

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended September 30, 2001

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2001 except as described below.

The Group has adopted a number of new and revised SSAPs for the first time in the Period.

During the Period, the assets acquired which included intangible assets and publishing library as a part of the business of Eastweek and Oriental Sunday are stated at cost less impairment loss and amortised on a straight line basis over ten years.

In the Period, the Group has adopted SSAP 30 "Business Combinations" and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 has been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 has been recognised retrospectively. The effect of these adjustments is summarised in note 2. Goodwill arising on acquisitions after April 1, 2001 is capitalized and amortised over its estimated useful life of not more than twenty years. Negative goodwill arising on acquisitions after April 1, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

2. PRIOR PERIOD ADJUSTMENTS

The financial effect of the adoption of the new/revised accounting policies described in Note 1 is summarised below:

	Balance at April 1, 2001	Balance at April 1, 2000	Balance at April 1, 2000	Balance at April 1, 2000
	Deficit	(Goodwill)	Retained	(Goodwill)
	capital	reserve	profits	capital
	reserve	reserve	(deficit)	reserve
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As previously stated	<u>(10,254)</u>	<u>(79,116)</u>	<u>46,681</u>	<u>(79,051)</u>
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation	(84,638)	84,638	(84,573)	84,573
Restatement of negative goodwill held in reserves with retrospective release to income	<u>5,522</u>	<u>(5,522)</u>	<u>5,522</u>	<u>(5,522)</u>
	<u>(79,116)</u>	<u>79,116</u>	<u>(79,051)</u>	<u>79,051</u>
As restated	<u><u>(89,370)</u></u>	<u><u>—</u></u>	<u><u>(32,370)</u></u>	<u><u>—</u></u>

2. PRIOR PERIOD ADJUSTMENTS *(continued)*

The effect of these changes in accounting policies on the results for the Period and prior periods is as follows:

	April 1, 2001 to September 30, 2001 <i>HK\$'000</i>	April 1, 2000 to September 30, 2000 <i>HK\$'000</i>	April 1, 2000 to March 31, 2001 <i>HK\$'000</i>
Increase in loss attributable to shareholders for the periods as a result of:			
Impairment loss of goodwill in respect of acquisition of subsidiaries	<u>(689)</u>	<u>(65)</u>	<u>(65)</u>

3. SEGMENT INFORMATION

	Turnover Six months ended September 30,		Contribution to loss before taxation Six months ended September 30,	
	2001 <i>HK\$'000</i> (unaudited)	2000 <i>HK\$'000</i> (unaudited)	2001 <i>HK\$'000</i> (unaudited)	2000 <i>HK\$'000</i> (unaudited) (restated)
Business segments				
Continuing operations:				
Apparel trading	74,483	66,367	1,868	4,641
Printing and publishing	135,673	48,165	(27,119)	(5,793)
Marine product trading	26,345	30,825	(736)	(514)
Financial services	407	1,388	201	1,352
	<u>236,908</u>	<u>146,745</u>	<u>(25,786)</u>	<u>(314)</u>
Discontinued operations:				
Internet content and website operation	—	2,137	—	(10,923)
Lease of property	265	217	330	113
	<u>265</u>	<u>2,354</u>	<u>330</u>	<u>(10,810)</u>
	<u>237,173</u>	<u>149,099</u>	<u>(25,456)</u>	<u>(11,124)</u>
Interest income			2,129	2,368
Interest expenses on convertible redeemable loan notes			—	(2,795)
Other interest expenses			(1,369)	(1,230)
Corporate general and administrative expenses			(2,387)	(2,449)
Write-back of provision for amounts due from associates			558	—
Gain on disposal of subsidiaries			—	446
Share of results of associates			—	(1,467)
Loss before taxation			<u>(26,525)</u>	<u>(16,251)</u>

3. SEGMENT INFORMATION (continued)

	Turnover		Contribution to loss before taxation	
	Six months ended September 30,		Six months ended September 30,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited) (restated)
Geographical segments				
The PRC				
– Hong Kong	202,779	115,492	(37,011)	(21,421)
– Other regions	34,394	32,119	11,555	10,128
Others	—	1,488	—	169
	<u>237,173</u>	<u>149,099</u>	<u>(25,456)</u>	<u>(11,124)</u>
Interest income			2,129	2,368
Interest expenses on convertible redeemable loan notes			—	(2,795)
Other interest expenses			(1,369)	(1,230)
Corporate general and administrative expenses			(2,387)	(2,449)
Write-back of provision for amounts due from associates			558	—
Gain on disposal of subsidiaries			—	446
Share of results of associates			—	(1,467)
Loss before taxation			<u>(26,525)</u>	<u>(16,251)</u>

4. LOSS FROM OPERATIONS

	Six months ended	
	September 30, 2001	September 30, 2000
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:		
Depreciation and amortisation		
– owned assets	12,041	7,764
– assets held under finance leases	29	1
Loss on disposal of investment property	185	—
	<u>12,255</u>	<u>7,765</u>

5. TAXATION

	Six months ended	
	September 30,	
	(unaudited)	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Profits Tax for the Period of the Company and its subsidiaries		
Hong Kong	—	(227)
Other regions in the PRC	—	(20)
	<u>—</u>	<u>(247)</u>

No provision for Hong Kong Profits Tax has been made as there are no assessable profits for the Period. Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit for the prior period. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant jurisdiction.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK\$26,446,000 (2000: HK\$16,493,000) and on 589,257,804 shares (2000: the weighted average of 576,705,017 shares) in issue during the Period.

No disclosure of diluted loss per share figure for the Period is shown as there were no dilutive potential shares outstanding during the Period.

No disclosure of diluted loss per share figure for the six months ended September 30, 2000 was made as the exercise of convertible loan notes would not have dilutive effect on the loss per share figure.

7. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended September 30, 2001 (2000: nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment amounting to approximately HK\$18,232,000 and also disposed of property, plant and equipment with an aggregate net book value of approximately HK\$1,600,000.

9. INTANGIBLE ASSETS

During the Period, the Group acquired the business of Eastweek and Oriental Sunday. The amount represents the copyright in the photographs and articles and the trademarks and intellectual rights attaching to the business of Eastweek and Oriental Sunday.

10. GOODWILL

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) (restated) HK\$'000
Goodwill arising on acquisition of subsidiaries	15,470	65
Less: Impairment loss	(689)	(65)
	<u>14,781</u>	<u>—</u>

11. PUBLISHING LIBRARY

The amounts comprise the past issues of the Eastweek Magazine and Oriental Sunday Magazine and the related published and non-published negatives, prints and articles.

The publishing library was acquired as part of the acquisition of the business of Eastweek and Oriental Sunday.

12. 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 reporting date:

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) HK\$'000
0 – 30 days	35,198	24,318
31 – 90 days	16,948	13,222
91 – 180 days	7,809	4,466
> 180 days	3,857	2,625
	<u>63,812</u>	<u>44,631</u>
Other receivables, deposits and prepayments	17,959	13,806
	<u>81,771</u>	<u>58,437</u>

13. TRADE AND OTHER PAYABLES

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

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) HK\$'000
0 – 90 days	36,062	27,040
91 – 180 days	4,866	5,455
> 180 days	1,698	807
	<hr/>	<hr/>
Other payables and accrued charges	42,626	33,302
	38,384	29,393
	<hr/>	<hr/>
	81,010	62,695
	<hr/> <hr/>	<hr/> <hr/>

14. SHARE CAPITAL

The following changes in the authorised, issued and fully paid share capital of the Company took place during the year ended March 31, 2001 and six months ended September 30, 2001, respectively:

	Number of shares of HK\$0.01 each	Value HK\$'000
<i>Authorised:</i>		
At March 31, 2001 and September 30, 2001	50,000,000,000	500,000
	<hr/>	<hr/>
<i>Issued and fully paid:</i>		
At April 1, 2000	504,177,804	5,042
Issue of shares as a result of subscription	85,080,000	851
	<hr/>	<hr/>
At March 31, 2001 and September 30, 2001	589,257,804	5,893
	<hr/> <hr/>	<hr/> <hr/>

15. COMMITMENTS

Operating lease commitments

At the reporting 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 are summarised as follows:

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) HK\$'000
Operating leases which expire:		
Within one year	24,351	18,140
In the second to fifth year inclusive	18,005	11,359
	<u>42,356</u>	<u>29,499</u>

Capital commitments

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) HK\$'000
Capital expenditure, contracted for but not provided in the financial statements in respect of:		
– acquisition of properties under development in Malaysia (<i>note</i>)	105,281	105,281
– acquisition of property, plant and equipment	4,926	955
	<u>110,207</u>	<u>106,236</u>
Capital expenditure, authorised but not contracted for in respect of acquisition of property, plant and equipment	<u>—</u>	<u>5,196</u>

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

15. COMMITMENTS (continued)

Other commitments

At the reporting date, the Group had outstanding commitments in respect of licensing arrangements (the "Arrangements"). The expiry dates of the Arrangements and the amount payable are summarised as follows:

	September 30, 2001 (unaudited) HK\$'000	March 31, 2001 (audited) HK\$'000
Licensing arrangements:		
Within one year	3,767	4,585
In the second to fifth year inclusive	12,149	14,286
	<u>15,916</u>	<u>18,871</u>

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 September 30, 2001 and long service payments were paid in accordance with the Ordinance, the amount payable but not provided for would be approximately HK\$2,439,000 (March 31, 2001: HK\$2,250,000).

16. ACQUISITION OF SIGNIFICANT SUBSIDIARIES

Acquisition of subsidiaries

On September 17, 2001, the Group acquired the business of being the proprietor and publisher of Eastweek and Oriental Sunday and 50% equity interest in Eastweek.com at a total consideration of approximately HK\$65 million, with HK\$50 million and HK\$15 million being allocated as the consideration for the business acquired, and the sale shares and the outstanding debts due to the vendor respectively.

The following summaries the effect of the acquisition:

	<i>HK\$'000</i>
Net assets acquired	50,219
Goodwill arising on acquisition	14,781
	<u>65,000</u>
Satisfied by	
Cash consideration paid	<u>65,000</u>

17. RELATED PARTY TRANSACTIONS

- (a) On May 16, 2000, the Group acquired 100% of the issued share capital of certain companies holding digital streaming rights from various subsidiaries of Questrel Holdings Limited ("Questrel"), a company controlled by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"), a substantial shareholder of the Company, for a consideration of HK\$250,000,000.
- (b) On June 27, 2000, the Group acquired the entire equity interest in Island Gold Developments Limited from Graneagle Holdings Limited, a company in which Emperor International Holdings Limited ("Emperor International") had a beneficial interest, for a cash consideration of approximately HK\$28,802,000. This transaction has been accounted for by using the acquisition method of accounting.
- (c) On September 28, 2000, the Group disposed of its 50% interest in certain subsidiaries, which are engaged in the business of internet content and website operations, to a wholly owned subsidiary of Emperor International for a cash consideration of approximately HK\$2,183,000. No gain or loss was arised on the disposal of those subsidiaries.
- (d) During the Period, the Group had the following significant transactions with subsidiaries of Emperor International and related companies in which a substantial shareholder of the Company has beneficial interests:

	Six months ended	
	September 30, 2001 (unaudited) HK\$'000	September 30, 2000 (unaudited) HK\$'000
Sales of goods	1,524	1,887
Rental charges	3,142	1,847
Advertising income	1,020	—
Management fee and professional fee charges	1,079	630
Printing and publishing income	243	908
Advertising expenses paid and payable	—	757
Interest expenses	—	2,795
	—	—

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.