market value based on professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

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

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to

its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from 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.

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

Depreciation and amortisation is provided to write off the cost of the assets 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 and land use rights	Over the term of the lease or land use rights
Buildings	2% or the term of the lease or land use rights, if shorter
Furniture and fixtures	20%
Plant, machinery and moulds	20% - 33.33%
Motor vehicles	20%

Properties held for development

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

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

Assets held under hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair value at the date of acquisition. The principal portion of the corresponding commitments is shown as an obligation of the Group. Finance costs, which represent the difference between the total payments under the hire purchase contracts and fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

Operating leases

Rentals payable in respect of operating leases are charged to the income statement on a straight line basis over the relevant lease term.

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

Pension

The pension cost charged in the income statement represents the amount of contribution payable in respect of the current year to the Group's defined contribution schemes.

Foreign currencies

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

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

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Cash equivalents

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

3 Turnover

	2001	2000
	HK\$'000	HK\$'000
Sales of goods, net of returns	630,591	1,303,331
Provision of online and offline advertising services	9,101	—
	639,692	1,303,331

The Group's turnover and operating results are mainly derived from sale of computers and related products. Details of the analysis of the Group's turnover and contribution to operating results by principal activity and geographical market are set out in note 37.

4 Other revenue

	2001	2000
	HK\$'000	HK\$'000
Net gain on disposal of interest in subsidiaries (<i>note</i>)	4,459	—
Less: Exchange reserve realised	(2,398)	—
	2,061	—
Dividend income from investments in listed securities	4,724	42
Forfeiture of provident fund contribution	2,256	—
Gain on disposal of property, plant and equipment	1,282	—
Gain on disposal of investment properties	1,100	—
Gain on disposal of investments in securities	—	3,472
Interest income	6,882	4,080
Net exchange gain	—	1,422
Rental income from rented premises	1,600	459
Others	8,213	—
	28,118	9,475

Note: The net gain on disposal of the interest in subsidiaries during the year comprises (i) the gain on disposal of the Group's interest in Ocean Information Limited of approximately HK\$8,088,000; Ocean Data Products Limited of approximately HK\$6,490,000; and disposal of other subsidiaries of approximately HK\$286,000; and (ii) the loss on disposal of the Group's interest in Ocean Office Automation Pty Limited of approximately HK\$2,238,000 and Kentucky Investments Limited of approximately HK\$5,292,000 and Active Field Limited of approximately HK\$1,777,000 and disposal of other subsidiaries of approximately HK\$1,098,000.

5 Other expenses

	2001	2000
	HK\$'000	HK\$'000
Provision for amounts due from associates	49,880	7,118
Loss on disposal of associates (<i>note</i>)	32,629	—
Unrealised loss on investments in securities	21,030	5,416
Provision for impairment in value of property held for development	6,730	—
Deficit arising on revaluation of investment properties	3,200	—
Provision for inventories	2,200	281
Provision for property held for sale	1,351	—
Provision for doubtful debts	1,000	16,315
Loss on disposal of investment in securities	568	—
Loss on disposal of a subsidiary	—	407
Loss on disposal of property, plant and equipment	—	174
	118,588	29,711

Note: The loss on disposal of the interest in associates during the year comprises the loss on disposal of the Group's interest in Billion City Development Limited of approximately HK\$6,235,000; Cason Development Limited of approximately HK\$6,163,000; Sino Spring Limited of approximately HK\$5,618,000; Capital Gain Development Limited of approximately HK\$12,346,000 and other associates of approximately HK\$2,267,000.

6 (Loss) Profit from operations

	2001	2000
	HK\$'000	HK\$'000
<hr/>		
(Loss) profit from operations has been arrived at after charging:		
Directors' remuneration:		
Fees	200	300
Other emoluments (<i>note 7</i>)	4,898	9,636
Other staff costs (<i>note 8</i>)	56,946	95,063
Net (refund) payment of pension scheme contributions	(1,372)	2,346
<hr/> Total staff costs	<hr/> 60,672	<hr/> 107,345
Auditors' remuneration	1,291	1,150
Depreciation:		
Owned assets	20,803	27,347
Assets held under hire purchase contracts	4,020	13,821
Cost of inventories recognised	515,217	831,183
Rental of premises under operating leases	16,734	11,120
and after crediting:		
Net rental income in respect of premises after outgoings of HK\$1,313,000 (2000: HK\$55,000)	287	404
	<hr/>	<hr/>

7 Directors' remuneration

	2001	2000
	HK\$'000	HK\$'000
<hr/>		
Fees		
- Executive directors	—	—
- Non-executive directors	—	—
- Independent non-executive directors	200	300
	<hr/> 200	<hr/> 300
Other emoluments		
- Executive directors		
Salaries and other benefits	4,898	9,636
Discretionary bonus	—	—
- Non-executive directors	—	—
- Independent non-executive directors	—	—
	<hr/> 4,898	<hr/> 9,636
	<hr/> 5,098	<hr/> 9,936
	<hr/>	<hr/>

The number of directors whose remuneration fall within the bands set out below is as follows:

HK\$	2001 Number of directors	2000 Number of directors
Nil to 1,000,000	15	10
1,000,001 to 2,000,000	1	2
2,000,001 to 3,000,000	1	—
5,000,001 to 6,000,000	—	1
	17	13

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

8 Employees' remuneration

The five highest paid individuals in the Group included three directors (2000: four directors) of the Company, details of whose remuneration are set out above. The aggregate remuneration of the remaining highest paid individuals, who are employees of the Group, is as follows:

	2001 HK\$'000	2000 HK\$'000
Remuneration, salaries and other benefits	1,313	918

HK\$	2001 Number of employees	2000 Number of employees
Nil to 1,000,000	2	1

9 Finance costs

	2001 HK\$'000	2000 HK\$'000
Interest on bank borrowings wholly repayable within five years	5,390	10,485
Interests on hire purchase contracts	933	2,676
	6,323	13,161

10 Taxation

	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	155	2,500
Under(over)provision in prior years	175	(63)
	330	2,437
Taxation in other jurisdictions		
Current year	—	132
Overprovision in prior years	(39)	(418)
	(39)	(286)
Taxation attributable to the Company and its subsidiaries	291	2,151
Deferred taxation	—	785
	291	2,936

Hong Kong Profits Tax was calculated at 16% (2000: 16%) on the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Details of deferred taxation are set out in note 26.

11 Net (loss) profit for the year

Of the Group's net loss for the year of HK\$176,288,000 (2000: a profit of HK\$27,555,000), a loss of HK\$281,809,000 (2000: a profit of HK\$28,382,000) has been dealt with in the financial statements of the Company.

12 Dividend

	2001	2000
	HK\$'000	HK\$'000
Interim dividend paid, of HK\$Nil per share (2000: HK\$0.015 per share)	—	4,907

13 (Loss) Earnings per share

The calculation of the basic (loss) earnings per share is based on the net loss for the year of HK\$176,288,000 (2000: a profit of HK\$27,555,000) and on the weighted average of 609,798,186 (2000: 321,617,886) ordinary shares in issue during the year.

No diluted loss per share has been presented for the current year as the exercise of the share options would result in a decrease in loss per share.

No diluted earnings per share for the year ended 31st March, 2000 has been presented as the exercise of the share options and warrants existed during the year was antidilutive. There were no outstanding share options and warrants as at 31st March, 2000.

14 Investment properties

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
VALUATION		
At 1st April	20,930	10,200
Additions	5,500	10,730
Transferred to property held for development (<i>note 16</i>)	(10,730)	—
Disposal	(5,500)	—
Deficit arising on revaluation	(3,200)	—
At 31st March	7,000	20,930

The Group's investment properties were revalued at 31st March, 2001 by Century 21 Surveyors Limited, an independent firm of professional property valuers, on an open market value basis. The deficit arising on revaluation of HK\$3,200,000 has been charged to the income statement.

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

The carrying value of the investment properties comprises:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Properties held under medium-term leases in Hong Kong	4,400	6,000
Properties held under long-term land use rights in the People's Republic of China ("PRC")	2,600	4,200
Properties held under medium-term land use right in the PRC	—	10,730
	7,000	20,930

15 Property, plant and equipment

	Land and buildings HK\$'000	Furniture and fixtures HK\$'000	Plant, machinery and moulds HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st April, 2000	48,313	153,640	87,455	13,968	303,376
Currency realignment	(956)	(269)	(26)	—	(1,251)
Acquired on acquisition of subsidiaries	—	669	696	—	1,365
Additions	1,216	11,254	3,654	2,298	18,422
Disposals	—	(45,376)	(9,226)	(6,337)	(60,939)
Disposal of subsidiaries	(48,573)	(83,407)	(56,994)	(3,302)	(192,276)
At 31st March, 2001	—	36,511	25,559	6,627	68,697
DEPRECIATION					
At 1st April, 2000	4,529	91,432	52,789	8,156	156,906
Currency realignment	—	(167)	(12)	—	(179)
Acquired on acquisition of subsidiaries	—	54	48	—	102
Provided for the year	—	16,569	7,153	1,101	24,823
Eliminated on disposals	—	(36,781)	(6,803)	(3,444)	(47,028)
Eliminated on disposal of subsidiaries	(4,529)	(48,170)	(42,508)	(2,748)	(97,955)
At 31st March, 2001	—	22,937	10,667	3,065	36,669
NET BOOK VALUES					
At 31st March, 2001	—	13,574	14,892	3,562	32,028
At 31st March, 2000	43,784	62,208	34,666	5,812	146,470

At 31st March, 2000, the net book value of property, plant and equipment held by the Group under finance leases and hire purchase contracts, amounted to approximately HK\$35,632,000. All the finance leases and hire purchase contracts are settled during the year.

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
THE COMPANY			
COST			
At 1st April, 2000	—	—	—
Additions	1,000	248	1,248
At 31st March, 2001	1,000	248	1,248
DEPRECIATION			
At 1st April, 2000	—	—	—
Provided for the year	43	8	51
At 31st March, 2001	43	8	51
NET BOOK VALUES			
At 31st March, 2001	957	240	1,197
At 31st March, 2000	—	—	—

The net book value of the land and buildings shown above comprises:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Properties held under medium-term land use rights in the PRC	—	43,784

16 Property held for development

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
At 1st April	—	—
Transferred from investment properties (<i>note 14</i>)	10,730	—
Provision for impairment in value	(6,730)	—
At 31st March	4,000	—

The property held for development is situated in the PRC under medium-term land use rights.

17 Investments in subsidiaries/receivables due from subsidiaries/payables due to subsidiaries

	2001	2000
	HK\$'000	HK\$'000
Investments in subsidiaries		
Unlisted shares, at cost	82,152	82,152
Receivables due from subsidiaries		
Amounts due from subsidiaries	439,607	388,388
Less: Provision	(320,698)	(71,311)
	118,909	317,077
Payables due to subsidiaries		
Amounts due to subsidiaries	38,901	69,107

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

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

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Admomentum Limited ("Admomentum")	Hong Kong	HK\$10,000	—	60	Provision of online and offline advertising services
Bless Top Holdings Limited	British Virgin Islands/Hong Kong	US\$1	100	—	Investment holding
Bowick International Limited	Hong Kong/ PRC	HK\$2	—	100	Property holding
Denco International Limited	Hong Kong/ PRC	HK\$38,050,000	—	92.57	Manufacturing and marketing of computer related products
Denco Manufacturing Corporation	United States of America	US\$10,000	—	100	Marketing of computer related products
Grand Fast Limited	Hong Kong	HK\$2	—	100	Investment holding
Island Town Limited	Hong Kong	HK\$2	—	100	Property holding
New Plaza International Limited	Hong Kong/ PRC	HK\$2	—	100	Property holding
Ocean Computer (China) Limited	Hong Kong	HK\$20	—	100	Investment holding
Ocean Computer France S.A.R.L.	France	FRF250,000	—	100	Marketing of computer related products
Ocean Information (B.V.I.) Limited	British Virgin Islands/Hong Kong	US\$40,000	100	—	Investment holding

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Ocean Information System (China) Limited	Hong Kong	HK\$2	—	100	Investment holding
Ocean Manufacturing Limited	Hong Kong	HK\$10,000	—	100	Marketing of computer related products
Ocean Overseas Limited	British Virgin Islands/Hong Kong	US\$1	100	—	Investment holding
Ocean Procurement Limited	Hong Kong	HK\$2	—	100	Trading of electronic components
Octek Technology Limited	Hong Kong	HK\$2	—	100	Marketing of computer related products
Ocean Office Automation Limited	Hong Kong	HK\$20 (Note)	—	100	Marketing of computer related products
Return On Profits Limited	British Virgin Islands/Hong Kong	US\$1	100	—	Investment holding
Vincci Assets Limited	British Virgin Islands/Hong Kong	US\$2	—	100	Investment holding

Note: Ocean Office Automation Limited has non-voting deferred share capital of HK\$10,000,000. The non-voting deferred shares are fully issued and paid up as at 31st March, 2001 and are not held by the Group.

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

18 Investments in associates/receivables due from/payable due to associates

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Investments in associates		
Share of net assets	—	1,265
	—	1,265
Receivables due from associates		
Amounts due from associates	57,508	131,441
Provision	(40,341)	(17,927)
	17,167	113,514
Payable due to associate		
Amount due to an associate	—	27

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

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

Name of associates	Place of incorporation	Proportion of nominal value of issued share capital held indirectly by the Company %	Principal activities
Sunny Town Limited	Hong Kong	27	Property development and investment
Billion Management Limited	Hong Kong	30	Project management

19 Investments in securities

	THE GROUP	
	2001	2000
Other investments	HK\$'000	HK\$'000
Equity securities:		
Listed	25,925	5,380
Unlisted	2,550	36,477
	28,475	41,857
Club debenture	1,288	1,288
Total and reported as:		
Listed		
Hong Kong	25,923	4,605
Elsewhere	2	775
Unlisted	3,838	37,765
	29,763	43,145
Classified under		
Current	28,475	5,380
Non-current	1,288	37,765
	29,763	43,145
Market value of		
listed securities	25,925	5,380

At 31st March, 2000, the carrying value of unlisted investment represented 17.82% interest in OSK Asia (Holdings) Limited (“OSK Asia”). During the year, the Group’s interest in OSK Asia was transferred to OSK Corporation Limited (“OSK Corporation”) following a group reorganisation, after which OSK Corporation listed its shares on the Hong Kong Stock Exchange. Accordingly, the unlisted investment in OSK Corporation was reclassified as listed investment under current assets as the Group no longer has a long term strategic purpose for holding these investments and the unrealised loss of approximately HK\$501,000 arising from such transfer has been charged to income statement.

At 31st March, 2001, the investment in OSK Corporation has a carrying value of approximately HK\$17,353,000 which represented a 14.12% interest.

20 Inventories

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	5,543	58,158
Work in progress	1,075	8,637
Finished goods	26,092	32,693
	32,710	99,488

Included above are finished goods of approximately HK\$20,120,000 (2000: Nil) carried at their net realisable value. At 31st March, 2000, raw materials of approximately HK\$40,284,000 are carried at net realisable value.

21 Debtors, deposits and other receivables

The Group allows its trade customers with credit period normally ranging from 30 days to 90 days. The aging analysis of the trade debtors at 31st March, 2001 is as follows:

	2001	2000
	HK\$'000	HK\$'000
0 - 30 days	14,729	195,829
31 - 60 days	1,059	1,368
61 - 90 days	9,794	855
Over 90 days	3,523	2,524
	29,105	200,576
Deposits and other receivables	9,756	29,379
	38,861	229,955

22 Creditors and accrued charges

Included in creditors and accrued charges are creditors with the following aging analysis:

	2001	2000
	HK\$'000	HK\$'000
0 - 30 days	21,017	104,658
31 - 60 days	1,621	14,497
61 - 90 days	2,498	13,501
Over 90 days	5,999	12,504
	31,135	145,160
Accrued charges	18,263	52,412
	49,398	197,572

23 Share capital

	Number of shares	Value HK\$'000
<hr/> Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st April, 1999 and 2000	500,000,000	50,000
Increase in authorised share capital (<i>note a</i>)	1,300,000,000	130,000
<hr/>		
At 31st March, 2001	1,800,000,000	180,000
<hr/>		
Issued and fully paid:		
At 1st April, 1999	316,261,200	31,626
Exercise of share options (<i>note b</i>)	11,100,000	1,110
<hr/>		
At 1st April, 2000	327,361,200	32,736
Issue of new shares (<i>note c</i>)	483,500,000	48,350
<hr/>		
At 31st March, 2001	810,861,200	81,086
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Notes:

- (a) Pursuant to a resolution passed at a special general meeting held on 3rd April, 2000, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 ordinary shares of HK\$0.10 each.

Pursuant to another resolution passed at a special general meeting held on 12th January, 2001, the authorised share capital of the Company was further increased from HK\$100,000,000 to HK\$180,000,000 by the creation of an additional 800,000,000 ordinary shares of HK\$0.10 each.

- (b) During the year ended 31st March, 2000, the Company issued and allotted 11,100,000 shares of HK\$0.10 each in the Company as a result of the exercise of share options.

- (c) (i) Pursuant to a resolution passed at a special general meeting held on 19th April, 2000.

- 180,000,000 ordinary shares of HK\$0.10 each were issued at HK\$0.80 per share to acquire a 60% interest in Admomentum.
- 76,000,000 ordinary shares of HK\$0.10 each were issued to a number of investors at HK\$0.80 per share.

- (ii) 115,000,000 and 112,500,000 ordinary shares of HK\$0.10 each were issued and allotted to a number of investors at HK\$0.38 and HK\$0.50 respectively by private share placements, which represented a discount of approximately 9.52% and 10.71% to the closing price of the Company's shares on 11th January, 2001 and 13th February, 2001, respectively. These shares were issued under the general mandate granted to the directors on 21st September, 2000 and 19th January, 2001 respectively.

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

24 Share options

In accordance with the terms of the Company's share option scheme adopted on 23rd March, 1992, the Company may grant options to directors and employees of the Company and its subsidiaries to subscribe for its ordinary shares. The subscription price, subject to adjustment, is based on 80% of the average of the closing price of the shares of the Company on the five trading days immediately before the options were offered. Options granted are exercisable not earlier than 6 months and not later than 18 months after the date the options are granted.

A summary of the movements of the share options under the scheme during the year is as follows:

Exercisable period	Number of shares under options					
	Exercise price HK\$	Outstanding at 1.4.2001	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2001
20.10.2000 to 19.10.2001	0.52	—	53,600	—	—	53,600
8.11.2000 to 7.11.2001	0.5616	—	24,458,000	—	(22,094,000)	2,364,000
3.12.2000 to 2.12.2001	0.4544	—	2,320,000	—	(994,000)	1,326,000
17.9.2001 to 16.9.2002	0.34	—	22,350,000	—	—	22,350,000
		—	49,181,600	—	(23,088,000)	26,093,600

The amount of consideration received by the Company for options granted during the year was nominal.

25 Reserves

	Share premium HK\$'000	Goodwill on consolidation HK\$'000	Exchange reserve HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
THE GROUP					
At 1st April, 1999	191,913	1,195	(3,178)	121,334	311,264
Exchange adjustment	—	—	700	—	700
Net premium on issue of shares	1,221	—	—	—	1,221
Profit for the year	—	—	—	27,555	27,555
Dividend for the year	—	—	—	(4,907)	(4,907)
At 31st March, 2000	193,134	1,195	(2,478)	143,982	335,833
Net premium on issue of shares	246,667	—	—	—	246,667
Arising on acquisition of interest in subsidiaries	—	(144,644)	—	—	(144,644)
Realised on disposal of subsidiaries	—	—	2,398	—	2,398
Loss for the year	—	—	—	(176,288)	(176,288)
At 31st March, 2001	439,801	(143,449)	(80)	(32,306)	263,966
Attributable to:					
The Company and its subsidiaries	439,801	(143,449)	(80)	(21,900)	274,372
Associates	—	—	—	(10,406)	(10,406)
At 31st March, 2001	439,801	(143,449)	(80)	(32,306)	263,966
The Company and its subsidiaries	193,134	1,195	(2,478)	153,369	345,220
Associates	—	—	—	(9,387)	(9,387)
At 31st March, 2000	193,134	1,195	(2,478)	143,982	335,833

25 Reserves

	Share Contributed		Retained	Total
	premium	surplus	profits	
	HK\$'000	HK\$'000	(deficit)	HK\$'000
THE COMPANY				
At 1st April, 1999	191,913	62,352	20,505	274,770
Net premium on issue of shares	1,221	—	—	1,221
Profit for the year	—	—	28,382	28,382
Dividend for the year	—	—	(4,907)	(4,907)
At 31st March, 2000	193,134	62,352	43,980	299,466
Net premium on issue of shares	246,667	—	—	246,667
Loss for the year	—	—	(281,809)	(281,809)
At 31st March, 2001	439,801	62,352	(237,829)	264,324

At 31st March, 2000, the Company's reserve available for distribution to shareholders represented the retained profits of HK\$43,980,000. At 31st March, 2001, the Company had no reserves available for distribution to shareholders.

26 Deferred taxation

The major components of the deferred taxation charge (credit) of the Group, provided and unprovided for the year, are as follows:

	Provided		Unprovided	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:				
Difference between depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	—	785	143	262
Tax loss incurred	—	—	(7,160)	—
Other timing difference	—	—	72	—
	—	785	(6,945)	262

At the balance sheet date, the major components of the deferred taxation assets (liabilities) provided and unprovided in the financial statements are as follows:

	Provided		Unprovided	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:				
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	(2,500)	(3,326)	(946)	(803)
Unutilised tax losses	—	—	7,160	—
Other timing differences	—	—	(72)	—
	(2,500)	(3,326)	6,142	(803)

The unprovided deferred taxation asset is not recognised because it is uncertain whether the tax benefit will be realised in the foreseeable future.

27 Bank loans and other borrowings

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Bank loans	17,600	4,832
Trust receipt loans	—	115,519
Bank overdraft	4	20
Obligations under hire purchase contracts	—	23,603
	17,604	143,974
Repayable as follows:		
Within one year	17,604	128,866
Between one to two years	—	11,228
Between two to five years	—	3,880
	17,604	143,974
Less: Amount due within one year included under current liabilities	(17,604)	(128,866)
Amount due after one year	—	15,108

Of the bank loans and other borrowings of the Group, HK\$17,600,000 (2000: HK\$120,371,000) are partially secured by investment properties of HK\$4,400,000 (2000: HK\$6,000,000) and bank deposits of HK\$8,131,000 (2000: HK\$Nil).

28 Reconciliation of (loss) profit before taxation to net cash inflow (outflow) from operating activities

	2001	2000
	HK\$'000	HK\$'000
(Loss) profit before taxation	(177,764)	30,541
Share of results of associates	1,019	(613)
Dividend income	(4,724)	(42)
Interest income	(6,882)	(4,080)
Interest expenses	6,323	13,161
Rental income	(286)	(404)
Depreciation	24,823	41,168
Gain on disposal of investments in properties	(1,100)	—
(Gain) loss on disposal of property, plant and equipment	(1,282)	174
(Gain) loss on disposal of subsidiaries	(2,061)	407
Loss on disposal of associates	32,629	—
Loss (gain) on disposal of investments in securities	568	(3,472)
Deficit arising on revaluation of investment properties	3,200	—
Provision for impairment in value of property held for development	6,730	—
Provision for amounts due from associates	49,880	7,118
Provision for property held for sale	1,351	—
Provision for inventories	2,200	281
Provision for doubtful debts	1,000	16,315
Unrealised loss on investments in securities	21,030	5,416
Decrease (increase) in inventories	51,580	(30,672)
Decrease (increase) in debtors, deposits and other receivables	168,035	(117,297)
(Decrease) increase in creditors and accrued charges	(83,963)	30,092
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	92,306	(11,907)

29 Disposal of subsidiaries

	2001	2000
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	94,321	—
Inventories	12,998	—
Debtors, deposits and other receivables	19,308	781
Taxation recoverable	343	—
Bank balances and cash	6,984	35
Creditors and accrued charges	(68,554)	(2)
Taxation payable	(524)	—
Deferred taxation	(944)	—
Obligations under hire purchase contracts	(8,891)	—
Minority interest	—	(407)
	55,041	407
Exchange reserve realised	2,398	—
	57,349	407
Gain (loss) on disposal	2,061	(407)
	59,500	—
Satisfied by:		
Cash	59,500	—
Analysis of the net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	59,500	—
Bank balances and cash disposed of	(6,984)	—
Net inflow of cash and cash equivalents	52,516	—

The subsidiaries disposed of during the year contributed HK\$3,609,000 (2000: HK\$Nil) to the Group's net operating cash outflow, paid HK\$1,650,000 in respect of investing activities (2000: HK\$Nil) and paid HK\$4,509,000 in respect of financing activities (2000: HK\$Nil).

30 Purchase of subsidiaries

	2001	2000
	HK\$'000	HK\$'000
Net assets acquired:		
Property, plant and equipment	1,263	—
Investments in securities	2,550	—
Debtors, deposits and other receivables	2,600	—
Bank balances and cash	10	—
Creditors and accrued charges	(4,343)	—
Bank overdraft	(177)	—
	1,903	—
Goodwill arising on acquisition	144,644	—
	146,547	—
Satisfied by:		
Issue of shares	144,000	—
Cash	2,547	—
	146,547	—

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

Cash consideration paid	2,547	—
Bank balances and cash acquired	(10)	—
Bank overdraft	177	—
Net outflow of cash and cash equivalents in connection with the purchase of subsidiaries	2,714	—

The subsidiaries acquired during the year contributed approximately HK\$9,101,000 of turnover and approximately HK\$32,236,000 of loss from operations for the period between the date of acquisition and the balance sheet date.

31 Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Bank loans HK\$'000	Obligations under hire purchase contracts HK\$'000	Minority interests HK\$'000
Balance at 1st April, 1999	223,539	13,049	21,058	3,358
Exchange realignment	—	(168)	1	—
Proceeds on issue of new shares	2,331	—	—	—
New borrowings obtained	—	5,000	17,235	—
Repayments	—	(9,052)	(14,691)	—
Disposal of subsidiaries	—	—	—	(407)
Profit attributable to minority shareholders	—	—	—	50
Balance at 31st March, 2000	225,870	8,829	23,603	3,001
Proceeds on issue of new shares	160,750	—	—	—
Expenses in connection of issue of new shares	(9,733)	—	—	—
Issue of shares for acquisition of subsidiary	144,000	—	—	—
New borrowings obtained	—	17,600	—	—
Repayments	—	(8,829)	(14,712)	—
Disposal of subsidiaries	—	—	(8,891)	—
Loss attributable to minority shareholders	—	—	—	(1,767)
Contribution from minority shareholders	—	—	—	31
Balance at 31st March, 2001	520,887	17,600	—	1,265

32 Major non-cash transactions

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

- (a) Addition to investments in securities of HK\$6,600,000 was the consideration for disposal of investment properties.
- (b) Purchase of subsidiary of HK\$144,000,000 was satisfied by the issue of shares in the Company.

During the year ended 31st March, 2000, the Group entered into hire purchase arrangements in respect of assets with a total capital value at the inception of hire purchase contracts of HK\$17,235,000.

33 Commitments

At the balance sheet date, the Group had the following capital commitments:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Contracted for but not provided in the financial statements relating to:		
- Property, plant and equipment	—	2,048

During the year ended 31st March, 2001, the Group entered into a funding agreement to make contributions of approximately HK\$37,800,000 (2000: HK\$46,700,000) in respect of the property redevelopment project of an associate according to its profit-sharing ratio.

At the balance sheet date, the Group and the Company had commitments payable in the following year under non-cancellable operating leases in respect of land and buildings as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	—	59
In the second to fifth year inclusive	6,685	8,891
	6,685	8,950

34 Contingent liabilities

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bills of exchange discounted with recourse	—	1,623	—	—
Corporate guarantee given by the Company for banking facilities granted to subsidiaries	—	—	199,980	140,150
Other guarantees issued to associates	72,250	22,623	72,250	22,623
	72,250	24,246	272,230	162,773

35 Pledge of assets

At 31st March, 2001, the following assets were pledged to secure banking facilities granted to the Group:

- (a) Investment properties with a carrying value of HK\$4,400,000 (2000: HK\$6,000,000).
- (b) Bank deposits of HK\$8,131,000.

At 31st March, 2000, property, plant and equipments with net book value of approximately HK\$15,980,000 were pledged to secure banking facilities granted to the Group.

36 Retirement and pension plans

The Group operates a defined contribution retirement benefits scheme (the "Scheme") for all qualified employees employed by the Company and its subsidiaries in Hong Kong up to 30th November, 2000. The assets of the Scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefits cost charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the Scheme. Where there are employees who leave the Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. At the balance sheet date, there was no significant forfeited contribution which arose upon employees leaving the scheme, and which are available to reduce the contribution payable in the future years.

Effective 1st December, 2000, the Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

During the year under review, the total amount contributed by the Group to the MPF Scheme and charged to the income statement was insignificant.

37 Segmental information

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

By principal activity:

	Turnover		Contribution to (loss) profit from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of computers and related products	630,591	1,303,331	(36,752)	48,032
Provision of online and offline advertising services	9,101	—	(32,236)	—
	639,692	1,303,331	(68,988)	48,032
Investment in shares and bank deposits	—	—	(9,992)	2,178
Property investment	—	—	(10,994)	404
Gain (loss) on disposal of subsidiaries	—	—	2,061	(407)
Loss on disposal of associates	—	—	(32,629)	—
Provision for amounts due from associates	—	—	(49,880)	(7,118)
	639,692	1,303,331	(170,422)	43,089
Finance costs			(6,323)	(13,161)
Share of results of associates			(1,019)	613
(Loss) profit before taxation			(177,764)	30,541

By geographical market:

	Turnover		Contribution to (loss) profit from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Australia	57,745	142,063	(7,217)	6,902
Europe	115,285	285,429	(14,409)	13,868
Hong Kong	257,188	423,582	(122,615)	345
United States	168,529	390,999	(21,063)	18,997
Other Asian countries	20,579	43,010	(2,572)	2,090
Other overseas countries	20,366	18,248	(2,546)	887
	639,692	1,303,331	(170,422)	43,089
Finance costs			(6,323)	(13,161)
Share of results of associates			(1,019)	613
(Loss) profit before taxation			(177,764)	30,541

38 Post balance sheet events

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

- (a) The Group entered into agreements to acquire 187,768,316 shares in Sing Pao Media Group Limited, (formerly Huey Tai International Limited "Sing Pao Media"), representing approximately 60% of the issued share capital, at a price of HK\$1.10 per share.

Following the completion of the acquisition, the Group is required to make a cash offer to acquire all the shares in Sing Pao Media other than those already held or agreed to be acquired by the Group.

- (b) The Group disposed of its property held for sale at a consideration which approximates the carrying value of the property of HK\$4,000,000 at 31st March, 2001.
- (c) The Group entered into agreement to dispose of its 92.57% interest in Denco International Limited at a consideration of approximately HK\$40,500,000.