Notes to the Financial Statements

For the year ended 31 March 2002

1. COMPANY ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in property investment and strategic investments.

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$10 million at 31 March 2002. After taking into account the expected cash flows for the ensuing year and the financial support agreed to be provided by a major shareholder, the directors have arrived at the opinion that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of Measurement

The financial statements have been prepared on historical cost basis.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

A subsidiary is a company 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 controls the composition of the board of directors.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 3(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case, it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates *(Continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provided evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investments in associates are stated at cost less any impairment losses (see note 3(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the investor or venturer, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of acquisitions of subsidiaries and associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill in respect of subsidiaries is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 3(j)). The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 3(j)) in respect of associates is included in the carrying amount of the interests in associates.

Negative goodwill arising on acquisition of subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

In respect of any negative goodwill not yet recognised in the consolidated income statement:

— for subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

— for associates, such negative goodwill is included in the carrying amount of the interests in associates.

On disposal of a subsidiary or associate, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the calculation of the profit or loss on disposal.

(f) Other Investments in Securities

The Group's policies for investments in securities other than investments in subsidiaries and associates are as follows:

(i) Investments held on a continuing basis for an identified long-term purpose are classified as "investment securities". Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, Plant and Equipment

(i) Property, plant and equipment are carried in the balance sheet on the following bases:

— Investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;

— moulds under construction are stated in the balance sheet at cost. Cost includes the raw materials costs, labour and an appropriate proportion of overhead costs. Cost on completed moulds are transferred to moulds and loose tools; and

— Other property, plant and equipment are stated at cost less accumulated depreciation (see note 3(i)) and impairment losses (see note 3(j)).

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserve. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of investment properties, immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of investment properties, had previously been charged to the income statement.

(iii) Major expenditures on modifications and betterments of property, plant and equipment which will result in future economic benefit are capitalised, while expenditures on repairs and maintenance are expensed when incurred.

(iv) Gains or losses arising from the retirement or disposal of an asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surplus or deficit previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Trademark

Trademark is stated at cost less accumulated amortisation (note 3(i)) and impairment losses (note 3(j)).

(i) Amortisation and Depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years.

(ii) No depreciation is provided on moulds under construction until the completion of construction.

(iii) Depreciation is calculated on a straight-line basis to write off the cost of other property, plant and equipment over their estimated useful lives. The annual rates of depreciation are as follows:

Land and buildings	Over the remaining unexpired term of the leases or fifty years, whichever is shorter
Leasehold improvements	Over the remaining unexpired term of the leases or ten years, whichever is shorter
Furniture, fixtures and equipment	10% - 25%
Motor vehicles	25%
Moulds and loose tools	10% - 25%
Plant and machinery	10%

(iv) The cost of trademark is amortised on a straight-line basis over a period of ten years.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of Assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (other than properties carried at revalued amounts);
— investments in subsidiaries and associates;
— intangible assets; and
— positive goodwill

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(l) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Revenue Recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised in the income statement as follows:

(i) Sales of goods

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

(ii) Interest income

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

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Operating Leases

Rental payable under operating leases are accounted for in the income statement on a straight-line basis over the periods of the relevant leases.

(o) Translation of Foreign Currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results and balance sheet items of foreign subsidiaries denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(p) Retirement Costs

Since 1 December 2000, the Group participated in a master trust scheme provided by an independent Mandatory Provident Fund Service provider to comply with the requirements under the Mandatory Provident Fund Scheme Ordinance.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

(q) Borrowing Costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(s) Cash Equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

(t) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primarily reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Segment Reporting *(Continued)*

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. TURNOVER — DISCONTINUED OPERATIONS

The Group had no turnover for the year (2001: it represented the sales value of goods supplied to customers).

The Group was previously engaged in manufacturing and trading of toy products in the People's Republic of China (including Hong Kong). During the year, the Group has disposed of the toys manufacturing and distribution businesses including the "Playwell" trademark ownership through the sale of three wholly-owned subsidiaries to certain independent third parties at a total consideration of HK$16.13 million. The Group's toys business has been on a decline since 1995 and the disposal had put a stop to the recurring substantial operating loss.

5. OTHER REVENUE

	2002	2001
	HK$	*HK$*
Interest income from banks	**230,909**	192,486
Rental income	**30,000**	—
Net exchange gain	**—**	176,112
Others	**305,390**	5,746,405
	566,299	6,115,003

Notes to the Financial Statements

For the year ended 31 March 2002

6. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging the following items:

	2002	2001
	HK$	*HK$*
Cost of inventories	—	67,589,706
Directors' remuneration *(note 10)*	**686,500**	274,000
Other staff salaries and allowances	**2,404,400**	9,925,510
Retirement costs	**94,736**	167,705
Redundancy payments	—	2,791,901
Total staff costs	**3,185,636**	13,159,116
Auditors' remuneration		
— current year	**203,000**	295,235
— under/(over)-provision in prior years	**175,270**	(530,919)
Depreciation of property, plant and equipment		
— owned assets	**202,683**	29,507,218
— assets held under finance leases	—	617,776
Impairment loss on property, plant and equipment	—	68,447,899
Loss on disposal of property, plant and equipment	—	27,835,853
Amortisation of trademark	—	48,839
Impairment loss on trademark	—	29,666
Amortisation of positive goodwill	**213,758**	—
Operating lease rentals in respect of rented premises	**1,061,140**	3,668,873
Provision for diminution in value of investment securities	**20,000,000**	—
Preliminary expenses	**3,530**	32,600

Included in the cost of inventories are the following:

	2002	2001
	HK$	*HK$*
Inventories written off	—	340,894

Notes to the Financial Statements

For the year ended 31 March 2002

7. NON-OPERATING INCOME/(EXPENSES), NET

	2002	2001
	HK$	*HK$*
Loss on deemed disposal of an associate	**—**	(12,733,000)
Gain on disposal of an associate	**—**	310,985
Loss on disposal of a subsidiary not consolidated	**—**	(53,624)
Gain/(loss) on disposal of subsidiaries	**4,495,188**	(161,478)
	4,495,188	(12,637,117)

8. FINANCE COSTS

	2002	2001
	HK$	*HK$*
Interest on bank borrowings wholly repayable within five years	**155,755**	2,472,947
Interest on amount due to a major shareholder *(note 30)*	**—**	3,833,144
Finance charges on obligations under finance leases	**4,033**	67,552
Interest payable to Inland Revenue Department *(note 29)*	**4,090,113**	—
Total borrowing costs	**4,249,901**	6,373,643

9. TAXATION

(a) Taxation in the consolidated income statement represents:

	2002	2001
	HK$	*HK$*
Hong Kong profits tax		
— current year	**—**	—
— over-provision in prior years	**88,683**	—
Deferred taxation *(note 23)*	**—**	698,000
	88,683	698,000

Notes to the Financial Statements

For the year ended 31 March 2002

9. TAXATION *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no estimated assessable profits derived in Hong Kong for the year.

(b) Tax payable in the consolidated balance sheet represents balance of profits tax provision in respect of prior years *(see note 29)*.

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2002	2001
	HK$	*HK$*
Fees	**300,000**	—
Other emoluments		
— salaries and other benefits	**386,500**	274,000
	686,500	274,000

Included in the directors' remuneration were fees of HK$300,000 (2001: Nil) paid to the three independent non-executive directors during the year.

The remuneration of the directors is within the following bands:

	Number of directors	
	2002	2001
Nil - HK$1,000,000	**7**	14

Notes to the Financial Statements

For the year ended 31 March 2002

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2001: one) is a director whose emoluments have been disclosed in note 10. The aggregate of the emoluments in respect of the other four (2001: four) individuals are as follows:

	2002	2001
	HK$	*HK$*
Salaries and other emoluments	**1,172,863**	1,212,868
Retirement scheme contributions	**39,000**	31,750
	1,211,863	1,244,618

The emoluments of the four (2001: four) individuals with the highest emoluments are within the Nil — HK$1,000,000 band.

12. NET LOSS FOR THE YEAR

The consolidated loss for the year includes a net loss of HK$21,885,536 (2001: HK$147,623,049) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of loss per share is based on the loss for the year of HK$26,356,094 (2001: HK$151,556,575) and the weighted average of 855,361,039 shares (2001: 510,820,345 shares) in issue during the year.

(b) Diluted loss per share

No diluted loss per share has been compiled and presented for the two years ended 31 March 2002 and 2001 because there were no dilutive potential shares in existence during these two years.

Notes to the Financial Statements

For the year ended 31 March 2002

14. SEGMENT REPORTING AND BUSINESS SEGMENTS

Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

The Group comprises the following main business segments:

Strategic investments	:	The investments in investment securities, which engage in design and integration of automation and system, design and supply of software and manufacture and distribution of copper clad laminate products, to generate dividend income and gain from appreciation in the investment value in the long term.
Property investment	:	The leasing of office premises and shopping arcades to generate rental income.
Toys business	:	The manufacture and sale of toys products.
Property development	:	The development and sale of office premises and residential properties.

	Continuing operations				Discontinued operations					
	Strategic investments		Property investment		Toys business		Property development		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Revenue from external customers	**–**	–	**–**	–	**–**	37,757,524	**–**	–	**–**	37,757,524
Segment results	**(20,005,760)**	8,716	**(284,418)**	(28,005)	**1,302,642**	(138,135,782)	**–**	(659,989)	**(18,987,536)**	(138,815,060)
Unallocated operating expenses									**(7,702,528)**	(4,027,755)
Loss from operations									**(26,690,064)**	(142,842,815)
Non-operating income/ (expenses), net									**4,495,188**	(12,637,117)
Finance costs									**(4,249,901)**	(6,373,643)
Share of results of an associate									**–**	9,599,000
Taxation									**88,683**	698,000
Net loss for the year									**(26,356,094)**	(151,556,575)

Notes to the Financial Statements

For the year ended 31 March 2002

14. SEGMENT REPORTING AND BUSINESS SEGMENTS *(Continued)*

Business segments *(Continued)*

	Continuing operations				Discontinued operations							
	Strategic investment		Property investment		Toys business		Property development		Inter-segment elimination		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Depreciation and amortisation for the year	**–**	–	**213,758**	–	**–**	30,038,793	**–**	6,807				
Impairment loss for the year	**–**	–	**–**	–	**–**	68,477,565	**–**	–				
Provision for diminution in value of investment securities	**20,000,000**	–	**–**	–	**–**	–	**–**	–				
Significant non-cash expenses (other than depreciation and amortisation)	**–**	–	**–**	–	**–**	27,835,853	**–**					
Segment assets	**245,944,780**	175,944,008	**141,012,462**	31,550,000	**42,344,473**	73,339,118	**–**	–	**(35,776,025)**	(50,280,510)	**393,525,690**	230,552,616
Unallocated assets											**2,686,515**	1,556,946
Total assets											**396,212,205**	232,109,562
Segment liabilities	**269,040,864**	179,034,332	**129,647,883**	31,578,003	**85,088,903**	242,994,900	**–**	–	**(466,272,144)**	(344,078,659)	**17,505,506**	109,528,576
Unallocated liabilities											**45,335,551**	51,330,038
Total liabilities											**62,814,057**	160,858,614
Minority interests											**34,944**	34,944
											62,876,001	160,893,558
Capital expenditure incurred during the year	**90,000,000**	179,000,000	**97,783,000**	31,550,000	**–**	–	**–**	–				

Geographical segments

In view of the fact that the Group mainly operates in the People' Republic of China (including Hong Kong) during the year, no geographical segmental information is presented.

Notes to the Financial Statements

For the year ended 31 March 2002

15. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Investment properties HK$	Land and building HK$	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Moulds and loose tools HK$	Plant and machinery HK$	Total HK$
Cost or valuation								
At 1/4/2001	31,550,000	26,234,933	36,246,064	9,097,283	9,707,233	172,755,726	123,227,893	408,819,132
Additions	97,783,000	—	—	25,880	—	—	—	97,808,880
Disposals	—	(2,120,000)	—	—	—	—	—	(2,120,000)
Disposal of subsidiaries	—	(24,114,933)	(35,663,003)	(7,966,861)	(9,707,233)	(172,755,726)	(123,227,893)	(373,435,649)
Surplus on revaluation *(note (d) below)*	11,677,000	—	—	—	—	—	—	11,677,000
At 31/3/2002	141,010,000	—	583,061	1,156,302	—	—	—	142,749,363
Representing:								
Cost	—	—	583,061	1,156,302	—	—	—	1,739,363
Valuation — 2002	141,010,000	—	—	—	—	—	—	141,010,000
At 31/3/2002	141,010,000	—	583,061	1,156,302	—	—	—	142,749,363
Aggregate depreciation								
At 1/4/2001	—	25,034,933	33,368,423	7,506,712	9,547,532	172,755,726	113,635,301	361,848,627
Charge for the year	—	—	69,122	133,561	—	—	—	202,683
Written back on disposals	—	(920,000)	—	—	—	—	—	(920,000)
Written back on disposal of subsidiaries	—	(24,114,933)	(32,854,484)	(6,827,672)	(9,547,532)	(172,755,726)	(113,635,301)	(359,735,648)
At 31/3/2002	—	—	583,061	812,601	—	—	—	1,395,662
Net book value								
At 31/3/2002	141,010,000	—	—	343,701	—	—	—	141,353,701
At 31/3/2001	31,550,000	1,200,000	2,877,641	1,590,571	159,701	—	9,592,592	46,970,505

Notes to the Financial Statements

For the year ended 31 March 2002

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The analysis of the net book value of the Group's properties is as follows:

	The Group	
	2002	2001
	HK$	*HK$*
Land and buildings held in Hong Kong under medium-term leases	**—**	1,200,000
Investment properties held outside Hong Kong under medium-term leases	**141,010,000**	31,550,000
	141,010,000	32,750,000

(c) At 31 March 2002, certificate of ownership in respect of investment properties located in the PRC had not been issued by the relevant authorities. The directors anticipate that such certificates will be issued in due course.

(d) Investment properties of the Group situated in the PRC were revalued at 31 March 2002 by an independent firm of surveyors, Chung, Chan & Associates, on an open market value basis. The revaluation surplus of HK$11,677,000 has been transferred to the investment properties revaluation reserve *(note 25)*.

(e) Subsequent to the balance sheet date, all investment properties will be disposed of. Details of the disposal were disclosed in note 31(a) and (b).

Notes to the Financial Statements

For the year ended 31 March 2002

16. GOODWILL

	The Group Positive goodwill HK$
Cost	
Addition arising on acquisition of a subsidiary and at 31 March 2002	213,758
Accumulated amortisation	
Amortisation for the year and at 31 March 2002	213,758
Carrying amount	
At 31 March 2002	—

Positive goodwill is recognised as expense on a straight-line basis over one year. The amortisation of positive goodwill for the year is included in "Other operating expenses" in the consolidated income statement.

17. TRADEMARK

	The Group	
	2002	2001
	HK$	*HK$*
Cost		
At the beginning of the year	**488,393**	488,393
Disposal of subsidiaries	**(488,393)**	—
At the end of the year	**—**	488,393
Amortisation		
At the beginning of the year	**188,396**	109,888
Amortised for the year	**—**	48,839
Impairment loss	**—**	29,666
Written back on disposal of subsidiaries	**(188,396)**	—
At the end of the year	**—**	188,393
Net book value		
At the end of the year	**—**	300,000

Notes to the Financial Statements

For the year ended 31 March 2002

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2002	2001
	HK$	*HK$*
Unlisted shares, at cost	**802**	1,580

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary shares.

Name	Country of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Goldwiz Management Limited	Hong Kong	2 shares of HK$1 each	100%	100%	—	Provision for management services
Goldwiz Technology Limited	British Virgin Islands	1 share of US$1	100%	100%	—	Investment holding
Goldwiz Communication Limited	British Virgin Islands	1 share of US$1	100%	100%	—	Investment holding
Goldwiz Property Limited	Hong Kong	2 shares of HK$1 each	100%	100%	—	Property investment
Hong Kong Toy Centre (B.V.I.) Limited	British Virgin Islands	100 shares of US$1 each	100%	100%	—	Investment holding
Pacific Peace Investments Limited	British Virgin Islands	100 shares of US$1 each	100%	—	100%	Property investment
Ever First Enterprises Limited	British Virgin Islands	100 shares of US$1 each	100%	—	100%	Investment holding

Notes to the Financial Statements

For the year ended 31 March 2002

19. OTHER FINANCIAL ASSETS

	The Group	
	2002	2001
	HK$	*HK$*
Investment securities		
Listed equity securities in Hong Kong, at cost	**86,866,000**	86,866,000
Unlisted equity securities, at cost	**176,694,089**	86,694,089
Loan to the investee company	**2,305,911**	2,305,911
	265,866,000	175,866,000
Less: Provision for diminution in value	**(20,000,000)**	—
	245,866,000	175,866,000
Market value of listed equity securities	**53,168,640**	30,602,880

(a) The directors are of the opinion that the Group holds the above investments on a continuing basis with strategic reasons.

(b) The loan is unsecured, non-interest bearing and has no fixed terms of repayment.

(c) The underlying value of investment securities is, in the opinion of the Company's directors, not less than the carrying amount as at 31 March 2002.

Notes to the Financial Statements

For the year ended 31 March 2002

19. OTHER FINANCIAL ASSETS *(Continued)*

(d) At 31 March 2002, the carrying amount of investment securities which exceeded 10% of total assets of the Company are as follows:

Name	Place of incorporation	Particulars of issued or registered capital	Proportion of ownership interest held indirectly by the Company	Principal activities
Techwayson Holdings Limited *(note i)*	Cayman Islands	350,000,000 shares of HK$0.10 each	17.66%	Investment holding
德維森實業（深圳）有限公司 Techwayson Industrial Limited *(note ii)*	PRC	HK$10,000,000	17.66%	Research, design, integration and supply of automation and control systems
Smart Idea Enterprises Limited *(note iii)*	British Virgin Islands	1,000 shares of US$1 each	23%	Investment holding
阿爾波地實業（深圳）有限公司 Albordy Industrial Limited *(note iii)*	PRC	HK$10,000,000	23%	Design and sale of web-based software
銅陵華瑞電子材料有限公司 Tongling Huarui Electronic Material Co., Ltd.	PRC	US$12,450,000	33.36%	Manufacture and distribution of copper clad laminate products

Notes:

(i) Techwayson Holdings Limited ("THL") is listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

(ii) 德維森實業（深圳）有限公司Techwayson Industrial Limited is a wholly owned subsidiary of THL.

(iii) 阿爾波地實業（深圳）有限公司Albordy Industrial Limited (formerly known as 博廣通科技實業（深圳）有限公司 Broadlink Technology Limited) is a wholly owned subsidiary of Smart Idea Enterprises Limited.

Notes to the Financial Statements

For the year ended 31 March 2002

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2002	2001	**2002**	2001
	HK$	*HK$*	***HK$***	*HK$*
Due from subsidiaries	**—**	—	**377,030,449**	128,260,995
Deposits, prepayments and other receivables	**561,979**	2,125,892	**63,395**	9,423
	561,979	2,125,892	**377,093,844**	128,270,418

The above deposits, prepayments and other receivables are expected to be recovered within one year.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2002	2001	**2002**	2001
	HK$	*HK$*	***HK$***	*HK$*
Deposits received	**3,270,000**	—	**—**	—
Bills payables	**—**	58,128	**—**	—
Accruals and other payables	**5,381,853**	105,348,420	**403,970**	11,013,669
Due to subsidiaries	**—**	—	**8,189,375**	6,790,938
	8,651,853	105,406,548	**8,593,345**	17,804,607

The above are all expected to be settled within one year.

22. DUE TO A MAJOR SHAREHOLDER

The amount due to the major shareholder is unsecured and bears interest at 3% per annum over the prime rate quoted by Standard Chartered Bank before 1 June 2001 and thereafter at 2% per annum over the Hong Kong prime rate. Subsequent to the balance sheet date, the major shareholder has agreed to waive charging the interest against the Company for the year. The major shareholder has also agreed not to demand the Group for repayment until it is financially capable to do so.

Notes to the Financial Statements

For the year ended 31 March 2002

23. DEFERRED TAXATION

Movements of deferred taxation comprise:

	The Group	
	2002	2001
	HK$	*HK$*
Balance at the beginning of the year	**—**	698,000
Transfer to the income statement *(note 9(a))*	**—**	(698,000)
Balance at the end of the year	**—**	—

No provision for deferred taxation has been made in the financial statements as the effect of all timing differences is immaterial.

24. ISSUED CAPITAL

	2002		2001	
	No. of shares	***HK$***	No. of shares	*HK$*
Authorised:				
Ordinary shares of $0.10 each	**5,000,000,000**	**500,000,000**	5,000,000,000	500,000,000
Issued and fully paid:				
At 1 April	**609,157,333**	**60,915,733**	365,157,333	36,515,733
New shares issued	**452,470,587**	**45,247,059**	244,000,000	24,400,000
At 31 March	**1,061,627,920**	**106,162,792**	609,157,333	60,915,733

The following changes in the share capital of the Company took place during the years ended 31 March 2002 and 2001:

(a) On 28 June 2000, the Company issued 73,000,000 shares of HK$0.10 each by way of placement to the independent investors at an issue price of HK$0.5 per share. The net proceeds of approximately HK$30 million and HK$6 million were used as a partial consideration for the acquisition of 22.08% effective interest in Techwayson Industrial Limited and as general working capital respectively. Those shares rank pari passu in all respect with the then existing shares.

Notes to the Financial Statements

For the year ended 31 March 2002

24. ISSUED CAPITAL *(Continued)*

(b) By an ordinary resolution passed at the Company's special general meeting held on 28 July 2000, the Company's authorised share capital was increased to HK$500 million by the creation of an additional 4,500 million shares of HK$0.10 each, ranking pari passu in all respect with the then existing shares of the Company.

(c) On 1 September 2000, the Company issued 84,000,000 shares of HK$0.10 each at an issue price of HK$0.68 per share as the remaining consideration for the acquisition of 22.08% effective interest in Techwayson Industrial Limited. Those shares rank pari passu in all respect with the then existing shares.

(d) On 9 October 2000, the Company issued 87,000,000 shares of HK$0.10 each by way of placement to the independent investors at an issue price of HK$0.4 per share. The net proceeds of approximately HK$34.3 million were used for a consideration for the acquisition of an investment property and general working capital. Those shares rank pari passu in all respect with the then existing shares.

(e) On 23 April 2001 and 13 July 2001, the Company issued 100,000,000 shares of HK$0.10 each and 78,000,000 shares of HK$0.10 each respectively at an issue price of HK$0.5 per share as the total consideration for the acquisition of 23% effective interest in 阿爾波地實業(深圳)有限公司 Albordy Industrial Limited (formerly known as 博廣通科技實業(深圳)有限公司 Broadlink Technology Limited). Those shares rank pari passu in all respect with the then existing shares.

(f) On 17 August 2001, the Company issued a total of 98,000,000 shares of HK$0.10 each at an issue price of HK$1.00 per share as a consideration for acquisition of a 100% interest in Pacific Peace Investments Limited (formerly known as "Pacific Cheer Investments Limited") which entire asset is the holding of investment properties in the PRC. Those shares rank pari passu in all respect with the then existing shares.

(g) On 18 January 2002, the Company issued a total of 176,470,587 shares of HK$0.10 each at an issue price of HK$0.51 per share as a consideration for the acquisition of a 100% interest in Ever First Enterprises Limited the entire asset of which is the investment in 銅陵華瑞電子材料有限公司Tongling Huarui Electronic Materials Co., Ltd., a sino-foreign joint venture enterprise established in the PRC. Those shares rank pari passu in all respects with the then existing shares.

Notes to the Financial Statements

For the year ended 31 March 2002

25. RESERVES

	Share premium HK$	Capital redemption reserve HK$	Contributed surplus *(note (i))* HK$	Investment properties revaluation reserve *(note (ii))* HK$	Accumulated losses HK$	Total HK$
The Group						
At 1 April 2000	102,011,284	68,600	—	—	(43,329,679)	58,750,205
Premium arising from issue of shares, net of expenses	103,106,641	—	—	—	—	103,106,641
Net loss for the year	—	—	—	—	(151,556,575)	(151,556,575)
At 31 March 2001 and at 1 April 2001	205,117,925	68,600	—	—	(194,886,254)	10,300,271
Revaluation surplus *(note 15 (d))*	—	—	—	11,677,000	—	11,677,000
Premium arising from issue of shares, net of expenses	231,552,235	—	—	—	—	231,552,235
Net loss for the year	—	—	—	—	(26,356,094)	(26,356,094)
At 31 March 2002	436,670,160	68,600	—	11,677,000	(221,242,348)	227,173,412
The Company						
At 1 April 2000	102,011,284	68,600	61,323,953	—	(108,886,938)	54,516,899
Premium arising from issue of shares, net of expenses	103,106,641	—	—	—	—	103,106,641
Net loss for the year	—	—	—	—	(147,623,049)	(147,623,049)
At 31 March 2001 and at 1 April 2001	205,117,925	68,600	61,323,953	—	(256,509,987)	10,000,491
Premium arising from issue of shares, net of expenses	231,552,235	—	—	—	—	231,552,235
Net loss for the year	—	—	—	—	(21,885,536)	(21,885,536)
At 31 March 2002	436,670,160	68,600	61,323,953	—	(278,395,523)	219,667,190

Notes to the Financial Statements

For the year ended 31 March 2002

25. RESERVES *(Continued)*

(i) The contributed surplus of the Company represented the difference between the nominal value of the Company's shares issued in exchange for all the issued shares of Hong Kong Toy Centre (B.V.I.) Limited and net assets value of the underlying subsidiaries acquired as at 11 June 1990.

Under the company law in Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(ii) The revaluation reserve has been set up and dealt with in accordance with the accounting policies adopted for revaluation of investment properties.

Notes to the Financial Statements

For the year ended 31 March 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash (outflow)/inflow from operating activities

	2002	2001
	HK$	*HK$*
Loss before taxation	**(26,444,777)**	(152,254,575)
Share of results of an associate	**—**	(9,599,000)
Non-operating (income)/expenses, net	**(4,495,188)**	12,637,117
Provision for diminution in value of investment securities	**20,000,000**	—
Impairment loss on property, plant and equipment	**—**	68,447,899
Impairment loss on trademark	**—**	29,666
Inventories written off	**—**	340,894
Depreciation of property, plant and equipment	**202,683**	30,124,994
Amortisation of trademark	**—**	48,839
Loss on disposal of property, plant and equipment	**—**	27,835,853
Amortisation of positive goodwill	**213,758**	—
Interest expenses	**4,249,901**	6,373,643
Interest income	**(230,909)**	(192,486)
Decrease in inventories	**—**	41,760,838
(Increase)/decrease in trade and other receivables	**(991,221)**	4,154,059
Decrease in mortgage loans receivable	**—**	7,183,689
Decrease in trade and other payables	**(6,926,103)**	(9,856,614)
Decrease in amount due to a subsidiary not consolidated	**—**	(1,824,870)
Net cash (outflow)/inflow from operating activities	**(14,421,856)**	25,209,946

Notes to the Financial Statements

For the year ended 31 March 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries

	2002	2001
	HK$	*HK$*
Net assets disposed of:		
Non-current assets	**14,000,002**	522,667
Cash at banks and on hand	**—**	188,382
Other current assets	**2,555,133**	26,572,573
Current liabilities	**(4,918,705)**	(27,122,140)
	11,636,430	161,482
Profit/(loss) on disposal of subsidiaries	**4,495,188**	(161,478)
	16,131,618	4
Satisfied by: Cash received	**16,131,618**	4
Analysis of the net inflow/(outflow) of cash and cash equivalent in respect of disposal of subsidiaries		
Cash received	**16,131,618**	4
Cash at banks and on hand disposed of	**—**	(188,382)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**16,131,618**	(188,378)

Notes to the Financial Statements

For the year ended 31 March 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of subsidiaries

	2002	2001
	HK$	*HK$*
Net assets acquired:		
Non-current assets		
— Investment properties	**97,783,000**	—
— Investments in securities	**90,000,000**	—
Cash at banks and on hand	**3,242**	—
	187,786,242	—
Positive Goodwill arising on consolidation	**213,758**	—
	188,000,000	—
Satisfied by: Shares allotted	**188,000,000**	—

Subsidiaries acquired during the year utilised HK$980 to the Group's net operating cash flows.

	2002	2001
	HK$	*HK$*
Analysis of the net inflow of cash and cash equivalent in respect of purchase of subsidiaries		
Cash consideration	**—**	—
Cash at banks and on hand acquired	**3,242**	—
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	**3,242**	—

Notes to the Financial Statements

For the year ended 31 March 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Analysis of changes in financing

	Share capital and share premium HK$	Bank borrowings HK$	Obligations under finance leases HK$	Bank deposits pledged HK$	Amount due to a major shareholder HK$	Minority interests HK$
At 31 March 2000 and 1 April 2000	138,527,017	3,113,082	1,731,784	—	22,382,592	—
Net cash inflows/ (outflows) from financing	70,386,641	(3,113,082)	(1,674,893)	(6,176,289)	13,916,440	34,944
Issue of new shares as a partial consideration of acquisition of an investment	57,120,000	—	—	—	—	—
Accrual of interest	—	—	—	—	3,833,144	—
At 31 March 2001 and 1 April 2001	266,033,658	—	56,891	(6,176,289)	40,132,176	34,944
Net cash inflows/ (outflows) from financing	(200,706)	—	(56,891)	(195,651)	4,145,711	—
Issue of new shares as consideration of acquisition of investment securities *(note 24 (e))* and subsidiaries *(note 24 (f)* and (g))	277,000,000	—	—	—	—	—
At 31 March 2002	542,832,952	—	—	(6,371,940)	44,277,887	34,944

Notes to the Financial Statements

For the year ended 31 March 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(e) Material non-cash item

The Group had the following material non-cash items during the year:

	2002	2001
	HK$	*HK$*
Issue of new shares as considerations of the acquisition of investment securities and subsidiaries	**277,000,000**	57,120,000

27. OPERATING LEASE COMMITMENTS

At 31 March 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	HK$	*HK$*	***HK$***	*HK$*
Within one year	**1,157,447**	2,249,888	**1,036,640**	—
After 1 year but within 5 years	**601,540**	1,437,250	**601,540**	—
	1,758,987	3,687,138	**1,638,180**	—

28. CHARGES ON ASSETS

All fixed deposits of the Group have been pledged to banks to secure obligations and liabilities of the Company owed or to be owed to the banks in relation to the security given by the banks for payment of tax debts owed by a subsidiary of the Company to the Inland Revenue Department.

Notes to the Financial Statements

For the year ended 31 March 2002

29. LITIGATION

In the previous years, the Inland Revenue Department ("IRD") issued profits tax assessments of approximately HK$10 million to Toy House Industry Limited ("Toy House"), a wholly-owned subsidiary of the Company. Such assessments related to the off-shore claim of certain non-Hong Kong sourced income for the years of assessment from 1990/91 to 1996/97. However, for the sake of prudence, provision of HK$10 million had been made in full in the financial statements in prior years. Toy House has made an appeal to the determination of the Commissioner of IRD (the "Determination") on 26 January 1999. On 22 March 2000, the Board of Review ("BOR") delivered its written decision dismissing the appeal of Toy House and confirmed the Determination. Subsequently Toy House applied to the BOR for a case stated for the opinion of the Court of First Instance, High Court. After taking into consideration of the professional advices, Toy House decided to withdraw the appeal. On 28 February 2002 and 3 April 2002, the IRD issued revised tax assessments and demand notice of interest for a total amount of HK$9,911,317 and HK$4,090,113 respectively. The Group has accounted for these tax debts and interest in the financial statements for the year ended 31 March 2002. Toy House failed to settle in full the tax debts plus accrued interest on or before the due dates and a surcharge of 5% was added to the tax debts in default on 24 April 2002. Subsequent to the balance sheet date on 30 April 2002, in view of severe financial difficulties of Toy House, the Group decided to wind up Toy House under Section 228A of the Hong Kong Companies Ordinance. The liquidation was commenced on 31 May 2002. Up to the date of this report, no further actions were taken by the IRD against Toy House.

30. MATERIAL RELATED PARTY TRANSACTIONS

During the year, Open Mission Assets Limited ("Open Mission"), the major shareholder of the Company, has further advanced shareholder's loan amounted to HK$9.5 million to the Company. Since 1 June 2001, the outstanding shareholder's loan bears interest at 2% per annum over the Hong Kong prime rate. Subsequent to the balance sheet date, Open Mission has agreed to waive charging the interest (approximately HK$3.5 million) against the Company for the year (2001: HK$3,833,144).

Notes to the Financial Statements

For the year ended 31 March 2002

31. POST BALANCE SHEET EVENTS

(a) On 22 November 2001, the Group has entered into a sale and purchase agreement to dispose of certain of the Group's investment properties to an independent third party at a total consideration of HK$65,400,000.

According to the sale and purchase agreement, the completion date of the transaction is 21 April 2002. However, the purchaser requested the Group to extend the completion date for 6 months to 21 October 2002 and agreed to pay a compensation of HK$2,500,000 for extending the completion date. The Group subsequently accepted this offer and it is anticipated that this transaction will be completed on 21 October 2002. Such disposal will give rise to a profit of approximately HK$11,415,000 and compensation received of HK$2,500,000 in the year ending 31 March 2003.

(b) Subsequent to the balance sheet date on 6 May 2002, the Group entered into a sale and purchase agreement to dispose of the remaining investment properties of the Group to another independent third party at a total consideration of HK$77,000,000. It is anticipated that this transaction will be completed in November 2002 and will give rise to a profit of approximately HK$1,651,000 in the year ending 31 March 2003.

(c) On 24 July 2002, a wholly-owned subsidiary of the Group has entered into an agreement to acquire from Hutchison Hotels Holdings (International) Limited ("the Vendor"), a wholly-owned subsidiary of Hutchison Whampoa Limited ("Hutchison"), 95% effective interest in Kunming Harbour Plaza Hotel (the "Hotel") in Kunming, the PRC, for a total consideration of HK$310 million (the "Consideration"). The Consideration will be settled as to HK$155 million by cash under four instalments and the balance of HK$155 million by the issuance of a convertible note (the "CN") upon completion of the transaction. The Vendor will have the right at any time within two years commencing from the date of issue of the CN (the "Conversion Period") to convert in whole or in part the CN into new shares of the Company at the conversion price of HK$0.76 per share (subject to adjustments). The Vendor will also be entitled to receive interest at the rate of 2% per annum during the Conversion Period on the principal amount outstanding. If the CN is fully converted, 203,947,368 new shares of HK$0.1 each will be issued and these shares represent about 16.11% of the then enlarged issued capital of the Company. Upon such conversion, Hutchison will become the second largest shareholder of the Group. Pursuant to the agreement, the Group shall acquire the balance of 5% effective interest in the Hotel at a consideration of RMB6.5 million (approximately HK$6.1 million) subject to, inter alia, the relevant approval from the local authority before the completion date of the transactions contemplated under the said agreement. The Hotel's operation shall continue to be run by the hotel management company of Hutchison.

32. COMPARATIVE FIGURES

Certain of the 2001 comparative figures have been reclassified to conform to the current year's presentation.