

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

1. GENERAL

The Company is incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property investment, provision of building management services and investment holding.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the liquidity position and going concern status of the Group.

During the year, the Group successfully implemented its debt restructuring exercise and as a result, certain of its bank loans which were repayable on demand prior to the restructuring had either been settled or rescheduled. As part of the debt restructuring exercise, certain investment properties of the Group were scheduled to be disposed of in the near future, details of which are set out in note 11, the proceeds arising therefrom will be used to apply to reduce the relevant bank loans. Furthermore, the Group will consider to raise additional funding for its working capital, which may involve equity or debt financing.

On this basis and taking into account the present available financing facilities, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") 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 4. 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 or prior periods.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

Leases

SSAP 14 (Revised) "Leases" ("SSAP 14") has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14. Comparative amounts and disclosures have been restated in order to achieve a consistent presentation.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended March 31, 2001 have been amended so that they are presented on a consistent basis.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, properties held for sale and other investments.

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

Basis of consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

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

Goodwill arising on acquisitions after April 1, 2001 is capitalised and amortised on a straight-line basis over its estimated economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets and is 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 as income immediately.

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Revenue recognition

Revenue from sales of properties is recognised on the execution of a legally binding purchase and sale agreement.

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

Building management and agency fees are recognised when services are rendered.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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

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 identified impairment loss.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in securities (continued)

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

Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at cost less depreciation and accumulated impairment losses.

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

Furniture, fixtures and equipment	20%
Leasehold improvements	20%
Motor vehicles	20% - 25%

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

Investment properties

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

Investment properties are stated at their open market value based on professional valuations at the balance sheet date.

Any 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.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Investment properties (*continued*)

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes interest, finance charges, professional fees and other direct costs attributable to such properties until they reach a marketable state. Net realisable value represents the estimated selling price less all costs to completion and costs to be incurred in marketing and selling.

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. Impairment losses are 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.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed 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.

Retirement benefit scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme and Mandatory Provident Fund Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

5. TURNOVER AND SEGMENTAL INFORMATION

Business segments

The Group's turnover and net loss for the year were derived from activities carried out in Hong Kong. The Group's assets were all located in Hong Kong. For management purposes, the Group is currently organised into four operating divisions, namely, sales of properties, rental service, building management and agency services, and technology related business. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Income statement

	2002					Consolidated HK\$'000
	Sales of properties HK\$'000	Rental service HK\$'000	Building management and agency services HK\$'000	Technology related business HK\$'000	Eliminations HK\$'000	
External revenue	36,000	17,843	4,467	—	—	58,310
Inter-segment revenue	—	1,670	363	—	(2,033)	—
	36,000	19,513	4,830	—	(2,033)	58,310
Segment result	(709)	4,071	(4,696)	—	—	(1,334)
Unallocated other revenue						4,784
Interest income						856
Unallocated corporate expenses						(29,072)
Allowance for estimated loss on properties held for sale	(2,915)	—	—	—	—	(2,915)
Deficit arising from revaluation of investment properties	—	(61,020)	—	—	—	(61,020)
Impairment of goodwill						(25,675)
Loss from operations						(114,376)
Share of results of associates	—	—	—	(2,814)	—	(2,814)
Finance costs						(56,895)
Loss before taxation						(174,085)
Taxation						(23)
Loss before minority interests						(174,108)
Minority interests						—
Net loss for the year						(174,108)



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

5. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

Income statement

	2001					Consolidated HK\$'000
	Sales of properties HK\$'000	Rental service HK\$'000	Building management and agency services HK\$'000	Technology related business HK\$'000	Eliminations HK\$'000	
External revenue	105,485	20,346	5,105	—	—	130,936
Inter-segment revenue	—	1,670	515	—	(2,185)	—
	105,485	22,016	5,620	—	(2,185)	130,936
Segment result	(62,296)	2,995	766	—	—	(58,535)
Unallocated other revenue						3,709
Interest income						228
Unallocated corporate expenses						(18,783)
Deficit arising from revaluation of investment properties	—	(51,586)	—	—	—	(51,586)
Allowance for estimated loss on properties held for sale	(29,261)	—	—	—	—	(29,261)
Impairment loss recognised in respect of deposits for acquisition of investments	—	—	—	(45,835)	—	(45,835)
Loss from operations						(200,063)
Share of results of associates	—	—	—	(8,761)	—	(8,761)
Impairment loss recognised in respect of premium on acquisition of an associate	—	—	—	(17,581)	—	(17,581)
Gain on disposal of associates						4,796
Finance costs						(101,863)
Loss before taxation						(323,472)
Minority interests						152
Net loss for the year						(323,320)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

5. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

Balance sheet

	2002		2001	
	Segment assets HK\$'000	Segment liabilities HK\$'000	Segment assets HK\$'000	Segment liabilities HK\$'000
Sales of properties	65,069	—	104,156	—
Rental service	299,305	10,666	280,196	20,532
Building management and agency service	1,042	1,021	5,048	642
Technology related business	140,400	—	—	—
Other corporate assets/liabilities	26,714	313,056	8,781	617,708
	532,530	324,743	398,181	638,882

Other information

	2002 HK\$'000	2001 HK\$'000
Capital additions		
Sales of properties	43	39
Rental service	79,441	89
Other corporate assets	351	106
	79,835	234

Depreciation

Sales of properties	125	305
Rental service	532	784
Other corporate assets	224	333
	881	1,422

Other information

Impairment of goodwill	25,675	—
Impairment losses recognised in income	—	63,416



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

6. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	565	610
Depreciation	881	1,422
Loss on disposal of tangible fixed assets other than properties	5	661
Staff costs		
— Directors' emoluments (note 8)	13,361	10,494
— Staff wages and salaries	9,190	11,069
— Provident fund	240	358
— Staff messing and welfare	38	82
	22,829	22,003

and after crediting:

Gain on disposal of listed securities	740	—
Rental income, net of outgoings of approximately HK\$1,138,000 (2001: HK\$1,248,000)	16,705	19,098

7. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank borrowings wholly repayable within five years	(56,786)	(101,467)
Interest on debentures	—	(142)
Interest on other borrowings	(109)	(254)
	(56,895)	(101,863)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

8. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments are analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive	—	—
Non-executive	—	—
Independent non-executive	525	310
	<hr/> 525	<hr/> 310
Other emoluments:		
Salaries and other benefits to executive directors	12,836	10,184
	<hr/> 13,361	<hr/> 10,494
Total directors' emoluments	<hr/> <hr/> 13,361	<hr/> <hr/> 10,494

The emoluments of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	9	12
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	1	—
HK\$3,500,001 to HK\$4,000,000	—	1
HK\$8,500,001 to HK\$9,000,000	1	—
	<hr/> 11	<hr/> 15
	<hr/> <hr/> 11	<hr/> <hr/> 15



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

8. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

(b) Employees' emoluments

The five highest paid individuals included 3 (2001: 3) directors, details of whose emoluments are included in the amounts disclosed in (a) above. The emoluments of the remaining 2 (2000: 2) highest paid individuals are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	1,310	1,705
Retirement benefit scheme contributions	78	54
	<u>1,388</u>	<u>1,759</u>

The emoluments of each of the highest paid employees were within the band of nil to HK\$1,000,000.

9. TAXATION

The charge represents provision for Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax was made in 2001 as the Group incurred tax losses in that year.

Details of the unprovided deferred taxation are set out in note 26.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of approximately HK\$174,108,000 (2001: HK\$323,320,000) and on the weighted average of 2,135,225,748 (2001: 1,365,365,431) shares in issue.

The computation of diluted loss per share for the year ended March 31, 2002 and 2001 does not assume the exercise of the conversion rights attached to the Company's outstanding share options, convertible redeemable non-voting preference shares and debenture as these conversions would result in a decrease in loss per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

11. TANGIBLE FIXED ASSETS

	Investment properties <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST OR VALUATION					
At April 1, 2001	277,160	11,477	3,941	544	293,122
Additions	—	248	—	157	405
Acquired on acquisition of a subsidiary	79,400	6	24	—	79,430
Disposals	—	(23)	—	—	(23)
Deficit arising from revaluation	(61,020)	—	—	—	(61,020)
At March 31, 2002	295,540	11,708	3,965	701	311,914
Comprising:					
At cost	—	11,708	3,965	701	16,374
At valuation — 2002	295,540	—	—	—	295,540
	295,540	11,708	3,965	701	311,914
DEPRECIATION					
At April 1, 2001	—	10,807	3,137	544	14,488
Charge for the year	—	416	460	5	881
Eliminated on disposals	—	(18)	—	—	(18)
At March 31, 2002	—	11,205	3,597	549	15,351
NET BOOK VALUES					
At March 31, 2002	295,540	503	368	152	296,563
At March 31, 2001	277,160	670	804	—	278,634



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

11. TANGIBLE FIXED ASSETS (continued)

The net book value of the Group's investment properties comprises:

	2002 HK\$'000	2001 HK\$'000
Properties situated in Hong Kong and held under:		
— Long leases	147,140	187,160
— Medium-term leases	148,400	90,000
	295,540	277,160

Included in investment properties are properties amounting to approximately HK\$176,200,000 for which the Group is obliged to dispose of around the end of August 2002 so as to repay the related bank loans.

Investment properties amounting to approximately HK\$214,735,000 (2001: HK\$191,791,000) are rented out under operating leases. Particulars of the investment properties are set out on page 67 of the annual report.

The investment properties were revalued at March 31, 2002 by Castores Magi Surveyors Limited, a firm of professional surveyors, on an open market value basis, resulting in a deficit of approximately HK\$61,020,000 which has been charged to the income statement.

Out of the deficit of approximately HK\$107,840,000 arising from revaluation carried out in 2001, an amount of approximately HK\$56,254,000 was charged to the investment property revaluation reserve and the remaining balance of approximately HK\$51,586,000 was charged to the income statement.

12. GOODWILL

	HK\$'000
COST	
Arising on acquisition during the year and balance at March 31, 2002	25,675
AMORTIZATION AND IMPAIRMENT	
Impairment loss during the year and balance at March 31, 2002	25,675
NET BOOK VALUE	
At March 31, 2002 and 2001	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

12. GOODWILL (continued)

On December 31, 2001, the Company entered into a sale and purchase agreement with an independent third party (the "Vendor") pursuant to which the Company would purchase from the Vendor the entire issued voting capital of Fine Straight Investments Limited, whose sole business is the holding and letting of a property located in Hong Kong, for a total consideration of HK\$79 million which would be satisfied on completion by way of an issue of the Company's ordinary shares at an issue price that is equal to the lower of (i) HK\$0.40 per share; and (ii) the average closing price per share of HK\$0.10 each in the capital of the Company as quoted on the Stock Exchange for the ten trading days immediately preceding the completion date, but which shall in any event not be lower than the nominal value per share in the capital of the Company. The details of this transaction was set out in note 20 (ix). Under SSAP30, the acquisition is required to be calculated by reference to the market price of the Company's ordinary share as at the date of exchange transaction. On completion of the transaction, the closing price of the Company's ordinary share as quoted on the Stock Exchange was HK\$0.53 per share. Accordingly, reference was made to that closing price instead of the agreed issue price of, in this case, HK\$0.40 per share to calculate the cost of acquisition for accounting purpose.

Goodwill of approximately HK\$25.7 million was therefore arisen as a result of the adoption of the above-mentioned closing price of HK\$0.53 per share instead of the agreed price of HK\$0.40 per share to calculate the cost of acquisition.

During the year, the Group reviewed the carrying value of its goodwill and identified that the estimated discounted net future cash flows from the acquired subsidiary are less than the carrying amount. Accordingly, the carrying amount of unamortised goodwill was reduced to its recoverable amount.

13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	1,071,061	1,071,061
Amounts due from subsidiaries	1,698,825	1,067,474
Less: Impairment losses recognised	(2,074,249)	(1,909,766)
	<u>695,637</u>	<u>228,769</u>

The cost of the unlisted shares is based on the carrying values or the underlying net tangible assets of the subsidiaries attributable to the Group at the date on which the Company became the ultimate holding company of the Group under the group reorganisation taken place in September 1996.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

13. INTERESTS IN SUBSIDIARIES (continued)

During the year, the Group reviewed the carrying amounts of interests in subsidiaries and identified that the estimated discounted net future cash flows from certain subsidiaries (the "Recoverable Amounts") are less than the carrying amounts. Accordingly, the carrying amounts of these subsidiaries are reduced to their respective Recoverable Amounts which are estimated using market borrowing rates.

The amounts due from subsidiaries are unsecured, non-interest bearing and do not have fixed repayment terms.

Particulars of the Company's principal subsidiaries at March 31, 2002 are set out in note 35.

14. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	9	2,823
Premium arising from acquisition of an associate	23,441	23,441
Accumulated amortisation of premium	(5,860)	(5,860)
Impairment loss recognised in respect of premium	(17,581)	(17,581)
	<u>9</u>	<u>2,823</u>

The Company's directors have reviewed and examined the operations of the associates and their profitability potential, and are of the opinion that the premium arising on the acquisition of the associate is not recoverable. Accordingly, an impairment loss was recognised in 2001.

Particulars of the Company's associates at March 31, 2002 are set out in note 36.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

15. INVESTMENTS IN SECURITIES

THE GROUP

	Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Equity securities:						
Listed	—	—	3,192	—	3,192	—
Unlisted	140,400	—	—	—	140,400	—
	140,400	—	3,192	—	143,592	—
Market value of listed securities	—	—	3,192	—	3,192	—
Carrying amount analysed for reporting purposes as:						
Current	—	—	3,192	—	3,192	—
Non-current	140,400	—	—	—	140,400	—
	140,400	—	3,192	—	143,592	—

Details of the investment securities which accounts for more than 10% of the assets of the Group are as follows:

Name of the investment securities	Place of incorporation	Percentage of nominal value of issued share capital held indirectly by the Company	Issued and fully paid up share capital	Principal activities
Hong Kong Satellite Technology Holdings Limited ("Hong Kong Satellite")	British Virgin Islands	1.99%	Ordinary US\$10,050	Investment holding company whose subsidiaries are principally engaged in the development of a satellite communications platform and the manufacture, assembly, marketing and sale of new commercial communications satellites



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

16. PROPERTIES HELD FOR SALE

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Properties situated in Hong Kong and held under:		
— Long leases	65,000	104,000

The above properties are stated at net realisable value.

17. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$2,844,000 (2001: HK\$5,633,000) comprising mainly rental receivables which are billed in advance and in respect of which settlement is expected upon receipt of billings. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within 60 days	1,601	3,174
Between 61 - 90 days	352	276
Over 90 days	891	2,183
	2,844	5,633

18. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Trade payables with age of 91 days or above	1,726	11,501
Accrued bank loan interest	860	141,748
Other payables	6,246	7,541
	8,832	160,790

NOTES TO THE FINANCIAL STATEMENTS

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19. BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Bank loans	268,186	463,915
Bank overdrafts	15	3,286
	<u>268,201</u>	<u>467,201</u>

Analysed as:

Secured	268,186	462,228
Unsecured	15	4,973
	<u>268,201</u>	<u>467,201</u>

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
The bank borrowings bear interest at prevailing market rates and were originally scheduled for repayment as follows:		
Within one year	219,265	345,351
Between one to two years	48,936	61,037
Between two to five years	—	60,813
	<u>268,201</u>	<u>467,201</u>
Less: Amounts due within one year and included in current liabilities	(219,265)	(467,201)
Amounts due after one year	<u>48,936</u>	<u>—</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

20. SHARE CAPITAL

(a) Ordinary shares

	Number of shares		Share capital	
	2002 '000	2001 '000	2002 HK\$'000	2001 HK\$'000
Shares of HK\$0.1 each				
Authorised:				
At the beginning of the year	4,000,000	2,000,000	400,000	200,000
Increase during the year (note vii)	2,840,000	2,000,000	284,000	200,000
At the end of the year	6,840,000	4,000,000	684,000	400,000
Issued and fully paid:				
At the beginning of the year	1,495,781	991,411	149,578	99,141
Issue of shares (note i, ii & v)	510,000	360,000	51,000	36,000
Issued in consideration for the acquisition of the issued share capital of Fine Straight Investments Limited (note ix)	197,500	—	19,750	—
Issued in consideration for the acquisition of the issued share capital of Hong Kong Satellite Technology Holdings Limited (note iii)	390,000	—	39,000	—
Issued in consideration to settle indebtedness of the Group (note iv & vi)	36,343	—	3,634	—
Exercise of the conversion rights of convertible redeemable non-voting preference shares (the "Preference Shares") (note x)	407,500	—	40,750	—
Exercise of share options (note xii)	124,900	—	12,490	—
Exercise of debenture conversion rights (note xi)	38,996	144,370	3,900	14,437
At the end of the year	3,201,020	1,495,781	320,102	149,578

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

20. SHARE CAPITAL (continued)

(b) The Preference Shares

	Number of shares		Share capital	
	2002 '000	2001 '000	2002 HK\$'000	2001 HK\$'000
The Preference Shares of HK\$1,000,000 each:				
Authorised:				
Created during the year and at the end of the year (note vii)	316	—	316,000	—
Issued and fully paid:				
Issue of shares (note viii)	283	—	283,000	—
Conversion of shares (note x)	(163)	—	(163,000)	—
At the end of the year	120	—	120,000	—
			440,102	149,578

The Preference Shares are issued with the following principal rights and restrictions:

- (a) the Preference Shares will confer upon its holder the right to receive, in priority to the holders of any other class of shares in the capital of the Company, a fixed cumulative cash dividend payable on the principal amount outstanding under the Preference Shares at the rate of 1% per annum;
- (b) unless previously converted, the Company may by written notice to a holder of the Preference Shares redeem all but not part of the Preference Shares at their total outstanding principal amount on the third anniversary from the date of issue of the Preference Shares;



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

20. SHARE CAPITAL (*continued*)

- (c) unless previously converted or redeemed, a holder of the Preference Shares may convert all or any part of the principal amount of the Preference Shares into ordinary shares at a conversion price which is the lower of (i) HK\$0.40 and (ii) the average of the 10 lowest daily closing prices per ordinary share on the Stock Exchange during the 30 days immediately prior to the date of issue of conversion notice (subject to adjustments) at any time on any business day after the date of issue of the Preference Shares but at least seventh business day prior to the third anniversary of the date of issue of the Preference Shares;
- (d) on a return of capital on a winding-up or otherwise, the Preference Shares will rank in priority to any other class of shares in the capital of the Company provided that the assets of the Company available for distribution to its members will be applied first towards arrears of accruals of the fixed dividend payable on the Preference Shares before repaying the capital paid up on any Preference Shares or any other class of shares in the capital of the Company;
- (e) all ordinary shares to be issued on conversion of the Preference Shares will be issued free from all claims, charges, lien, encumbrances and equities and be identical and will rank *pari passu* in all respects with the ordinary shares then in issue;
- (f) a holder of the Preference Shares will not be entitled to attend or vote at any general meetings of the Company by reason only of it being a holder of the Preference Shares, except on a resolution of the ordinary shareholders to vary or abrogate the rights of the holders of Preference Shares;
- (g) no application will be made for the listing of or permission to deal in any of the Preference Shares on the Stock Exchange or any other stock exchange; and
- (h) the Preference Shares may be assigned or transferred with the prior approval from the Stock Exchange, if so required.

Changes in the share capital of the Company during the year are as follows:

- (i) Pursuant to a subscription agreement on May 8, 2001, Quizzical Holdings Limited subscribed for 130,000,000 new ordinary shares of HK\$0.1 each of the Company at HK\$0.1 per share. The net proceeds from this subscription amounting to approximately HK\$13,000,000 were used for general working capital purposes. The new ordinary shares were issued under a general mandate granted to the board of directors at the special general meeting of the Company held on July 28, 2000 and ranked *pari passu* in all respects with the then existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

20. SHARE CAPITAL (continued)

- (ii) On July 5, 2001, the Company issued and allotted 330,000,000 ordinary shares of HK\$0.1 each of the Company to independent investors at HK\$0.2 per share. The net proceeds from this placing amounting to approximately HK\$66,000,000 were used for general working capital purposes. The new ordinary shares were issued under a general mandate granted to the board of directors at the special general meeting of the Company held on June 6, 2001 and ranked *pari passu* in all respects with the then existing ordinary shares of the Company.
- (iii) On July 20, 2001, the Company entered into a conditional agreement with Mr. Chu Yu Lin, David ("Mr. Chu") to purchase from him 150 shares of US\$1 each in Hong Kong Satellite, a company in which Mr. Chu is also a director and, together with Mrs. Chu Ho Miu Hing, a controlling shareholder, for a total consideration of US\$15,000,000 which was to be satisfied by the issue of 390,000,000 ordinary shares of HK\$0.1 each of the Company at a price of HK\$0.3 per share. The closing price of the Company's shares as quoted on the Stock Exchange on that date on which the Company issued the said shares to Mr. Chu to satisfy the said consideration was HK\$0.26 per share. The new ordinary shares were issued pursuant to the resolution approving, inter alia, the issue of such shares at the special general meeting of the Company held on October 19, 2001 and ranked *pari passu* in all respects with the then existing ordinary shares of the Company.
- (iv) Pursuant to the settlement agreement dated December 27, 2001, the Company issued and allotted 10,000,000 and 9,431,899 ordinary shares of HK\$0.1 each of the Company at HK\$0.4 per share to an independent creditor respectively on January 7, 2002 and January 8, 2002 as settlement of the debts of approximately HK\$7,773,000 assigned to it by certain creditors of the subsidiaries of the Company. The new ordinary shares were issued under a general mandate granted to the board of directors on August 27, 2001 and ranked *pari passu* in all respects with the then existing ordinary shares of the Company.
- (v) On January 4, 2002, Mr. Chu entered into a placing agreement with a placing agent to place 50,000,000 ordinary shares of HK\$0.1 each of the Company at a price of HK\$0.4 per share and to subscribe for such number of new ordinary shares from the Company as placed by the placing agent at the same price. The net proceeds of approximately HK\$20,000,000 from the subscription was used as general working capital.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

20. SHARE CAPITAL (continued)

- (vi) On January 18, 2002 and pursuant to the agreement dated December 27, 2001, the Company issued and allotted 16,911,007 ordinary shares of HK\$0.1 each of the Company at HK\$0.4 per share to an independent creditor as settlement of the debts of approximately HK\$6,764,000 owing to it by a subsidiary of the Company. The new ordinary shares were issued under a general mandate granted to the board of directors on August 27, 2001 and ranked *pari passu* in all respects with the then existing ordinary shares of the Company.
- (vii) Pursuant to a special resolution passed at a special general meeting held on February 20, 2002, the authorised share capital of the Company was increased to HK\$1,000,000,000 divided into 6,840,000,000 ordinary shares of HK\$0.1 each and 316 1% convertible redeemable non-voting preference shares of HK\$1,000,000 each.
- (viii) Pursuant to the subscription agreement dated January 4, 2002, the Company issued 283 convertible redeemable non-voting preference shares of HK\$1,000,000 each to Mr. Chu as settlement of the indebtedness of approximately HK\$283,000,000 assigned to Mr. Chu by the subsidiaries of the Company.
- (ix) On March 5, 2002, the Company issued and allotted 197,500,000 ordinary shares of HK\$0.1 each of the Company to Goldmile Pacific Limited to satisfy the consideration for the acquisition of 100% equity interest in Fine Straight Investments Limited. The closing price of the Company's share as quoted on the Stock Exchange on that date was HK\$0.53 per share. The new ordinary shares were allotted and issued pursuant to the resolution passed in the special general meeting convened on February 20, 2002 and ranked *pari passu* in all respects with the existing issued ordinary shares.
- (x) During the year, 163 convertible redeemable non-voting preference shares with the nominal value of HK\$1,000,000 each were converted into 407,500,000 ordinary shares of HK\$0.1 each of the Company. The converted shares ranked *pari passu* in all respects with the then existing ordinary shares of the Company.
- (xi) During the year, debentures with a nominal value of US\$500,000 (equivalent to HK\$3,900,000) were converted into 38,996,300 ordinary shares of HK\$0.1 each of the Company. The converted shares ranked *pari passu* in all respects with the then existing ordinary shares of the Company.
- (xii) During the year, 124,900,000 option shares were exercised resulting in issue of 124,900,000 ordinary shares of HK\$0.1 each of the Company. The issued shares ranked *pari passu* in all respects with the then existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

21. SHARE OPTION SCHEME

At March 31, 2002, the option shares granted are as follows:

	Number of option shares
Balance at April 1, 2000	94,100,000
Cancelled upon resignation of a director	(14,000,000)
Granted during the year	55,000,000
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Balance at March 31, 2001	135,100,000
Exercise of option shares	(124,900,000)
Granted during the year	68,300,000
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Balance at March 31, 2002	78,500,000

The balance of outstanding option shares as at March 31, 2002 comprises:

Date of option shares granted	Exercisable period	Number of total option shares granted	Exercise price HK\$
October 20, 1999	April 28, 2000 to April 27, 2003	20,000,000	0.170
February 1, 2000	August 28, 2000 to August 27, 2003	5,700,000	0.228
March 2, 2001	September 15, 2001 to September 14, 2004	3,000,000	0.100
May 16, 2001	November 18, 2001 to November 17, 2004	13,400,000	0.100
August 1, 2001	February 1, 2002 to January 31, 2005	32,400,000	0.255
December 8, 2001	June 8, 2002 to June 7, 2005	4,000,000	0.378
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

22. RESERVES

	Share premium account HK\$'000	Contributed surplus HK\$'000	Investment property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP					
At April 1, 2000	469,060	—	95,263	(564,307)	16
Issue of shares	31,938	—	—	—	31,938
Expenses on issue of shares	(3,650)	—	—	—	(3,650)
Released upon disposal of investment properties	—	—	(39,009)	—	(39,009)
Deficit arising from revaluation (<i>note 11</i>)	—	—	(56,254)	—	(56,254)
Net loss for the year	—	—	—	(323,320)	(323,320)
At March 31, 2001	497,348	—	—	(887,627)	(390,279)
Issue of shares	247,756	84,925	—	—	332,681
Expenses on issue of shares	(473)	—	—	—	(473)
Net loss for the year	—	—	—	(174,108)	(174,108)
Preference shares dividend	—	—	—	(136)	(136)
At March 31, 2002	744,631	84,925	—	(1,061,871)	(232,315)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

22. RESERVES (continued)

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At April 1, 2000	469,060	1,029,761	(1,573,156)	(74,335)
Issue of shares	31,938	—	—	31,938
Expenses on issue of shares	(3,650)	—	—	(3,650)
Net loss for the year	—	—	(344,232)	(344,232)
At March 31, 2001	497,348	1,029,761	(1,917,388)	(390,279)
Issue of shares	247,756	84,925	—	332,681
Expenses on issue of shares	(473)	—	—	(473)
Net loss for the year	—	—	(174,108)	(174,108)
Preference shares dividend	—	—	(136)	(136)
At March 31, 2002	744,631	1,114,686	(2,091,632)	(232,315)

Included in the Group's accumulated losses above is the following amount which is attributable to the Group's share of results of its associates:

	<i>HK\$'000</i>
At April 1, 2000	2,537
Share of results for the year	(8,761)
Eliminated upon disposal of interest in associates	(2,534)
At March 31, 2001	(8,758)
Share of results for the year	(2,814)
At March 31, 2002	(11,572)

The contributed surplus of the Company represents the aggregate of the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's ordinary shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's ordinary shares on the Stock Exchange and the difference between the estimated fair value of the Company's ordinary shares issued as purchase consideration of a subsidiary at the date of acquisition in 2002 over the nominal value of the Company's ordinary share.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

22. RESERVES (continued)

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

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

In the opinion of the directors, the Company had no reserves available for distribution to shareholders at March 31, 2002 and 2001.

23. DEBENTURES

	THE GROUP AND THE COMPANY
	<i>HK\$'000</i>
Balance at April 1, 2000	23,400
Exercise of debenture conversion rights	(19,500)
<hr/>	
Balance at March 31, 2001	3,900
Exercise of debenture conversion rights	(3,900)
<hr/>	
Balance at March 31, 2002	—
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The debentures bore interest at 3% per annum payable quarterly in arrears and were fully converted into the Company's ordinary shares during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

24. AMOUNT DUE TO A DIRECTOR

The amount is unsecured and non-interest bearing. Out of the amount of HK\$40,213,000, up to HK\$33,000,000 is to be set off by the corresponding amount of the nominal value of up to 33 convertible redeemable non-voting preference shares upon the exercise of the conversion rights by the director. In the opinion of the directors, any remaining amount thereof after the set off, together with the outstanding balance of HK\$7,213,000, are not repayable in the next twelve months from the balance sheet date and accordingly, the entire amount is shown as a non-current liability.

25. AMOUNTS DUE TO SUBSIDIARIES

THE COMPANY

The amounts are unsecured, non-interest bearing and do not have fixed repayment terms. No part of the amounts will be repayable within the next twelve months and, accordingly, the amounts are shown as non-current liabilities.

26. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the Group had the following deferred taxation asset which has not been recognised in the financial statements as it is not certain whether the potential taxation benefit will be realised in the foreseeable future.

The major components of the Group's deferred taxation asset not recognised are analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:		
Differences between tax allowances and accounting depreciation	326	401
Tax losses available to set off future assessable profits	95,531	83,007
Deferred taxation asset not recognised	95,857	83,408



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

26. UNPROVIDED DEFERRED TAXATION (continued)

The amount of net unprovided potential deferred taxation credit for the year is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:		
Differences between tax allowances and accounting depreciation	(75)	(33)
Tax losses incurred	12,524	29,181
Net deferred taxation credit not recognised	12,449	29,148

Deferred taxation has not been provided on the revaluation deficit or surplus arising from the valuation of the investment properties as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation deficit or surplus does not constitute a timing difference for taxation purpose.

The Company did not have any significant unprovided deferred taxation at the balance sheet date or during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

27. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(174,085)	(323,472)
Impairment loss recognised in respect of deposits for acquisition of investments	—	45,835
Impairment loss recognised in respect of premium arising from acquisition of an associate	—	17,581
Depreciation	881	1,422
Interest expenses	56,895	101,863
Interest income	(856)	(228)
Gain on disposal of listed securities	(740)	—
Gain on disposal of associates	—	(4,796)
Loss on disposal of tangible fixed assets other than properties	5	661
Unrealised loss of other investments	35	—
Impairment of goodwill	25,675	—
Deficit arising from revaluation of investment properties	61,020	51,586
Allowance for estimated loss on properties held for sale	2,915	29,261
Release of investment property revaluation reserve upon disposal of investment properties	—	(39,009)
Share of results of associates	2,814	8,761
Decrease in investment properties	—	205,000
Decrease in properties held for sale	36,085	606
Decrease in trade and other receivables	4,088	672
(Decrease) increase in trade and other payables	(4,618)	1,695
Increase (decrease) in deposits received	302	(687)
Decrease in amount due to an associate	—	(400)
Net cash inflow from operating activities	10,416	96,351



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

28. ACQUISITION OF A SUBSIDIARY

During the year the Group acquired 100% of the issued share capital of Fine Straight Investments Limited for a consideration of HK\$104,675,000 calculated by reference to the market price of the Company's ordinary share on the completion date. This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was approximately HK\$25,675,000. The profit after taxation of Fine Straight Investments Limited included in the consolidated income statement for the year ended March 31, 2002 amounted to approximately HK\$146,000.

	<i>HK\$'000</i>
NET ASSETS ACQUIRED	
Investment properties	79,430
Trade and other receivables	1,011
Bank balances and cash	655
Trade and other payables	(3,128)
Taxation payable	(58)
	<hr/>
	77,910
Goodwill	25,675
	<hr/>
Consideration satisfied by issue of 197,500,000 new ordinary shares of HK\$0.1 each in the Company at HK\$0.53 per share as quoted on the Stock Exchange on the completion date of the transaction, less guaranteed net assets compensation receivable of approximately HK\$1,090,000	103,585
	<hr/>
Net cash inflow arising on acquisition	
Bank balances and cash acquired	655
	<hr/>

The subsidiary acquired during the year contributed approximately HK\$175,000 to the Group's net operating cash flows and paid approximately HK\$13,000 in respect of taxation.

The subsidiary acquired during the year contributed approximately HK\$468,000 to the Group's turnover and approximately HK\$169,000 to the Group's profit from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, share premium and contributed surplus <i>HK\$'000</i>	Amount due to a related company <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Debentures <i>HK\$'000</i>	Amount due to a director <i>HK\$'000</i>
At April 1, 2000	568,201	4,692	573,307	23,400	—
Exercise of debenture conversion rights	19,500	—	—	(19,500)	—
Repayments during the year	—	(4,692)	(109,392)	—	—
Issued for cash during the year	62,875	—	—	—	—
Expenses on issue of shares	(3,650)	—	—	—	—
At March 31, 2001	646,926	—	463,915	3,900	—
Exercise of debenture conversion rights	3,900	—	—	(3,900)	—
Repayments during the year	—	—	(59,066)	—	(4,184)
Transfer from accrued bank loan interest	—	—	4,714	—	—
Issued for cash during the year	115,693	—	—	—	—
Expenses on issue of shares	(473)	—	—	—	—
Assignment of bank loans and interest to a director (note 30a)	—	—	(139,090)	—	44,397
Issued for settlement of debts (note 30b)	14,537	—	(2,287)	—	—
Issued for acquisition of a subsidiary (note 30c)	104,675	—	—	—	—
Issued for acquisition of an investment in securities (note 30d)	101,400	—	—	—	—
Issue of convertible redeemable non-voting preference share for settlement of bank loans and loan interest (note 30e)	283,000	—	—	—	—
At March 31, 2002	1,269,658	—	268,186	—	40,213



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

30. NON-CASH TRANSACTIONS

- (a) The balance represents bank loans and interest assigned to Mr. Chu pursuant to the assignments dated January 4, 2002.
- (b) During the year ended March 31, 2002, new ordinary shares with a total value of approximately HK\$14,537,000 were issued as fully paid as settlement of certain creditors.
- (c) During the year ended March 31, 2002, new ordinary shares with a total value of approximately HK\$104,675,000 were issued as fully paid as settlement for the acquisition of a subsidiary.
- (d) During the year ended March 31, 2002, new ordinary shares with a total value of approximately HK\$101,400,000 were issued as fully paid as partial settlement for the acquisition of an investment in securities.
- (e) On January 4, 2002, the Company entered into a subscription agreement pursuant to which the Company issued to Mr. Chu, 283 convertible redeemable non-voting preference shares at a price equal to the par value of HK\$1,000,000 per preference share for a total consideration of HK\$283,000,000 to settle an equivalent amount of bank borrowings assigned to him.

31. PLEDGE OF ASSETS

The general credit facilities of the Group are secured by the Group's investment properties and properties held for sale with an aggregate carrying value of approximately HK\$219,400,000 (2001: HK\$277,160,000) and HK\$65,000,000 (2001: HK\$104,000,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

32. OPERATING LEASE COMMITMENTS

Property rental income earned during the year was approximately HK\$18 million (2001: HK\$20 million). Certain of the Group's properties are held for rental purposes. With a carrying amount of HK\$36 million have been disposed of during the year, the remaining properties are expected to generate rental yields of approximately 6% to 10%, on an ongoing basis. Leases are generally negotiated for an average terms of 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	2001
	HK\$'000	HK\$'000
Within one year	22,217	20,880
In the second to fifth year inclusive	7,495	12,691
	<hr/>	<hr/>
	29,712	33,571

33. CONTINGENT LIABILITIES

At March 31, 2002, the Company provided guarantees to banks to the extent of approximately HK\$203,750,000 (2001: HK\$268,100,000) in respect of banking facilities granted to certain subsidiaries and an aggregate amount of approximately HK\$114,186,000 (2001: HK\$268,100,000) was utilised by those subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

34. RELATED PARTY TRANSACTIONS

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

Name of company/director	Nature of transaction	2002 HK'000	2001 HK\$'000
Cymbeline Limited	Rental expenses paid by the Group	96	96
Good Harvest Securities Company Limited	Rental income received by the Group	312	320
	Interest expenses paid by the Group	—	10
Hong Kong Satellite	Interest expenses paid by the Group	109	—
Mr. Chu Yu Lin, David	Rental income received by the Group	159	159
	Purchase of investment in securities	101,400	—
	Issue of preference shares by the Company	283,000	—

Mr. Chan King Hung has a beneficial interest in Cymbeline Limited.

Mrs. Chu Ho Miu Hing has a beneficial interest in Good Harvest Securities Company Limited.

Mr. Chu Yu Lin, David and Mrs. Chu Ho Miu Hing have beneficial interest in Hong Kong Satellite.

Except as stated below, the above transactions were carried out with reference to the market price.

The consideration for the purchase of investment in securities paid to Mr. Chu Yu Lin, David was determined with reference to the valuation of the business of Hong Kong Satellite performed by an independent professional valuer.

In addition, certain banking facilities of the Group are secured by personal guarantees given by Messrs. Chan King Hung and Chu Yu Lin, David and Mrs. Chu Ho Miu Hing, on which no charge was paid by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

35. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation and operation	Percentage of nominal value of issued share capital held by the Company	Issued and fully paid up share capital	Principal activities
Calorie Limited	Hong Kong	100%	Ordinary HK\$20,000 Deferred* HK\$14,000	Investment holding
Deep Plan Investments Limited	Hong Kong	100%	Ordinary HK\$10,000	Property investment
Fine Point Properties Limited	Hong Kong	100%	Ordinary HK\$1,955 Deferred* HK\$45	Investment holding
Fine Straight Investments Limited	Hong Kong	100%	Ordinary HK\$2 Deferred* HK\$10,000	Property investment and provision of building management services
Mass Come Development Limited	Hong Kong	100%	Ordinary HK\$200,000	Property investment and provision of building management services
Pure Fair Investment Limited	Hong Kong	55%	Ordinary HK\$2	Property trading but has become inactive during the year
Rich Mode Development Limited	Hong Kong	100%	Ordinary HK\$10,000	Property investment and provision of building management services



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

35. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operation	Percentage of nominal value of issued share capital held by the Company	Issued and fully paid up share capital	Principal activities
Sanmark Investments Limited	Hong Kong	100%	Ordinary HK\$200 Deferred* HK\$82	Property trading
Star Cherry Investments Limited	British Virgin Islands	100%	Ordinary US\$100	Investment holding
Tucknam Property Management Limited	Hong Kong	100%	Ordinary HK\$10,000	Property management
WTF Digital Technology Limited	British Virgin Islands	100%	Ordinary US\$100	Investment holding
Wah Tak Fung (B.V.I.) Limited **	British Virgin Islands	100%	Ordinary US\$1,000,000	Investment holding
Wah Tak Fung Management & Agency Limited	Hong Kong	100%	Ordinary HK\$10,000	Provision of agency services
WTF Technology Limited	Hong Kong	100%	Ordinary HK\$2	Investment holding
Well Trade Development Limited	Hong Kong	100%	Ordinary HK\$2 Deferred* HK\$2	Property investment and provision of building management services
WTF (Finance) Limited	Hong Kong	100%	Ordinary HK\$100	Group financing

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distributions on winding up.

** Directly held by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

35. SUBSIDIARIES (continued)

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list discloses only the particulars of those subsidiaries as at March 31, 2002 which principally affect the results or assets of the Group.

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

36. ASSOCIATES

Particulars of the associates held indirectly by the Company at March 31, 2002 are as follows:

Name of associate	Place of incorporation	Percentage of nominal value of issued share capital held indirectly by the Company	Issued and fully paid up share capital	Principal activities
Grand Million International Limited	Hong Kong	25%	Ordinary HK\$4	Inactive
M.POS (HK) Limited	Hong Kong	25%	Ordinary HK\$10,000	Provision of mobile point of sale service

37. RETIREMENT BENEFIT SCHEME

With the implementation of Mandatory Provident Fund Scheme in Hong Kong on December 1, 2000, the Group has maintained the defined contribution scheme registered under the Occupational Retirement Schemes Ordinance ("ORSO Scheme") and has obtained an exemption satisfying the requirements of the Mandatory Provident Fund Scheme Ordinance ("MPFO").

To comply with MPFO, a Mandatory Provident Fund Scheme with voluntary contributions has been established. Existing ORSO Scheme Members has been given a one-off choice on the MPF Exempted ORSO Scheme and the MPF Scheme. New Employees must join MPF Scheme when it commenced on December 1, 2000.

The amount charged to the income statement represents contributions payable of approximately HK\$444,000 (2001: HK\$446,000) to the schemes by the Group at rates specified in the rules of the schemes less forfeitures approximately of HK\$73,000 (2001: HK\$87,000) arising from employees leaving the Group prior to completion of qualifying service period.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2002

37. RETIREMENT BENEFIT SCHEME (continued)

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefits schemes and which are available to reduce the contributions payable in future years was approximately HK\$31,000 (2001: HK\$7,000).

38. POST BALANCE SHEET EVENTS

- (a) On April 23, 2002, the Company entered into a placing agreement with an independent investor, Benevolent Developments Limited, under which Benevolent Developments Limited agreed to subscribe for or procure independent investors to subscribe for a total of 292,500,000 new ordinary shares of HK\$0.1 each of the Company at HK\$0.4 per share to be completed on or before August 20, 2002 (or such other date as the parties may agree to). The net proceeds from this placement amounting to approximately HK\$117,000,000 were to be used as the partial consideration to subscribe for 200 new shares of US\$1.00 each, representing approximately 2% in Hong Kong Satellite.
- (b) On April 24, 2002, the Company entered into a placing agreement with an independent investor, Well Growth Group Limited, under which Well Growth Group Limited agreed to subscribe for or procure independent investors to subscribe for a total of 195,000,000 new ordinary shares of HK\$0.1 each of the Company at HK\$0.4 per share to be completed on or before August 20, 2002 (or such other date as the parties may agree to). The net proceeds from this placement amounting to approximately HK\$78,000,000 were to be used as the partial consideration to subscribe for 200 new shares of US\$1.00 each in Hong Kong Satellite.
- (c) Pursuant to a subscription agreement dated April 25, 2002, the Company conditionally agreed to subscribe for 200 new shares of US\$1 each in Hong Kong Satellite for a total consideration of US\$20 million and the completion of such agreement was scheduled to be on or before August 23, 2002.
- (d) On May 1, 2002, the Company entered into a conditional agreement to acquire 80% equity interest and sale loan of Sky Citi-Link ATNT (Holdings) Limited at a consideration of HK\$59 million from an independent third party. The consideration was to be satisfied by the Company issuing a total of 107,272,727 new ordinary shares of HK\$0.1 each at a price of HK\$0.55 per share. The transaction has not yet been completed up to the date of the financial statements.