

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors, the Company’s ultimate holding company is China Strategic Holdings Limited (“China Strategic”), a public limited company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 43 and 17, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, investments in securities 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 and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

### **Goodwill/Capital reserve**

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 the subsidiaries or associates and is eliminated against reserves immediately in the year of acquisition. Any impairment in value is charged to the income statement whenever the estimated recoverable amount is less than the carrying amount. Capital reserve, 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 subsidiaries or associates over the purchase consideration, is credited to reserves.

## **2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **Goodwill/Capital reserve** *(continued)*

On disposal of subsidiaries or associates, the attributable amount of goodwill or capital reserve previously eliminated against or credited to reserves and has not been charged or credited to the income statement is included in the determination of the profit or loss on disposal of the subsidiaries or associates.

### **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, as reduced by any impairment losses recognised.

### **Associates**

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

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

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

In the Company's balance sheet, investments in associate are stated at cost, as reduced by any impairment losses recognised.

## **2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **Investments in securities**

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

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.

### **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 values based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the revaluation deficit over the balance of 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 of the investment property revaluation reserve attributable to that property is transferred to the income statement.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment

Property, plant and equipment held by group companies is stated at cost less depreciation or amortisation at the balance sheet date.

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

The gain or loss arising from 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.

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 are provided to write off the cost of item of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land	Over the term of the lease
Buildings	2% – 4%
Leasehold improvements	10% to 15% or over the term of the lease, if shorter
Others	10% to 30%

## **2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **Intangible asset**

Intangible asset is stated at cost less amortisation and provision, if necessary, for any impairment in value. The cost of the intangible asset is amortised over a period of twenty years on a straight line basis.

### **Properties under development**

Properties under development are stated at cost or, in cases where a property has been reclassified from another class of assets, the carrying value of the property as stated in its original classification, less any impairment loss. Cost includes the acquisition cost, architect's fee, interest and other direct costs attributable to the development of such properties.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated cost to completion and costs necessary to make the sale and distribution.

### **Properties held for sale**

Property held for sale is stated at the lower of cost or, in cases where a property has been reclassified from another class of assets, the carrying value of the property as stated in its original classification, and net realisable value. Cost includes the acquisition cost, architect's fees and other direct costs attributable to such property. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Capitalisation of borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

### **Turnover**

Turnover represents the gross proceeds received and receivable from third parties on sales of newspapers and magazines, sales of property interests, gross property rental income, gross proceeds on securities trading, advertising income and dividend income from investments during the year.

### **Recognition of income**

Sales of properties are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold.

Sales of investments in securities are recognised on a trade-date basis.

Rental income is recognised on a straight line basis over the term of the relevant lease.

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

Advertising income is recognised on the relevant publication date.

Dividend income from investments 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **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 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.

### **Operating leases**

Rental income or expenses under operating leases are credited or charged, respectively, to the income statement on a straight line basis over the term of the relevant leases.

### **Foreign currencies**

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

On consolidation, the financial statement of the Group's overseas operations which are denominated in the currencies other than Hong Kong dollar are translated at the exchange rates ruling on the balance sheet date. Exchange differences arising, if any, are dealt with in reserves.

### **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 advances.

### 3. PROFIT FROM OPERATIONS

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs		
– directors' remuneration	<b>9,896</b>	9,678
– other staff costs	<b>46,912</b>	11,700
– retirement benefits scheme contribution	<b>1,525</b>	–
	<b>58,333</b>	21,378
Auditors' remuneration	<b>2,377</b>	1,883
Depreciation and amortisation of property, plant and equipment	<b>10,260</b>	7,843
Amortisation of intangible asset	<b>685</b>	–
Loss on disposal of property, plant and equipment	<b>5,736</b>	611
Net realised and unrealised holding losses on other investments	<b>5,418</b>	–
Provision for impairment losses of unlisted investment securities	<b>1,014</b>	–
Rentals paid for premises under operating leases	<b>4,417</b>	2,548
and after crediting:		
Dividend income from listed other investments	<b>542</b>	337
Interest income	<b>6,792</b>	9,790
Net realised and unrealised holding gains on other investments	–	45,915
Gross rental income from investment properties under operating leases, before deduction of provision for relevant bad and doubtful debts of HK\$4,103,000 for the year ended 31st March, 2000 (2001: nil) and outgoings of HK\$3,523,000 for the year ended 31st March, 2001 (2000: HK\$1,390,000)	<b>72,487</b>	92,913



#### 4. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals for the year are as follows:

	2001 HK\$'000	2000 HK\$'000
<b>(a) Directors' emoluments</b>		
Directors' fees:		
Executive	–	132
Independent non-executive	–	36
Non-executive	<b>91</b>	–
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	<b>91</b>	168
Other emoluments (salaries and other benefits) for executive directors	<b>9,805</b>	9,510
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Total emoluments	<b>9,896</b>	9,678
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Not included in the directors' emoluments above was rent-free accommodation provided to a Company's director of a property owned by the Group with money value determined with reference to its rateable value amounting to approximately HK\$2,635,000 up to the date of his resignation in February 2001. The respective rateable value for the year ended 31st March, 2000 was approximately HK\$3,144,000.

#### 4. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

**(a) Directors' emoluments *(continued)***

The emoluments of the directors, including the above accommodation benefit, were within the following bands:

	<b>2001</b>	2000
	<b>Number of directors</b>	Number of directors
Nil – HK\$1,000,000	<b>14</b>	7
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	2
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	1
HK\$6,000,001 – HK\$6,500,000	<b>1</b>	–
HK\$7,500,001 – HK\$8,000,000	<b>–</b>	1
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**(b) Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, four (2000: four) were directors of the Company whose emoluments are included in the disclosure set out in (a) above. The emoluments of the remaining one (2000: one) individual were as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>1,173</b>	939
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## 5. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	<b>51,108</b>	81,269
Bank borrowings not wholly repayable within five years	<b>20,874</b>	874
Convertible guaranteed bonds (including provision for premium payable on redemption)	–	31,855
Convertible redeemable notes (including provision for premium payable on redemption)	<b>30,580</b>	3,569
Other borrowings wholly repayable within five years	<b>6,468</b>	4,531
	<b>109,030</b>	122,098
Less: Amount capitalised to properties under development	<b>(27,403)</b>	(25,875)
	<b>81,627</b>	96,223
Amortisation of issue costs of convertible guaranteed bonds	–	3,196
Amortisation of issue costs of convertible redeemable notes	<b>2,223</b>	324
Bank facilities arrangement fees	<b>1,619</b>	3,358
	<b>85,469</b>	103,101

## 6. LOSS ON DISPOSAL OF SUBSIDIARIES

The loss on disposal of subsidiaries principally arose from the disposal of an approximate 63.68% interest in Asean Resources Holdings Limited (“Asean”) in January 2001 at a consideration of approximately HK\$573 million. Asean is a public limited company incorporated in Bermuda with its shares listed on the Stock Exchange. Details of the disposal were set out in the circular dated 2nd January, 2001 issued by the Company (the “1/01 Circular”).

**7. UNREALISED HOLDING LOSS ON OTHER INVESTMENT RECLASSIFIED AFTER DISPOSAL OF A FORMER ASSOCIATE**

At 31st March, 2000, the Group had an associate (the “Former Associate”) with its shares listed on the Stock Exchange. The majority of the Group’s interest in the Former Associate was held by Asean. Following the disposal of Asean described in note 6, the Group only held an approximate 1.7888% interest in the Former Associate. Since the Group can no longer exercise significant influence over the Former Associate, the investment in the Former Associate was reclassified as other investment and carried at fair value in accordance with the Group’s accounting policy. An unrealized holding loss of approximately HK\$42,166,000 represents the difference between the carrying value of 1.7888% interest in the Former Associate at the date of disposal of Asean and the fair value of the shares of the Former Associate as at 31st March, 2001.

**8. WRITE-OFF OF GOODWILL**

	<b>2001</b>	2000
	<b>HK\$’000</b>	HK\$’000
Impairment loss of goodwill on:		
– acquisition of certain subsidiaries	13,056	–
– other investment (note)	33,799	–
	46,855	–
	46,855	–

Note: The amount represents the goodwill previously write off against reserves on acquisition of the Former Associate. Impairment loss on goodwill arises at the time the investment in the Former Associate reclassified as other investment. Details are set out in note 7.

## 9. TAXATION

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	–	280
Underprovision in prior years	–	761
	<u>–</u>	<u>1,041</u>
	–	1,041
Overseas taxation		
Current year	<b>30</b>	54
Underprovision in prior years	<b>347</b>	–
	<u>377</u>	<u>54</u>
	<b>377</b>	54
Share of taxation attributable to associates	<u><b>3,719</b></u>	<u>21,381</u>
Taxation charge for the year	<u><b>4,096</b></u>	<u>22,476</u>

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profit for the year derived from Hong Kong.

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

Details of the unrecognised deferred taxation for the year are set out in note 34.

## **10. (LOSS) PROFIT FOR THE YEAR**

Of the Group's loss for the year of HK\$1,025,297,000 (2000: a profit of HK\$18,533,000), a loss of HK\$957,278,000 (2000: a profit of HK\$5,908,000) has been dealt with in the financial statements of the Company.

## **11. DISCONTINUED OPERATIONS**

In July 2001, the Group disposed of its entire interest in Actiwater Resources Limited ("Actiwater"), a wholly owned subsidiary of the Group to Expert Solution Limited ("Expert Solution"). The consolidated turnover and loss for the period of Actiwater and its subsidiaries for the period from 8th September, 2000 (date of incorporation) to 31st March, 2001, which have been included in the consolidated income statement, were HK\$24,560,000 and HK\$37,382,000, respectively.

Actiwater is an investment holding company. The principal activities of its subsidiaries are publishing of newspaper and magazines and provision of networking and information services.

Details of the disposal were set out in note 41(b).

## 12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share for the year is based on the following data:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
(Loss) earnings for the purposes of basic (loss) earnings per share	<b>(1,025,297)</b>	18,533
Effect of dilutive potential ordinary shares:		
– adjustment to the share of results of Asean based on dilution of its earnings per share	<b>(1,230)</b>	(3,604)
– adjustment to the share of results of the Former Associate based on dilution of its (loss) earnings per share	<b>(158)</b>	(618)
(Loss) earnings for the purposes of diluted (loss) earnings per share	<b>(1,026,685)</b>	14,311
	<b>2001</b>	2000
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<b>312,947,194</b>	312,947,194
Effect of dilutive potential ordinary shares in respect of share options	–	397,812
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<b>312,947,194</b>	313,345,006

## 12. (LOSS) EARNINGS PER SHARE *(continued)*

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share for 2001 and 2000 has been adjusted for the effect of share consolidation approved on 2nd April, 2001, details of which are set out in note 41(a).

For the year ended 31st March, 2001, the computation of diluted loss per share did not assume the conversion of the Company's convertible redeemable notes and share options which were surrendered in February 2001 as the Group incurred a loss for the year.

For the year ended 31st March, 2000, the computation of diluted earnings per share did not assume the conversion of the Group's convertible guaranteed bonds which were fully redeemed in February 2000 and the Company's outstanding convertible redeemable notes since their exercise would result in an increase in earnings per share from continuing ordinary operations. Also, the computation of diluted earnings per share did not assume the conversion of the Company's share options which lapsed in October 1999 as the exercise price was higher than the average fair value per share.

## 13. INVESTMENT PROPERTIES

	<b>THE GROUP</b>
	HK\$'000
At 1st April, 2000	2,038,890
Transfer from property, plant and equipment	57,149
Disposal of subsidiaries	(2,034,580)
Surplus arising on revaluation	23,051
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At 31st March, 2001	84,510
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### 13. INVESTMENT PROPERTIES (continued)

The carrying amount of investment properties held by the Group at 31st March, 2001 as shown above comprises:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Land in Hong Kong		
Long lease	<b>83,550</b>	2,030,330
Medium-term lease	<b>960</b>	760
Land situated elsewhere in the		
People's Republic of China		
under long-term land use rights	–	7,800
	<u><b>84,510</b></u>	<u>2,038,890</u>

All investment properties were revalued as at 31st March, 2001 on an open market value basis by RHL Appraisal Ltd., an independent firm of professional property valuers. The surplus arising on the revaluation of approximately HK\$23,051,000 has been credited to the investment property revaluation reserve (note 29).

## 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold land and buildings</b>	<b>Leasehold improvements</b>	<b>Plant and machinery</b>	<b>Motor vehicles and yachts</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>						
<b>COST</b>						
At 1st April, 2000	52,265	10,146	-	16,105	31,774	110,290
Acquisition of subsidiaries	517	2,600	91,898	883	2,889	98,787
Additions	-	1,045	1,774	32,103	11,484	46,406
Transfer to investment properties	(52,265)	(9,049)	-	-	(9,412)	(70,726)
Disposals	-	(1,097)	-	-	(8,281)	(9,378)
Disposal of subsidiaries	-	-	-	(48,272)	(19,647)	(67,919)
Exchange realignment	-	(162)	-	-	(125)	(287)
At 31st March, 2001	<u>517</u>	<u>3,483</u>	<u>93,672</u>	<u>819</u>	<u>8,682</u>	<u>107,173</u>
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st April, 2000	4,284	3,509	-	13,841	15,862	37,496
Provided for the year	691	1,061	2,334	1,478	4,696	10,260
Eliminated on disposals	-	(292)	-	-	(3,350)	(3,642)
Transfer to investment properties	(4,972)	(4,015)	-	-	(4,590)	(13,577)
Disposal of subsidiaries	-	-	-	(15,294)	(11,274)	(26,568)
At 31st March, 2001	<u>3</u>	<u>263</u>	<u>2,334</u>	<u>25</u>	<u>1,344</u>	<u>3,969</u>
<b>NET BOOK VALUES</b>						
At 31st March, 2001	<u>514</u>	<u>3,220</u>	<u>91,338</u>	<u>794</u>	<u>7,338</u>	<u>103,204</u>
At 31st March, 2000	<u>47,981</u>	<u>6,637</u>	<u>-</u>	<u>2,264</u>	<u>15,912</u>	<u>72,794</u>

The land and buildings held at 31st March, 2001 are situated in Hong Kong and held under a medium-term lease. The land and buildings held at 31st March, 2000 were situated in Hong Kong and held under long leases.

The Company did not have any property, plant and equipment at 31st March, 2001 or at 31st March, 2000.

## 15. INTANGIBLE ASSET

	HK\$'000
COST	
Acquisition of a subsidiary and balance at 31st March, 2001	68,760
AMORTISATION	
Amortisation for the year and balance at 31st March, 2001	<u>685</u>
NET BOOK VALUE	<u><u>68,075</u></u>

The intangible asset represents the rights to publish newspaper under the trademark and tradename of "Sing Pao".

## 16. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	–	–
Amount due from a subsidiary, less impairment loss	<u><b>190,149</b></u>	<u>1,444,025</u>
	<u><b>190,149</b></u>	<u>1,444,025</u>

The Company's cost of investments in the unlisted shares of its directly held subsidiaries is in aggregate less than HK\$1,000. The amount due from a subsidiary is unsecured and non-interest bearing and will not be repayable within one year of the balance sheet date. Accordingly, such amount has been classified as a non-current asset.

Particulars of the principal subsidiaries of the Company at 31st March, 2001 are set out in note 43.

## 17. INTERESTS IN ASSOCIATES

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>9,869</b>	1,283,111
Amounts due from associates	<b>9,597</b>	480,756
	<b>19,466</b>	1,763,867

The amounts due from associates are unsecured and non-interest bearing. In the opinion of the directors, the amounts due from associates will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current assets.

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

Name of associate	Place of incorporation/ operations	Paid up share capital	Proportion of nominal value of issued capital held by subsidiaries %	Effective proportion of issued capital held by the Group %	Principal activity
Asia Standard Development Company Limited	Hong Kong	HK\$2	50	50	Investment holding
Era Winner Limited	Hong Kong	HK\$2	50	50	Property holding

## 18. INVESTMENTS IN SECURITIES

	THE GROUP			
	Investment securities		Other investments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity securities				
Listed				
– Hong Kong	–	–	<b>20,100</b>	12,184
– Overseas	–	–	<b>2,418</b>	3,787
	<u>–</u>	<u>–</u>	<u><b>22,518</b></u>	<u>15,971</u>
Unlisted	<b>2,000</b>	6,437	–	1,638
	<u><b>2,000</b></u>	<u>6,437</u>	<u><b>22,518</b></u>	<u>17,609</u>
Market value of listed securities	<u>–</u>	<u>–</u>	<u><b>22,518</b></u>	<u>15,971</u>
Carrying amount analysed for reporting purposes as:				
Current	–	–	<b>22,518</b>	17,609
Non-current	<b>2,000</b>	6,437	–	–
	<u><b>2,000</b></u>	<u>6,437</u>	<u><b>22,518</b></u>	<u>17,609</u>

## 19. PROPERTIES UNDER DEVELOPMENT

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<b>COST OR VALUATION</b>		
At beginning of the year	<b>1,303,696</b>	1,138,984
Additions	<b>44,224</b>	294,499
Transfer to properties held for sale	<b>(630,210)</b>	–
Disposal of subsidiaries	<b>(717,710)</b>	(129,787)
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At end of the year	–	1,303,696
	<hr/> <hr/>	<hr/> <hr/>
Comprising:		
At cost	–	973,696
At valuation – 1995	–	330,000
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	–	1,303,696
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The carrying value of properties under development at the balance sheet date shown above comprises:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<b>Land in Hong Kong</b>		
Long lease	–	827,641
Medium-term lease	–	476,055
	<hr/>	<hr/>
	–	1,303,696
	<hr/> <hr/>	<hr/> <hr/>

As at 31st March, 2000, included in properties under development was interest capitalised of approximately HK\$86,149,000.

## 20. INVENTORIES

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Properties held for sale	<b>4,800</b>	6,098
Printing materials	<b>998</b>	–
Books	<b>162</b>	–
	<u><b>5,960</b></u>	<u>6,098</u>

Properties held for sale held by the Group at 31st March, 2001 were carried at net realisable value while those held at 31st March, 2000 were carried at cost. Printing materials and books held by the Group were carried at cost.

## 21. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with a credit period normally ranging from 30 days to 60 days (2000: up to 15 days). Included in trade and other receivables are trade receivables of HK\$11,589,000 (2000: HK\$11,432,000) and their aged analyses are as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Trade receivables		
0 to 30 days	<b>9,852</b>	3,301
31 to 90 days	<b>1,644</b>	3,252
More than 90 days	<b>93</b>	4,879
	<u><b>11,589</b></u>	<u>11,432</u>

**22. PLEDGED BANK DEPOSITS**

At 31st March, 2000, the bank deposits had been pledged to a bank for banking facilities granted to the Group. During the year, the pledged bank deposits have been released upon refinance of the banking facilities.

**23. TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade payables of HK\$12,861,000 and are aged under 30 days at 31st March, 2001. Included in the balance at 31st March, 2000 were retention money payables of HK\$5,831,000 payable according to the terms of construction contracts.



## 24. BANK AND OTHER BORROWINGS

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The bank and other borrowings comprise:		
Bank borrowings	<b>108,146</b>	978,198
Other borrowings	–	68,409
	<u>108,146</u>	<u>1,046,607</u>
Analysed as		
– secured	<b>58,146</b>	1,046,607
– unsecured	<b>50,000</b>	–
	<u>108,146</u>	<u>1,046,607</u>
The bank and other borrowings are repayable as follows:		
Within one year or on demand	<b>101,263</b>	163,431
More than one year, but not exceeding two years	<b>6,883</b>	463,737
More than two years, but not exceeding five years	–	190,591
More than five years	–	228,848
	<u>108,146</u>	<u>1,046,607</u>
Less: Amount due within one year shown under current liabilities	<b>(101,263)</b>	(163,431)
Amount due after one year	<u><b>6,883</b></u>	<u>883,176</u>

## 25. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and has no fixed repayment terms. The ultimate holding company has confirmed that the amount is not repayable within twelve months of the balance sheet date. Accordingly, it is shown in the balance sheet as a non-current liability.

## 26. CONVERTIBLE DEBTS

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
HK\$300,000,000 6% convertible redeemable notes	–	300,000
Less: Unamortised issue costs	–	(5,511)
Add: Accrued premium payable on redemption	–	962
	<hr/>	<hr/>
Amount due after one year	–	295,451
	<hr/> <hr/>	<hr/> <hr/>

In February 2000, the Group issued two convertible redeemable notes of HK\$150,000,000 each due on 8th February, 2003 (the “Convertible Notes”). The principal terms of the Convertible Notes were as follows:

- (a) The outstanding principal amount of the Convertible Notes might be converted at the option of the holders of the Convertible Notes (“Noteholders”) in whole or in part (being HK\$5,000,000 in principal amount or an integral multiple thereof) into shares of HK\$0.40 each in the Company at an initial conversion price of HK\$0.40 per share, subject to adjustment. Such option was exercisable at any time during the period from 8th August, 2001 to 7th February, 2003, both dates inclusive.

## 26. CONVERTIBLE DEBTS *(continued)*

- (b) The Group might redeem all or some of the Convertible Notes (being HK\$5,000,000 in principal amount or an integral multiple thereof) on or at any time during the period from 8th February, 2000 to 7th August, 2001 at the Note Accrued Amount as defined below.

“Note Accrued Amount” meant such amount as would cause the Convertible Notes to provide a yield of 10% per annum to the Noteholders, from 8th February, 2000 to the date of redemption calculated on a daily basis.

- (c) Unless previously redeemed, purchased and cancelled or converted, the Convertible Notes would be redeemed on 8th February, 2003 at 106.633% of their principal amount together with accrued interest.
- (d) Interest was payable semi-annually in arrears in February and August in each year.

In January 2001, the Convertible Notes were fully redeemed by the Group.

## 27. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Value</b> HK\$'000
Ordinary shares of HK\$0.40 each		
Authorised:	<u>3,000,000,000</u>	<u>1,200,000</u>
Issued and fully paid:		
At 1st April, 1999, 1st April, 2000 and 31st March, 2001	<u>1,564,735,970</u>	<u>625,894</u>

There were no movements in the share capital in both years.

## **28. SHARE OPTION SCHEMES**

Pursuant to the share option scheme of the Company adopted on 8th September, 1998 (the "1998 Scheme"), the board of directors of the Company may at its discretion offer to any executive and/or employee, including executive directors, of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 1998 Scheme. A total of 133,005,000 share options were granted during the year ended 31st March, 2000. These share options entitled the holders thereof to subscribe for shares of HK\$0.40 each in the Company at an subscription price of HK\$0.5136 per share (subject to adjustment) during the exercisable period from 10th March, 2000 to 9th March, 2003. No options were exercised during the current year and these options were surrendered for cancellation in February 2001 upon the resignation of the relevant executives or employees. The 1998 Scheme was cancelled on 9th April, 2001.

On 9th April, 2001, the Company adopted a new share option scheme (the "2001 Scheme"), under which the board of directors of the Company may at its discretion offer to any executive and/or employee, including executive directors, of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 2001 Scheme. No option shall be granted under the 2001 Scheme which would result in the aggregate number of shares issued or issuable or which may be issuable under the 2001 Scheme or any other schemes of similar nature to exceed 10% of the issued share capital of the Company at the time of granting of the option. No such options were granted up to the date of this report.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 ST MARCH, 2001

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## 29. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Capital reserve (goodwill) on consolidation HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
<b>THE GROUP</b>										
At 1st April, 1999	50,395	13,878	474,623	52,614	358,206	78,176	-	1,789	477,855	1,507,536
The Group's share of deficit arising on revaluation of investment properties	-	-	(8,400)	-	-	-	-	-	-	(8,400)
Reserve arising from increase in interests in associates	-	-	-	-	7,110	-	-	-	-	7,110
Share of associates' reserve movements	-	-	-	276,301	(5,218)	-	-	(9,007)	-	262,076
Eliminated on disposal of interests in subsidiaries and associates	-	-	32,106	-	1,025	-	-	(850)	-	32,281
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	-	-	-	-	2,439	-	2,439
Profit for the year	-	-	-	-	-	-	-	-	18,533	18,533
At 1st April, 2000	50,395	13,878	498,329	328,915	361,123	78,176	-	(5,629)	496,388	1,821,575
Surplus arising on revaluation of investment properties	-	-	23,051	-	-	-	-	-	-	23,051
Share of associates' reserve movements	-	-	2,596	-	(1,569)	-	-	(5,734)	-	(4,707)
Goodwill arising on acquisition of subsidiaries	-	-	-	-	(67,551)	-	-	-	-	(67,551)
Capital reserve arising on acquisition of an associate	-	-	-	-	2,651	-	-	-	-	2,651
Write-off of goodwill charged to income statement	-	-	-	-	13,056	-	-	-	-	13,056
Release of reserve upon disposal of other property	-	-	-	(26,968)	-	-	-	-	-	(26,968)
Transfer from interest in an associate to other investment	-	-	-	-	33,799	-	-	-	-	33,799
Eliminated on disposal of interests in subsidiaries	-	-	(498,979)	(301,947)	(394,111)	-	-	14,182	-	(1,180,855)
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	-	-	-	-	(3,315)	-	(3,315)
Loss for the year	-	-	-	-	-	-	-	-	(1,025,297)	(1,025,297)
At 31st March, 2001	50,395	13,878	24,997	-	(52,602)	78,176	-	(496)	(528,909)	(414,561)
<b>THE COMPANY</b>										
At 1st April, 1999	50,395	13,878	-	-	-	-	222,794	-	227,762	514,829
Profit for the year	-	-	-	-	-	-	-	-	5,908	5,908
At 1st April, 2000	50,395	13,878	-	-	-	-	222,794	-	233,670	520,737
Loss for the year	-	-	-	-	-	-	-	-	(957,278)	(957,278)
At 31st March, 2001	50,395	13,878	-	-	-	-	222,794	-	(723,608)	(436,541)

The accumulated losses of the Group include a profit of HK\$5,421,000 (2000: loss of HK\$14,839,000) retained by associates of the Group.

**29. RESERVES** *(continued)*

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of share capital of its subsidiaries acquired at the date of a previous group reorganisation.

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

In the opinion of the directors, as at 31st March, 2000, the Company's reserves available for distribution consisted of contributed surplus of approximately HK\$222,794,000 and accumulated profits of approximately HK\$233,670,000. The Company did not have any distributable reserves as at 31st March, 2001.

### 30. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
(Loss) profit before taxation	<b>(972,381)</b>	71,281
Share of results of associates	<b>35,215</b>	(86,503)
Loss on deemed disposal of interest in an associate	<b>1,797</b>	–
Interest income	<b>(6,792)</b>	(9,790)
Interest expenses	<b>81,627</b>	96,223
Amortisation of issue costs of the Convertible Bonds	–	3,196
Amortisation of issue costs of the Convertible Notes	<b>2,223</b>	324
Amortisation of intangible asset	<b>685</b>	–
Bank facilities arrangement fees	<b>1,619</b>	3,358
Depreciation and amortisation of property, plant and equipment	<b>10,260</b>	7,843
Write-off of goodwill	<b>46,855</b>	–
Unrealised holding loss on other investment reclassified after disposal of a former associate	<b>42,166</b>	–
(Gain) loss on disposal of interests in associates	<b>(20)</b>	2,705
Loss on disposal of interests in subsidiaries	<b>864,078</b>	2,075
Loss on disposal of property, plant and equipment	<b>5,736</b>	611
Provision for bad and doubtful debts	–	4,103
Provision for premium payable on redemption of the Convertible Bonds	–	10,009
Provision for premium payable on redemption of the Convertible Notes	–	962
Increase in properties under development	<b>(39,602)</b>	(268,624)
(Increase) decrease in properties held for sale	<b>(187,809)</b>	106,670
Decrease in inventories	<b>1,207</b>	–
(Increase) decrease in trade and other receivables	<b>(6,546)</b>	23,439
Decrease in investments in securities	<b>11,253</b>	10,319
Increase (decrease) in trade and other payables	<b>9,971</b>	(2,303)
	<b>(98,458)</b>	(24,102)

### 31. DISPOSAL OF SUBSIDIARIES

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Net assets disposed of:		
Investment properties	<b>2,034,580</b>	167,750
Property, plant and equipment	<b>41,351</b>	–
Properties under development	<b>717,710</b>	129,787
Interests in associates	<b>1,726,237</b>	–
Properties held for sale	<b>450,862</b>	–
Investments in securities	<b>15,765</b>	–
Trade and other receivables	<b>388,256</b>	–
Bank balances and cash	<b>60,163</b>	–
Bank overdrafts	<b>(6,936)</b>	–
Trade and other payables	<b>(68,159)</b>	(858)
Taxation payable	<b>(28,515)</b>	–
Amounts due to associates	<b>(46)</b>	–
Bank borrowings	<b>(995,198)</b>	–
Minority interests	<b>(1,716,956)</b>	(526)
	<b>2,619,114</b>	296,153
Attributable (capital reserve) goodwill	<b>(394,111)</b>	1,025
Attributable exchange reserve	<b>14,182</b>	(923)
Attributable investment property revaluation reserve	<b>(498,979)</b>	32,106
Attributable other property revaluation reserve	<b>(301,947)</b>	–
	<b>1,438,259</b>	328,361
Loss on disposal of subsidiaries	<b>(864,078)</b>	(2,075)
	<b>574,181</b>	326,286
Satisfied by:		
Cash	<b>574,181</b>	326,286



### 31. DISPOSAL OF SUBSIDIARIES *(continued)*

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cash consideration received	<b>574,181</b>	326,286
Bank balances and cash disposed of	<b>(60,163)</b>	–
Bank overdrafts disposed of	<b>6,936</b>	–
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>520,954</b>	326,286
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of during the year contributed HK\$31,147,000 to the Group's net operating cash flows, paid HK\$70,844,000 in respect of the net returns on investment and servicing of finance, paid HK\$351,000 in respect of taxation, utilized HK\$156,628,000 for investing activities and raised HK\$158,974,000 in respect of financing activities.

The subsidiaries disposed of during the year contributed HK\$484,783,000 (2000: HK\$373,045,000) to the Group's turnover and HK\$158,917,000 (2000: HK\$69,208,000) to the Group's profit from operations.

### 32. PURCHASE OF SUBSIDIARIES

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Net assets acquired:		
Property, plant and equipment	<b>98,787</b>	–
Intangible asset	<b>68,760</b>	–
Investments in securities	<b>366</b>	–
Inventories	<b>1,069</b>	–
Trade and other receivables	<b>14,238</b>	–
Bank balances and cash	<b>61,043</b>	–
Trade and other payables	<b>(23,159)</b>	–
Bank loans	<b>(50,000)</b>	–
Bank overdrafts	<b>(11,866)</b>	–
Amount due to ultimate holding company	<b>(28,684)</b>	–
Minority interests	<b>(33,871)</b>	–
	<hr/>	<hr/>
	<b>96,683</b>	–
Goodwill arising on acquisition of subsidiaries	<b>67,551</b>	–
	<hr/>	<hr/>
	<b>164,234</b>	–
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash	<b>164,234</b>	–
	<hr/> <hr/>	<hr/> <hr/>

### 32. PURCHASE OF SUBSIDIARIES *(continued)*

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

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cash consideration paid	<b>(164,234)</b>	–
Bank balances and cash acquired	<b>61,043</b>	–
Bank overdrafts acquired	<b>(11,866)</b>	–
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<b>(115,057)</b>	–
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries acquired during the year contributed HK\$60,859,000 to the Group's net operating cash outflows, paid HK\$856,000 in respect of the net returns on investments and servicing of finance, utilised HK\$111,009,000 for investing activities and raised HK\$199,099,000 in respect of financing activities.

The subsidiaries acquired during the year contributed HK\$24,560,000 to the Group's turnover and HK\$45,336,000 to the Group's loss from operations.

### 33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank and other borrowings HK\$'000	Convertible guaranteed bonds HK\$'000	Convertible redeemable notes HK\$'000	Amounts due to associates HK\$'000	Minority interests HK\$'000
At 1st April, 1999	1,038,008	407,242	–	968	1,469,194
New borrowings raised	246,025	–	294,165	–	–
Disposal of subsidiaries (note 31)	–	–	–	–	(526)
Repayments	(252,384)	(420,447)	–	–	–
Amortisation of issue costs	–	3,196	324	–	–
Accrued premium payable on redemption	–	10,009	962	–	–
Contribution from minority shareholders	–	–	–	–	10,479
Profit for the year shared by minority shareholders	–	–	–	–	30,272
Reserve shared by minority shareholders for the year:					
Investment property revaluation reserve	–	–	–	–	(4,768)
Other property revaluation reserve	–	–	–	–	157,566
Exchange reserve	–	–	–	–	(3,026)
Net capital reserve on consolidation	–	–	–	–	6,451
At 1st April, 2000	1,031,649	–	295,451	968	1,665,642
New borrowings raised	181,216	–	–	135	–
Disposal of subsidiaries (note 31)	(995,198)	–	–	(46)	(1,716,956)
Repayments	(159,521)	–	(297,674)	–	–
Amortisation of issue cost	–	–	2,223	–	–
Acquisition of subsidiaries (note 32)	50,000	–	–	–	33,871
Disposal of an associate	–	–	–	(1,057)	–
Contribution from minority shareholders	–	–	–	–	18,149
Dividend paid to minority shareholders	–	–	–	–	(4,670)
Profit for the year shared by minority shareholders	–	–	–	–	48,820
Reserve shared by minority shareholders for the year:					
Other property revaluation reserve	–	–	–	–	(26,267)
Exchange reserve	–	–	–	–	(7,262)
Net capital reserve on consolidation	–	–	–	–	(895)
At 31st March, 2001	108,146	–	–	–	10,432

### 34. UNRECOGNISED DEFERRED TAXATION

The components of the unrecognised deferred taxation assets (liability) at the balance sheet date are as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses	57,538	33,722	20,979	17,410
Excess of tax allowances over depreciation	(10,930)	(975)	—	—
	<u>46,608</u>	<u>32,747</u>	<u>20,979</u>	<u>17,410</u>

The deferred tax asset has not been recognised in the financial statements as it is not certain that the benefits will be realised in the foreseeable future.

The components of the deferred taxation credit (charge) not recognised for the year are as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:		
Tax losses incurred (utilised)	39,495	(17,968)
(Excess) shortfall of tax allowances over depreciation	(10,160)	869
Disposal of subsidiaries	(15,474)	—
	<u>13,861</u>	<u>(17,099)</u>

Deferred taxation has not been provided for the accumulated surplus arising on the revaluation of investment properties as profits arising on future disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference for tax purposes.

### 35. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make payments in the next twelve months under a non-cancellable operating lease in respect of premises as follows:

	<b>THE GROUP</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Operating lease which expires:		
Within one year	–	1,911
In the second to fifth year inclusive	<b>8,820</b>	–
	<hr style="border: none; border-top: 1px solid black;"/>	<hr style="border: none; border-top: 1px solid black;"/>
	<b>8,820</b>	1,911
	<hr style="border: none; border-top: 3px double black;"/>	<hr style="border: none; border-top: 3px double black;"/>

The Company had no significant commitments in respect of premises payable in the next twelve months under non-cancellable operating leases at 31st March, 2001 and at 31st March, 2000.

### 36. CONTINGENT LIABILITIES

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Guarantees given to banks and/or a securities broker in respect of banking and credit facilities utilised by:				
– subsidiaries	–	–	<b>58,146</b>	121,057
– associates	–	594,994	–	–
	<hr style="border: none; border-top: 1px solid black;"/>	<hr style="border: none; border-top: 1px solid black;"/>	<hr style="border: none; border-top: 1px solid black;"/>	<hr style="border: none; border-top: 1px solid black;"/>
	–	594,994	<b>58,146</b>	121,057
	<hr style="border: none; border-top: 3px double black;"/>	<hr style="border: none; border-top: 3px double black;"/>	<hr style="border: none; border-top: 3px double black;"/>	<hr style="border: none; border-top: 3px double black;"/>

### 37. CAPITAL COMMITMENTS

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Capital expenditure in respect of an acquisition of a subsidiary contracted for but not provided in the financial statements	–	50,162
Capital expenditure in respect of purchase of property, plant and equipment contracted for but not provided in the financial statements	<b>16,201</b>	–
Capital expenditure in respect of purchase of properties under development contracted for but not provided in the financial statements	–	156,685
Commitment to contribute a loan to an associate	–	3,472
	<u><b>16,201</b></u>	<u>210,319</u>

The Company had no significant capital commitments at 31st March, 2001 and at 31st March, 2000.

### 38. PLEDGE OF ASSETS

At 31st March, 2001, investment property of HK\$80,000,000 has been pledged to a bank to secure banking facilities granted to the Group. At 31st March, 2000, investment properties of HK\$2,013,940,000, leasehold land and buildings of HK\$47,981,000 and certain shares in a subsidiary and an associate held by subsidiaries had been pledged to banks to secure banking facilities granted to the Group.

In addition to the above, at 31st March, 2000, properties under development of HK\$808,603,000, bank deposits of HK\$56,225,000 and other investments of HK\$543,000 together with certain shares in a subsidiary have been pledged to banks and a securities broker for banking and credit facilities granted to the Group. The Group's obligations under such securities were released upon the Group's disposal of interest in Asean during the year.

### **39. RETIREMENT BENEFITS SCHEME**

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

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

A subsidiary of the Group in the Mainland China (the "PRC") is a participant in a state-managed retirement plan in the PRC pursuant to which the subsidiary pays a fixed percentage of its qualifying staff's wages as contribution to the plan. During the year, contributions payable by the subsidiary pursuant to this arrangement were approximately HK\$23,000 (2000: nil). There were no forfeited contributions available to reduce the subsidiary's future contributions during the year.

### **40. CONNECTED TRANSACTIONS AND RELATED PARTY DISCLOSURES**

The significant transactions with the connected persons/related parties during the year are as follows:

- (a) On 17th November, 2000, a conditional agreement was entered into by the Company and Mr. Chan Boon Ho, Peter ("Mr. Chan"), the former chairman of the Group and the former controlling shareholder of the Group and United Goal Development Limited ("United Goal"), a company which is beneficially owned by Mr. Chan and Chow Tai Fook Enterprises Limited equally. Pursuant to the Agreement, the Group agreed to sell to Mr. Chan and United Goal 77,190,000 shares and 742,087,729 shares in Asean respectively for a total consideration of approximately HK\$573,494,000 (the "Disposal").



#### **40. CONNECTED TRANSACTIONS AND RELATED PARTY DISCLOSURES**

*(continued)*

The Disposal constituted a connected transaction of the Company as Mr. Chan was the chairman and the controlling shareholder of the Group at the time of entering the Agreement. The Disposal was completed on 19th January, 2001. Details of the Disposal are set out in the 1/01 Circular.

- (b) On 17th November, 2000, the Group entered into a conditional agreement with Good Trend Enterprises Limited, a wholly owned subsidiary of China Strategic, Capital Deal Investments Limited, a wholly owned subsidiary of Star East Holdings Limited ("Star East") (collectively known as the "Vendors"). Pursuant to the agreement, the Vendors have agreed to sell to the Group 2 shares of China Youth Net.Com Limited ("China Youth"), 1 share of Komatic International Limited and 100 shares of Optima Media Holding Limited for a total consideration of HK\$110,000,000 (the "Acquisition").

The Acquisition constituted a connected transaction of the Company as China Strategic would become the controlling shareholder at the time of the completion of the Acquisition. The Acquisition was completed on 19th January, 2001. Details of the Acquisition are set out in the 1/01 Circular.

- (c) The Group entered into a conditional leasing agreement on 17th November, 2000 with Mr. Chan in connection with the leasing of the house erected on No. 4 Henderson Road, Hong Kong for a period of 3 years commencing from the date of completion of the Disposal as mentioned in note (a) with an option exercisable by Mr. Chan to renew for a further term of 3 years (the "Lease"). The rental received from Mr. Chan amounted to approximately HK\$774,000 for the year ended 31st March, 2001.

The Lease constituted a connected transaction and commenced from 19th January, 2001. Details of the Lease are set out in the 1/01 Circular.

- (d) At 31st March, 2001, the unsecured bank borrowing of HK\$50,000,000 was guaranteed by China Strategic and Star East in proportion to their equity interest in the Company.

#### **40. CONNECTED TRANSACTIONS AND RELATED PARTY DISCLOSURES**

*(continued)*

- (e) During the year, the Group paid rental expenses and management and air-conditioning charges of HK\$2,118,000 (2000: HK\$3,038,000) in respect of office premises under a non-cancellable operating lease to a former associate which was disposed of during the year. The rental was paid in accordance with the terms of the relevant tenancy agreement.

#### **41. POST BALANCE SHEET EVENTS**

The following events occurred subsequent to the balance sheet date:

- (a) Pursuant to special resolutions passed by the shareholders in a special general meeting held on 2nd April, 2001, the Company carried out the following capital reorganisation proposal:
- adjusting the nominal value of the shares of the Company by reducing the nominal value of all the issued shares from HK\$0.40 each to HK\$0.01 each by the cancellation of HK\$0.39 paid up share capital on each issued share;
  - subdividing every unissued share of HK\$0.40 into 40 unissued shares of HK\$0.01 each;
  - consolidating every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05; and
  - cancelling an amount of HK\$48 million from the share premium account of the Company and crediting the amount so cancelled to the contributed surplus account of the Company.

Details of the above capital reorganisation proposal were set out in the circular dated 10th March, 2001.

- (b) On 18th May, 2001, the Company entered into a conditional sale and purchase agreement with Expert Solution, a company which is owned as to 65% by China Strategic and as to 35% by Star East, in connection to the disposal of the Group's entire interest of Actiwater to Expert Solution for a consideration of HK\$110,000,000. The transaction was completed on 9th July, 2001.

## 42. SEGMENTAL INFORMATION

The Group's turnover and contribution to (loss) profit before taxation analysis by principal activity were as follows:

	Turnover		Contribution to (loss) profit before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Property development and investment	412,513	527,820	140,755	(5,946)
Property rental	72,487	92,913	67,587	87,420
Publishing of newspaper and magazines and advertising income	24,560	–	(12,890)	–
Securities trading and investments	5,098	73,166	(6,889)	46,252
Software development	–	–	(12,573)	–
	<u>514,658</u>	<u>693,899</u>	<u>175,990</u>	<u>127,726</u>
Other revenue			12,588	14,103
Administrative expenses			(78,587)	(51,875)
Other operating expenses			(6,792)	–
Profit from operations			103,199	89,954
Finance costs			(85,469)	(103,101)
Loss on disposal of subsidiaries			(864,078)	(2,075)
Unrealised holding loss on other investment reclassified after disposal of a former associate			(42,166)	–
Write-off of goodwill			(46,855)	–
Loss on deemed disposal of interest in an associate			(1,797)	–
Share of results of associates			(35,215)	86,503
(Loss) profit before taxation			<u>(972,381)</u>	<u>71,281</u>

No segmental information by geographical location is presented as over 90% of the Group's turnover and contribution to operating results for the year were derived from Hong Kong.

### 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operations	Paid up share capital/ registered capital	Proportion of nominal value of issued capital held by the Company#/ subsidiaries %	Effective proportion of issued capital held by the Group %	Principal activities
Actiwater Resources Limited	British Virgin Islands ("B.V.I.")/ Hong Kong	US\$1 ordinary share	100 #	100	Investment holding
All Grand Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property investment
Central Lot Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding
Charter Nominees Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding and provision of nominee services
China Youth Net.Com Limited (formerly known as China Aircraft Leasing (Holdings) Limited)	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
Education Online Company Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding
Fairtop Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding
Flow Success Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Glad & Nice Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Greenham Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Honalary Company Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding

**43. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(continued)*

<b>Name of subsidiary</b>	<b>Place of incorporation/ operations</b>	<b>Paid up share capital/ registered capital</b>	<b>Proportion of nominal value of issued capital held by the Company#/ subsidiaries</b> %	<b>Effective proportion of issued capital held by the Group</b> %	<b>Principal activities</b>
Huey Tai Holdings Limited	Hong Kong	HK\$2 ordinary shares	100#	100	Investment holding
Jettie Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding
Komatic International Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding
Optima Media Holding Limited	B.V.I./ Hong Kong	US\$100 ordinary shares	100	100	Holding of intangible asset and investment holding
OZ New Media Inc.	Canada	CAD\$11,591,580 common stock CAD\$6,192,814 redeemable preferred shares (note)	78.8% -	70.9% -	Sale and development internet delivered, curriculum - specific, multimedia educational software applications
Sing Pao Newspaper Assets Limited (formerly known as Legend Source Limited)	Hong Kong	HK\$2 ordinary shares	100	100	Holding of fixed assets
Sing Pao Newspaper Company Limited (formerly known as Specstar Investment Limited)	Hong Kong	HK\$2 ordinary shares	100	100	Newspaper publication
Sing Pao Newspaper Distribution Limited (formerly known as Sharp Keen Limited)	Hong Kong	HK\$2 ordinary shares	100	100	Provision of management service

#### 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Paid up share capital/ registered capital	Proportion of nominal value of issued capital held by the Company#/subsidiaries %	Effective proportion of issued capital held by the Group %	Principal activities
Sing Pao Newspaper Management Limited (formerly known as Union Vantage Limited)	Hong Kong	HK\$2 ordinary shares	100	100	Provision of management service
South Gater Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Terimin Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
United Gain Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding
Wah Fung Book Store Limited	Hong Kong	HK\$796,000 ordinary shares	100	100	Investment holding
Weth Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
Wide Angle Press Limited	Hong Kong	HK\$918,400 ordinary shares	100	100	Magazines and books publication
中青在線網絡信息技術有限公司	PRC	RMB5,000,000 registered capital	60	60	Provision of networking and information services

**43. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(continued)*

Note: The redeemable preferred shares have no voting rights and the holders are entitled to have:

- (a) the right in priority to a preferential cash dividend as determined by the board of directors out of money properly applicable to the payment of dividends;
- (b) the right on redemption to repayment of the amount paid up and all accrued but unpaid dividend; and
- (c) the right in priority to any other class of shares to repayment of the redemption amount per share together with any accrued but unpaid dividend in the case of winding up.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of 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.