

3 2 Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

1. GENERAL

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 54.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts and disclosures reported for the current year or prior periods.

Goodwill

In the current year, the Group adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary, associate or jointly controlled entity and the date of adoption of SSAP 30 have been recognised retrospectively. During the year ended 31st March, 2001, the directors of the Company reviewed the carrying amount of goodwill with reference to the businesses operated by certain subsidiaries. Those subsidiaries were mainly engaged in the operations of movies, television dramas and documentary production, distribution and licensing and theme restaurants and in view of the economic conditions in these businesses, full amount of impairment loss of HK\$252,895,000 (note 40) was identified and recognised in the income statement for the year ended 31st March, 2001 as prior year adjustment.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

The results of subsidiaries, associates and jointly controlled entities, 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.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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 less any negative goodwill arising on acquisition in so far as it has not already been released to income and any identified impairment loss.

Joint ventures

Jointly controlled entities

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

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the relevant jointly controlled entities less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

Other joint venture arrangements

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

3 4 Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue from movies and television dramas produced for third parties is recognised as income when the relevant production is completed and released.

Income from movies, television dramas and documentary distribution is recognised when the movies, television dramas and documentary production is completed, released and the amount can be measured reliably.

Revenue from the operations of the entertainment complex, including theme restaurants, is recognised when the services are rendered to customers.

Non-refundable fixed franchise income is recognised when the right to use the Group's trademark has been assigned to the franchisee. Other franchise income is recognised on an accrual basis in accordance with the terms of the relevant franchising agreement and when the Group's entitlement to payments has been established.

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

Services income is recognised when the services are rendered.

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

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

Sales of investments in securities are recognised when the sales contract becomes unconditional.

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

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 open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

No depreciation and amortisation is provided on investment properties except where the unexpired term, including the renewal period, of the relevant lease is twenty years or less.

Property, plant and equipment

Construction in progress

Construction in progress is stated at cost, which includes the related construction cost, less accumulated impairment losses. No depreciation or amortisation is provided on construction in progress until the construction is completed and the properties are ready for use.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

Other property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and accumulated impairment losses.

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

Leasehold land	Over the term of the lease
Buildings	2% or the term of the lease, if shorter
Leasehold improvements	20% or the term of the lease, if shorter
Furniture and equipment	20% to 33 $\frac{1}{3}$ %
Motor vehicles	20%
Operating equipment	20%

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties held for development

Properties held for development where no decision has yet been taken to re-sell or hold for long-term purposes are stated at cost less accumulated impairment losses. No depreciation and amortisation is provided on properties held for development until the construction is completed and the properties are ready for their intended uses.

Costs comprise land cost, construction costs and other direct costs attributable to the properties held for development.

Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value.

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.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

3 6 Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis.

Work in progress represents movie, television drama and documentary production still in progress and is stated at production costs incurred to date, less foreseeable losses and applicable royalty income and progress payments received and receivable.

Such production costs are carried forward as work in progress and are transferred to film stocks upon completion and released. Film stocks are amortised over the period of the expected total income being generated from film distribution on a straight line basis. Fully amortised film stocks are carried forward at HK\$100 each.

Intangible assets

Intangible asset is stated at cost less amortisation and any identified impairment loss. The cost of the intangible asset is amortised over the estimated economical life of the intangible asset on a straight line basis.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the 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. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of the subsidiaries, associates and jointly controlled entities 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 reserves.

Taxation

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

Operating leases

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

Retirement Benefit Scheme

With effective from 1st December, 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contributions payable in the future years.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The amount of contributions payable to pension schemes in jurisdictions other than Hong Kong are charged to the income statement.

Notes to the Financial Statements

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into six major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and operating results and segment assets and liabilities by business segments is as follows:

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertainment complexes and theme restaurant franchising income HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the year ended 31st March, 2002									
TURNOVER									
External sales	28,179	19,860	82,473	7,609	4,612	6,599	30,465	-	179,797
Inter-segment sales*	-	-	-	17,625	-	3,443	821	(21,889)	-
Total revenue	<u>28,179</u>	<u>19,860</u>	<u>82,473</u>	<u>25,234</u>	<u>4,612</u>	<u>10,042</u>	<u>31,286</u>	<u>(21,889)</u>	<u>179,797</u>
RESULT									
Segment result	<u>(29,234)</u>	<u>3,726</u>	<u>(108,135)</u>	<u>5,379</u>	<u>(26,755)</u>	<u>(5,814)</u>	<u>(27,226)</u>	<u>(17,625)</u>	(205,684)
Interest income, other than loans receivable									3,975
Unallocated corporate expenses									<u>(62,834)</u>
Loss from operations									(264,543)
Finance costs									<u>(12,972)</u>
Impairment losses recognised in respect of investments in securities									(114,956)
Gain on deconsolidation, disposal and dilution of interest in subsidiaries									5,296
Allowances for amounts due from associates									<u>(39,332)</u>
Recovery of allowances for amounts due from jointly controlled entities									6,970
Share of results of jointly controlled entities									<u>(37,475)</u>
Share of results of associates									<u>(22,724)</u>
Loss before taxation									(479,736)
Taxation									<u>17,726</u>
Loss before minority interests									(462,010)
Minority interests									<u>320</u>
Net loss for the year									<u>(461,690)</u>

* Inter-segment sales are charged at terms determined and agreed between group companies.

Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertainment complexes and theme restaurant franchising income HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
At 31st March, 2002									
ASSETS									
Segment assets	8,095	4,534	62,339	15,547	199,150	4,257	51,142	-	345,064
Interests in associates									100,149
Interests in jointly controlled entities									61,218
Unallocated corporate assets									89,807
Consolidated total assets									<u>596,238</u>
LIABILITIES									
Segment liabilities	16,718	18	92,268	5,115	24,162	8,898	12,772	-	159,951
Unallocated corporate liabilities									294,553
Consolidated total liabilities									<u>454,504</u>
OTHER INFORMATION									
For the year ended 31st March, 2002									
Capital additions	4	-	44,224	-	5,704	858	1,487	-	52,277
Depreciation and amortisation	246	-	6,657	-	2,938	619	2,236	-	12,696
Impairment losses recognised	-	114,956	20,067	-	8,292	1,119	46,765	-	191,199
Other non-cash expenses	-	514	26,890	25,865	15,110	-	39,332	-	<u>107,711</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertainment complexes and theme restaurant franchising income HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the year ended 31st March, 2001									
TURNOVER									
External sales	127,194	45,729	37,862	10,747	7,313	4,512	5,826	-	239,183
Inter-segment sales *	-	-	-	17,192	-	2,259	-	(19,451)	-
Total revenue	<u>127,194</u>	<u>45,729</u>	<u>37,862</u>	<u>27,939</u>	<u>7,313</u>	<u>6,771</u>	<u>5,826</u>	<u>(19,451)</u>	<u>239,183</u>
RESULT									
Segment result	<u>(46,679)</u>	<u>(34,867)</u>	<u>(26,505)</u>	<u>28,571</u>	<u>(59,634)</u>	<u>(2,990)</u>	<u>(11,408)</u>	<u>(17,192)</u>	(170,704)
Interest income, other than loans receivable									16,340
Unallocated corporate expenses									<u>(25,753)</u>
Loss from operations									(180,117)
Finance costs									(18,278)
Impairment losses recognised in respect of investments in securities									(10,000)
Gain on disposal and dilution of interest in subsidiaries									105,338
Gain on dilution of interest in an associate									30,737
Gain on disposal of jointly controlled entities									3,054
Allowances for amounts due from associates									(23,714)
Allowances for amounts due from jointly controlled entities									(10,753)
Share of results of jointly controlled entities									(68,521)
Share of results of associates									(42,532)
Impairment loss recognised in respect of goodwill									<u>(252,895)</u>
Loss before taxation									(467,681)
Taxation									<u>(1,038)</u>
Loss before minority interests									(468,719)
Minority interests									23
Net loss for the year									<u>(468,696)</u>

* Inter-segment sales are charged at terms determined and agreed between group companies.

Notes to the Financial Statements

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

	Movies, television dramas and documentary production, distribution and licensing income HK\$'000	Investment in marketable securities HK\$'000	Theme restaurant income HK\$'000	Interest income from provision of finance HK\$'000	Property income HK\$'000	Entertainment complexes and theme restaurant franchising income HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
At 31st March, 2001									
ASSETS									
Segment assets	34,246	79,181	54,552	69,340	267,791	9,253	2,976	-	517,339
Interests in associates									131,276
Interests in jointly controlled entities									135,833
Unallocated corporate assets									124,987
									<u>909,435</u>
LIABILITIES									
Segment liabilities	28,572	64	34,018	2,047	50,327	15,441	3,126	-	133,595
Unallocated corporate liabilities									315,452
									<u>449,047</u>
OTHER INFORMATION									
For the year ended 31st March, 2001									
Capital additions	5,356	-	26,750	-	26,510	1,219	4,881	-	64,716
Depreciation and amortisation	794	-	164	-	261	388	1,550	-	3,157
Impairment losses recognised	148,346	10,000	24,652	-	7,311	77,579	2,318	-	270,206
Other non-cash expenses	-	11	-	12,647	17,790	-	34,467	-	64,915
	<u>-</u>	<u>11</u>	<u>-</u>	<u>12,647</u>	<u>17,790</u>	<u>-</u>	<u>34,467</u>	<u>-</u>	<u>64,915</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Geographical segments

The Group's operations are mainly located in Hong Kong, Singapore, Australia, the People's Republic of China other than Hong Kong (the "PRC") and Japan.

The following provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover		Loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	100,525	209,711	(76,923)	(130,833)
Singapore	22,525	10,645	(50,961)	(11,329)
Australia	21,814	17,819	(19,807)	(7,001)
The PRC	16,349	1,008	(22,742)	(21,126)
Japan	14,306	–	(28,579)	–
Others	4,278	–	(6,672)	(415)
	<u>179,797</u>	<u>239,183</u>	<u>(205,684)</u>	<u>(170,704)</u>
Interest income, other than loans receivable			3,975	16,340
Unallocated corporate expenses			(62,834)	(25,753)
Loss from operations			<u>(264,543)</u>	<u>(180,117)</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	466,428	747,082	7,893	42,052
Singapore	6,389	19,999	1,031	103
Australia	255	6,165	–	–
The PRC	79,514	116,951	7,550	6,955
Japan	40,118	–	35,803	15,606
Others	3,534	19,238	–	–
	<u>596,238</u>	<u>909,435</u>	<u>52,277</u>	<u>64,716</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

5. LOSS ATTRIBUTABLE TO PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES/PROPERTIES HELD FOR DEVELOPMENT

	2002 HK\$'000	2001 HK\$'000
Loss attributable to property, plant and equipment:		
Impairment loss recognised (<i>note 16</i>)	52,605	–
Loss on disposals	1,858	30,799
	<u>54,463</u>	<u>30,799</u>
Loss attributable to investment properties:		
Deficit arising on revaluation	15,110	17,790
Loss on disposals	–	2,558
	<u>15,110</u>	<u>20,348</u>
Loss attributable to properties held for development:		
Impairment loss recognised (<i>note 17</i>)	8,292	7,311
Loss on disposals	552	–
	<u>8,844</u>	<u>7,311</u>

6. ALLOWANCES FOR LOANS AND RECEIVABLES

	2002 HK\$'000	2001 HK\$'000
Allowances for loans and interest receivables	21,513	5,869
Allowance for amount due from a related company	4,352	–
Allowances for amounts due from jointly controlled entities	–	6,778
	<u>25,865</u>	<u>12,647</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

7. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

Staff costs

- directors' remuneration (*note 8*)
- other staff costs
- severance payments
- retirement benefit scheme contributions, excluding directors

Auditors' remuneration

- current year
- (over) underprovision in prior year

Depreciation

Amortisation (included in administrative expenses) of:

- goodwill
- intangible assets

Impairment loss recognised in respect of intangible assets

Loss on disposal of other investments

and after crediting:

Gain on disposal of other investments

Interest income, other than from loans receivable

Property rental income, net of outgoings of HK\$857,000
(2001: HK\$795,000)

	2002 HK\$'000	2001 HK\$'000
Staff costs		
- directors' remuneration (<i>note 8</i>)	1,551	4,597
- other staff costs	70,216	51,542
- severance payments	139	-
- retirement benefit scheme contributions, excluding directors	2,559	998
	<u>74,465</u>	<u>57,137</u>
Auditors' remuneration		
- current year	2,412	2,499
- (over) underprovision in prior year	(343)	14
Depreciation	11,755	2,757
Amortisation (included in administrative expenses) of:		
- goodwill	5	-
- intangible assets	941	400
Impairment loss recognised in respect of intangible assets	15,346	-
Loss on disposal of other investments	-	30,200
and after crediting:		
Gain on disposal of other investments	6,931	-
Interest income, other than from loans receivable	3,975	16,340
Property rental income, net of outgoings of HK\$857,000 (2001: HK\$795,000)	<u>3,755</u>	<u>6,518</u>

8. DIRECTORS' REMUNERATION

Directors' fees:

- Executive
- Non-executive
- Independent non-executive

Other emoluments:

- Executive
- Salaries and other benefits
- Retirement benefit scheme contributions

Total directors' emoluments

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	-	-
Non-executive	-	-
Independent non-executive	240	240
	<u>240</u>	<u>240</u>
Other emoluments:		
Executive		
Salaries and other benefits	1,302	4,353
Retirement benefit scheme contributions	9	4
	<u>1,311</u>	<u>4,357</u>
Total directors' emoluments	<u>1,551</u>	<u>4,597</u>

4 4 Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

8. DIRECTORS' REMUNERATION – continued

The emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	15	16
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	–	1
	<u>15</u>	<u>18</u>

During the year, no emoluments were paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the year, no director waived any emoluments.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included one director (2001: three directors) of the Company, whose emoluments are included in note 8 above. The aggregate emoluments of the remaining highest paid individuals attributable to the Group were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	5,622	2,271
Retirement benefit scheme contributions	44	8
	<u>5,666</u>	<u>2,279</u>

The emoluments of the individuals were within the following bands:

	Number of employees	
	2002	2001
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	3	2
	<u>4</u>	<u>2</u>

10. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	2,082	5,488
Bank and other borrowings not wholly repayable within five years	4,764	4,388
	<u>6,846</u>	<u>9,876</u>
Convertible notes	6,126	8,402
	<u>12,972</u>	<u>18,278</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

11. GAIN ON DECONSOLIDATION, DISPOSAL AND DILUTION OF INTEREST IN SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Gain on deconsolidation of subsidiaries	4,323	–
Gain on disposal of subsidiaries	973	81,760
Gain on dilution of interest in a subsidiary	–	23,578
	<u>5,296</u>	<u>105,338</u>

The gain on deconsolidation of subsidiaries represents the gain on deconsolidation of interests in Planet Hollywood Australia Pty Ltd and its subsidiaries ("PH Australia"), indirect wholly-owned subsidiaries of the Company. Details of these are set out in note 21.

The gain on disposal of subsidiaries for the year ended 31st March, 2001 comprised (i) the gain on the partial disposal of StarEastWorks Limited ("StarEastWorks"); and (ii) the gain on disposal of Tin Hang Profits Limited. The gain on dilution of interest in a subsidiary represented the gain on the further dilution of the Group's interest in StarEastWorks to 50% following the subscription of new shares by the new shareholder.

12. GAIN ON DILUTION OF INTEREST IN AN ASSOCIATE

The gain on dilution of interest in an associate for the year ended 31st March, 2001 represented the gain on the dilution of the Group's interest in Sing Pao Media Group Limited ("Sing Pao Media") (formerly known as STAREASTnet.com Corporation) after the realisation of goodwill arising on acquisition of HK\$7,112,000 previously written off against the Group's reserves.

Details of the Group's interest in Sing Pao Media are set out in note 23.

13. TAXATION

	2002 HK\$'000	2001 HK\$'000
The credit (charge) comprises:		
Hong Kong Profits Tax of the Company and its subsidiaries:		
Current year	–	–
Overprovision in previous period	17,910	–
Overseas taxation of subsidiaries	(176)	(740)
Share of Hong Kong Profits Tax of associates	(8)	–
Share of overseas taxation of associates	–	(298)
	<u>17,726</u>	<u>(1,038)</u>

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

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The overprovision mainly represents the reversal of a provision for tax demanded by the Inland Revenue Department (the "IRD") in relation to sales of properties in a previous period. During the year, the IRD issued notices of revised assessment to those subsidiaries concerned and concluded that no additional tax was required.

Details of unrecognised deferred taxation are set out in note 47.

Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

14. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share for the year is based on the following data:

	2002 HK\$'000	2001 HK\$'000 (as restated)
Loss:		
Loss attributable to shareholders	(461,690)	(468,696)
Less: Cumulative dividend for preference shares not yet declared during the year	-	(2,567)
Loss attributable to ordinary shareholders for the purposes of basic loss per ordinary share	<u>(461,690)</u>	<u>(471,263)</u>

Number of ordinary shares:

	Ordinary shares	
Weighted average number of ordinary shares in issue for the purposes of basic loss per ordinary share	<u>1,499,181,892</u>	<u>769,900,106</u>

No diluted loss per ordinary share is presented as the exercise and conversion of the share options and convertible notes would result in a decrease in the loss per ordinary share for both years.

The adjustment to comparative basic loss per ordinary share, arising from the adoption of new and revised SSAPs shown in note 2 above, is as follows:

	HK\$
Reconciliation of 2001 basic loss per ordinary share:	
Reported figures before adjustments	(0.28)
Adjustments arising from the adoption of SSAP 30	<u>(0.33)</u>
Restated	<u>(0.61)</u>

15. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1st April, 2001	70,410
Transferred to properties held for resale	(22,700)
Deficit arising on revaluation	<u>(15,110)</u>
At 31st March, 2002	<u>32,600</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

15. INVESTMENT PROPERTIES – continued

The Group's investment properties were revalued at 31st March, 2002 by RHL Appraisal Ltd., an independent firm of professional property valuers, on an open market value basis. The deficit arising on revaluation has been charged to the income statement.

The Group's investment properties are held for rental under operating leases.

The carrying value of the investment properties comprises:

		THE GROUP	
		2002 HK\$'000	2001 HK\$'000
Properties held under medium-term leases in Hong Kong		32,600	41,110
Properties held under medium-term land use rights in the PRC		–	29,300
		<u>32,600</u>	<u>70,410</u>

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Operating equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st April, 2001	123,880	8,700	9,721	383	6,626	23,948	173,258
Exchange realignment	–	(35)	(7)	–	(122)	–	(164)
Acquired on acquisition of subsidiaries	–	–	14	250	–	–	264
Additions	–	39,202	3,176	154	2,970	5,620	51,122
Disposal of subsidiaries	–	–	–	(84)	–	–	(84)
Disposals	–	(2,037)	(2,452)	(176)	(792)	–	(5,457)
At 31st March, 2002	<u>123,880</u>	<u>45,830</u>	<u>10,452</u>	<u>527</u>	<u>8,682</u>	<u>29,568</u>	<u>218,939</u>
DEPRECIATION							
At 1st April, 2001	16	935	4,069	134	96	–	5,250
Exchange realignment	–	(2)	(1)	–	(46)	–	(49)
Provided for the year	2,676	6,603	1,957	87	432	–	11,755
Impairment loss recognised	16,656	1,058	1,101	–	4,222	29,568	52,605
Eliminated on disposal of subsidiaries	–	–	–	(2)	–	–	(2)
Eliminated on disposals	–	(728)	(2,144)	(26)	(13)	–	(2,911)
At 31st March, 2002	<u>19,348</u>	<u>7,866</u>	<u>4,982</u>	<u>193</u>	<u>4,691</u>	<u>29,568</u>	<u>66,648</u>
NET BOOK VALUES							
At 31st March, 2002	<u>104,532</u>	<u>37,964</u>	<u>5,470</u>	<u>334</u>	<u>3,991</u>	<u>–</u>	<u>152,291</u>
At 31st March, 2001	<u>123,864</u>	<u>7,765</u>	<u>5,652</u>	<u>249</u>	<u>6,530</u>	<u>23,948</u>	<u>168,008</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

16. PROPERTY, PLANT AND EQUIPMENT – continued

During the year, the directors of the Company reviewed the carrying value of certain land and buildings with reference to a professional valuation report carried out by Francis Lau & Co., (Surveyors) Ltd., an independent professional valuer, an impairment loss of approximately HK\$17 million was identified and charged to the income statement. In addition, the construction in progress in relation to that land and buildings was also written off. As explained in note 57, the above-mentioned land and buildings with a net book value of approximately HK\$103 million was disposed of at the consideration of HK\$103 million subsequent to the balance sheet date.

During the year, the aggregate carrying value of certain leasehold improvements, furniture and equipment and operating equipment of approximately HK\$6 million was written off since the Group has closed and planned to close certain theme restaurants.

The carrying value of the Group's land and buildings comprises:

	2002 HK\$'000	2001 HK\$'000
Property held under medium-term leases in Hong Kong	103,000	122,300
Property held under long-term land use rights in the PRC	<u>1,532</u>	<u>1,564</u>
	<u><u>104,532</u></u>	<u><u>123,864</u></u>
		Furniture and equipment HK\$'000
THE COMPANY		
COST		
At 1st April, 2001		83
Disposals		<u>(83)</u>
At 31st March, 2002		<u>–</u>
DEPRECIATION		
At 1st April, 2001		58
Provided for the year		16
Eliminated on disposals		<u>(74)</u>
At 31st March, 2002		<u>–</u>
NET BOOK VALUES		
At 31st March, 2002		<u><u>–</u></u>
At 31st March, 2001		<u><u>25</u></u>

Notes to the Financial Statements

For the year ended 31st March, 2002

17. PROPERTIES HELD FOR DEVELOPMENT

	THE GROUP HK\$'000
COST	
At 1st April, 2001	45,000
Disposals	(1,708)
Impairment loss recognised	(8,292)
Transferred to properties held for resale	<u>(35,000)</u>
At 31st March, 2002	<u><u>—</u></u>

During the year, the directors of the Company reviewed the carrying value of properties held for development of the Group with reference to their estimated net realisable value, an impairment loss of approximately HK\$8 million was identified and charged to the income statement. At the balance sheet date, the properties held for development were transferred to properties held for resale.

At 31st March, 2001, the Group's properties held for development were situated in the PRC and held under long-term land use rights.

18. GOODWILL

	THE GROUP HK\$'000
COST	
At 1st April, 2001	—
Arising on acquisition of subsidiaries	<u>280</u>
At 31st March, 2002	<u>280</u>
AMORTISATION	
At 1st April, 2001	—
Provided for the year	<u>5</u>
At 31st March, 2002	<u>5</u>
NET BOOK VALUE	
At 31st March, 2002	<u><u>275</u></u>
At 31st March, 2001	<u><u>—</u></u>

The amortisation period adopted for goodwill is 20 years.

For the year ended 31st March, 2002

19. INTANGIBLE ASSETS

	Franchise right HK\$'000	Trademark HK\$'000	Others HK\$'000	Total HK\$'000
THE GROUP				
COST				
At 1st April, 2001	–	2,479	–	2,479
Additions	15,606	678	477	16,761
At 31st March, 2002	15,606	3,157	477	19,240
AMORTISATION				
At 1st April, 2001	–	462	–	462
Provided for the year	260	604	77	941
Impairment loss recognised	15,346	–	–	15,346
At 31st March, 2002	15,606	1,066	77	16,749
NET BOOK VALUES				
At 31st March, 2002	–	2,091	400	2,491
At 31st March, 2001	–	2,017	–	2,017

During the year, the directors of the Company reviewed the carrying value of the franchise right with reference to the future economic benefits expected to be generated, an impairment loss of approximately HK\$15 million was identified and charged to the income statement.

	Trademark HK\$'000
THE COMPANY	
COST	
At 1st April, 2001 and at 31st March, 2002	120
AMORTISATION	
At 1st April, 2001	18
Provided for the year	24
At 31st March, 2002	42
NET BOOK VALUES	
At 31st March, 2002	78
At 31st March, 2001	102

Trademark of the Group and the Company represents initial fees paid for the registration of the trademark in the respective country/place of registration.

Franchise right of the Group represents the cost incurred for obtaining the right to operate the theme restaurant in Japan.

Other intangible assets of the Group were acquired from third parties.

Intangible assets are amortised over the following periods:

Franchise right	20 years
Trademark	5 years
Others	5 years

Notes to the Financial Statements

For the year ended 31st March, 2002

20. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	574,581	574,581
Less: Impairment losses recognised	(473,600)	(473,600)
	<u>100,981</u>	<u>100,981</u>
Amounts due from subsidiaries	2,108,399	2,440,331
Less: Impairment losses recognised	(1,990,924)	(1,594,406)
	<u>117,475</u>	<u>845,925</u>
	<u>218,456</u>	<u>946,906</u>
Amounts due to subsidiaries	(26,310)	(454,491)

Included in the amounts due from and to subsidiaries are amounts of HK\$232,480,000 (2001: Nil) due from subsidiaries which carried interest at prevailing market rates. All the other amounts are unsecured, interest-free and have no fixed repayment terms.

During the year, the directors of the Company reviewed the carrying value of the interests in subsidiaries with reference to the estimated net realisable value of the identifiable net assets attributable to the Company, impairment losses of approximately HK\$397 million was identified and charged to the Company's income statement.

Details of the Company's principal subsidiaries at 31st March, 2002 are set out in note 54.

21. OTHER LONG-TERM INVESTMENTS

During the year, PH Australia was placed under administration and operated under severe restrictions that significantly impair its ability to transfer funds to the Company. Accordingly, PH Australia has been deconsolidated from the Company's financial statements from the date they were placed under administration. The investments are accounted for in accordance with the Group's accounting policy for investments other than held-to-maturity securities in accordance with SSAP 24 "Accounting for Investments in Securities".

The gain on deconsolidation of PH Australia recognised in the income statement is calculated as follows:

	HK\$'000
Net liabilities of PH Australia at the date from which it was deconsolidated	95,201
Exchange reserve released	(6,032)
Amounts due from PH Australia written off	(84,846)
	<u>4,323</u>

At the date of this report, the administration proceedings are still in progress.

5 2 Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES/AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net assets	48,894	94,286	-	-
Amounts due from jointly controlled entities, less allowances	12,324	41,547	-	4,761
	<u>61,218</u>	<u>135,833</u>	<u>-</u>	<u>4,761</u>
Amounts due to jointly controlled entities	-	(36,056)	-	(431)

Details of the Group's principal jointly controlled entities which were held indirectly by the Company at 31st March, 2002 are as follows:

Name of jointly controlled entity	Place of incorporation	Attributable proportion of nominal value of issued capital	Principal activity
Canaria Holding Limited	British Virgin Islands	50%	Investment holding
Earn Elite Development Limited	Hong Kong	50%	Property investment
StarEastWorks	British Virgin Islands	50%	Investment holding

Included in the amount due from jointly controlled entities, less allowances, is an amount of HK\$4,750,000 (2001: HK\$4,750,000) due from Earn Elite Development Limited which carried interest at prevailing market rate. All the other amounts due from jointly controlled entities are unsecured, interest-free and have no fixed repayment terms.

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

Extracts from the audited financial statements of StarEastWorks, the Group's major jointly controlled entity, are set out in note 55.

Notes to the Financial Statements

For the year ended 31st March, 2002

23. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net assets	33,625	4,152	-	-
Negative goodwill arising on acquisition of an associate	(14,060)	-	-	-
	<u>19,565</u>	<u>4,152</u>	<u>-</u>	<u>-</u>
Amounts due from associates, less allowances	80,584	127,124	21,771	90,292
	<u>100,149</u>	<u>131,276</u>	<u>21,771</u>	<u>90,292</u>

Details of the Group's principal associates which were held indirectly by the Company at 31st March, 2002 are as follows:

Name of associate	Place of incorporation	Attributable proportion of nominal value of issued capital	Principal activity
Applause Holdings Limited	British Virgin Islands	30 %	Movie production and distribution
Gold Focus Ltd.	British Virgin Islands	49.29 %	Investment holding
Sing Pao Media	Cayman Islands	25.56 %*	Newspaper publication and entertainment portal

* As at 31st March, 2001, the Group held an effective interest of 19.67% in Sing Pao Media, of which 16.19% was indirectly held through Star East Information Technology Management Co. Limited ("SEIT"), a jointly controlled entity of the Group. During the year, the interest in Sing Pao Media held by SEIT was disposed of to the Group and the Group directly held 19.67% interest in Sing Pao Media thereafter.

In May 2001, the Group disposed of its interests in a 35% owned associate, Gold Brilliant Limited ("Gold Brilliant") to a wholly-owned subsidiary of Capital Strategic Investment Limited. Gold Brilliant held 74.99% shareholding in Premium Land Limited ("Premium Land") (formerly known as Sing Pao Media Group Limited). At the same time, the Company, through a 35% owned associate, Expert Solution Limited ("Expert Solution"), acquired the entire issued share capital of and shareholder's loan to Actiwater Resources Limited ("Actiwater"), a wholly-owned subsidiary of Premium Land, whose principal activities are publication of Sing Pao Daily News, books and magazine publishing and an Internet portal specializing mainly in news and information in the PRC. Details of these are set out in the announcement of the Company dated 24th May, 2001.

In December 2001, Expert Solution disposed of its interests in Actiwater to Sing Pao Media for a consideration of HK\$210 million which was satisfied as to HK\$50 million in cash and HK\$160 million by the issue of 1,600 million new shares in Sing Pao Media at HK\$0.10 per share. Following the issue of 560 million new shares in Sing Pao Media to the Group as directed by Expert Solution, the Group's interest in Sing Pao Media increased from 19.67% to 25.56%.

A negative goodwill of HK\$20,294,000 (2001: Nil) on acquisition of further interests in Sing Pao Media was arisen and was recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable/amortisable assets. The negative goodwill had been released to income to the extent of HK\$6,234,000 (2001: Nil) for the year, which has been included in the amount reported as share of results of associates in the consolidated income statements.

Included in the amount due from associates is an amount of HK\$27,825,000 due from Sing Pao Media (2001: HK\$18,225,000) which carried interest at prevailing market rate. All the other amounts due from and to associates are unsecured, interest-free and have no fixed repayment terms.

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

Extracts from the audited financial statements of Sing Pao Media, the Group's major associate, are set out in note 56.

5 4 Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

24. INVESTMENTS IN SECURITIES

	Investment securities		THE GROUP Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Equity securities:						
Listed – Hong Kong	–	–	4,518	–	4,518	–
Listed – Overseas	–	56,356	14	17	14	56,373
Unlisted	–	–	–	115	–	115
	<u>–</u>	<u>56,356</u>	<u>4,532</u>	<u>132</u>	<u>4,532</u>	<u>56,488</u>
Debt securities:						
Unlisted	–	–	25,453	77,600	25,453	77,600
	<u>–</u>	<u>–</u>	<u>25,453</u>	<u>77,600</u>	<u>25,453</u>	<u>77,600</u>
Classified under						
Current	–	–	4,532	132	4,532	132
Non-current	–	56,356	25,453	77,600	25,453	133,956
	<u>–</u>	<u>56,356</u>	<u>29,985</u>	<u>77,732</u>	<u>29,985</u>	<u>134,088</u>
Market value of listed securities	–	19,761	4,532	17	4,532	19,778
	<u>–</u>	<u>19,761</u>	<u>4,532</u>	<u>17</u>	<u>4,532</u>	<u>19,778</u>

The carrying value of the unlisted debt securities as at 31st March, 2002 represents investment of convertible bonds issued by G-Prop (Holdings) Limited (“G-Prop Bonds”), a company listed on the Stock Exchange. The G-Prop Bonds are non-interest bearing and redeemable in 2004. At the date of redemption, the holders are entitled to convert the G-Prop Bonds into shares in G-Prop (Holdings) Limited at a conversion price of HK\$0.267 per share, subject to adjustment.

During the year, the directors of the Company reviewed the carrying value of the G-Prop Bonds with reference to the estimated value of G-Prop Bonds which were assumed to be converted at the balance sheet date, an impairment loss of approximately HK\$58 million was identified and charged to the income statement.

The unlisted debt securities as at 31st March, 2001 also represented investment of the other G-prop Bonds which were redeemed by G-Prop (Holdings) Limited in December 2001.

During the year, an impairment in value of overseas listed securities of HK\$56,356,000, representing the cost of an 18.4% interest in Planet Hollywood International, Inc. (“PHII”), a company listed on NASDAQ Bulletin Board, was charged to the income statement following a voluntary petition filed by PHII under Chapter 11 of the United States Bankruptcy Code in the Middle District of Florida, Orlando Division.

Notes to the Financial Statements

For the year ended 31st March, 2002

25. PROPERTIES HELD FOR RESALE

The Group's properties held for resale are carried at net realisable values.

26. INVENTORIES

The Group's inventories are carried at net realisable values.

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Goods held for resale	2,707	3,186
Food and beverage	305	1,309
Work in progress	–	25,686
	<u>3,012</u>	<u>30,181</u>

Included above are goods held for resale of HK\$1,761,000 (2001: HK\$3,186,000) are carried at net realisable values.

At 31st March, 2001, food and beverage of HK\$710,000 was also carried at net realisable value.

27. LOANS AND INTEREST RECEIVABLES

The Group's loans and interest receivables are carried at net realisable values.

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Loans and interest receivables	456,798	495,848
Less: Allowances	(441,298)	(426,743)
	<u>15,500</u>	<u>69,105</u>

The Group allows its loan borrowers a repayment period normally ranging from 3 months to 1 year, the aged analysis of loans and interest receivables (net of allowances) at the balance sheet date is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Current	12,500	33,497
0 – 6 months	–	32,608
Over 1 year	3,000	3,000
	<u>15,500</u>	<u>69,105</u>

Certain receivables were secured by property interests, shares of companies which are under common control of the borrowers and personal guarantees from independent third parties. These receivables carry interest at prevailing market rates.

For the year ended 31st March, 2002

28. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows its trade customers a credit period normally ranging from 30 days to 60 days. Included in debtors, deposits and prepayments are trade debtors (net of allowances for bad and doubtful debts) with the following aged analysis:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade debtors:		
0 – 30 days	6,190	990
31 – 60 days	460	1,279
> 60 days	5,324	4,725
	<hr/>	<hr/>
Other debtors, deposits and prepayments	11,974	6,994
	18,429	30,848
	<hr/>	<hr/>
	30,403	37,842
	<hr/> <hr/>	<hr/> <hr/>

29. AMOUNT DUE FROM A SUBSIDIARY

The amount is unsecured, interest-free and has no fixed repayment terms.

30. AMOUNTS DUE FROM/TO ASSOCIATES

The amounts mainly represent trade receivables from and trade payables to subsidiaries of associates, which are unsecured, interest-free and are repayable on demand.

31. AMOUNT DUE FROM A RELATED COMPANY

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
PHII ^(note a)	4,352	–
Gold Picture Management Limited (“Gold Picture”) ^(note b)	–	538
	<hr/>	<hr/>
Less: Allowance ^(note a)	4,352	538
	(4,352)	–
	<hr/>	<hr/>
	–	538
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- During the year, a loan of HK\$4,290,000 was advanced to PHII which carries interest at prevailing market rate and is repayable within one year. As explained in note 24, PHII was put into voluntary bankruptcy and full allowance of HK\$4,352,000 has been made.
- Gold Picture is a shareholder of Star East Group Limited (“Star East Group”) which is an associate of a substantial shareholder of the Company. The balance due from Gold Picture was unsecured, interest-free and was settled during the year.

32. CREDITORS, ACCRUED CHARGES AND DEPOSITS

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade creditors:		
0 – 30 days	8,356	12,563
31 – 60 days	1,373	7,615
> 60 days	14,974	19,140
	<u>24,703</u>	<u>39,318</u>
Other creditors, accrued charges and deposits	67,993	67,328
	<u>92,696</u>	<u>106,646</u>

33. PROVISION FOR RESTRUCTURING COSTS

	THE GROUP HK\$'000
At 1st April, 2001	–
Provided for the year	26,890
Utilised during the year	(3,490)
	<u>23,400</u>
At 31st March, 2002	<u>23,400</u>

The provision for restructuring costs represents costs provided in respect of the closure of certain theme restaurants.

At the date of this report, the Group has commenced the restructuring of the theme restaurant operation but has not yet completed the same.

34. AMOUNTS DUE TO RELATED COMPANIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Jackie & Willie Productions Limited <i>(note i)</i>	2,509	–
ITC Management Limited ("ITC Management") <i>(note ii)</i>	1,119	70
Gold Picture <i>(note i)</i>	1,100	–
PHII <i>(note i)</i>	383	–
Gold Miracles Limited <i>(note i)</i>	200	–
Star East Group	171	1,154
Star East Starmate Limited <i>(note iii)</i>	34	–
Paul Y. Building Management Limited <i>(note iv)</i>	9	3
Paul Y. – ITC Management Limited ("Paul Y. Management") <i>(note iv)</i>	2	446
Rosedale Park Limited <i>(note iv)</i>	–	94
Easy Talking International Limited <i>(note v)</i>	–	8
Pop Generation Limited <i>(note v)</i>	–	8
	<u>5,527</u>	<u>1,783</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

34. AMOUNTS DUE TO RELATED COMPANIES – continued

Notes:

- (i) Jackie & Willie Productions Limited, Gold Picture, PHII, and Gold Miracles Limited are companies in which certain directors of the Company have beneficial interests.
- (ii) ITC Management is a wholly-owned subsidiary of ITC Corporation Limited ("ITC"), a substantial shareholder of the Company.
- (iii) Star East Starmate Limited is a wholly owned subsidiary of Star East Group.
- (iv) Paul Y. Building Management Limited, Paul Y. Management and Rosedale Park Limited are wholly-owned subsidiaries of Paul Y. - ITC Construction Holdings Limited ("Paul Y."), which is an associate of ITC.
- (v) Easy Talking International Limited and Pop Generation Limited are shareholders of Star East Group.

All the above amounts are unsecured, interest-free and are repayable on demand.

35. LOANS FROM RELATED COMPANIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
ITC Management	45,000	–
Paul Y. Management	25,054	–
	<u>70,054</u>	<u>–</u>

The amounts are unsecured, bear interest at prevailing market rates and are repayable within one year.

36. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans	148,318	122,095	108,000	120,000
Other loans	2,738	2,082	–	–
	<u>151,056</u>	<u>124,177</u>	<u>108,000</u>	<u>120,000</u>
Analysed as				
– secured	148,318	120,000	108,000	120,000
– unsecured	2,738	4,177	–	–
	<u>151,056</u>	<u>124,177</u>	<u>108,000</u>	<u>120,000</u>
Repayable as follows:				
Within one year	25,076	16,177	12,000	12,000
Between one to two years	22,851	12,000	12,000	12,000
Between two to five years	55,129	36,000	36,000	36,000
Over five years	48,000	60,000	48,000	60,000
	<u>151,056</u>	<u>124,177</u>	<u>108,000</u>	<u>120,000</u>
Less: Amount due within one year included under current liabilities	25,076	16,177	12,000	12,000
Amount due after one year	<u>125,980</u>	<u>108,000</u>	<u>96,000</u>	<u>108,000</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

37. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Paul Y. <i>(note a)</i>	100,000	100,000
Star East Group <i>(note b)</i>	–	50,000
	<u>100,000</u>	<u>150,000</u>
Less: Amount due within one year included under current liabilities	100,000	–
	<u>–</u>	<u>150,000</u>
Amount due after one year	–	150,000

Notes:

- (a) The convertible note bore interest at 5% per annum and was redeemable on 28th June, 2002 unless it was previously converted or cancelled. The holder of the convertible note, a wholly-owned subsidiary of Paul Y., had the option to convert the convertible note into ordinary shares of the Company of HK\$0.10 each at an initial conversion price of HK\$1.68, subject to adjustment, at any time during the period from 28th June, 2000 up to 28th June, 2002.

Subsequent to the balance sheet date, this convertible note was redeemed.

- (b) During the year, the Group entered into a conditional note amendment agreement with Star East Group, the holder of the convertible note, to amend the conversion price of the convertible note from HK\$0.70 per share to HK\$0.185 per share. Upon the amendment agreement becoming unconditional on 16th July, 2001, Star East Group exercised its rights and converted the convertible note into 270,270 ordinary shares of HK\$0.10 each at the adjusted conversion price of HK\$0.185 per share. The note bore interest at prevailing market rates.

38. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Preference shares of HK\$0.10 each		
– balance at 1st April, 2000, 31st March, 2001 and 31st March, 2002	40,000,000	4,000
Ordinary shares of HK\$0.10 each		
– balance at 1st April, 2000, 31st March, 2001 and 31st March, 2002	<u>5,000,000,000</u>	<u>500,000</u>
	<u>5,040,000,000</u>	<u>504,000</u>
Issued and fully paid:		
Preference shares of HK\$0.10 each		
– balance at 1st April, 2000 and 31st March, 2001	2,567,000	256
– redeemed during the year	<u>(2,567,000)</u>	<u>(256)</u>
– balance at 31st March, 2002	<u>–</u>	<u>–</u>
Ordinary shares of HK\$0.10 each		
– balance at 1st April, 2000	747,737,781	74,774
– issue of new shares during the year	99,141,104	9,914
– repurchased during the year	<u>(20,774,000)</u>	<u>(2,077)</u>
– balance at 31st March, 2001	826,104,885	82,611
– issue of new shares during the year	<u>925,270,270</u>	<u>92,527</u>
	<u>1,751,375,155</u>	<u>175,138</u>
Total at 31st March, 2002		<u>175,138</u>
Total at 31st March, 2001		<u>82,867</u>

For the year ended 31st March, 2002

38. SHARE CAPITAL – continued

During the year, the movements in preference and ordinary share capital are as follows:

- (i) Pursuant to a resolution passed at a special general meeting held on 22nd May, 2001, 205,000,000 ordinary shares of HK\$0.10 each were issued and allotted to institutional investors at HK\$0.14 per share for additional general working capital of the Company.
- (ii) Pursuant to resolutions passed at a special general meeting of the Company held on 16th July, 2001:
 - 383,000,000 ordinary shares of HK\$0.10 each were issued and allotted to institutional investors at HK\$0.185 per share for additional general working capital of the Company.
 - 67,000,000 ordinary shares of HK\$0.10 each were issued and allotted to ITC at HK\$0.185 per share for additional general working capital of the Company.
 - 270,270,270 ordinary shares of HK\$0.10 each were issued and allotted to the holder of the HK\$50 million convertible note upon the exercise of the conversion rights attaching to the convertible note at the adjusted convertible price of HK\$0.185 per share.
- (iii) 2,567,000 preference shares of HK\$0.10 each were redeemed by the Company on 21st March, 2002 at the redemption price of HK\$10 per preference share in accordance with the terms of their issue.

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

On 26th February, 2002, the board of directors of the Company announced a proposed capital reorganisation of the share capital of the Company under which (i) the paid up capital and par value of each issued ordinary share of the Company will be reduced from HK\$0.10 per share to HK\$0.005 per share by the cancellation of HK\$0.095 paid up thereon; (ii) all of the authorised but unissued share capital of the Company will be cancelled; (iii) thereafter the authorised share capital of the Company will be increased to HK\$50,000,000 by the creation of 8,248,624,845 new shares of HK\$0.005 each; and (iv) an amount of HK\$1,850,000,000 standing to the credit of the ordinary share premium account of the Company on the effective date of the capital reorganisation will be cancelled (the "Capital Reorganisation"). The amount of the paid up capital of issued shares and share premium so cancelled will be credited to the contributed surplus account of the Company. Following the Capital Reorganisation, all of the accumulated deficit of the Company will be written off against the contributed surplus account.

The Capital Reorganisation became effective pursuant to resolutions passed at a special general meeting on 10th April, 2002.

39. SHARE OPTION SCHEME

At 31st March, 2002, the outstanding options to subscribe for shares granted under the Company's employee share option scheme adopted on 29th April, 1996 were as follows:

Exercisable period	Exercise price HK\$	Outstanding at 31.3.2002
14.3.2000 to 13.3.2003	1.5880	27,600,000
20.6.2000 to 19.6.2003	1.7400	20,000,000
17.9.2000 to 16.9.2003	1.1600	18,000,000
3.5.2001 to 2.5.2004	0.2680	7,000,000
23.6.2001 to 22.6.2004	0.2256	10,000,000
13.12.2001 to 12.12.2004	0.1700	20,500,000
		103,100,000

Notes to the Financial Statements

For the year ended 31st March, 2002

40. RESERVES

	Share premium HK\$'000	Goodwill on consolidation HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
THE GROUP						
At 1st April, 2000	1,852,380	(235,355)	–	556,707	(1,577,295)	596,437
Exchange realignment	–	–	860	–	–	860
Arising on acquisition of interest in an associate	–	(17,231)	–	–	–	(17,231)
Arising on acquisition of interest in a subsidiary	–	(7,421)	–	–	–	(7,421)
Realised on dilution of interest in an associate	–	7,112	–	–	–	7,112
Issue of shares for acquisition of interest in subsidiaries	30,734	–	–	–	–	30,734
Share of net reserve movements of jointly controlled entities	–	(1,641)	(266)	–	–	(1,907)
Share of net reserve movements of associates	–	(353)	858	–	–	505
Shares issue expenses	(186)	–	–	–	–	(186)
Repurchase of ordinary shares	(16,008)	–	–	–	–	(16,008)
Net loss for the year						
– as originally reported	–	–	–	–	(215,801)	(215,801)
– impairment loss recognised in respect of goodwill (note 2)	–	252,895	–	–	(252,895)	–
At 31st March, 2001	1,866,920	(1,994)	1,452	556,707	(2,045,991)	377,094
Exchange realignment	–	–	1,306	–	–	1,306
Issue of shares	69,423	–	–	–	–	69,423
Redemption of preference shares	(25,414)	–	–	–	–	(25,414)
Realised on subsidiaries not consolidated	–	–	6,032	–	–	6,032
Share of impairment loss recognised in respect of goodwill of an associate	–	1,994	–	–	–	1,994
Share of net reserve movements of jointly controlled entities	–	–	(273)	–	–	(273)
Share of net reserve movements of associates	–	–	716	–	–	716
Shares issue and redemption expenses	(2,869)	–	–	–	–	(2,869)
Net loss for the year	–	–	–	–	(461,690)	(461,690)
At 31st March, 2002	<u>1,908,060</u>	<u>–</u>	<u>9,233</u>	<u>556,707</u>	<u>(2,507,681)</u>	<u>(33,681)</u>

For the year ended 31st March, 2002

40. RESERVES – continued

The deficit of the Group included HK\$163 million (2001: 126 million) attributable to jointly controlled entities and HK\$72 million (2001: 49 million) attributable to its associates.

	Share premium HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 2000	1,852,380	561,538	(1,554,929)	858,989
Issue of shares for acquisition of interests in subsidiaries	30,734	–	–	30,734
Shares issue expenses	(186)	–	–	(186)
Repurchase of ordinary shares	(16,008)	–	–	(16,008)
Net loss for the year	–	–	(584,955)	(584,955)
	<u>1,866,920</u>	<u>561,538</u>	<u>(2,139,884)</u>	<u>288,574</u>
At 31st March, 2001	1,866,920	561,538	(2,139,884)	288,574
Issue of shares	69,423	–	–	69,423
Redemption of preference shares	(25,414)	–	–	(25,414)
Shares issue and redemption expenses	(2,869)	–	–	(2,869)
Net loss for the year	–	–	(370,111)	(370,111)
	<u>1,908,060</u>	<u>561,538</u>	<u>(2,509,995)</u>	<u>(40,397)</u>
At 31st March, 2002	<u>1,908,060</u>	<u>561,538</u>	<u>(2,509,995)</u>	<u>(40,397)</u>

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

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

At 31st March, 2002 and 2001, the Company had no reserves available for distribution to shareholders.

41. OTHER LONG-TERM PAYABLE

The other long-term payable of the Group represents advance from minority shareholders of subsidiaries. The amount is unsecured, interest-free and has no fixed repayment term. The minority shareholders agreed not to demand repayment within one year from the balance sheet date, therefore shown in the balance sheet as non-current.

Notes to the Financial Statements

For the year ended 31st March, 2002

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

	2002 HK\$'000	2001 HK\$'000 (as restated)
Loss before taxation	(479,736)	(467,681)
Interest expenses	12,972	18,278
Depreciation	11,755	2,757
Amortisation of intangible assets	941	400
Amortisation of goodwill	5	-
Impairment loss recognised in respect of intangible assets	15,346	-
Loss on disposal of property, plant and equipment	1,858	30,799
(Gain) loss on disposal of other investments	(6,931)	30,200
Impairment losses recognised in respect of investments in securities	114,956	10,000
Unrealised loss on other investments	514	11
Gain on deconsolidation, disposal and dilution of interest in subsidiaries	(5,296)	(105,338)
Gain on disposal of jointly controlled entities	-	(3,054)
Interest income, other than from loans receivable	(3,975)	(16,340)
Deficit arising on revaluation of investment properties	15,110	17,790
Loss on disposal of investment properties	-	2,558
Impairment loss recognised in respect of property, plant and equipment	52,605	-
Impairment loss recognised in respect of properties held for development	8,292	7,311
Loss on disposal of properties held for development	552	-
Allowances for amounts due from associates	39,332	23,714
Allowances for loans and interest receivables	21,513	5,869
Allowance for amount due from a related company	4,352	-
(Recovery of) allowances for amounts due from jointly controlled entities	(6,970)	17,531
Gain on dilution of interest in an associate	-	(30,737)
Share of results of jointly controlled entities	37,475	68,521
Share of results of associates	22,724	42,532
Impairment loss recognised in respect of goodwill	-	252,895
Decrease (increase) in inventories	26,245	(20,501)
Decrease (increase) in loans and interest receivables	32,092	(61,183)
Decrease (increase) in debtors, deposits and prepayments	4,543	(34,786)
(Increase) decrease in amounts due from associates	(4,241)	7,621
Decrease in amounts due from related companies	476	10,625
Decrease in investments in securities	19,852	46,818
Increase in creditors, accrued charges and deposits	3,444	44,205
Increase in provision for restructuring costs	23,400	-
(Decrease) increase in amounts due to associates	(493)	2,740
Increase in amounts due to related companies	3,744	1,741
Net cash outflow from operating activities	<u>(33,544)</u>	<u>(94,704)</u>

64 Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

43. PURCHASE OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Investment properties	–	25,723
Property, plant and equipment	264	152,677
Properties held for development	–	52,311
Deposit paid for acquisition of interest in an associate	39,000	–
Interests in jointly controlled entities	–	23,154
Inventories	–	4,827
Loans and interest receivables	–	2,509
Debtors, deposits and prepayments	1,373	79,528
Amounts due from related companies	–	1
Bank balances and cash	1,024	8,559
Creditors, accrued charges and deposits	(967)	(100,300)
Taxation	–	(601)
Bank loans	–	(11,849)
Minority interests	(170)	(450)
	<u>40,524</u>	<u>236,089</u>
Goodwill arising on acquisition	280	7,421
	<u>40,804</u>	<u>243,510</u>
Interest in an associate previously held	–	20,399
	<u>40,804</u>	<u>263,909</u>
Satisfied by:		
Cash consideration paid	40,804	53,461
Forgiveness of loans and interest receivables	–	69,800
Convertible note	–	100,000
Issue of ordinary shares	–	40,648
	<u>40,804</u>	<u>263,909</u>
Analysis of net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	(40,804)	(53,461)
Bank balances and cash acquired	1,024	8,559
	<u>(39,780)</u>	<u>(44,902)</u>

The subsidiaries acquired during the year contributed HK\$21,853,000 (2001: HK\$41,984,000) of turnover and HK\$14,964,000 (2001: HK\$67,758,000) of loss from operations for the period between the date of acquisition and the balance sheet date.

During the period since acquisition, the subsidiaries acquired have paid HK\$9,138,000 of the Group's net operating cash outflows, paid HK\$97,000 in respect of returns on investments and servicing of finance, paid HK\$12,000 in respect of taxation, utilised HK\$31,366,000 on investing activities and raised HK\$40,319,000 in respect of financing activities.

Notes to the Financial Statements

For the year ended 31st March, 2002

44. DECONSOLIDATION, DISPOSAL AND DILUTION OF INTEREST IN SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net (liabilities) assets deconsolidated, disposed of and diluted:		
Investment properties	-	7,000
Property, plant and equipment	82	7,414
Amount due from a jointly controlled entity	2,453	-
Interests in associates	-	59,265
Investments in securities	-	36,002
Inventories	816	11,591
Loans and interest receivables	-	15,046
Debtors, deposits and prepayments	3,500	120,748
Bank balances and cash	5	10,898
Creditors, accrued charges and deposits	(17,241)	(103,235)
Taxation	(943)	-
Short-term bank borrowings	-	(7,000)
Other long-term payable	-	(2,131)
	<u>(11,328)</u>	<u>155,598</u>
Exchange reserve	6,032	-
	<u>(5,296)</u>	<u>155,598</u>
Gain on deconsolidation, disposal and dilution of interest in subsidiaries	5,296	105,338
Interest in a jointly controlled entity	-	(94,985)
	<u>-</u>	<u>165,951</u>
Satisfied by:		
Cash consideration received	<u>-</u>	<u>165,951</u>
Analysis of net (outflow) inflow of cash and cash equivalents in connection with the deconsolidation, disposal and dilution of interest in subsidiaries:		
Cash consideration received	-	165,951
Bank balances and cash disposed of	(5)	(10,898)
	<u>(5)</u>	<u>155,053</u>

The subsidiaries deconsolidated, disposed of and diluted during the year contributed HK\$13,791,000 (2001: HK\$8,018,000) of turnover and HK\$6,951,000 of loss (2001: HK\$198,000 of profit) from operations.

The subsidiaries deconsolidated, disposed of and diluted during the year paid HK\$60,000 of the Group's net operating cash outflows and utilised HK\$84,000 on investing activities.

Notes to the Financial Statements

For the year ended 31st March, 2002

45. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Amounts due to jointly controlled entities HK\$'000	Amounts due to associates HK\$'000	Loan notes HK\$'000	Bank loans HK\$'000	Convertible notes HK\$'000	Other loans and payable HK\$'000	Loans from related companies HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April, 2000	1,927,410	35,408	2,450	5,591	232,820	50,000	20,002	-	-	2,273,681
Exchange realignment	-	-	-	-	(230)	-	-	-	-	(230)
Acquired on acquisition of subsidiaries	-	-	-	-	11,849	-	-	-	450	12,299
Disposal of subsidiaries	-	-	-	-	(7,000)	-	(2,131)	-	-	(9,131)
Loss attributable to minority shareholders	-	-	-	-	-	-	-	-	(23)	(23)
Issue of share for acquisition of interest in subsidiaries and investment in securities	40,648	-	-	-	-	100,000	-	-	-	140,648
Borrowings raised	-	648	-	-	120,000	-	145	-	-	120,793
Repurchase of shares	(18,085)	-	-	-	-	-	-	-	-	(18,085)
Repayment of borrowings	-	-	(2,450)	(5,591)	(235,344)	-	(15,299)	-	-	(258,684)
Share issue expenses	(186)	-	-	-	-	-	-	-	-	(186)
At 31st March, 2001	1,949,787	36,056	-	-	122,095	150,000	2,717	-	427	2,261,082
Exchange realignment	-	-	-	-	(53)	-	-	-	-	(53)
Acquired on acquisition of subsidiaries	-	-	-	-	-	-	-	-	170	170
Issue of share upon the exercise of the conversion rights	50,000	-	-	-	-	(50,000)	-	-	-	-
Loss attributable to minority shareholders	-	-	-	-	-	-	-	-	(320)	(320)
Issue of shares for cash	111,950	-	-	-	-	-	-	-	-	111,950
Borrowings raised	-	-	-	-	40,318	-	50,796	108,000	-	199,114
Redemption of preferences shares	(25,670)	-	-	-	-	-	-	-	-	(25,670)
Repayment of borrowings	-	(36,056)	-	-	(14,042)	-	(50,000)	(37,946)	-	(138,044)
Share issue and redemption expenses	(2,869)	-	-	-	-	-	-	-	-	(2,869)
At 31st March, 2002	2,083,198	-	-	-	148,318	100,000	3,513	70,054	277	2,405,360

46. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March, 2002, the major non-cash transactions are as follows:

- The Company issued and allotted 270,270,270 ordinary shares of HK\$0.10 each at the adjusted conversion price of HK\$0.185 per share upon the exercise of the conversion rights attached to the holder of the HK\$50 million convertible note.
- Other investments amounting to HK\$37,863,000 was assigned to the Group to settle the amounts due from associates.
- As explained in note 23, the issue of 560 million new shares in Sing Pao Media was assigned to the Group to settle the amounts due from associates of HK\$31,039,000.
- Deposit paid on acquisition of franchise of HK\$15,606,000 was transferred to intangible assets.

During the year ended 31st March, 2001, the major non-cash transactions are as follows:

- The Group acquired the entire interests in Planet Hollywood Asia Pte Ltd and Unicon Industrial Group Limited ("Unicon") at a total consideration of HK\$222,000,000. A proportion of this consideration was satisfied by the issue of ordinary shares and convertible note of approximately HK\$41,000,000 and HK\$100,000,000, respectively.
- Decrease in loans and interest receivables of HK\$69,800,000 was part of consideration for the acquisition of certain subsidiaries.
- Addition in interest in an associate and investments in securities amounting to HK\$31,683,000 and HK\$31,682,000, respectively, were transferred from deposit paid on acquisition of investments.

Notes to the Financial Statements

For the year ended 31st March, 2002

47. UNRECOGNISED DEFERRED TAXATION

At 31st March, 2002, the Group and the Company had an unrecognised deferred tax asset of approximately HK\$174,000,000 (2001: HK\$165,000,000) and HK\$7,772,000 (2001: HK\$8,000,000), respectively, mainly representing the tax effect of timing differences arising on tax losses available to set off against future assessable profits. These deferred tax assets have not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

48. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	<u>34,115</u>	<u>13,462</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	21,343	35,192
In the second to fifth year inclusive	32,946	28,871
Over five years	35,159	—
	<u>89,448</u>	<u>64,063</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties and restaurants. Leases are negotiated for an average term of three years with fixed rentals.

At 31st March, 2002 and 2001, the Company had no commitments under non-cancellable operating leases.

The Group as lessor

Property rental income earned during the year was HK\$4,612,000 (2001: HK\$7,313,000). The properties are expected to generate marketable rental yields on an ongoing basis. Certain properties of the Group held have committed tenants for the next one to two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	3,555	3,520
In the second to fifth year inclusive	634	2,400
	<u>4,189</u>	<u>5,920</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

49. COMMITMENTS

At 31st March, 2002, the Group had entered into an agreement to contribute HK\$1,885,000 to acquire 33.3% interest in a Sino-foreign equity joint venture company in the PRC.

In addition to the above, the Group's share of capital commitments of its jointly controlled entities are as follows:

	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for in respect of acquisition of:		
– investments in securities	914	–
– property, plant and equipment	–	1,189
	<u>914</u>	<u>1,189</u>
Authorised but not contracted for in respect of acquisition of:		
– property, plant and equipment	–	1,091
	<u>–</u>	<u>1,091</u>

At 31st March, 2001, the Group had capital commitment of HK\$21,032,000 in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements.

At 31st March, 2001, the Group also had entered into agreements to acquire 80% of the entire issued share capital of a joint stock company incorporated in Japan at a consideration of approximately HK\$900,000. The transaction was completed during the year. The further capital contribution agreed by the Group was replaced by a guarantee given by the Company and certain assets pledged by the Group to a bank for securing credit facilities granted to the aforesaid company.

The Company had no significant capital commitments and other commitments.

50. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company have given guarantees to a bank in respect of credit facilities utilised by:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
A non wholly-owned subsidiary	–	–	8,400	–
An associate	–	17,500	–	17,500
	<u>–</u>	<u>17,500</u>	<u>8,400</u>	<u>17,500</u>

51. PLEDGE OF ASSETS

At 31st March, 2002, certain of the Group's property interests with an aggregate carrying value of approximately HK\$136 million (2001: HK\$41 million) and bank deposits of the Group and the Company of approximately HK\$33 million (2001: Nil) were pledged to banks to secure credit facilities for the Company and certain of its subsidiaries.

Notes to the Financial Statements

For the year ended 31st March, 2002

52. RETIREMENT BENEFIT SCHEME

After the introduction of the Mandatory Provident Fund ("MPF") scheme in Hong Kong, the Group operated an approved MPF scheme effective from 1st December, 2000 for all eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution limited to 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation.

The retirement benefits scheme contributions arising from MPF scheme charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The amount of contribution payable to pension scheme required by respective jurisdiction other than Hong Kong is also charged to the income statement.

53. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2002 HK\$'000	2001 HK\$'000
Substantial shareholder and its associates:		
Interest on convertible notes paid <i>(note i)</i>	6,126	8,402
Rental and building management expenses paid <i>(note ii)</i>	2,862	2,074
Management service fee paid <i>(note ii)</i>	975	720
Interest expenses paid <i>(note iii)</i>	847	-
Issue of a convertible note <i>(note ii)</i>	-	100,000
Acquisition of a subsidiary <i>(note ii)</i>	-	900
Franchise income received <i>(note ii)</i>	-	900
Artistes performance fee received <i>(note ii)</i>	-	375
Merchandise purchased <i>(note ii)</i>	-	86
Associates:		
Advertising and promotion expenses paid <i>(note ii)</i>	2,059	4,374
Licence fee income received <i>(note ii)</i>	1,800	800
Interest income received <i>(note iii)</i>	1,592	2,067
Music production costs paid <i>(note ii)</i>	991	-
Purchase of property, plant and equipment <i>(note ii)</i>	925	-
Sponsorship income received <i>(note ii)</i>	170	3,300
Disposal of a jointly controlled entity <i>(note ii)</i>	-	5,231
Jointly controlled entities:		
Acquisition of a subsidiary <i>(note ii)</i>	842	-
Interest income received <i>(note iii)</i>	641	640
Production income received <i>(note ii)</i>	-	4,831
Management service fee received <i>(note ii)</i>	-	27
Companies in which certain directors have beneficial interests:		
Artiste royalty fee paid <i>(note ii)</i>	2,509	-
Management service fee paid <i>(note ii)</i>	1,220	1,440
Rental of memorabilia paid <i>(note ii)</i>	1,120	441
Former associate of a substantial shareholder:		
Interest expenses paid <i>(note iii)</i>	-	349
	<u>-</u>	<u>349</u>

70 Notes to the Financial Statements

For the year ended 31st March, 2002

ANNUAL REPORT 2002

53. RELATED PARTY TRANSACTIONS AND BALANCES – continued

Notes:

- (i) Interest is charged at the interest rate stipulated in the respective convertible notes.
- (ii) The transactions are entered into on terms determined and agreed by the Group and the relevant parties.
- (iii) Interest is charged at prevailing market rates in accordance with the respective loan agreements.

Details of balances with related parties as at the balance sheet date are set out in the consolidated balance sheet and in notes 22, 23, 30, 31, 34, 35 and 37.

54. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Asian Flower Limited	Hong Kong	HK\$2	–	100%	Securities investment
Best Thought Entertainment Limited	Hong Kong	HK\$100	–	70%	Provision of artistes agency and talent management services
Bob & Partners Co., Limited (formerly known as Star East Bob Limited)	Hong Kong	HK\$334	–	100%	Movies and television dramas production and distribution
Cornhill Development Limited	Hong Kong	HK\$2	–	100%	Provision of finance
Extra Wealth Investment Ltd.	British Virgin Islands/ Hong Kong	US\$1	–	100%	Property investment
Global Step Limited	Hong Kong	HK\$2	–	100%	Property investment
Jumbo Field Limited	Hong Kong	HK\$2	–	100%	Property investment
Kan Hock Investment & Development Co. Limited	Hong Kong/PRC	HK\$2	–	100%	Property investment
Lane Smart Holdings Limited	British Virgin Islands	US\$100	–	100%	Investment holding
Lucky Cosmos Limited	Hong Kong	HK\$2	–	100%	Securities investment
Magnetic Light Profits Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Planet Hollywood (Japan) K. K.	Japan	JPY25,000,000	–	80%	Operation of theme restaurant

Notes to the Financial Statements

For the year ended 31st March, 2002

54. PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation or registration/operation	Nominal value of issued and fully paid share capital/registered capital	Attributable proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Planet Hollywood Entertainment Limited	Hong Kong	HK\$2	–	100%	Event marketing and show performance
Planet Hollywood Asia Pte Ltd	Singapore	S\$30,320,001	–	100%	Investment holding
Planet Hollywood Hong Kong Limited	Hong Kong	HK\$69,193,399	–	70%	Operation of theme restaurant
Planet Hollywood Singapore Pte Ltd	Singapore	S\$2	–	100%	Operation of theme restaurant
Real Park Limited	Hong Kong/PRC	HK\$2	–	100%	Property investment
Sea Ruby Limited	Hong Kong/PRC	HK\$20	–	100%	Property holding
Silver Epoch Ltd.	British Virgin Islands	US\$2	100%	–	Investment holding
Sino Forum Limited	Hong Kong	HK\$2	–	100%	Investment holding
Sino Logic Limited	Hong Kong	HK\$2	–	100%	Investment holding
Star East (Hong Kong) Limited	Hong Kong	HK\$10,000	–	100%	Trading of merchandise
Star East Archive Limited	Hong Kong	HK\$2	–	100%	Movies production and distribution
Star East (B.V.I.) Limited	British Virgin Islands	US\$2	100%	–	Investment holding
Star East Management Limited	Hong Kong	HK\$100	–	100%	Provision of corporate management services
Star East Music Limited	Hong Kong	HK\$2	–	100%	Music production
Star East Stage Limited	Hong Kong	HK\$2	–	100%	Stage performance
Star East Talent Management Limited	Hong Kong	HK\$10,000	–	100%	Provision of artistes agency and talent management services
The Saint News Limited	Hong Kong	HK\$100	–	51%	Publication of news on horse-racing
Unicon Industrial Limited	Hong Kong	HK\$2	–	100%	Property holding
Well Bright (Asia) Limited	Hong Kong	HK\$2	–	100%	Property investment
上海東魅餐飲娛樂有限公司 <i>(note a)</i>	PRC	US\$2,100,000	–	99.7%	Operation of theme restaurant and entertainment complex
台山市德祥房地產有限公司 <i>(note b)</i>	PRC	US\$5,000,000	–	100%	Property investment
東方魅力娛樂事業股份有限公司	Taiwan	NTD1,200,000	–	100%	Music production

Notes:

- (a) This subsidiary is a Sino-foreign cooperative joint venture.
- (b) This subsidiary is a Sino-foreign equity joint venture. Pursuant to agreements entered with the joint venture partner, the Group is entitled to the entire results of the joint venture.

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

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

For the year ended 31st March, 2002

55. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR JOINTLY CONTROLLED ENTITY

Extracts from the most recent audited financial statements of StarEastWorks for the year ended 31st March, 2002 which are material in the context of the Group's financial statements, are as follows:

Income statement

For the year ended 31st March, 2002

	Year ended 31st March, 2002 HK\$'000	Period ended 31st March, 2001 HK\$'000
Turnover	<u>25,400</u>	<u>15,839</u>
Loss before taxation	(25,123)	(77,088)
Taxation	<u>-</u>	<u>-</u>
Loss for the year/period	<u>(25,123)</u>	<u>(77,088)</u>
Group's share of loss for the year/period since acquisition	<u>(12,562)</u>	<u>(33,530)</u>

Net assets

At 31st March, 2002

	2002 HK\$'000	2001 HK\$'000
Non-current assets	31,035	21,915
Current assets	73,180	111,713
Current liabilities	<u>(6,427)</u>	<u>(10,717)</u>
Net assets	<u>97,788</u>	<u>122,911</u>
Group's share of net assets	<u>48,894</u>	<u>61,456</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

56. EXTRACTS FROM THE FINANCIAL STATEMENTS OF THE GROUP'S MAJOR ASSOCIATE

Extracts from the most recent audited financial statements of Sing Pao Media for the year ended 31st March, 2002 which are material in the context of the Group's financial statements, are as follows:

Income statement

For the year ended 31st March, 2002

	2002 HK\$'000	2001 HK\$'000
Turnover	<u>71,493</u>	<u>48,383</u>
Loss before taxation	(149,006)	(174,263)
Taxation	<u>-</u>	<u>-</u>
Loss before minority interests	(149,006)	(174,263)
Minority interests	<u>113</u>	<u>-</u>
Loss for the year	<u>(148,893)</u>	<u>(174,263)</u>
Group's share of loss for the year	<u>(34,977)</u>	<u>(36,622)</u>

Net assets

At 31st March, 2002

	2002 HK\$'000	2001 HK\$'000
Non-current assets	340,423	111,918
Current assets	106,396	77,726
Current liabilities	(69,712)	(36,304)
Non-current liabilities	<u>(120,951)</u>	<u>(68,416)</u>
Net assets	<u>256,156</u>	<u>84,924</u>
Group's share of net assets	<u>65,474</u>	<u>16,705</u>

57. POST BALANCE SHEET EVENTS

The following significant events have occurred subsequent to the balance sheet date:

- (a) PH (Melbourne) Pty Ltd, a wholly-owned subsidiary of the Group, was placed under administration in April 2002.
- (b) As announced on 3rd May, 2002, the Company entered into a placing and subscription agreement with ITC and a placing agent whereby ITC will place through the placing agent a total of 276,200,000 ordinary shares of HK\$0.005 each in the Company to independent investors at a price of HK\$0.080 per placing share and subscribe 350,000,000 new shares of the Company at a price of HK\$0.080 per new share.

The Company also entered into a second placing agreement with the placing agent to place another 350,000,000 new shares of the Company through the placing agent, to independent investors at a price of HK\$0.080 per new share.

- (c) As announced on 17th May, 2002, the Company entered into a conditional sale and purchase agreement with Paul Y. to dispose of the entire interest in Unicon and the entire amount of the shareholder's loan at a cash consideration of HK\$103 million. Unicon, through a subsidiary, holds an interest in a property situated in Hong Kong. This transaction was duly approved by independent shareholders of the Company in a special general meeting held on 21st June, 2002 and was completed on 28th June, 2002.