

# 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 “Stock Exchange”).

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

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK\$7.2 million as at 31st March, 2001. Taking into account the Group’s unutilised credit facilities which are available from an independent third party, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

### **Basis of consolidation**

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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 or, where appropriate, capitalised and amortised on a straight line basis over its useful economic life of not exceeding twenty years. Where there is a permanent diminution in the value of goodwill, the unamortised balance is written down immediately through the income statement to its recoverable value. 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 or a jointly controlled entity, representing the excess or shortfall of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate or jointly controlled entity 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, associates or jointly controlled entities, the attributable amount of unamortised goodwill or premium/discount previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary, associate or jointly controlled entity.

#### **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 decline in the value of the subsidiary that is other than temporary.

#### **Interests 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 plus the premium paid on acquisition in so far as it has not already been written off or amortised.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Interests in associates (continued)**

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

#### **Joint ventures**

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

#### *Jointly controlled entities*

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

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

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

#### *Other joint venture arrangements*

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

#### **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 or other investments.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investments in securities (continued)**

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by an 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.

#### **Club debentures**

Club debentures are stated at cost, as reduced by any impairment loss that is other than temporary, as considered necessary by the directors.

#### **Revenue recognition**

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

When properties are held for resale, revenue is recognised on the execution of a binding sales agreement.

Sales of other investments are recognised when the related bought and sold notes are executed.

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

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

#### **Investment properties**

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

No amortisation is charged in respect of investment properties which are held on leases with unexpired terms of more than 20 years.

Investment properties are stated at their open market value based on an annual 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 on a portfolio basis, 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment properties (continued)

On disposal of investment properties, any balance in the investment property revaluation reserve attributable to the disposed properties is included in the determination of the profit or loss on disposal.

#### Patent and advertising agency rights

Patent and advertising agency rights are stated at cost less amortisation and provision for permanent diminution in value, if necessary. Amortisation is calculated to write off the cost of patent and advertising agency rights over their estimated useful lives, using the straight line method, over twenty and ten years, respectively.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation 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 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 sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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

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

Energy saving machines	10%
Plant and machinery	10%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles and yachts	10% – 15%

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Property, plant and equipment (continued)**

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

#### **Assets held under finance leases**

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

#### **Properties held for resale**

Properties held for resale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### **Inventories**

Inventories represent raw materials which are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, 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 costs to be incurred in marketing, selling and distribution.

#### **Convertible bonds**

Convertible bonds are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost recognised in the income statement in respect of the convertible bonds is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period.

The costs incurred in connection with the issue of convertible bonds are deferred and amortised on a straight line basis over the lives of the convertible bonds from the dates of issue of the bonds to their final redemption date. If any of the bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement.

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

#### **Taxation**

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

#### **Foreign currencies**

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

On consolidation, the financial statements of overseas operations which are denominated in foreign currencies are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

#### **Retirement benefits scheme contributions**

The pension cost charged in the income statement represents the contributions payable in respect of the current year to the mandatory provident fund scheme.

#### **Operating leases**

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

#### **Cash equivalents**

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

## NOTES TO THE FINANCIAL STATEMENTS

### 4. TURNOVER

Turnover represents the net amounts received and receivable from third parties and is summarised as follows:

	2001 HK\$'000	2000 HK\$'000
Sales of other investments	4,349	15,450
Rental income	3,523	5,428
Income from finance	3,212	3,339
Sales of properties held for resale	–	9,591
	<u>11,084</u>	<u>33,808</u>

### 5. OTHER REVENUE

Other revenue included the following:

	2001 HK\$'000	2000 HK\$'000
Interest income, other than from loans receivable	618	1,021
Dividend income from listed other investments	16	–
Release of tax indemnity by a former subsidiary	–	13,700
	<u>–</u>	<u>13,700</u>

### 6. OTHER OPERATING EXPENSES

	2001 HK\$'000	2000 HK\$'000
Provision for bad and doubtful debts	30,939	39,072
Impairment loss on investment securities	5,620	–
Unrealised holding loss on other investments	2,421	504
Forfeiture of deposits made on acquisition of property interests	–	12,000
	<u>38,980</u>	<u>51,576</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 7. LOSS FROM OPERATIONS

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Loss from operations have been arrived at after charging:		
Staff costs:		
Directors' remuneration (note 10)	13,605	10,077
Salaries and other benefits	9,032	5,643
Retirement benefits scheme contributions, excluding directors	113	–
	<b>22,750</b>	<b>15,720</b>
Amortisation of intangible assets	1,421	–
Amortisation of goodwill arising on acquisition of		
– subsidiaries	4,365	–
– a listed associate	–	4,393
– an unlisted associate	4,219	6,117
Auditors' remuneration	1,199	1,328
Depreciation:		
– owned assets	2,542	1,850
– assets held under finance leases	107	–
Deficit arising on revaluation of investment properties	21	–
Exchange loss	3,005	–
Loss on disposal of property, plant and equipment	6,405	825
Loss on disposal of club debentures	50	–
Loss on disposal of unlisted other investments	–	134
Operating lease rentals in respect of land and buildings	2,568	1,059
Provision for diminution in value of properties held for resale	270	293
and after crediting:		
Property rental income, net of outgoings of HK\$86,000 (2000: HK\$1,398,000)	3,437	4,030
Exchange gain	–	2,138
	<b>–</b>	<b>2,138</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Amortisation of issue costs of convertible bonds	1,531	700
Unamortised issue costs written off on the conversion of convertible bonds	2,941	6,344
Interest on:		
– bank and other borrowings wholly repayable within five years	13,723	18,276
– convertible bonds	11,801	9,127
	<u>29,996</u>	<u>34,447</u>

### 9. NET (GAIN) LOSS ON DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

	2001 HK\$'000	2000 HK\$'000
Net (gain) loss on disposal of subsidiaries	(5,051)	37,101
Loss on deemed disposal of an associate	–	120,703
	<u>(5,051)</u>	<u>157,804</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
<b>(a) Directors' remuneration</b>		
Directors' fees:		
Executives	–	–
Independent non-executives	40	40
	<u>40</u>	<u>40</u>
Other emoluments:		
Executive directors:		
Salaries and other benefits	13,541	10,037
Retirement benefits scheme contribution	24	–
Independent non-executive directors	–	–
	<u>13,565</u>	<u>10,037</u>
Total directors' emoluments	<u><u>13,605</u></u>	<u><u>10,077</u></u>

The emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
Up to HK\$1,000,000	8	6
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	2
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$4,000,001 to HK\$4,500,000	1	–
	<u><u>1</u></u>	<u><u>–</u></u>

#### (b) Employees' emoluments

The emoluments of the five highest paid individuals for the year included five (2000: five) executive directors of the Company, whose emoluments are included in note (a) above.

During the years ended 31st March, 2001 and 2000, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31st March, 2001 and 2000, no director waived any emoluments.

## 11. TAXATION

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The (credit) charge comprises:		
Taxation of the Company and its subsidiaries		
– Hong Kong Profits Tax		
– Current year	–	12
– Overprovision in previous years	<b>(348)</b>	–
Share of taxation of associates		
– Hong Kong Profits Tax	–	96
	<hr/>	<hr/>
	<b>(348)</b>	108
	<hr/> <hr/>	<hr/> <hr/>

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

Hong Kong Profits Tax for the year ended 31st March, 2000 was calculated at 16% on the estimated assessable profits for the year.

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

## 12. LOSS FOR THE YEAR

The Group's loss for the year includes a loss of HK\$418,397,000 (2000: HK\$278,145,000) which has been dealt with in the financial statements of the Company.

## 13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$458,361,000 (2000: HK\$230,507,000) and on weighted average number of ordinary shares in issue during the year of 57,494,643 (2000: 18,382,870) shares after adjusted for the effect of the consolidation of the Company's shares in May 2001 as set out in note 51(a).

No diluted loss per share has been calculated for the years ended 31st March, 2001 and 2000 as the exercise of the share options and the conversion of the convertible bonds would result in a decrease in the loss per share for both years.

**NOTES**  
TO THE FINANCIAL STATEMENTS

**14. INVESTMENT PROPERTIES**

	<b>THE GROUP</b> HK\$'000
<b>VALUATION</b>	
At 1st April, 2000	164,000
Acquisition of subsidiaries	11,301
Disposal of subsidiaries	(164,000)
Deficit arising on revaluation	(21)
	<u>11,280</u>
<b>At 31st March, 2001</b>	<b><u>11,280</u></b>

The Group's investment properties comprises:

Properties held under medium-term leases in Hong Kong  
Freehold properties outside Hong Kong

<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
<b>11,280</b>	148,000
<u>–</u>	<u>16,000</u>
<b><u>11,280</u></b>	<b><u>164,000</u></b>

The Group's investment properties were revalued at 31st March, 2001 by Sallmanns (Far East) Limited, an independent firm of professional property valuers, on an open market value basis. The deficit arising on revaluation has been charged to the consolidated income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. PROPERTY, PLANT AND EQUIPMENT

	Energy saving machines HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and yachts HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
COST					
At 1st April, 2000	–	–	3,202	16,759	19,961
Additions	65	46	1,180	1,615	2,906
Acquisition of subsidiaries	10,989	793	3,580	130	15,492
Disposals	(16)	–	(663)	(16,569)	(17,248)
Disposal of subsidiaries	–	–	(644)	–	(644)
<b>At 31st March, 2001</b>	<b>11,038</b>	<b>839</b>	<b>6,655</b>	<b>1,935</b>	<b>20,467</b>
DEPRECIATION					
At 1st April, 2000	–	–	741	2,627	3,368
Acquisition of subsidiaries	1,955	136	769	36	2,896
Provided for the year	361	41	608	1,639	2,649
Eliminated on disposals	(2)	–	(404)	(3,758)	(4,164)
Eliminated on disposal of subsidiaries	–	–	(440)	–	(440)
<b>At 31st March, 2001</b>	<b>2,314</b>	<b>177</b>	<b>1,274</b>	<b>544</b>	<b>4,309</b>
NET BOOK VALUES					
<b>At 31st March, 2001</b>	<b>8,724</b>	<b>662</b>	<b>5,381</b>	<b>1,391</b>	<b>16,158</b>
At 31st March, 2000	–	–	2,461	14,132	16,593

The Group's property, plant and equipment include cost of HK\$660,000 (2000: nil) and accumulated depreciation of HK\$144,000 (2000: nil) in respect of energy saving machines which are held for rental income under operating leases.

Included in the net book value of property, plant and equipment of the Group are assets held under finance leases amounting to HK\$1,303,000 (2000: nil).

**NOTES**  
TO THE FINANCIAL STATEMENTS

**16. GOODWILL**

HK\$'000

**THE GROUP**

**COST**

Reclassification from interest in associates ( <i>note 19</i> )	126,584
Acquisition of subsidiaries	215,813
Provision for impairment loss	(219,514)

**At 31st March, 2001**

**122,883**

**AMORTISATION**

Reclassification from interest in associates ( <i>note 19</i> )	8,737
Provided for the year	4,365

**At 31st March, 2001**

**13,102**

**NET BOOK VALUE**

**At 31st March, 2001**

**109,781**

In the opinion of the directors, the goodwill is worth at least its carrying value and no further provision for impairment loss is required.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. INTANGIBLE ASSETS

	Patent HK\$'000	Advertising agency rights HK\$'000	Total HK\$'000
<b>THE GROUP</b>			
COST			
Acquisition of subsidiaries	30,600	–	30,600
Additions	–	36,421	36,421
<b>At 31st March, 2001</b>	<b>30,600</b>	<b>36,421</b>	<b>67,021</b>
AMORTISATION			
Acquisition of subsidiaries	2,422	–	2,422
Provided for the year	510	911	1,421
<b>At 31st March, 2001</b>	<b>2,932</b>	<b>911</b>	<b>3,843</b>
NET BOOK VALUE			
<b>At 31st March, 2001</b>	<b>27,668</b>	<b>35,510</b>	<b>63,178</b>

In the opinion of the directors, the patent and the advertising agency rights are worth at least their carrying values.

### 18. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	659,110	659,110
Less: Provision for impairment	(659,110)	(659,110)
	–	–
Amounts due from subsidiaries, less provision	607,279	556,601
	<b>607,279</b>	<b>556,601</b>

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Other than an amount of HK\$40,195,000 (2000: HK\$293,202,000) which carries interest at prevailing market rates, the remaining balance is interest free. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

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



## NOTES TO THE FINANCIAL STATEMENTS

### 19. INTERESTS IN ASSOCIATES

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Share of net assets (liabilities) of associates	10	(3,610)
Goodwill arising on acquisition of associates		
less amortisation ( <i>Note</i> )	-	122,066
Amounts due from associates, less provision	-	19,833
	<u>10</u>	<u>138,289</u>

The Group's principal associates at 31st March, 2001 are CashThrough International Limited, formerly CashThrough.com International Limited, ("CashThrough") and First In Holdings Limited ("First In"). The Group has a 23.33% and a 50% interest in CashThrough and First In, respectively. CashThrough is incorporated in Hong Kong and is principally engaged in the business of the development, implementation and operation of an online or internet payment settlement/clearing system. First In is incorporated in the British Virgin Islands and is an investment holding company and its major investment is principally engaged in research and development of gene therapy technologies. In the opinion of the directors, these are the associates which have significant effect on the results of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The amounts due from associates were unsecured, interest-free and had no fixed terms of repayment.

*Note:* Goodwill arising on acquisition of associates.

	HK\$'000
<b>COST</b>	
At 1st April, 2000	126,584
Additions	101,078
Reclassification to goodwill ( <i>note 16</i> )	(126,584)
Provision for impairment loss	(101,078)
<b>At 31st March, 2001</b>	<u>-</u>
<b>AMORTISATION</b>	
At 1st April, 2000	4,518
Provided for the year	4,219
Reclassification to goodwill ( <i>note 16</i> )	(8,737)
<b>At 31st March, 2001</b>	<u>-</u>
<b>NET BOOK VALUES</b>	
<b>At 31st March, 2001</b>	<u>-</u>
At 31st March, 2000	<u>122,066</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Share of jointly controlled entities' net assets	<b>21,401</b>	32,730
Amounts due from jointly controlled entities, less provision	<b>13,654</b>	14,154
	<b><u>35,055</u></b>	<u>46,884</u>

The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amount will not be repayable within the twelve months from the balance sheet date and are therefore shown in the consolidated balance sheet as non-current.

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

### 21. INVESTMENTS IN SECURITIES

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Investment securities in Hong Kong:		
Unlisted securities, at cost less impairment loss	<b><u>111,911</u></b>	<u>–</u>
Other investments in Hong Kong:		
Listed securities, at market value	<b><u>24,932</u></b>	<u>27,307</u>

Included in unlisted investment securities is the Group's interest in CAA Satellite TV Limited ("CAA") amounting to approximately HK\$106 million. CAA is one of the operators of the satellite television broadcast channel in Macau. At 31st March, 2001, the Group held 50,000 shares of HK\$1 each in the share capital of CAA, representing 5% of the issued share capital of CAA.

In the opinion of the directors, the unlisted investments are worth at least their carrying values and no further provision for impairment loss is required.

### 22. LOANS TO A MINORITY SHAREHOLDER OF SUBSIDIARIES

The amounts are unsecured, carry interest at prime rate and are repayable in June 2002. The amounts are advanced to a shareholder of companies before those companies become subsidiaries of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. CLUB DEBENTURES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Club debentures, at cost	<b>2,798</b>	3,349	<b>100</b>	100

In the opinion of the directors, the club debentures are worth at least their carrying values and no provision is required.

### 24. PROPERTIES HELD FOR RESALE

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The Group's properties held for resale comprise:		
Freehold properties in Canada	2,225	2,225
Less: Provision	(1,045)	(775)
	<b>1,180</b>	1,450

### 25. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade debtors.

Included in trade and other receivables is trade receivables of HK\$3,378,000 (2000: HK\$789,000). Its aged analysis at the balance sheet date is as follows:

	2001 HK\$'000	2000 HK\$'000
Within 30 days	314	158
31 – 60 days	162	121
Over 60 days	2,902	510
	<b>3,378</b>	789

## NOTES TO THE FINANCIAL STATEMENTS

### 26. SHORT-TERM LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Loans receivable	74,075	63,156	23,250	23,250
Loan note receivable	–	5,591	–	–
	<u>74,075</u>	<u>68,747</u>	<u>23,250</u>	<u>23,250</u>
Less: Provision for bad and doubtful debts	(54,929)	(40,350)	(15,000)	(23,250)
	<u><u>19,146</u></u>	<u><u>28,397</u></u>	<u><u>8,250</u></u>	<u><u>–</u></u>
Analysed as				
– secured	1,700	2,359	–	–
– unsecured	17,446	26,038	8,250	–
	<u><u>19,146</u></u>	<u><u>28,397</u></u>	<u><u>8,250</u></u>	<u><u>–</u></u>

The Group maintained a defined credit policy in accordance with respective loan agreements. The following is an aged analysis of loans receivable of the Group at the balance sheet date:

	2001 HK\$'000	2000 HK\$'000
Within 30 days	–	8,000
31 – 60 days	–	–
Over 60 days	19,146	20,397
	<u><u>19,146</u></u>	<u><u>28,397</u></u>

### 27. TRADE AND OTHER PAYABLES

Included in trade and other payables is trade creditors of HK\$15,000 (2000: HK\$693,000). Its aged analysis at the balance sheet details as follows:

	2001 HK\$'000	2000 HK\$'000
Within 30 days	12	693
31 – 60 days	–	–
Over 60 days	3	–
	<u><u>15</u></u>	<u><u>693</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 28. SHORT-TERM BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Current portion of long-term bank loans (note 34)	8,252	2,566	–	–
Other short-term loans	22,436	–	3,000	–
Advance from independent third party	–	136,307	–	–
	<u>30,688</u>	<u>138,873</u>	<u>3,000</u>	<u>–</u>
Analysed as				
– secured	7,852	138,873	–	–
– unsecured	22,836	–	3,000	–
	<u>30,688</u>	<u>138,873</u>	<u>3,000</u>	<u>–</u>

- (a) Other short-term loans are unsecured, carry interest at prevailing market rates and have no fixed terms of repayments.
- (b) The advance from an independent third party of the Group at 31st March, 2000 was secured by certain of the Group's investment properties and the shares of the respective subsidiaries holding those investment properties.

### 29. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The maturity of obligations under finance leases is as follows:		
Within one year	423	–
Between one and two years	408	–
Between two and five years	275	–
	<u>1,106</u>	<u>–</u>
Less: Amount due within one year and shown under current liabilities	(423)	–
Amount due after one year	<u>683</u>	<u>–</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 30. CONVERTIBLE BONDS

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
10% convertible bonds ( <i>Note a</i> )	<b>25,000</b>	52,000
7.5% convertible bonds ( <i>Note b</i> )	<b>265,200</b>	–
	<hr/> <b>290,200</b> <hr/>	<hr/> 52,000 <hr/>
Less: Unamortised issue costs		
– expenditure incurred	<b>15,116</b>	7,674
– accumulated amortisation	<b>(1,697)</b>	(166)
– expenditure written off on the conversion of convertible bonds	<b>(9,285)</b>	(6,344)
	<hr/> <b>4,134</b> <hr/>	<hr/> 1,164 <hr/>
	<b>286,066</b>	50,836
Less: Amount due within one year and included under current liabilities	<b>(24,760)</b>	–
	<hr/> <b>261,306</b> <hr/>	<hr/> 50,836 <hr/>

*Notes:*

- (a) The 10% convertible bonds were issued in December 1999. These 10% convertible bonds are unsecured and carry interest at 10% per annum payable half-yearly in arrears. The bondholders have the rights, at any time within a period of two years from the date of issue, to convert part or all of the principal amount of the 10% convertible bonds outstanding into ordinary shares of the Company at an initial conversion price of HK\$0.65 per share, subject to adjustments. At 31st March, 2001, the conversion price was adjusted from HK\$0.65 to HK\$0.558 due to the issue of the 7.5% convertible bonds during the year.

During the year, nominal value in aggregate of HK\$27,000,000 of the 10% convertible bonds was converted into ordinary shares of the Company at the conversion price of HK\$0.641 per share, resulting in the issue of 42,121,684 new shares of HK\$0.10 each in the Company.

At 31st March, 2001, exercise in full of the outstanding conversion rights of the 10% convertible bonds by the bondholders will, under the share structure of the Company at that date, result in the issue of 44,802,867 new shares of HK\$0.10 each in the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 30. CONVERTIBLE BONDS (continued)

(b) Details of the 7.5% convertible bonds are as follows:

	Initial conversion price per share HK\$	Adjusted conversion price per share at 31.3.2001 HK\$	Principal amount HK\$'000	Principal amount converted during the year HK\$'000	Principal amount outstanding at 31.3.2001 HK\$'000
Issued between August and September 2000 pursuant to the deed poll dated 21st August, 2000	0.600	0.524	80,400	(28,800)	51,600
Issued in October 2000 pursuant to the deed poll dated 24th October, 2000	0.320	0.291	59,200	(8,800)	50,400
Issued between November and December 2000 pursuant to the deed poll dated 16th November, 2000	0.320	0.311	164,800	(74,400)	90,400
Issued in November 2000 pursuant to the deed poll dated 23rd November, 2000	0.320	0.304	74,400	(1,600)	72,800
			<u>378,800</u>	<u>(113,600)</u>	<u>265,200</u>

The above 7.5% convertible bonds are unsecured and carry interest at 7.5% per annum payable half-yearly in arrears. The bondholders have the rights, at any time within a period of two years from the date of issue, to convert part or all of the principal amount of the 7.5% convertible bonds outstanding into ordinary shares of the Company at an initial conversion prices as stated above, subject to adjustments.

During the year, nominal value in aggregate of HK\$113,600,000 of the 7.5% convertible bonds was converted into ordinary shares of the Company, resulting in the issue of 317,687,358 new shares of HK\$0.10 each in the Company.

At 31st March, 2001, exercise in full of the outstanding conversion rights of the 7.5% convertible bonds by the bondholders will, under the share structure of the Company at that date, result in the issue of 801,818,083 new shares of HK\$0.10 each in the Company.

**NOTES**  
TO THE FINANCIAL STATEMENTS

**31. SHARE CAPITAL**

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st April, 1999	920,000,000	92,000
– increase of authorised share capital	1,080,000,000	108,000
At 1st April, 2000	2,000,000,000	200,000
– increase of authorised share capital	4,800,000,000	480,000
<b>At 31st March, 2001</b>	<b>6,800,000,000</b>	<b>680,000</b>
Issued and fully paid:		
At 1st April, 1999	41,137,351	4,114
– rights issue of shares	411,373,510	41,137
– exercise of share options	24,589,636	2,459
– exercise of conversion rights of convertible bonds	381,538,447	38,154
At 1st April, 2000	858,638,944	85,864
– issue of shares upon subscription	90,500,000	9,050
– issue of shares for acquisition of investment securities	133,333,333	13,333
– exercise of conversion rights of convertible bonds	359,809,042	35,981
– exercise of share options	9,500,000	950
<b>At 31st March, 2001</b>	<b>1,451,781,319</b>	<b>145,178</b>



### 31. SHARE CAPITAL (continued)

- (a) Pursuant to a resolution passed in a special general meeting of the Company held on 3rd August, 2000, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$380,000,000 by the creation of an additional 1,800,000,000 shares of HK\$0.10 each.

Pursuant to another resolution passed in a special general meeting of the Company held on 2nd November, 2000, the authorised share capital of the Company was further increased from HK\$380,000,000 to HK\$680,000,000 by the creation of an additional 3,000,000,000 shares of HK\$0.10 each.

- (b) Pursuant to a placing and subscription agreement entered into on 19th June, 2000 between the Company, Fine Essence Limited (“Fine Essence”) and a placing agent, 77,230,000 ordinary shares of HK\$0.10 each in the Company held by Fine Essence were placed to independent institutional investors at a price of HK\$0.60 per share, representing a discount of approximately 15.49% to the closing price of HK\$0.71 per share as quoted on the Stock Exchange on 16th June, 2000. Fine Essence subscribed an aggregate of 90,500,000 ordinary shares of the Company at a price of HK\$0.60 per share.

The net proceeds of the subscription of approximately HK\$52 million were used to finance the consideration paid under the agency agreement entered into by the Group with CAA and Beijing Asia Television City Company Limited and to provide general working capital of the Group. These shares were issued under the general mandate granted to the directors of the Company at the annual general meeting held on 29th September, 1999.

Details of the agreements are set out in the announcement of the Company dated 19th June, 2000.

- (c) On 25th August, 2000, the Company issued 133,333,333 new shares of HK\$0.10 each at a price of HK\$0.60 per share as partial consideration for the acquisition of a 5% equity interest in CAA from an independent third party. The new shares were issued under the general mandate granted to the directors of the Company at the special general meeting held on 18th August, 2000. Details of acquisition are set out in the announcement of the Company dated 11th July, 2000.
- (d) During the year, the Company issued and allotted an aggregate of 359,809,042 new shares of HK\$0.10 each as a result of the exercise of the conversion rights of the convertible bonds.
- (e) During the year, 9,500,000 share options were exercised at a subscription price of HK\$0.10 per share, resulting in the issue of 9,500,000 ordinary shares of HK\$0.10 each in the Company.

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

Details of the changes in the authorised and issued share capital after the balance sheet date are set out in note 51.

## NOTES TO THE FINANCIAL STATEMENTS

### 32. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted on 16th August, 1990 (the "1990 Scheme") the Company may grant options at nil consideration to directors and full time employees of the Company or its subsidiaries to subscribe for shares in the Company. Options granted are exercisable at any time during the three year period after the date the options are granted. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time.

On 23rd August, 2000, the Company adopted a new share option scheme (the "2000 Scheme"). Pursuant to the 2000 Scheme, the Company may grant options to directors and full time employees of the Company or its subsidiaries to subscribe for shares in the Company at the consideration of HK\$1.00. Options granted are exercisable at any time during a maximum period of ten years after the date the options are granted. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time.

Details of the movements of the options during the year and the outstanding options at 31st March, 2001 were as follows:

Date of grant	Exercise price HK\$	Number of share options				Outstanding at 31.3.2001
		Outstanding at 1.4.2000	Granted during the year	Exercised during the year	Lapsed on resignation during the year	
1990 Scheme:						
30.10.1999	0.9696	17,700,000	–	–	–	17,700,000
4.1.2000	1.6704	6,923,000	–	–	–	6,923,000
5.1.2000	1.8080	300,000	–	–	–	300,000
6.1.2000	1.8960	1,700,000	–	–	–	1,700,000
20.1.2000	2.1400	14,610,000	–	–	–	14,610,000
24.3.2000	0.9840	14,620,000	–	–	–	14,620,000
3.7.2000	0.5056	–	9,050,000	–	(9,050,000)	–
		55,853,000	9,050,000	–	(9,050,000)	55,853,000
2000 Scheme:						
26.8.2000	0.5040	–	94,900,000	–	(22,500,000)	72,400,000
28.8.2000	0.5040	–	19,500,000	–	(6,500,000)	13,000,000
29.8.2000	0.4960	–	1,600,000	–	–	1,600,000
21.2.2001	0.1000	–	28,200,000	(9,500,000)	(1,200,000)	17,500,000
		–	144,200,000	(9,500,000)	(30,200,000)	104,500,000
		55,853,000	153,250,000	(9,500,000)	(39,250,000)	160,353,000

No consideration was received by the Company for options granted under the 1990 Scheme. Consideration received by the Company for options granted under the 2000 Scheme was negligible.

# NOTES TO THE FINANCIAL STATEMENTS

## 33. RESERVES

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Translation reserve HHK\$'000	Goodwill reserve HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At 1st April, 1999	–	729	230	(45)	294,601	(205,154)	90,361
Premium arising on issue of shares	290,949	–	–	–	–	–	290,949
Expenses in connection with the issue of shares	(3,190)	–	–	–	–	–	(3,190)
Realised on disposal of associates	–	(729)	–	–	–	–	(729)
Exchange differences arising on translation of overseas operations	–	–	(174)	–	–	–	(174)
Loss for the year	–	–	–	–	–	(230,507)	(230,507)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1st April, 2000	287,759	–	56	(45)	294,601	(435,661)	146,710
Premium arising on issue of shares	216,536	–	–	–	–	–	216,536
Expenses in connection with the issue of shares	(1,765)	–	–	–	–	–	(1,765)
Realised on disposal of subsidiaries	–	–	174	–	–	–	174
Loss for the year	–	–	–	–	–	(458,361)	(458,361)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31st March, 2001</b>	<b>502,530</b>	<b>–</b>	<b>230</b>	<b>(45)</b>	<b>294,601</b>	<b>(894,022)</b>	<b>(96,706)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Attributable to:							
– the Company and subsidiaries	502,530	–	230	(45)	294,601	(915,262)	(117,946)
– associates	–	–	–	–	–	10	10
– jointly controlled entities	–	–	–	–	–	21,230	21,230
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>502,530</b>	<b>–</b>	<b>230</b>	<b>(45)</b>	<b>294,601</b>	<b>(894,022)</b>	<b>(96,706)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>THE COMPANY</b>							
At 1st April, 1999	–	–	–	–	294,701	(212,862)	81,839
Premium arising on issue of shares	290,949	–	–	–	–	–	290,949
Expenses in connection with the issue of shares	(3,190)	–	–	–	–	–	(3,190)
Loss for the year	–	–	–	–	–	(278,145)	(278,145)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1st April, 2000	287,759	–	–	–	294,701	(491,007)	91,453
Premium arising on issue of shares	216,536	–	–	–	–	–	216,536
Expenses in connection with the issue of shares	(1,765)	–	–	–	–	–	(1,765)
Loss for the year	–	–	–	–	–	(418,397)	(418,397)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31st March, 2001</b>	<b>502,530</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>294,701</b>	<b>(909,404)</b>	<b>(112,173)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 33. RESERVES (continued)

The contributed surplus of the Group represents the credit arising from the reduction of share capital and cancellation of share premium, net of application towards elimination of the deficit of the Company as at 31st March, 1998.

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to the group reorganisation in 1990; and the credit arising from the reduction of share capital and cancellation of share premium, net of application towards elimination of the deficit of the Company as at 31st March, 1998.

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

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

In the opinion of the directors, the Company had no reserves available for distribution to its shareholders as at 31st March, 2001 and 2000.

### 34. BANK LOANS

The bank loans are repayable as follows:

Within one year or on demand  
Between one to two years  
Between two to five years

Less: Amount due within one year included under current liabilities (note 28)

Amount due after one year

<b>THE GROUP</b>	
<b>2001</b>	2000
<b>HK\$'000</b>	HK\$'000
<b>8,252</b>	2,566
-	1,718
-	1,989
<b>8,252</b>	6,273
<b>(8,252)</b>	(2,566)
<b>-</b>	<b>3,707</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 35. OTHER LONG-TERM LOANS

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Advances from		
– minority shareholders of subsidiaries	<b>48,303</b>	320
– an associate	<b>–</b>	400
	<hr/>	<hr/>
	<b>48,303</b>	720
	<hr/> <hr/>	<hr/> <hr/>

The advances from minority shareholders of subsidiaries are unsecured and are repayable in June 2002. Other than an amount of HK\$12,793,000 (2000: nil) which carries interest at prime rate, the remaining balance is interest-free.

### 36. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries of the Company are unsecured, interest-free and have no fixed terms of repayment. At 31st March, 2000, other than an amount of HK\$113,509,000 which carried interest at the prevailing market rate, the remaining balance was interest-free. In the opinion of the directors, the amounts will not be repayable within the next twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(458,720)	(230,399)
Interest expenses	25,524	27,403
Interest income, other than from loans receivable	(618)	(1,021)
Dividend income from listed other investments	(16)	–
Share of results of associates	3,652	80,972
Share of results of jointly controlled entities	11,329	(232)
Amortisation of issue costs of convertible bonds	1,531	700
Unamortised issue costs written off on the conversion of convertible bonds	2,941	6,344
Depreciation	2,649	1,850
Amortisation of goodwill	4,365	–
Amortisation of intangible assets	1,421	–
Loss on disposal of property, plant and equipment	6,405	825
Deficit arising on revaluation of investment properties	21	–
Net (gain) loss on disposal of subsidiaries	(5,051)	37,101
Loss on deemed disposal of an associate	–	120,703
Waiver of a portion of amount due to a former substantial shareholder	–	(113,721)
Release of tax indemnity by a former subsidiary	–	(13,700)
Loss on disposal of unlisted other investments	–	134
Forfeiture of deposits made on acquisition of property interest	–	12,000
Provision for bad and doubtful debts	30,939	39,072
Impairment loss on goodwill	320,592	–
Impairment loss on investment securities	5,620	–
Provision for diminution in value of property held for resale	270	293
Loss on disposal of club debenture	50	–
Unrealised holding loss on other investments	2,421	504
Amortisation of premium arising on acquisition of associates	4,219	10,510
Increase in inventories	(777)	–
Decrease in properties held for resale	357	12,602
Increase in other investments	(46)	(3,121)
Decrease in trade and other receivables	21,306	1,188
Increase in short-term loans receivable	(2,866)	(2,167)
Decrease in trade and other payables	(38,822)	(3,911)
Net cash outflow from operating activities	<u>(61,304)</u>	<u>(16,071)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 38. PURCHASE OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net (liabilities) assets acquired:		
Investment properties	11,301	16,000
Property, plant and equipment	12,596	–
Intangible assets	28,178	–
Interests in associates	400	–
Loans to minority shareholders of subsidiaries	3,944	–
Properties held for resale	357	–
Trade and other receivables	19,939	301
Short-term loans receivable	10,897	–
Bank balances and cash	322	1
Trade and other payables	(17,515)	(61)
Amount due to immediate holding company	(20,433)	–
Short-term bank borrowings	(7,000)	(1,602)
Obligations under finance leases	(13)	–
Long-term bank borrowings	–	(3,684)
Advance from minority shareholders of subsidiaries	(46,437)	–
Minority interests	(218)	–
	<u>(3,682)</u>	<u>10,955</u>
Net (liabilities) assets	(3,682)	10,955
Goodwill arising on acquisition of subsidiaries	215,813	–
	<u>212,131</u>	<u>10,955</u>
Satisfied by:		
Consideration	220,241	10,955
Reclassification from interests in associates	(8,110)	–
	<u>212,131</u>	<u>10,955</u>
Analysis of net (outflow) inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Cash consideration paid	(220,241)	–
Bank balances and cash acquired	322	1
	<u>(219,919)</u>	<u>1</u>
Net (outflow) inflow of cash and cash equivalents in connection with the acquisition of subsidiaries	(219,919)	1

The subsidiaries acquired during both years did not have any significant impact on the Group's cash flows, turnover and operating results.

## NOTES TO THE FINANCIAL STATEMENTS

### 39. DISPOSAL OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Investment properties	164,000	–
Property, plant and equipment	204	50,764
Short-term loans receivable	–	15,000
Interests in associates	–	111,618
Interests in jointly controlled entities	–	3,153
Amount due from an associate	–	1,051
Amount due from a jointly controlled entity	–	333
Trade and other receivables	62	38,913
Bank balances and cash	37	505
Trade and other payables	(21,296)	(57,628)
Taxation payable	(11,500)	–
Short-term other borrowings	(131,293)	–
	<hr/>	<hr/>
Net assets	214	163,709
Translation reserve realised on disposal	174	–
Investment property revaluation reserve realised on disposal	–	(729)
Net gain (loss) on disposal of subsidiaries	5,051	(37,101)
	<hr/>	<hr/>
	<b>5,439</b>	<b>125,879</b>
	<hr/>	<hr/>
Satisfied by:		
Consideration	5,439	36,079
Amount due to a former substantial shareholder	–	89,800
	<hr/>	<hr/>
Total consideration	5,439	125,879
	<hr/>	<hr/>
Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	5,439	6,160
Bank balances and cash disposed of	(37)	(505)
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in connection with the disposal of subsidiaries	5,402	5,655
	<hr/>	<hr/>

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



# NOTES TO THE FINANCIAL STATEMENTS

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

	Share capital and premium HK\$'000	Convertible bonds HK\$'000	Bank and other loans HK\$'000	Obligations under finance leases HK\$'000	Amount due to an associate HK\$'000	Advance from minority shareholders HK\$'000	Amount due to a former substantial shareholder HK\$'000
At 1st April, 1999	4,114	122,102	217,580	–	400	320	211,753
Proceeds from issue of shares	124,699	–	–	–	–	–	–
Issue of convertible bonds	–	250,000	–	–	–	–	–
Issue of convertible bonds on acquisition of additional shareholding in an associate	–	50,000	–	–	–	–	–
Exercise of conversion rights of convertible bonds	248,000	(248,000)	–	–	–	–	–
Expenses in connection with the issued of shares	(3,190)	–	–	–	–	–	–
Expenses in connection with the issue of convertible bonds	–	(7,674)	–	–	–	–	–
Provision for redemption premium	–	1,761	–	–	–	–	–
Amortisation of bonds issue costs	–	700	–	–	–	–	–
Unamortised issue costs written off on the conversion of convertible bonds	–	6,344	–	–	–	–	–
Acquisition of a subsidiary	–	–	5,286	–	–	–	–
Borrowings raised	–	–	99,485	–	–	–	7,968
Repayment of borrowings	–	(124,397)	(179,805)	–	–	–	(16,200)
Waiver of a portion of amount due to a former substantial shareholder	–	–	–	–	–	–	(113,721)
Amount set-off against consideration of disposal of subsidiaries	–	–	–	–	–	–	(89,800)
Exchange differences	–	–	34	–	–	–	–
	<u>373,623</u>	<u>50,836</u>	<u>142,580</u>	<u>–</u>	<u>400</u>	<u>320</u>	<u>–</u>
At 1st April, 2000	373,623	50,836	142,580	–	400	320	–
Proceeds from issue of shares	55,250	–	–	–	–	–	–
Issue of shares for the acquisition of investment securities	80,000	–	–	–	–	–	–
Issue of convertible bonds	–	378,800	–	–	–	–	–
Exercise of conversion rights of convertible bonds	140,600	(140,600)	–	–	–	–	–
Expenses in connection with the issue of shares	(1,765)	–	–	–	–	–	–
Expenses in connection with the issue of convertible bonds	–	(7,442)	–	–	–	–	–
Amortisation of bonds issue costs	–	1,531	–	–	–	–	–
Unamortised issue costs written off on the conversion of convertible bonds	–	2,941	–	–	–	–	–
Inception of finance leases	–	–	–	1,275	–	–	–
Acquisition of subsidiaries	–	–	7,000	13	–	46,437	–
Disposal of subsidiaries	–	–	(131,293)	–	–	–	–
Borrowings raised	–	–	185,272	–	–	1,546	–
Repayment of borrowings	–	–	(172,871)	(182)	(400)	–	–
	<u>647,708</u>	<u>286,066</u>	<u>30,688</u>	<u>1,106</u>	<u>–</u>	<u>48,303</u>	<u>–</u>
<b>At 31st March, 2001</b>	<b>647,708</b>	<b>286,066</b>	<b>30,688</b>	<b>1,106</b>	<b>–</b>	<b>48,303</b>	<b>–</b>

#### 41. MAJOR NON-CASH TRANSACTIONS

- (a) During the current year, the Group acquired investment securities for a consideration of approximately HK\$106 million, out of which HK\$80 million was satisfied by the issue of new shares as set out in note 31(c).
- (b) During the current year, nominal value in aggregate of convertible bonds of HK\$140.6 million was converted into ordinary shares of the Company, resulting in the issue of 359,809,042 ordinary shares of HK\$0.10 each in the Company.
- (c) During the year ended 31st March, 2000, the Company entered into settlement agreements with Hansom Eastern (Holdings) Limited, formerly Tung Fong Hung (Holdings) Limited, (“Hansom”) whereby an amount of approximately HK\$203.7 million out of a total debt of approximately HK\$219.7 million owing by a subsidiary of the Company to Hansom’s subsidiary (together with Hansom collectively referred to as “Hansom Group”) was released and discharged by a transfer of the Company’s entire interest in the share capital of Kingson Well Limited, which held 21,922,242 shares in Star East Holdings Limited (“Star East”), representing 34.9% of Star East’s issued share capital, and shareholders’ loans due to the Company approximately HK\$368 million. Under the settlement agreements, the consideration payable by Hansom for the assignment of the shareholder loans was HK\$90 million, which was satisfied by way of a set-off of such amount against the debt owed by the Group to the Hansom Group.
- (d) During the year ended 31st March, 2000, nominal value in aggregate of convertible bonds of HK\$248 million was converted into ordinary shares of the Company at a conversion price of HK\$0.65 per share, resulting in the issue of 381,538,447 ordinary shares of HK\$0.10 each in the Company.
- (e) During the year ended 31st March, 2000, the Group acquired additional shareholding in an associate for a consideration of HK\$108 million, out of which HK\$40 million was satisfied by issuance of 10% convertible bonds.

#### 42. UNRECOGNISED DEFERRED TAXATION

At 31st March, 2001, the Group had an unrecognised deferred tax asset of approximately HK\$43 million (2000: HK\$41 million) which mainly represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. This deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

### 43. OPERATING LEASE COMMITMENTS

While the Company had no outstanding operating lease commitments at the balance sheet date, its subsidiaries were committed to make the following rental payments for land and buildings within one year under non-cancellable operating leases which expire:

		<b>THE GROUP</b>	
		<b>2001</b>	2000
		<b>HK\$'000</b>	HK\$'000
Within one year		<b>560</b>	–
In the second to fifth year inclusive		<b>2,950</b>	1,614
		<hr/> <b>3,510</b> <hr/>	<hr/> 1,614 <hr/>

### 44. CONTINGENT LIABILITIES

		<b>THE GROUP</b>		<b>THE COMPANY</b>	
		<b>2001</b>	2000	<b>2001</b>	2000
		<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Guarantees given to banks and financial institutions in respect of credit facilities extended to					
– subsidiaries		–	–	<b>7,853</b>	6,273
– a jointly controlled entity		<b>9,500</b>	9,500	<b>9,500</b>	9,500
Guarantees given to independent third parties in respect of credit facilities granted to subsidiaries		–	–	–	40,000
		<hr/> <b>9,500</b> <hr/>	<hr/> 9,500 <hr/>	<hr/> <b>17,353</b> <hr/>	<hr/> 55,773 <hr/>

### 45. PLEDGE OF ASSETS

At 31st March, 2001, certain of the Group's investment properties amounting to HK\$10.5 million (2000: HK\$16 million) and the Group's properties held for resale were pledged to banks for banking facilities granted to the Group.

In addition to the above, at 31st March, 2000, certain of the Group's investment properties amounting to approximately HK\$148 million and the shares of the respective subsidiaries holding those investment properties were pledged to an independent third party to secure a loan granted to the Group.

#### **46. RETIREMENT BENEFITS SCHEME**

The Company and its subsidiaries did not operate any retirement schemes covering their employees in previous years. From December 2000, the Group enrolled all eligible employees in Hong Kong into a mandatory provident fund (the “MPF”) scheme. The retirement benefit cost for the MPF scheme charged to the consolidated income statement represents contributions to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

#### **47. RELATED PARTY TRANSACTIONS AND BALANCES**

During the year, the Group paid legal and professional fees totalling HK\$1,233,000 (2000: HK\$1,187,000) for services rendered by a firm of solicitors, P.C.Woo & Co., in which Mr. Lai Hin Wing, Henry, the independent non-executive director of the Company, is a partner of the firm.

During the period from 1st April, 2000 to 3rd January, 2001, the Group also paid legal and professional fees totalling HK\$340,000 (2000: HK\$445,000) for services rendered by a firm of solicitors, Vincent T.K. Chueng, Yap & Co., in which Ms. Fung Wan Yiu, Agnes, being the independent non-executive director of the Company until 3rd January, 2001, is a partner of the firm.

In 2000, the Group had charged HK\$351,000 for the sharing of central administrative expenses with Star East, a former listed associate of the Group, and had received interest amounting to HK\$649,000 from Star East.

Details of balances with related parties as at the balance sheet date are set out in the balance sheets and in notes 19, 20 and 35.

Details of contingent liabilities in respect of guarantees given to related companies to secure credit facilities granted to related companies are set out in note 44.

## NOTES TO THE FINANCIAL STATEMENTS

### 48. SEGMENT INFORMATION

An analysis of the Group's turnover and operating loss by principal activity and geographical region is as follows:

Activity	Turnover		Operating (loss) profit	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Sales of other investments	4,349	15,450	(2,644)	(228)
Rental income	3,523	5,428	406	3,249
Investment and finance	3,212	3,339	(33,394)	(36,473)
Sales of properties held for resale	–	9,591	(3,865)	(15,905)
	<u>11,084</u>	<u>33,808</u>	<u>(39,497)</u>	<u>(49,357)</u>
Add: Release of tax indemnity to a former subsidiary			–	13,700
Less: Corporate management expenses			<u>(58,705)</u>	<u>(35,472)</u>
Loss from operations			<u>(98,202)</u>	<u>(71,129)</u>
<b>Geographical region</b>				
Hong Kong	11,013	23,991	(39,310)	(45,614)
Canada	71	9,817	(187)	(3,743)
	<u>11,084</u>	<u>33,808</u>	<u>(39,497)</u>	<u>(49,357)</u>
Add: Release of tax indemnity to a former subsidiary			–	13,700
Less: Corporate management expenses			<u>(58,705)</u>	<u>(35,472)</u>
Loss from operations			<u>(98,202)</u>	<u>(71,129)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 49. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation	Nominal value of issued and fully paid ordinary share capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
G-Prop Management Limited	Hong Kong	HK\$2	–	100%	Provision of management services
G-Pop Technology Limited	British Virgin Islands	US\$1	100%	–	Investment holding
G-Prop Satellite Television Limited	British Virgin Islands	US\$1	100%	–	Investment holding
Halliwell Investments Limited	British Virgin Islands	US\$1	–	100%	Property investment
Lamford Holdings Limited	British Virgin Islands	US\$1	–	100%	Security trading
Legend Power Ltd.	British Virgin Islands	US\$2,000	–	50%*	Investment holding
Luckview Development Limited	Hong Kong	HK\$2	–	100%	Property investment
Shing Fai Management Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Universe Dragon Limited	Hong Kong	HK\$2	–	50%*	Manufacture and leasing of energy saving machines
Wingrove Holdings Limited	British Virgin Islands	US\$50,000	–	66.67%	Investment holding

\* Pursuant to a supplemental agreement entered into between the Group and the other shareholder of Legend Power Ltd. dated 5th December, 2000, the Group has been granted a casting vote on the meeting of the shareholders. Accordingly, Legend Power Ltd. and its subsidiaries are classified as subsidiaries of the Company.

#### 49. PRINCIPAL SUBSIDIARIES (continued)

All the above subsidiaries operate in Hong Kong except for Halliwell Investments Limited which operates in Canada.

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

Save as disclosed above, none of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

#### 50. PRINCIPAL JOINTLY CONTROLLED ENTITIES

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

Name of jointly controlled entity	Place of incorporation	Proportion of nominal value of issued capital held	Principal activities
Golden Royce Investment Limited	Hong Kong	40%	Property development and investment holding
New Champion International Limited *	Hong Kong	50%	Property investment
Top Grade Assets Limited	British Virgin Islands	50%	Property investment and agency services

\* The financial statements of this jointly controlled entity are not audited by member firms of Deloitte Touche Tohmatsu.

All the above jointly controlled entities operate in the People's Republic of China except for New Champion International Limited which operates in Hong Kong.

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

## 51. POST BALANCE SHEET EVENTS

- (a) Pursuant to a resolution passed at a special general meeting of the Company held on 14th May, 2001:
- (i) every 20 authorised and unissued shares and every 20 issued shares of HK\$0.10 each were consolidated into one share of HK\$2.00;
  - (ii) the nominal value of the share capital of the Company was reduced from HK\$2.00 per share to HK\$0.01 per share by the way of cancellation of HK\$1.99 paid up capital on each issued share and the subdivision of each authorised but unissued share into 200 shares;
  - (iii) the amount of HK\$444,334,000 standing to the credit of the share premium account of the Company at 30th September, 2000 was cancelled; and
  - (iv) the authorised but unissued share capital of the Company was cancelled to the extent of HK\$480,000,000 by way of a cancellation of 48,000,000,000 shares.
- (b) On 21st May, 2001, a placing agreement was entered into between the Company and a placing agent, pursuant to which the placing agent agreed to place 14,500,000 shares of HK\$0.01 each in the share capital of the Company to independent investors at a price of HK\$0.52 per share. The estimated net proceeds from the placing of approximately HK\$7.35 million were used to provide working capital of the Company and its subsidiary, Legend Power Ltd.
- (c) On 13th June, 2001, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 1,157 shares of US\$1 each in the share capital of Harvest Power Limited ("HPL"), representing 45% of the issued share capital of HPL, at a consideration of HK\$29 million.
- (d) In June 2001, the Company obtained the consent from the bondholders of the outstanding convertible bonds that the payment of interests of approximately HK\$11 million payable on 30th June, 2001 be deferred to 24th December, 2001.
- (e) As announced by the Company on 9th July, 2001, the Company proposed to raise an amount of approximately HK\$11.4 million before expenses, subject to the satisfaction of the conditions of the open offer, by issuing not less than 45,789,532 and not more than 70,939,676 offer shares at a price of HK\$0.25 per offer share by way of the open offer.