

# Notes to the Financial Statements

*For the year ended March 31, 2001*

## **1. GENERAL**

The Company is incorporated in Hong Kong with limited liability and its shares 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 major subsidiaries and associates are set out in notes 44 and 45, respectively.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment property 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 March 31 each year.

Where the Group holds more than half of the issued share capital of a subsidiary, but does not control the composition of the board of directors or equivalent governing body, the financial statements of that subsidiary are not consolidated because to do so would be misleading. Where the Group is in a position to exercise significant influence, such investments are dealt with as associates. Otherwise, they are dealt with as investments in securities and are stated at the amounts at which it would have been included under the equity method of accounting at the date on which the Group ceases to have significant influence.

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 intercompany transactions and balances within the Group have been eliminated on consolidation.

# Notes to the Financial Statements

*For the year ended March 31, 2001*

## **2. 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, not exceeding five years. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

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

### **Property, plant and equipment**

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

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

# Notes to the Financial Statements

For the year ended March 31, 2001

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

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

Depreciation and amortisation are provided to write off the cost of assets over their estimated useful lives and after taking into account the estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land	Over 50 years or the unexpired term of the relevant lease, whichever is shorter
Leasehold improvements	Over the unexpired term of the relevant lease
Buildings	Over 25 years or the unexpired term of the relevant lease, whichever is shorter
Fish ponds	Over 4 years or the unexpired term of the relevant lease, whichever is shorter
Motor vessels and equipment	10% – 20%
Furniture, fixtures and equipment	20% – 33 $\frac{1}{3}$ %
Plant and machinery	20%
Motor vehicles	20%

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

### **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 their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the valuation 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.

# Notes to the Financial Statements

*For the year ended March 31, 2001*

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

### **Investment properties** *(continued)*

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

No depreciation and amortisation are provided on investment properties except where unexpired terms of the relevant lease is 20 years or less.

### **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.

### **Investments in associates**

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

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

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

# Notes to the Financial Statements

For the year ended March 31, 2001

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

### **Investments in securities**

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in reserves, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

### **Other assets**

Other assets are stated at cost, as reduced by any impairment losses recognised.

### **Inventories**

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

# Notes to the Financial Statements

For the year ended March 31, 2001

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

### **Leases**

Leases are classified as finance leases whenever the terms of the leases 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 obligation. Finance costs, which represent the difference between the total leasing 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 balance of the obligations for each accounting period.

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

### **Taxation**

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

### **Cash equivalents**

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

### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from sale of newspapers and other publications is recognised when the products are delivered and title has passed to distributors or dealers and the Group retains no significant obligation. Allowances for estimated future returns and exchanges are recorded in the period in which the related revenue is recognised.

# Notes to the Financial Statements

*For the year ended March 31, 2001*

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

### **Revenue recognition** *(continued)*

Advertising income is recognised on publication date.

Income from provision of printing services is recognised when the services are rendered.

Income from provision of internet content and website operations services is recognised when the services are rendered.

Sales of other investments are recognised when legally binding contracts are executed.

Rental income under operating leases is recognised on a straight line basis over the period of the relevant lease.

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

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

### **Foreign currencies**

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

On consolidation, the financial statements of subsidiaries or associates which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 3. TURNOVER

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover for the year comprises:		
Continuing operations:		
Apparel trading	138,725	109,907
Marine product trading	100,411	92,748
Sales of newspapers and publications	82,550	—
Advertising income	54,490	—
Printing income	15,852	—
Interest income on loans receivable	3,001	—
Service income from internet content and website operations	2,137	—
Rental income	644	659
	<u>397,810</u>	<u>203,314</u>
Discontinued operations ( <i>note 5</i> ):		
Distilled water trading	—	7,399
Jewellery retailing	—	671
	<u>—</u>	<u>8,070</u>
	<u><b>397,810</b></u>	<u><b>211,384</b></u>



# Notes to the Financial Statements

For the year ended March 31, 2001

## 4. OTHER REVENUE

Other revenue for the year includes the following items:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest received on advances to third parties	7,472	348
Interest received on bank deposits	2,613	4,541
Publishing service income	4,594	—
Write back of provision for doubtful debts	214	790
Gain on disposal of property, plant and equipment	—	90
	<u>          </u>	<u>          </u>

## 5. DISCONTINUED OPERATIONS

In August 1999, the Group disposed of certain subsidiaries which owned an aggregate 90% interest in Shanghai Bichun Drinks Co. Ltd. (“Bichun”). Bichun is engaged in the production and distribution of distilled water in the People’s Republic of China (the “PRC”). A gain of approximately HK\$2,340,000 resulted from that disposal was included in the gain on disposal of subsidiaries in prior year.

In September 1999, the Group deconsolidated a subsidiary, Shanghai Fu Da Jewellery Company Limited (“Fu Da”), in which a 57% equity interest was attributable to the Group. Fu Da is engaged in subcontracting of jewellery in the PRC. A loss on deconsolidation of approximately HK\$2,360,000 resulted from such deconsolidation was included in prior year’s consolidated income statement.

## 6. OTHER OPERATING (EXPENSES) INCOME

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Deficit) surplus arising from revaluation of an investment property	(494)	1,104
Write off of a deposit	(120)	—
Write off of property, plant and equipment	—	(1,027)
Loss on disposal of non-trading securities	—	(20)
	<u>          </u>	<u>          </u>
	<u>(614)</u>	<u>57</u>

# Notes to the Financial Statements

For the year ended March 31, 2001

## 7. LOSS FROM OPERATIONS

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	<b>1,277</b>	787
Depreciation and amortisation		
– owned assets	<b>20,882</b>	5,776
– assets held under finance leases	<b>10</b>	—
Net foreign exchange losses	—	1,256
Operating lease rentals in respect of rented premises	<b>20,505</b>	12,689
Staff costs, including directors' emoluments	<b>95,326</b>	24,339
and after crediting:		
Net foreign exchange gains	<b>161</b>	—
Rental income – net of outgoings of approximately HK\$86,000 (2000: nil)	<b>558</b>	659

# Notes to the Financial Statements

For the year ended March 31, 2001

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (i) Information regarding directors' and employees' emoluments

Directors' emoluments:

	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Directors' fees		
– Executive	<b>200</b>	200
– Independent non-executive	<b>200</b>	200
	<b>400</b>	400
Other emoluments to executive directors		
– Salaries and other benefits	—	—
Total emoluments	<b>400</b>	400

The emolument of each of the directors for both years is below HK\$1,000,000.

Employees' emoluments:

Of the five individuals with the highest emoluments in the Group, none of them were directors of the Company for both years. The emoluments of the five highest paid individuals for both years were as follows:

	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Salaries and other benefits	<b>4,041</b>	3,603

Their emoluments are within the following bands:

	<b>Number of employees</b>	
	<b>2001</b>	2000
Nil – HK\$1,000,000	<b>5</b>	4
HK\$1,500,001 – HK\$2,000,000	—	1
	<b>5</b>	5

# Notes to the Financial Statements

For the year ended March 31, 2001

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### (ii) Retirement benefit scheme contributions

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Retirement benefit scheme contributions to the Group's defined contribution schemes	1,037	—
Less: Forfeited contributions	<u>(1,128)</u>	<u>—</u>
	(91)	—
Contributions to MPF Scheme	<u>1,515</u>	<u>—</u>
Amount charged to income statement	<u><u>1,424</u></u>	<u><u>—</u></u>

Certain subsidiaries within the Group operate defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of independent trustees.

With the Mandatory Provident Fund ("MPF") legislation coming into effect on December 1, 2000, the Group applied and successfully obtained MPF exemption for its existing retirement benefit schemes from the Mandatory Provident Fund Schemes Authority. At the same time, a new MPF scheme was set up in compliance with the legislation and was offered to all existing members of the schemes as well as new employees as an alternative.

The retirement benefit cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the retirement benefit schemes. Where there are employees who leave the retirement benefit schemes prior to vesting fully in the contributions, the contributions to the retirement benefit scheme payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, there were no forfeited contributions which arose upon employees leaving the retirement benefit schemes and which are available to reduce the contributions payable in the future years.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 9. FINANCE COSTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	(3,123)	(527)
Convertible redeemable loan notes	(4,063)	—
Finance leases	(1)	(53)
Other borrowings wholly repayable within five years	(940)	—
	<u>(8,127)</u>	<u>(580)</u>

## 10. TAXATION (CHARGE) CREDIT

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
The (charge) credit comprises:		
Profit for the year		
Hong Kong	(25)	108
Other regions in the PRC	(61)	(58)
	<u>(86)</u>	<u>50</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant jurisdiction.

Details of the net potential deferred taxation asset not recognised are set out in note 29.

Revaluation of the Group's investment property and non-trading securities does not constitute a timing difference for taxation purposes as any profit or loss realised on disposal of the property and non-trading securities would not be subject to taxation.

# Notes to the Financial Statements

*For the year ended March 31, 2001*

## **11. (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

Of the Group's loss attributable to shareholders of approximately HK\$56,935,000 (2000: *profit of HK\$24,877,000*), a loss of approximately HK\$118,701,000 (2000: *profit of HK\$20,018,000*) has been dealt with in the financial statements of the Company.

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

The calculation of basic (loss) earnings per share is based on the loss attributable to shareholders of approximately HK\$56,935,000 (2000: *profit of HK\$24,877,000*) and on the weighted average of 582,964,215 (2000: 224,709,467) shares in issue.

No disclosure of diluted loss per share has been presented for year 2001 as the exercise of the convertible loan notes would not have dilutive effect on the loss per share.

No disclosure of diluted earnings per share was presented for year 2000 as there were no dilutive potential ordinary shares in issue in that year.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings improvements HK\$'000	Leasehold improvements HK\$'000	Fish ponds HK\$'000	Motor vessels and equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
<b>COST</b>								
At April 1, 2000	—	10,062	1,187	297	7,941	1	1,431	20,919
Additions	—	2,753	33	—	6,287	586	2,106	11,765
Acquired on acquisition of subsidiaries	7,000	21,849	—	—	7,205	121,788	753	158,595
Disposals	—	(1,199)	—	—	(33)	(123)	(1,126)	(2,481)
Disposal of subsidiaries	—	(1,062)	—	—	(5,059)	(6,404)	—	(12,525)
<b>At March 31, 2001</b>	<b>7,000</b>	<b>32,403</b>	<b>1,220</b>	<b>297</b>	<b>16,341</b>	<b>115,848</b>	<b>3,164</b>	<b>176,273</b>
<b>DEPRECIATION AND AMORTISATION</b>								
At April 1, 2000	—	8,681	856	297	5,666	1	811	16,312
Provided for the year	199	4,861	120	—	2,169	13,077	466	20,892
Acquired on acquisition of subsidiaries	—	15,351	—	—	3,473	33,228	569	52,621
Eliminated on disposals	—	(885)	—	—	(18)	(22)	(479)	(1,404)
Eliminated on disposal of subsidiaries	—	(357)	—	—	(1,257)	(3,048)	—	(4,662)
<b>At March 31, 2001</b>	<b>199</b>	<b>27,651</b>	<b>976</b>	<b>297</b>	<b>10,033</b>	<b>43,236</b>	<b>1,367</b>	<b>83,759</b>
<b>NET BOOK VALUES</b>								
<b>At March 31, 2001</b>	<b>6,801</b>	<b>4,752</b>	<b>244</b>	<b>—</b>	<b>6,308</b>	<b>72,612</b>	<b>1,797</b>	<b>92,514</b>
At March 31, 2000	—	1,381	331	—	2,275	—	620	4,607

The leasehold land and buildings held by the Group are situated in Hong Kong and are held under long leases.

The net book value of the Group's property, plant and equipment includes an amount of approximately HK\$283,000 (2000: nil) in respect of assets held under finance leases.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE COMPANY</b>			
<b>COST</b>			
At April 1, 2000	1,663	439	2,102
Disposals	—	(439)	(439)
<b>At March 31, 2001</b>	<b>1,663</b>	<b>—</b>	<b>1,663</b>
<b>DEPRECIATION</b>			
At April 1, 2000	1,645	88	1,733
Provided for the year	18	22	40
Eliminated on disposals	—	(110)	(110)
<b>At March 31, 2001</b>	<b>1,663</b>	<b>—</b>	<b>1,663</b>
<b>NET BOOK VALUES</b>			
<b>At March 31, 2001</b>	<b>—</b>	<b>—</b>	<b>—</b>
At March 31, 2000	18	351	369



# Notes to the Financial Statements

For the year ended March 31, 2001

## 14. INVESTMENT PROPERTY

HK\$'000

### THE GROUP

#### VALUATION

At April 1, 2000	5,800
Deficit arising from revaluation	(900)

**At March 31, 2001** **4,900**

The investment property is situated in the PRC and is held under a long lease. The investment property is held for rental under an operating lease. The investment property was revalued at March 31, 2001 on an open market value basis by Mr. Tse Wai Chuen, FRICS, FHKIS, which resulted in a deficit of approximately HK\$900,000, of which approximately HK\$406,000 has been charged to the investment property revaluation reserve and the remaining balance of approximately HK\$494,000 has been charged to the income statement.

## 15. INVESTMENTS IN SUBSIDIARIES

### THE COMPANY

	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	28,236	9,519
Less: Impairment loss recognised	(28,236)	(9,519)
	<u>—</u>	<u>—</u>

Particulars of the Company's major subsidiaries at March 31, 2001 are set out in note 44.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 16. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES AND AMOUNTS DUE TO UNCONSOLIDATED SUBSIDIARIES

	THE GROUP		THE COMPANY
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 & 2000 <i>HK\$'000</i>
Interests stated at carrying value	12,201	12,201	—
Unlisted shares, at cost	—	—	10,088
Less: Impairment loss recognised	(4,676)	(4,827)	(3,746)
	<u>7,525</u>	<u>7,374</u>	<u>6,342</u>
Amounts due to unconsolidated subsidiaries	<u>7,525</u>	<u>7,374</u>	<u>6,342</u>

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

<u>Name of unconsolidated subsidiary</u>	<u>Place of registration and operations</u>	<u>Percentage of equity interest attributable to the Company</u>
北京中太國際保稅發展有限公司 Beijing Capital Asia International Bonded Affairs Development Co., Ltd. (“Bonded Affairs”)	PRC	70%
上海福達珠寶首飾有限公司 Shanghai Fu Da Jewellery Company Limited (“Fu Da”)	PRC	57%

# Notes to the Financial Statements

For the year ended March 31, 2001

## 16. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES AND AMOUNTS DUE TO UNCONSOLIDATED SUBSIDIARIES (continued)

The Company has been unable to exercise its rights as a major shareholder of Bonded Affairs and Fu Da throughout the year. Accordingly, the Company has been unable either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of both Bonded Affairs and Fu Da. For this reason, the financial statements of Bonded Affairs and Fu Da have not been consolidated. Based on the latest information available to the directors, the respective principal activity of Bonded Affairs and Fu Da is general trading and jewellery subcontracting.

The directors, to their best knowledge, are satisfied that the Group has no material obligations or commitments either in respect of Bonded Affairs or Fu Da that require either adjustment to or disclosure in these financial statements.

The Group has been unable to obtain the financial information since the loss of effective control of Bonded Affairs and Fu Da.

## 17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net liabilities	—	(17)
Amounts due from associates	23,885	22
Less: Impairment loss recognised	(23,885)	—
	<u>—</u>	<u>5</u>

Particulars of the Group's major associates at March 31, 2001 are set out in note 45.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 18. INVESTMENTS IN SECURITIES

	<b>THE GROUP</b>	<b>THE COMPANY</b>
	<b>2001 &amp; 2000</b>	<b>2001 &amp; 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-trading securities:		
Unlisted equity securities	<b>28,141</b>	<b>5,000</b>
Investment fund	<b>6,077</b>	<b>6,077</b>
	<b>34,218</b>	<b>11,077</b>
<i>Less: Impairment loss recognised</i>	<b>(34,218)</b>	<b>(11,077)</b>
	<b>—</b>	<b>—</b>

## 19. OTHER ASSETS

	<b>THE GROUP</b>	<b>THE COMPANY</b>
	<b>2001 &amp; 2000</b>	<b>2001 &amp; 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Club debentures, at cost	<b>1,520</b>	<b>470</b>
Vehicle registration mark, at cost	<b>190</b>	<b>100</b>
	<b>1,710</b>	<b>570</b>

In the opinion of the directors, these assets are worth not less than their carrying values.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 20. INVENTORIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Apparel	48,832	32,739
Newsprint papers	3,105	—
Marine products	188	246
	<u>52,125</u>	<u>32,985</u>

Inventories of approximately HK\$4,527,000 (2000: HK\$7,016,000) included above are carried at net realisable value.

## 21. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 days to 180 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
0 – 30 days	24,318	5,665
31 – 90 days	13,222	1,835
91 – 180 days	4,466	—
> 180 days	2,625	—
	<u>44,631</u>	<u>7,500</u>
Other receivables	13,806	21,816
	<u>58,437</u>	<u>29,316</u>

The Company did not have any trade receivables at the balance sheet date.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	<b>27,040</b>	5,349
91 – 180 days	<b>5,455</b>	209
> 180 days	<b>807</b>	318
	<b>33,302</b>	5,876
Other payables	<b>29,393</b>	14,627
	<b><u>62,695</u></b>	<b><u>20,503</u></b>

The Company did not have any trade payables at the balance sheet date.

## 23. BANK BORROWINGS

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trust receipt loans	<b>34,635</b>	—	—	—
Bank overdrafts	<b>567</b>	1,463	<b>305</b>	—
Other bank borrowings	<b>19,718</b>	—	—	—
	<b><u>54,920</u></b>	<b><u>1,463</u></b>	<b><u>305</u></b>	<b><u>—</u></b>
Analysed as:				
Secured	<b>25,226</b>	—	—	—
Unsecured	<b>29,694</b>	1,463	<b>305</b>	—
	<b><u>54,920</u></b>	<b><u>1,463</u></b>	<b><u>305</u></b>	<b><u>—</u></b>

*Note: Trust receipt loans and other bank borrowings included above are guaranteed by Emperor International Holdings Limited (“EIHL”), a substantial shareholder of the Company.*

# Notes to the Financial Statements

For the year ended March 31, 2001

## 23. BANK BORROWINGS (continued)

The borrowings bear interest at prevailing market rates and are repayable as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	53,403	1,463	305	—
In the second year	1,517	—	—	—
	<u>54,920</u>	<u>1,463</u>	<u>305</u>	<u>—</u>
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(53,403)</u>	<u>(1,463)</u>	<u>(305)</u>	<u>—</u>
Amount due after one year shown as non-current liabilities	<u>1,517</u>	<u>—</u>	<u>—</u>	<u>—</u>

## 24. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The maturity of the obligations under finance leases is as follows:		
Within one year	86	—
In the second year	167	—
	<u>253</u>	<u>—</u>
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(86)</u>	<u>—</u>
Amount due after one year shown as non-current liabilities	<u>167</u>	<u>—</u>

# Notes to the Financial Statements

For the year ended March 31, 2001

## 25. SHARE CAPITAL

The following changes in the authorised, issued and fully paid share capital of the Company took place during the two years ended March 31, 2001:

	<b>Number of shares of HK\$0.01 each</b>	<b>Value HK\$'000</b>
<i>Authorised:</i>		
At April 1, 1999, March 31, 2000 and March 31, 2001	<b><u>50,000,000,000</u></b>	<b><u>500,000</u></b>
<i>Issued and fully paid:</i>		
At April 1, 1999	35,014,817	350
Issue of shares as a result of rights issues ( <i>note (a)</i> )	385,162,987	3,852
Issue of shares as a result of subscription ( <i>note (b)</i> )	<u>84,000,000</u>	<u>840</u>
At March 31, 2000	504,177,804	5,042
Issue of shares as a result of subscription ( <i>note (b)</i> )	<u>85,080,000</u>	<u>851</u>
<b>At March 31, 2001</b>	<b><u>589,257,804</u></b>	<b><u>5,893</u></b>



# Notes to the Financial Statements

For the year ended March 31, 2001

## 25. SHARE CAPITAL (continued)

Notes:

- (a) Pursuant to special resolutions passed at the extraordinary general meetings held on July 5, 1999 and November 22, 1999, respectively:
- (i) The Company issued by way of rights issue of 175,074,085 new shares of HK\$0.01 each at a price of HK\$0.25 per share in the proportion of 5 rights shares for each existing share then held on July 28, 1999. The proceeds were used for the expansion of the Group's menswear retailing and wholesaling business, to finance the general working capital of the Group, for the acquisition of Island Gold Developments Limited and its subsidiaries (hereinafter collectively referred to as the "Island Gold Group") and for the working capital of the Island Gold Group. The shares issued rank pari passu with the then existing shares in all respects.
  - (ii) The Company issued by way of rights issue of 210,088,902 new shares of HK\$0.01 each at a price of HK\$0.30 per share in the proportion of 1 rights share for each existing share then held on December 15, 1999. The proceeds were used for the development of the Internet content provider business, to finance general working capital of the Group, for the acquisition of the Island Gold Group and for the working capital of the Island Gold Group. The shares issued rank pari passu with the then existing shares in all respects.
- (b) On February 24, 2000, arrangements were made for a private placement to independent private investors of 110,000,000 shares of HK\$0.01 each in the Company held by Goldstream Group Limited ("Goldstream"), a substantial shareholder of the Company.

Pursuant to two subscription agreements of the same date, Goldstream agreed to subscribe for a total of 169,080,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.66 per share. On March 9, 2000, Goldstream subscribed for 84,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.66 per share pursuant to the general mandate granted to the directors at the extraordinary general meeting of the Company held on November 22, 1999. Subsequent to March 31, 2000, 85,080,000 new shares were allotted and issued to Goldstream pursuant to the approval of the independent shareholders (other than Goldstream and its associates) at an extraordinary general meeting held on April 28, 2000. The proceeds were used to invest and engage in the Internet business, to acquire Amazing Growth Profits Limited and its subsidiaries, to acquire the Island Gold Group and for the working capital of the Island Gold Group and the Group. The new shares rank pari passu with the then existing shares in all respects.

# Notes to the Financial Statements

*For the year ended March 31, 2001*

## **26. SHARE OPTIONS**

The Company has a share option scheme under which the directors may grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The subscription price will not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the offer of the option provided that in no circumstances shall the subscription price be less than the nominal value of the Company's share. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company from time to time. An option may be exercised at any time within ten years from the date of grant of the relevant options.

There were no options granted or outstanding during both years.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 27. RESERVES

	Share premium	Translation reserve	Investment property revaluation reserve	Statutory reserve	(Goodwill) capital reserve	Special reserve	Retained profits (deficit)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>								
Balance at April 1, 1999	122,251	(2,986)	—	244	(81,745)	—	21,804	59,568
Share premium arising from issue of shares, net of expenses	151,725	—	—	—	—	—	—	151,725
Surplus arising from revaluation	—	—	406	—	—	—	—	406
Realised on deconsolidation of a subsidiary	—	(407)	—	(7)	1,624	—	—	1,210
Realised on disposal of subsidiaries	—	4,656	—	(237)	1,070	—	—	5,489
Profit attributable to shareholders	—	—	—	—	—	—	24,877	24,877
Balance at March 31, 2000	273,976	1,263	406	—	(79,051)	—	46,681	243,275
Share premium arising from issue of shares, net of expenses	55,261	—	—	—	—	—	—	55,261
Deficit arising from revaluation	—	—	(406)	—	—	—	—	(406)
Goodwill arising from acquisition of additional interest in a subsidiary	—	—	—	—	(65)	—	—	(65)
Loss attributable to shareholders	—	—	—	—	—	—	(56,935)	(56,935)
<b>Balance at March 31, 2001</b>	<b>329,237</b>	<b>1,263</b>	<b>—</b>	<b>—</b>	<b>(79,116)</b>	<b>—</b>	<b>(10,254)</b>	<b>241,130</b>
Attributable to:								
The Company and its subsidiaries	329,237	1,263	—	—	(79,116)	—	(10,254)	241,130
Associates	—	—	—	—	—	—	—	—
	<b>329,237</b>	<b>1,263</b>	<b>—</b>	<b>—</b>	<b>(79,116)</b>	<b>—</b>	<b>(10,254)</b>	<b>241,130</b>
<b>THE COMPANY</b>								
Balance at April 1, 1999	122,251	—	—	—	—	1,790	(51,816)	72,225
Share premium arising from issue of shares, net of expenses	151,725	—	—	—	—	—	—	151,725
Profit for the year	—	—	—	—	—	—	20,018	20,018
Transfer as required under the Order on Petition (see note (a) below)	—	—	—	—	—	36,741	(36,741)	—
Balance at March 31, 2000	273,976	—	—	—	—	38,531	(68,539)	243,968
Share premium arising from issue of shares, net of expenses	55,261	—	—	—	—	—	—	55,261
Loss for the year	—	—	—	—	—	—	(118,701)	(118,701)
Transfer as required under the Order on Petition (see note (a) below)	—	—	—	—	—	4,808	(4,808)	—
<b>Balance at March 31, 2001</b>	<b>329,237</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>43,339</b>	<b>(192,048)</b>	<b>180,528</b>

# Notes to the Financial Statements

*For the year ended March 31, 2001*

## **27. RESERVES**

*Notes:*

- (a) As part of a share capital reorganisation (the “Reorganisation”) (details of which are set out in the circular dated August 10, 1998), an order dated March 2, 1999 confirming the reduction of the capital of the Company (the “Order”) was made by the High Court of the Hong Kong Special Administrative Region (the “Court”) in connection with the reduction of the capital and of the share premium account of the Company pursuant to which the Company undertook to the Court that any sum received by the Company in respect of the investments or loans or transactions, as more fully described in the Order, whether by reasons of realisation or repayment or recovery of the whole or any part of such investments or loans or transactions or the payment of dividends or interest or otherwise howsoever, up to a maximum amount of HK\$497,509,863.52, would be credited to a special reserve in the accounting records of the Company and that for so long as there remained any debt of or claim against the Company outstanding at the date when the reduction of capital and of the share premium account became effective which, if such date were the date of the commencement of the winding up of the Company, would have been admissible in proof against the Company and the persons entitled to the benefit thereof had not have agreed otherwise, such reserve:
  - (i) should not be treated as realised profits; and
  - (ii) should, for so long as the Company remained a listed company, be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof.

It was also provided in the Order that, notwithstanding the above undertaking, the amount standing to the credit of the special reserve might be reduced by the aggregate of any increase in the issued share capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves after the reduction of capital and of the share premium account became effective.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 27. RESERVES (continued)

Notes (continued):

### (a) (continued)

Since the Reorganisation, the Company increased its issued share capital and share premium account by ways of rights issue and share placement for cash consideration. Details of such increases are as follows:

	<i>HK\$</i>
Increase in issued share capital	5,542,429.87
Increase in share premium account, net of expenses incurred	<u>206,985,947.62</u>
	<u><u>212,528,377.49</u></u>

Accordingly, based on legal opinion, the maximum amount of HK\$497,509,863.52 to be credited to the special reserve of the Company as required by the undertaking in the Order is reduced by HK\$212,528,377.49 to HK\$284,981,486.03. Up to March 31, 2001, the Company credited HK\$43,338,809.61 to the special reserve, thus resulting in a further reduction of the maximum amount to be credited to the special reserve to HK\$241,642,676.42.

- (b) In the opinion of the directors, the Company did not have any reserves available for distribution to shareholders at the balance sheet date.

## 28. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, bears interest at 2% per annum over Hong Kong prime interest rate and has no fixed repayment terms.

The amount advanced to the subsidiary by the minority shareholder is considered as part of its contribution, together with paid up capital, made to finance the operations of that subsidiary. The minority shareholder agreed that the advance can be used to make good its share of the losses incurred by that subsidiary to the extent of the amount advanced to that subsidiary.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 29. UNPROVIDED DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Balance at the beginning of the year	34,121	34,644	12,078	10,236
Arising upon acquisition of subsidiaries	67,019	—	—	—
Credit (charge) for the year	7,052	(523)	(2,092)	1,842
Balance at the end of the year	<u>108,192</u>	<u>34,121</u>	<u>9,986</u>	<u>12,078</u>

At the balance sheet date, the components of the net potential deferred taxation asset not recognised in the financial statements are analysed as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax losses	116,806	33,900	9,957	12,102
Difference between depreciation allowance and accounting depreciation	(8,614)	221	29	(24)
Net potential deferred taxation asset	<u>108,192</u>	<u>34,121</u>	<u>9,986</u>	<u>12,078</u>

Of the potential deferred taxation asset mentioned above, the tax effect of tax losses amounting to approximately HK\$17,114,000 (2000: HK\$22,738,000) has not been agreed with the Inland Revenue Department.

The net potential deferred taxation asset has not been recognised in the financial statements as it is not certain that the deferred taxation asset will crystallise in the foreseeable future.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 29. UNPROVIDED DEFERRED TAXATION (continued)

The amount of the unprovided deferred taxation credit (charge) for the year is as follows:

Tax effect of timing differences because of:

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Tax losses:		
Arising upon acquisition of subsidiaries	<b>77,967</b>	—
Credit (charge) for the year	<b>4,939</b>	(1,014)
	<b>82,906</b>	(1,014)
Difference between depreciation allowance and accounting depreciation:		
Arising upon acquisition of subsidiaries	<b>(10,948)</b>	—
Credit for the year	<b>2,113</b>	491
	<b>(8,835)</b>	491
	<b>74,071</b>	(523)

# Notes to the Financial Statements

For the year ended March 31, 2001

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
(Loss) profit before taxation	<b>(56,951)</b>	24,816
Interest income	<b>(10,085)</b>	(4,889)
Interest expenses	<b>8,127</b>	580
Depreciation and amortisation	<b>20,892</b>	5,776
Loss (gain) on disposal of property, plant and equipment	<b>212</b>	(90)
Write off of property, plant and equipment	—	1,027
Write off of deposits	<b>120</b>	—
Deficit (surplus) arising from revaluation of an investment property	<b>494</b>	(1,104)
Gain on disposal of subsidiaries	<b>(456)</b>	(30,346)
Loss on deconsolidation of a subsidiary	—	2,360
Share of results of associates	<b>658</b>	17
Provision for amounts due from associates	<b>8,669</b>	—
Provision for impairment in value of non-trading securities	<b>4</b>	6
Loss on disposal of other assets	—	20
Write back of provision for other assets	—	(792)
Increase in inventories	<b>(14,860)</b>	(1,065)
Decrease (increase) in trade and other receivables	<b>2,315</b>	(12,361)
Increase in loans receivable	<b>(15,772)</b>	(14,138)
Increase in trade and other payables	<b>10,618</b>	6,254
Increase in bills payable	<b>609</b>	1,897
Increase in amounts due to related companies	<b>2,611</b>	—
Net cash outflow from operating activities	<b><u>(42,795)</u></b>	<b><u>(22,032)</u></b>



# Notes to the Financial Statements

For the year ended March 31, 2001

## 31. ACQUISITION OF SUBSIDIARIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net assets acquired comprise:		
Property, plant and equipment	105,974	—
Intangible assets	250,000	—
Amounts due from associates	259	—
Interests in associates	(192)	—
Inventories	4,458	—
Trade and other receivables	36,816	—
Bank balances and cash	6,804	—
Trade and other payables	(35,205)	—
Amounts due to minority shareholders	(3,936)	—
Taxation payable	(3,191)	—
Deferred taxation	(370)	—
Obligations under finance leases	(11)	—
Trust receipt loans	(5,949)	—
Other bank borrowings	(33,324)	—
Other borrowings	(46,000)	—
Bank overdraft	(23)	—
Minority interests	2,126	—
	<u>278,236</u>	<u>—</u>

*Satisfied by:*

Cash	128,236	—
5% fixed interest convertible redeemable loan notes	<u>150,000</u>	<u>—</u>
	<u>278,236</u>	<u>—</u>

# Notes to the Financial Statements

For the year ended March 31, 2001

## 31. ACQUISITION OF SUBSIDIARIES (continued)

Analysis of net outflow of cash and cash equivalent in respect of acquisition of subsidiaries:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash consideration paid	(128,236)	—
Bank balances and cash acquired	6,804	—
Bank overdraft acquired	(23)	—
	<u>(121,455)</u>	<u>—</u>

The subsidiaries acquired during the year utilised approximately HK\$9,132,000 of the Group's net operating cash flows, paid approximately HK\$3,554,000 in respect of the net returns on investments and servicing of finance, paid approximately HK\$4,718,000 for investing activities and raised approximately HK\$13,341,000 in respect of financing activities.

The subsidiaries acquired during the year contributed approximately HK\$152,892,000 to the Group's turnover, and approximately HK\$36,662,000 to the Group's loss from operations.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 32. DISPOSAL OF SUBSIDIARIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net assets disposed of comprise:		
Property, plant and equipment	7,863	11,228
Intangible assets	250,000	—
Interests in associates	35	—
Investments in securities	—	177
Inventories	178	5,069
Trade and other receivables	5,260	12,938
Bank balances and cash	1,018	4,180
Trade and other payables	(4,867)	(12,579)
Taxation payable	—	(6)
Deferred taxation	(370)	—
Amounts due to minority shareholders	(2,034)	(10,242)
Minority interests	111	—
	<u>257,194</u>	<u>10,765</u>
Gain on disposal	456	30,346
Translation reserve released upon disposal	—	4,656
Statutory reserve released upon disposal	—	(237)
Goodwill realised upon disposal	—	1,070
	<u>257,650</u>	<u>46,600</u>

*Satisfied by:*

Cash	255,485	46,600
Interests in associates reclassified	2,183	—
Other payable reclassified	(18)	—
	<u>257,650</u>	<u>46,600</u>

# Notes to the Financial Statements

For the year ended March 31, 2001

## 32. DISPOSAL OF SUBSIDIARIES (continued)

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

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cash consideration received	<b>255,485</b>	46,600
Bank balances and cash disposed of	<b>(1,018)</b>	(4,180)
	<b><u>254,467</u></b>	<b><u>42,420</u></b>

The subsidiaries disposed of during the year did not have any significant impact on the cash flows of the Group and contributed approximately HK\$2,137,000 to the Group's turnover, and approximately HK\$10,923,000 to the Group's loss from operations.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 33. DECONSOLIDATION OF A SUBSIDIARY

	<b>2001</b>	2000
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net assets deconsolidated comprise:		
Property, plant and equipment	—	1,075
Inventories	—	1,714
Trade and other receivables	—	174
Amount due from a fellow subsidiary	—	1,159
Bank balances and cash	—	424
Trade and other payables	—	(84)
Minority interests	—	(2,153)
	<u>—</u>	<u>2,309</u>
Translation reserve released upon deconsolidation	—	(407)
Statutory reserve released upon deconsolidation	—	(7)
Goodwill realised upon deconsolidation	—	1,624
Loss on deconsolidation	—	(2,360)
	<u>—</u>	<u>1,159</u>
<i>Represented by:</i>		
Amount due from a fellow subsidiary	<u>—</u>	<u>1,159</u>

The subsidiary deconsolidated in 2000 did not have any significant impact on the cash flows of the Group.

Outflow of cash and cash equivalents in respect of deconsolidation of subsidiary was represented by a decrease in bank balances and cash amounting to approximately HK\$424,000 in 2000.

# Notes to the Financial Statements

For the year ended March 31, 2001

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

	Share capital and premium	Convertible redeemable loan notes	Trust receipt loans	Other bank borrowings	Other borrowings	Obligations under finance leases	Minority interests	Amounts due to minority shareholders
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at April 1, 1999	122,601	—	9,555	—	33,580	132	2,164	10,073
Proceeds from issue of shares	162,235	—	—	—	—	—	—	—
Expenses incurred on issue of shares	(5,818)	—	—	—	—	—	—	—
Share of results by minority shareholders	—	—	—	—	—	—	(11)	—
Raised during the year	—	—	—	—	—	—	—	169
Repayment during the year	—	—	(9,555)	—	(33,580)	(132)	—	—
Eliminated upon disposal of subsidiaries	—	—	—	—	—	—	—	(10,242)
Eliminated upon deconsolidation of a subsidiary	—	—	—	—	—	—	(2,153)	—
Balance at March 31, 2000	279,018	—	—	—	—	—	—	—
Proceeds from issue of shares	56,152	—	—	—	—	—	—	—
Expenses incurred on issue of shares	(40)	—	—	—	—	—	—	—
Share of results by minority shareholders	—	—	—	—	—	—	(102)	—
Inception of finance lease contracts	—	—	—	—	—	250	—	—
Arising from acquisition of subsidiaries	—	—	5,949	33,324	46,000	11	(2,126)	3,936
Raised during the year	—	150,000	78,161	—	—	—	—	150
Repayment during the year	—	(150,000)	(49,475)	(13,606)	(46,000)	(8)	—	—
Eliminated upon disposal of subsidiaries	—	—	—	—	—	—	111	(2,034)
Acquisition of shares of a subsidiary from a minority shareholder	—	—	—	—	—	—	65	—
<b>Balance at March 31, 2001</b>	<b>335,130</b>	<b>—</b>	<b>34,635</b>	<b>19,718</b>	<b>—</b>	<b>253</b>	<b>(2,052)</b>	<b>2,052</b>

## 35. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001	2000
	HK\$'000	HK\$'000
Bank balances and cash	135,117	189,769
Bank overdrafts	(567)	(1,463)
	<b>134,550</b>	<b>188,306</b>

# Notes to the Financial Statements

For the year ended March 31, 2001

## 36. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises. The expiry date of these leases and the amount payable within the following year are summarised as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Operating leases which expire:		
Within one year	<b>7,652</b>	150
In the second to fifth year inclusive	<b>10,488</b>	11,284
	<b><u>18,140</u></b>	<u>11,434</u>

The Company had no significant operating lease commitments at the balance sheet date.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 37. CAPITAL COMMITMENTS

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Capital expenditure, contracted but not provided for in the financial statements in respect of:		
– acquisition of properties under development in Malaysia ( <i>note</i> )	<b>105,281</b>	105,281
– acquisition of property, plant and equipment	<b>955</b>	975
	<b><u>106,236</u></b>	<b><u>106,256</u></b>
Capital expenditure, authorised but not contracted for in respect of acquisition of property, plant and equipment	<b><u>5,196</u></b>	<b><u>—</u></b>

*Note: In the opinion of the directors of the Company, no demand for payment of these amounts will be made by the counterparties in the coming year.*

The Company had no significant capital commitments at the balance sheet date.



# Notes to the Financial Statements

For the year ended March 31, 2001

## 38. OTHER COMMITMENTS

At the balance sheet date, the Group had outstanding commitments in respect of licensing arrangements. The expiry date of the licensing arrangements and the amount payable within the following year are summarised as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	<b>HK\$'000</b>
In the second to fifth year inclusive	<b>4,585</b>	1,452
Over five years	—	2,035
	<b><u>4,585</u></b>	<b><u>3,487</u></b>

The Company had no significant other commitments at the balance sheet date.

## 39. CONTINGENT LIABILITIES

	<b>THE COMPANY</b>			
	<b>Guarantees given</b>	<b>Amount utilised</b>	<b>Guarantees given</b>	<b>Amount utilised</b>
	<b>2001</b>	<b>2001</b>	2000	2000
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Guarantees given to banks in respect of credit facilities granted to subsidiaries	<b><u>69,500</u></b>	<b><u>36,210</u></b>	<b><u>35,000</u></b>	<b><u>7,230</u></b>

A subsidiary of the Company was involved in legal proceedings or claims against it in the ordinary course of its business activity. In the opinion of the directors of the Company, resolution of such litigation and claims will not have a material adverse effect on the Group's financial position and accordingly no provision for any potential liability in the Group's financial statements is considered necessary.

The Group had no significant contingent liabilities at the balance sheet date.

# Notes to the Financial Statements

*For the year ended March 31, 2001*

## **40. LONG SERVICE PAYMENTS**

The Group has a number of employees who have completed the required number of years of service to be eligible for long service payments on termination of their employment under the Employment Ordinance (the “Ordinance”). The Group is only liable to make these payments if termination of employment meets the circumstances which are specified in the Ordinance. Had employment of all eligible employees been terminated on March 31, 2001 and long service payments were paid in accordance with the Ordinance, the amount payable would be approximately HK\$2,584,000 (2000: HK\$1,796,000). No provision has been made in the financial statements in respect of these long service payments.

## **41. PLEDGE OF ASSETS**

At March 31, 2001, the Group’s borrowings were secured by the following assets of the Group:

- (a) leasehold land and buildings with carrying value of approximately HK\$7 million;
- (b) plant and machinery with an aggregate carrying value of approximately HK\$53 million; and
- (c) bank deposits of approximately HK\$3 million.

No assets of the Group were pledged as at March 31, 2000.

# Notes to the Financial Statements

*For the year ended March 31, 2001*

## **42. RELATED PARTY TRANSACTIONS**

During the year, the Group had the following significant transactions with related parties:

- (a) On May 16, 2000, the Group acquired from Questrel Holdings Limited, a company controlled by Mr. Albert Yeung, Record Breakers Limited, Glorious Twelfth Holdings Limited, Darling Land Limited and Receivable Agents Limited (collectively the “Digital Rights Companies”) which held the internet streaming rights of songs recordings and movies, at a total consideration of HK\$250 million, out of which a total amount of HK\$150 million was settled by the issue of 5% fixed interest convertible redeemable loan notes (“Loan Notes”) by the Company with the same face amount, and the remainder was settled in cash.

During the year, the Group paid an interest on the Loan Notes amounted to HK\$4,063,000.

- (b) On September 28, 2000, the Group sold to a wholly owned subsidiary of EIHL the entire equity interests of the Amazing Growth Profits Limited which held the Digital Rights Companies (collectively the “Amazing Growth Group”) and the shareholder’s loan outstanding from the Amazing Growth Group at a consideration of HK\$250 million. HK\$100 million was settled in cash upon completion of the transaction. The remaining balance of HK\$150 million was payable in cash within 6 months after the completion date and bearing interest at prime rate per annum until payment in full. EIHL is a deemed substantial shareholder of the Company.

Interest received by the Group in connection with this transaction during the year amounted to approximately HK\$6,799,000.

On the same date, the Group disposed of 50% equity interest in the share capital of eDaily Group Limited and its subsidiaries (collectively the “eDaily Group”) and 50% of shareholder’s loan outstanding from the eDaily Group to EIHL at a consideration of approximately HK\$2.2 million.

# Notes to the Financial Statements

*For the year ended March 31, 2001*

## **42. RELATED PARTY TRANSACTIONS** *(continued)*

- (c) On June 27, 2000, the Company acquired Island Gold Development Limited and its subsidiaries (collectively the “Island Gold Group”) from Graneagle Holdings Limited (“Graneagle”), an associate of EIHL at that time, at a consideration of approximately HK\$28.2 million which represented the loan outstanding from the Island Gold Group to Graneagle after netting off the net liabilities of the Island Gold Group.

In 2000:

- (a) On May 25, 1999, the Company entered into an underwriting agreement with Goldstream Group Limited (“Goldstream”). Pursuant to the underwriting agreement, Goldstream has underwritten 86,835,870 shares and received 2.5% underwriting commissions of approximately HK\$543,000. Goldstream is a substantial shareholder of the Company.
- (b) On May 25 and October 12, 1999, the Company entered into underwriting agreements with Emperor Securities Limited (“ESL”). Pursuant to the underwriting agreements, ESL has underwritten 44,000,000 and 157,003,044 shares and received 2.5% underwriting commission of approximately HK\$275,000 and HK\$1,178,000 respectively. ESL is a wholly owned subsidiary of EIHL.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 42. RELATED PARTY TRANSACTIONS (continued)

Other significant transactions of the Group with subsidiaries of EIHL and related companies in which a substantial shareholder of the Company has beneficial interests were:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>3,860</b>	3,375
Rental charges	<b>4,327</b>	640
Advertising income	<b>2,041</b>	—
Management fee and professional fee charges	<b>1,592</b>	1,306
Printing and publishing income	<b>776</b>	—

These transactions were carried out after negotiations between the Group and the related parties and on the basis of estimated market value as determined by the directors of the Company.

# Notes to the Financial Statements

For the year ended March 31, 2001

## 43. SEGMENT INFORMATION

The Group's turnover and contribution to (loss) profit before taxation for the year ended March 31, 2001, analysed by principal activity and geographical area of operation, are as follows:

	Turnover		Contribution	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>Principal activity:</b>				
Continuing operations:				
Apparel trading	138,725	109,907	4,737	4,523
Printing and publishing	152,892	—	(35,996)	—
Marine product trading	100,411	92,748	1,029	(2,630)
Internet content and website operation	2,137	—	(10,923)	(6,643)
Financial services	3,001	—	(4,110)	—
Property investment and rental	644	659	36	514
	<u>397,810</u>	<u>203,314</u>	<u>(45,227)</u>	<u>(4,236)</u>
Discontinued operations:				
Distilled water trading	—	7,399	—	(1,126)
Jewellery retailing	—	671	—	(27)
	<u>—</u>	<u>8,070</u>	<u>—</u>	<u>(1,153)</u>
	<u>397,810</u>	<u>211,384</u>	<u>(45,227)</u>	<u>(5,389)</u>
Interest income			10,085	4,889
Interest expense on convertible redeemable loan notes			(4,063)	—
Other interest expenses			(4,064)	(580)
Headquarter general and administrative expenses			(4,317)	(2,073)
Provision for amounts due from associates			(8,669)	—
Deficit arising on revaluation of investment properties			(494)	—
Gain on disposal of subsidiaries			456	30,346
Loss on deconsolidation of a subsidiary			—	(2,360)
Share of results of associates			(658)	(17)
(Loss) profit before taxation			<u>(56,951)</u>	<u>24,816</u>

# Notes to the Financial Statements

For the year ended March 31, 2001

## 43. SEGMENT INFORMATION (continued)

	Turnover		Contribution	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>Geographical area:</b>				
The PRC				
– Hong Kong	<b>307,705</b>	124,748	<b>(65,440)</b>	(15,105)
– Other regions	<b>88,304</b>	81,880	<b>20,173</b>	9,427
Others	<b>1,801</b>	4,756	<b>40</b>	289
	<b><u>397,810</u></b>	<b><u>211,384</u></b>	<b>(45,227)</b>	(5,389)
Interest income			<b>10,085</b>	4,889
Interest expense on convertible redeemable loan notes			<b>(4,063)</b>	—
Other interest expenses			<b>(4,064)</b>	(580)
Headquarter general and administrative expenses			<b>(4,317)</b>	(2,073)
Provision for amounts due from associates			<b>(8,669)</b>	—
Deficit arising on revaluation of investment properties			<b>(494)</b>	—
Gain on disposal of subsidiaries			<b>456</b>	30,346
Loss on deconsolidation of a subsidiary			—	(2,360)
Share of results of associates			<b>(658)</b>	(17)
(Loss) profit before taxation			<b><u>(56,951)</u></b>	<b><u>24,816</u></b>

# Notes to the Financial Statements

For the year ended March 31, 2001

## 44. PARTICULARS OF MAJOR SUBSIDIARIES

Particulars of the Group's major subsidiaries as at March 31, 2001 are as follows:

Name of subsidiary	Place of incorporation	Nominal value of issued ordinary share capital	Proportion of equity interests held by the Company		Principal activities
			Directly	Indirectly	
Acute Investments Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Capital Asia Properties Limited	Hong Kong	HK\$2	—	100%	Property investment
Century Lead Limited	Hong Kong	HK\$2	—	100%	Apparel trading
China-V (HK) Limited	Hong Kong	HK\$2	—	100%	Marine products wholesaling
Economic Digest Publications Limited	Hong Kong	HK\$800,000	—	100%	Publishing of magazines
Fisherton Holdings Limited	Hong Kong	HK\$2	—	100%	Investment holding
French Trade Marketing Limited	Hong Kong	HK\$10,000	—	100%	Apparel trading
FTM (Asia) Limited	Hong Kong	HK\$2	—	100%	Apparel trading
FTM (HK) Limited	Hong Kong	HK\$2	—	100%	Apparel trading
Full Ahead Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Gold Stock Resources Limited	Samoa	US\$1	—	100%	Apparel trading
Goldgain Services Limited	Samoa	US\$1	—	100%	Apparel trading



# Notes to the Financial Statements

For the year ended March 31, 2001

## 44. PARTICULARS OF MAJOR SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation	Nominal value of issued ordinary share capital	Proportion of equity interests held by the Company		Principal activities
			Directly	Indirectly	
Hong Kong Daily News, Limited	Hong Kong	HK\$100,000	—	100%	Newspaper publishing
Hong Kong Daily Offset Printing Limited	Hong Kong	HK\$2	—	100%	Provision of printing services
Island Gold Developments Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Jasmine Management Limited	Samoa	US\$1	—	100%	Apparel trading
Jesmond International Limited	Samoa	US\$1	—	100%	Glass eel trading
Pacific Globe Limited	Hong Kong	HK\$2	—	100%	Publishing of magazine
Smart Ideal Limited	Hong Kong	HK\$100	—	75%	Publishing of magazine
Trade Wisdom Limited	Hong Kong	HK\$2	—	100%	Marine products packing
Treasure Smart Limited	Hong Kong	HK\$2	—	100%	Glass eel trading
V. Whale Limited	Hong Kong	HK\$1,000,000	—	100%	Marine products trading
Well Charter Limited	Hong Kong	HK\$10,000,000	—	100%	Investment holding
Wide Connection Limited	Hong Kong	HK\$2	—	100%	Publishing of magazine

# Notes to the Financial Statements

For the year ended March 31, 2001

## 44. PARTICULARS OF MAJOR SUBSIDIARIES *(continued)*

- (a) All the above subsidiaries operate in Hong Kong except those companies incorporated overseas.
- (b) None of the subsidiaries had any loan capital subsisting at March 31, 2001 or at any time during the year.
- (c) The above table lists 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 assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 45. PARTICULARS OF MAJOR ASSOCIATES

Particulars of the Group's major associates as at March 31, 2001 are as follows:

Name of associate	Place of incorporation	Nominal value of issued ordinary share capital	Proportion of equity interests held by the Group	Principal activities
eDaily Group Limited	British Virgin Islands	US\$100	28%	Investment holding and internet content provider
eDigest Limited	Hong Kong	HK\$100	46%	Internet website operations
eWeekend Limited	Hong Kong	HK\$100	42.4%	Internet website operations
HK News Limited	Hong Kong	HK\$100	46%	Internet website operations

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