1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. Prior to the disposal of its discontinued operations as further detailed in note 5 to the financial statements, the principal activities of the Company's subsidiaries consisted of property development and investment, and the operations of supermarkets, a department store, restaurants and entertainment facilities.

During the year, the Group discontinued its supermarkets, department store, restaurants and entertainment facilities operations after the disposal of certain subsidiaries as further detailed in notes 5 and 28(c) below.

Subsequent to the disposal, the Group diversified its business into the investments of high value-added technology related businesses through the acquisition of non-controlling interests in certain companies.

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTIES

The Group sustained a consolidated net loss from ordinary activities attributable to shareholders of HK$367 million for the year ended 31st March, 2001. As at 31st March, 2001, the Group had total other borrowings of HK$337 million, of which HK$43 million was classified as current liabilities. In preparing these financial statements, the Directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group.

On 23rd March, 2001, the Company entered into two share exchange agreements with vLink Global Limited ("vLink"), an independent third party listed in Hong Kong. Pursuant to the share exchange agreements, the Company agreed (i) to issue 3,421,220,000 new ordinary shares of the Company (the "First Company Shares") at a price of HK$0.01 each in exchange for 42,765,250 new ordinary shares of vLink (the "First vLink Shares") at a price of HK$0.80 each (the "First Share Exchange") and (ii) to issue 5,131,830,000 new ordinary shares of the Company (the "Second Company Shares") at a price of HK$0.01 each in exchange for 171,061,000 new ordinary shares of vLink (the "Second vLink Shares") at a price of HK$0.30 each (the "Second Share Exchange"). On the same date, a wholly-owned subsidiary of vLink (the "Financial Creditor") granted a loan facility to the extent of HK$29.5 million to the Group.

The First Share Exchange was completed on 28th March, 2001 and vLink became one of the Company's substantial shareholders. The Second share Exchange was completed on 10th May, 2001. Accordingly, as at the date of this report, vLink, through its subsidiary, has a 33.3% equity interest in the Company.

Pursuant to two share exchange agreements, vLink, subject to certain conditions, has the right to reverse the First Share Exchange and the Second Share Exchange by way of share repurchases in kind at any time on or before 25th April, 2002. Under the share repurchases, vLink has the options (the "Options") to require the Company to repurchase all, but not partly only, the First Company Shares and the Second Company Shares in consideration of the First vLink Shares and the Second vLink Shares, respectively, without any compensation (the "Share Repurchases"). In the opinion of the Directors, the possibility of vLink to exercise the Options is remote and vLink has no intention to exercise the Options. Further details of the share exchanges and the Options are set out in the shareholders' circular of the Company dated 2nd May, 2001.

In April 2001 and May 2001, the Financial Creditor further granted two loan facilities to the Group to the extent of HK$4 million and HK$16 million, respectively (together with the aforesaid HK$29.5 million loan facility collectively referred to as the "New Borrowings").

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINTIES (continued)

As further explained in note 23 to the financial statements, the Group was in default of certain other loans in the aggregate of approximately HK$28 million at 31st March, 2001. Subsequent to the balance sheet date, as further detailed in note 33(b) to the financial statements, all overdue other loans aggregating HK$28 million were settled using funds made available by the New Borrowings.

Subsequent to the balance sheet date and as further detailed in note 33 to the financial statements, the Group successfully realised approximately HK$26 million from the disposal of certain investments and properties (the "Subsequent Disposals").

In addition, the Group is now actively exploring new business opportunities in order to revitalise the Group.

The financial statements have been prepared on the assumption that the Group will continue to operate as a going concern, notwithstanding its liquidity concerns as at 31st March, 2001 and at the date of these financial statements to finance its existing and new investments/operations. In the opinion of the Directors, the liquidity of the Group can be maintained in the coming year, after taking into consideration several arrangements made during the year and subsequent to the balance sheet date, including the Subsequent Disposals and the New Borrowings, and certain future financing measures including, inter alia, the following:

(a) The Group has been actively identifying/negotiating with potential purchasers to dispose of its investments and properties under an orderly disposal programme.

(b) The Group is currently in the process of identifying/negotiating with potential investors to raise new equity financing for the Group.

(c) The Group is currently negotiating with the Financial Creditor to refinance/reschedule the repayment terms of the New Borrowings and to secure additional fundings.

The Directors are of the opinion that, in light of the measures taken to date, together with the expected results of other measures in progress/as planned, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. The Directors believe that the aforementioned disposal programme and financing plans will be successful, and that the Financial Creditor will continue to support the Group. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements have not incorporated any adjustments for the possible failure of the Group to implement the above financing measures. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice ("SSAPs"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties, certain fixed assets and other investments, as further explained below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to the effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital/registered capital or controls the composition of its board of directors.

Investments in subsidiaries are stated in the Company's balance sheet at cost unless, in the opinion of the Directors, there have been diminutions in values other than temporary in nature, when they are written down to values determined by the Directors.

(d) Joint ventures

Joint venture companies comprise companies operating, directly or indirectly, as independent business entities. The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the venturers either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreements.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control over the economic activity of the joint venture company; or

(b) a jointly controlled entity, if neither the Group nor its venture partners is in a position to exercise unilateral control over the economic activity of the joint venture company; or

(c) an associate, if the Group holds between 20% and 50% of the joint venture company's ordinary share capital/registered capital for the long term and is in a position to exercise significant influence over its management.

(e) Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than temporary in nature deemed necessary by the Directors. Where the audited financial statements of the associates are not coterminous with those of the Group, the share of results and reserves is arrived at based on the audited financial statements as at 31st December, 2000 after making appropriate adjustments for significant transactions and events in the intervening period to 31st March, 2001 between the associates and the Group.