

## 1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of preparation

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The accounts are prepared under the historical cost convention as modified by the revaluation of properties.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which became effective for accounting periods commencing on or after 1st January, 2001:

SSAP 14 (revised)	:	Leases (effective for accounting periods commencing on or after 1st July, 2000)
SSAP 26	:	Segment reporting
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of or to cast majority of votes at the meetings of the board of directors, or control more than half of the voting power, or has the power to govern the financial and operating policies, or holds more than half of the issued share capital. In the Company's balance sheet the investments in subsidiaries are stated at cost less impairment of losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## 1 Principal accounting policies (Continued)

### (b) Consolidation (Continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary, an associated company or a jointly controlled entity represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

### (c) Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activities.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

### (d) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of the associated company for the year, and the consolidated balance sheet includes the Group's share of the net assets/liabilities of the associated company and goodwill/negative goodwill (net of accumulated amortisation) on acquisition. The share of net liabilities of the associated company is accounted for to the extent of the Group's commitment to the associated company.

### (e) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company/jointly controlled entity at the date of acquisition. Goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st January, 2001 was written off against reserves.

## 1 Principal accounting policies (Continued)

### (e) Goodwill/negative goodwill (Continued)

The Group has taken advantage of the transitional provision stated in paragraph 1(a) of SSAP 30 whereby goodwill previously written off against reserves has not been restated. However any impairment with respect to such goodwill is accounted for in accordance with SSAP 31. It represents a change in accounting policies. As the Group has not incurred any purchased goodwill in the past five financial years and management is of the view that even if any goodwill has arisen prior to 1997, all of which would have been impaired prior to 1997. Accordingly, the change in accounting policy would not affect the Group's financial position for the current year nor the results for the past five financial years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions on or after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. Negative goodwill, not exceeding the fair values of non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of these assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately. For acquisition prior to 1st January, 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

### (f) Fixed assets

#### (i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to profit and loss account. Any subsequent increases are credited to profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

## 1 Principal accounting policies (Continued)

### (f) Fixed assets (Continued)

#### (ii) Other fixed assets

Leasehold land and buildings and other fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Leasehold land is amortised over the remaining period of the lease. Buildings and other fixed assets are depreciated at rates sufficient to write off their cost or valuation over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Buildings	Over the shorter of unexpired period of leases or fifty years
Motor vehicles	10% - 20%
Furniture, fixtures and equipment	5% - 20%
Computers and software	33 $\frac{1}{3}$ %

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of other fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

### (g) Properties under development

Properties under development are investments in land and buildings under development. Cost includes development and construction expenditure incurred and other direct costs attributable to the development. Properties under development for investment are carried at cost less impairment losses. Properties under development for sale are carried at the lower of cost and net realizable value. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

## 1 Principal accounting policies (Continued)

### (h) Properties held for sale

Properties held for sale are properties in respect of which the Group has the intention to sell in the next financial year. Properties held for sale are classified under current assets and are stated at the lower of cost and net realisable value.

Cost includes land costs, development and construction expenditure incurred and other direct costs attributable to the development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (i) Securities

Securities are stated at cost less any provision for impairment losses.

The carrying amounts of securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities is reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other direct costs that have been incurred in bringing the inventories to their present location and condition. Cost for general merchandise is calculated using the retail inventory method which approximates to a first-in, first-out basis whereas cost for fine jewellery comprises purchase price and direct attributable costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (k) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

### (l) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease periods.

## 1 Principal accounting policies (Continued)

### (m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

### (n) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

### (o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

### (p) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Management fee income is recognised when the services are rendered.

Operating lease rental income is recognised on a straight line basis over the lease term.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

## 1 Principal accounting policies (Continued)

### (q) Borrowing costs

Borrowing costs are charged to the profit and loss account in the year in which they are incurred.

### (r) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The assets of the scheme are held separately from those of the Group in an independently administered fund.

### (s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated results represent corporate income and expenses. Segment assets consist primarily of properties and other operating assets, and mainly exclude investments in other securities and corporate bank balances and cash. Segment liabilities comprise operating liabilities and borrowings, and exclude accruals on corporate expenses. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, turnover, results, total assets and capital expenditure are disclosed based on the country in which the assets are located.

## 2 Turnover and revenues

The Group is principally engaged in investments in the telecommunication and internet related business, multi-media business, properties and operating a dairy farm in New Zealand. Revenues recognised during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Rental income	7,361	11,128
Management fee income	—	111
Sales of dairy products	3,103	474
	<u>10,464</u>	<u>11,713</u>
Other revenues		
Interest income	1,519	2,908
Dividend income	19	77
	<u>1,538</u>	<u>2,985</u>
Total revenues	<u>12,002</u>	<u>14,698</u>

## 3 Segmental information

The Group's major business segments and their corresponding countries of operations are summarized below:

Business segments	Countries of operation
Telecommunication and internet-related business	Hong Kong
Multi-media business	Mainland China
Property investment and holding	Hong Kong and Mainland China
Dairy farm operation	New Zealand

The telecommunication and internet-related business and multi-media business are operated through an associated company and a jointly controlled entity respectively.

There are no sales or other transactions between the business and geographical segments.



### 3 Segmental information (Continued)

#### Analysis of business segment results for the year ended 31st March, 2002 and segmental information as at 31st March, 2002

	Property investment		Telecommunication and internet-related						Total	
	and holding		Dairy farm operation		business		Multi-media business			
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	7,361	11,239	3,103	474	—	—	—	—	10,464	11,713
Segment results	(35,855)	9,680	1,598	183	—	—	—	(17,000)	(34,257)	(7,137)
Unallocated corporate income and expenses	—	—	—	—	—	—	—	—	(40,678)	(42,987)
Operating loss									(74,935)	(50,124)
Finance costs	(2,269)	(9,616)	(196)	(162)	—	—	—	—	(2,465)	(9,778)
Share of losses of										
- a jointly controlled entity	—	—	—	—	—	—	—	(3,496)	—	(3,496)
- an associated company	—	—	—	—	—	(1,436)	—	—	—	(1,436)
Loss attributable to shareholders									(77,400)	(64,834)
Segment assets	109,627	164,996	9,332	7,166	—	—	—	—	118,959	172,162
Investments in										
- a jointly controlled entity	—	—	—	—	—	—	32,025	34,294	32,025	34,294
- an associated company	—	—	—	—	(883)	(883)	—	—	(883)	(883)
Unallocated assets	—	—	—	—	—	—	—	—	21,671	71,435
Total assets									171,772	277,008
Segment liabilities	(31,923)	(60,600)	(2,559)	(2,130)	—	—	—	—	(34,482)	(62,730)
Unallocated liabilities	—	—	—	—	—	—	—	—	(19,847)	(20,461)
Total liabilities									(54,329)	(83,191)
Allocated capital expenditure	5	—	104	9	—	—	—	—	109	9
Unallocated capital expenditure	—	—	—	—	—	—	—	—	1,309	2,142
									1,418	2,151
Allocated depreciation	119	170	53	197	—	—	—	—	172	367
Unallocated depreciation	—	—	—	—	—	—	—	—	714	290
									886	657
Impairment of leasehold land and buildings	476	—	—	—	—	—	—	—	476	—
Deficit arising on revaluation of investment properties	40,646	35,508	—	—	—	—	—	—	40,646	35,508

### 3 Segmental information (Continued)

#### Analysis of geographical segment results for the year ended 31st March, 2002 and segmental information as at 31st March, 2002

	Turnover		Segment results		Total assets		Capital expenditure	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	5,761	9,928	(22,882)	14,327	101,903	186,515	82	1,331
Mainland China	1,600	1,311	(16,135)	(23,756)	29,395	49,916	1,232	811
New Zealand	3,103	474	1,598	183	9,332	7,166	104	9
	<u>10,464</u>	<u>11,713</u>	<u>(37,419)</u>	<u>(9,246)</u>	<u>140,630</u>	<u>243,597</u>	<u>1,418</u>	<u>2,151</u>
Unallocated corporate income and expenses			<u>(37,516)</u>	<u>(40,878)</u>				
Operating loss			<u>(74,935)</u>	<u>(50,124)</u>				
Investment in								
- a jointly controlled entity					32,025	34,294		
- an associated company					(883)	(883)		
					<u>171,772</u>	<u>277,008</u>		

### 4 Net other expenses

	2002	2001
	HK\$'000	HK\$'000
Deficit arising on revaluation of investment properties	(40,646)	(35,508)
Impairment of leasehold land and buildings	(476)	—
Write-down of inventories	(2,147)	—
Gain on disposal of a property under development (note (a))	1,369	—
Gain on disposal of a subsidiary	—	37,995
Provision for deposits for investment in jointly controlled entities	—	(17,000)
	<u>(41,900)</u>	<u>(14,513)</u>

- (a) The property under development situated in Mainland China with cost of HK\$2,774,000, which was fully provided for in prior years, was disposed of at a consideration of HK\$1,369,000 in October 2001.

## 5 Operating loss

	2002 HK\$'000	2001 HK\$'000
Operating loss is stated after charging/(crediting) the following:		
Cost of inventories sold	1,092	271
Staff costs (including directors' remuneration)	23,280	36,322
Retirement benefit costs (note 10)	159	81
Total staff costs	23,439	36,403
Depreciation of fixed assets	886	657
Loss on disposal of fixed assets	317	544
Outgoings in respect of investment properties	2,339	3,154
Operating lease rental in respect of land and buildings	2,068	1,498
Auditors' remuneration		
- current year	730	580
- under/(over) provision in prior years	227	(104)
Provision for doubtful debts	681	684
	<u>2,465</u>	<u>9,778</u>

## 6 Finance costs

	2002 HK\$'000	2001 HK\$'000
Interest expense on:		
- bank loans wholly repayable within five years and overdrafts	1,993	8,632
- bank loans not wholly repayable within five years	196	162
- other loan wholly repayable within five years	—	603
- loan from a related company wholly repayable within five years	276	381
	<u>2,465</u>	<u>9,778</u>

## 7 Taxation

Hong Kong profits tax has been calculated at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. However, no provision for Hong Kong profits tax has been made in the accounts as the Group has available tax losses brought forward from prior years to offset against the estimated assessable profit for the year ended 31st March, 2002 (2001: Nil).

No provision for overseas profits tax has been made in the accounts as the Group has no assessable profits for the year (2001: Nil).

Deferred tax (charge)/credit for the year has not been accounted for in respect of the following:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Tax losses	<b>(4,953)</b>	3,525
Accelerated depreciation allowances	<b>(4)</b>	245
	<u><b>(4,957)</b></u>	<u>3,770</u>

## 8 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$80,806,000 (2001: HK\$78,967,000).

## 9 Basic loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$77,400,000 (2001: HK\$64,834,000) and on the number of shares in issue of 3,059,266,000 (2001: the weighted average of shares in issue of 2,710,868,581) shares during the year.

The outstanding share options of the Company do not result in any dilution effect on the loss per share in respect of the years ended 31st March, 2002 and 2001.

## 10 Retirement benefit costs

The Group has enrolled all employees in Hong Kong into a mandatory provident fund scheme (the "MPF Scheme"). The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. Under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), both the employer and employees are required to contribute 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month. The contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. There were no forfeited contributions under the MPF Scheme.

The Group also participates in the employees' pension schemes of the respective municipal government in various places in Mainland China where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly payroll costs and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to the schemes are expensed as incurred.

During the year, the aggregate amount of employer's contribution made by the Group was approximately HK\$159,000 (2001: HK\$81,000). There were no contributions payable as at 31st March, 2002 and 2001.

## 11 Directors' and senior management's emoluments

### (a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	<u>300</u>	<u>—</u>
	<u>300</u>	<u>—</u>
Other emoluments (executive directors):		
Salaries and other benefits in kind	4,288	7,950
Retirement benefit scheme contributions	20	11
Compensation for loss of office as directors	<u>—</u>	<u>5,000</u>
	<u>4,308</u>	<u>12,961</u>
	<u>4,608</u>	<u>12,961</u>

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
Nil to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$2,000,000	3	—
HK\$2,000,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$4,000,000	—	1
HK\$6,000,001 to HK\$7,000,000	—	1

## 11 Directors' and senior management's emoluments (Continued)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2001: two) director, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2001: three) individuals during the year are as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits in kind	<b>9,368</b>	11,358
Retirement benefit scheme contributions	<b>12</b>	3
	<u><b>9,380</b></u>	<u>11,361</u>

The emoluments fell within the following bands:

<b>Emolument bands</b>	<b>Number of individuals</b>	
	<b>2002</b>	2001
HK\$1,000,001 - 2,000,000	<b>1</b>	—
HK\$2,000,001 - 3,000,000	<b>3</b>	1
HK\$4,000,001 - 5,000,000	—	2

## 12 Fixed assets

Group	Investment	Leasehold	Furniture, Computers		Motor	Total
	properties	land and	fixtures and	and	vehicles	
	HK\$'000	buildings	equipment	software	HK\$'000	HK\$'000
Cost or valuation						
At 1st April, 2001	134,500	14,463	650	1,357	404	151,374
Translation differences	708	391	40	4	—	1,143
Additions	—	85	590	218	525	1,418
Disposals	—	—	(424)	(68)	—	(492)
Reclassification	3,638	(6,794)	—	—	—	(3,156)
Deficit arising on revaluation	(40,646)	(476)	—	—	—	(41,122)
At 31st March, 2002	<u>98,200</u>	<u>7,669</u>	<u>856</u>	<u>1,511</u>	<u>929</u>	<u>109,165</u>
Accumulated depreciation						
At 1st April, 2001	—	4,304	124	278	404	5,110
Translation differences	—	84	9	—	—	93
Charge for the year	—	163	109	509	105	886
Disposals	—	—	(27)	(14)	—	(41)
Reclassification	—	(3,156)	—	—	—	(3,156)
At 31st March, 2002	<u>—</u>	<u>1,395</u>	<u>215</u>	<u>773</u>	<u>509</u>	<u>2,892</u>
Net book value						
At 31st March, 2002	<u>98,200</u>	<u>6,274</u>	<u>641</u>	<u>738</u>	<u>420</u>	<u>106,273</u>
At 31st March, 2001	<u>134,500</u>	<u>10,159</u>	<u>526</u>	<u>1,079</u>	<u>—</u>	<u>146,264</u>



## 12 Fixed assets (Continued)

(a) The analysis of cost or valuation at 31st March, 2002 of the above assets are as follows:

	Investment properties	Leasehold land and buildings	Furniture, fixtures and equipment	Computers and software	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	—	6,369	856	1,511	929	9,665
At valuation - 2002	98,200	1,300	—	—	—	99,500
	<u>98,200</u>	<u>7,669</u>	<u>856</u>	<u>1,511</u>	<u>929</u>	<u>109,165</u>

The analysis of cost or valuation at 31st March, 2001 of the above assets are as follows:

At cost	—	7,267	650	1,357	404	9,678
At valuation -1990	—	3,626	—	—	—	3,626
-1993	—	3,570	—	—	—	3,570
-2001	134,500	—	—	—	—	134,500
	<u>134,500</u>	<u>14,463</u>	<u>650</u>	<u>1,357</u>	<u>404</u>	<u>151,374</u>

(b) The Group's interests in leasehold land and buildings and investment properties at their net book values are analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Held in Hong Kong:		
On leases of over 50 years	62,000	85,000
On leases of between 10 to 50 years	1,200	3,719
Held outside Hong Kong:		
Freehold	4,974	4,627
On leases of over 50 years	1,300	1,813
On leases of between 10 to 50 years	35,000	49,500
	<u>104,474</u>	<u>144,659</u>

## 12 Fixed assets (Continued)

- (c) Investment properties were revalued at 31st March, 2002 on the open market value basis by RHL Appraisal Ltd., an independent professional property valuer. The deficits arising on revaluation totalling HK\$40,646,000 (2001: HK\$35,508,000) have been charged to the profit and loss account.

Apart from the property in New Zealand which is disposed of at a price higher than the book value subsequent to the year end date, other leasehold land and buildings have impairment losses according to directors' assessment with reference to the revaluation performed at 31st March, 2002 on open market value basis by RHL Appraisal Ltd., an independent professional property valuer. The impairment charge totalling HK\$476,000 (2001: Nil) have been charged to the profit and loss account.

- (d) The carrying amount of the leasehold land and buildings would have been HK\$6,750,000 (2001: HK\$13,137,000) had they been stated at cost less accumulated depreciation.
- (e) At 31st March, 2002, two investment properties in Hong Kong and a freehold land and buildings with carrying value amounted to HK\$66,974,000 are pledged as security for the Group's long-term bank loans. At 31st March, 2001, all the properties in Hong Kong and a freehold land and buildings with an aggregate carrying value of HK\$93,346,000 have been pledged to secure bank loans of the Group by way of a fixed charge.

## 12 Fixed assets (Continued)

Company	Furniture, fixtures and equipment	Computers and software	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1st April, 2001	312	1,357	—	1,669
Translation differences	16	4	—	20
Additions	181	213	525	919
Disposals	(397)	(68)	—	(465)
At 31st March, 2002	<u>112</u>	<u>1,506</u>	<u>525</u>	<u>2,143</u>
Accumulated depreciation				
At 1st April, 2001	16	278	—	294
Charge for the year	22	509	105	636
Disposals	—	(14)	—	(14)
At 31st March, 2002	<u>38</u>	<u>773</u>	<u>105</u>	<u>916</u>
Net book value				
At 31st March, 2002	<u>74</u>	<u>733</u>	<u>420</u>	<u>1,227</u>
At 31st March, 2001	<u>296</u>	<u>1,079</u>	<u>—</u>	<u>1,375</u>

## 13 Other non-current assets

	Group	
	2002 HK\$'000	2001 HK\$'000
Investment in an associated company (note (a))	<b>(883)</b>	(883)
Investment securities (note (b))	<b>979</b>	916
Other securities (note (c))	<b>7,168</b>	—
	<u><b>7,264</b></u>	<u>33</u>

### 13 Other non-current assets (Continued)

#### (a) Investment in an associated company

	Group	
	2002 HK\$'000	2001 HK\$'000
Investments at cost, unlisted shares	553	553
Share of losses	(1,436)	(1,436)
	(883)	(883)

Details of the associated company at 31st March 2002 is as follows:

Name	Place of incorporation and business	Principal activities	Particulars of issued shares held	Interest held indirectly
Wanbao Telecom (H.K.) Company, Limited	Hong Kong	Provision of telecommunication services	Ordinary shares of HK\$1 each	36%

On 17th July, 2002, the Board of Directors decided to reconsider the investment strategy in the associated company and withdraw its commitment for further investment which has been authorized in prior years. The Group has not shared any results of the associated company since 1st April, 2001.

- (b) Investment securities, which are stated at cost, represent unlisted equity interests in a dairy farm business in New Zealand.
- (c) Other securities, which are stated at cost, represent a gold card membership in a golf club in Mainland China.

## 14 Investments in subsidiaries

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	—	—
Amounts due from subsidiaries	<b>226,430</b>	215,850
Amounts due to subsidiaries	<b>(2)</b>	(2)
Provisions	<b>(111,328)</b>	(64,765)
	<b>115,100</b>	151,083

The unlisted shares of subsidiaries are stated at cost of HK\$39 (2001: HK\$31).

The amounts due from and to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of principal subsidiaries are set out in note 35 to the accounts.

## 15 Properties held for sale

	Group	
	2002	2001
	HK\$'000	HK\$'000
At the beginning of the year	<b>20,380</b>	1,007
Transfer from investment properties	—	20,380
	<b>20,380</b>	21,387
Less: Disposals	<b>(20,380)</b>	(1,007)
At the end of the year	—	20,380

The property held for sale at 31st March, 2001 was situated in Hong Kong and was disposed of at a consideration of HK\$20,380,000 in April 2001.

## 16 Jointly controlled entities

### (a) Interests in jointly controlled entities

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net assets	40,277	40,277	—	—
Amount due to a jointly controlled entity	(8,252)	(5,983)	(8,252)	(5,983)
	<u>32,025</u>	<u>34,294</u>	<u>(8,252)</u>	<u>(5,983)</u>

On 20th June, 2000, two joint venture agreements were entered into to establish a 95% owned jointly controlled entity, namely Beijing 21CN Liyang Internet Technology Service Company Limited ("Net-tech JV") and a 50% owned jointly controlled entity, namely Beijing 21CN Liyang Advertising Agency Limited ("Advertising JV") respectively.

Net-tech JV was incorporated in Mainland China with principal activities in the development, production and marketing of educational application software, educational programs and provision of internet technology consultancy services in the PRC. In 2000, the Group had paid HK\$43.8 million for the capital of the Net-tech JV of which HK\$33.8 million has been registered. The business licence of Net-tech JV was issued on 27th June, 2000.

Advertising JV is a joint venture designated to engage in the design and production of commercial advertisements and provision of agency services in the PRC. Up to March, 2001 the business licence of the Advertising JV has not yet been issued and no operations have been commenced in both the Net-tech JV and Advertising JV.

Due to the change of business environment, all the joint venture partners unanimously agreed in March 2001 to terminate the investments in the jointly controlled entities and all agreements entered into in relation to the jointly controlled entities were terminated.

The liquidation process of the Net-tech JV has commenced in July 2002 and the amount of capital contributed by the Group will be refunded once the deregistration is completed.

## 16 Jointly controlled entities (Continued)

### (b) Deposits for investment in jointly controlled entities

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Deposits for the investment in jointly controlled entities	17,000	17,000	—	—
Provision	(17,000)	(17,000)	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

In connection with the formation of the jointly controlled entities referred to in Note 16(a), the Group has entered into an agreement dated 8th June, 2000 with the joint venture partners and paid a deposit of HK\$20 million to a related company of the joint venture partners as earnest money for an exclusive cooperative arrangement with the joint venture partners. Upon the establishment of the jointly controlled entities, the agreement provides that the deposit will be applied to pay up the registered capital of the jointly controlled entities attributable to the Group. HK\$3 million has since then been refunded to the Group and the remaining balance of HK\$17 million has been utilised by the joint venture partners in the production of educational program which was planned to be a business activity to be undertaken by one of the jointly controlled entities. The joint venture partners have agreed to repay the balance to the Group using sales proceeds from the sales of the programs.

There is no satisfactory evidence available as to whether the sales of the programs are forthcoming and accordingly the likelihood of recovering the deposit from the joint venture partners is uncertain. In connection with the deposit, the major shareholder of the Company, Uni-Tech International Group Limited has provided a guarantee to the Company to reimburse any loss that the Group may suffer due to non repayment by the joint venture partners in the previous year. The Company's directors had assessed the matter and made a full provision against the deposit in the year ended 31st March, 2001, notwithstanding the guarantee provided by the major shareholder.

## 17 Inventories

	Group	
	2002 HK\$'000	2001 HK\$'000
General merchandise	2,084	981
Fine jewellery	—	2,147
	<b>2,084</b>	<b>3,128</b>

Included in above is fine jewellery of HK\$Nil (2001: HK\$2,147,000) which is carried at net realisable value.

## 18 Trade and other receivables

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade receivables (note (a))	937	1,753	—	—
Prepayments, deposits and other receivables	2,757	9,778	1,291	6,205
	<b>3,694</b>	11,531	<b>1,291</b>	6,205

(a) The majority of the balance is rental receivables from tenants with credit term of 1 month which are covered by the tenants' rental deposit.

At 31st March, 2002, the ageing analysis of the trade receivables was as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Current	189	324	—	—
30-60 days	94	224	—	—
61-90 days	50	207	—	—
Over 90 days	604	998	—	—
	<b>937</b>	1,753	<b>—</b>	—



## 19 Trade and other payables

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due to related companies (note (a))	1,548	1,587	—	—
Trade payables (note (b))	3,081	1,233	—	—
Accruals and other payables	14,631	18,543	1,057	5,379
	<u>19,260</u>	<u>21,363</u>	<u>1,057</u>	<u>5,379</u>

(a) The related companies are companies in which a shareholder of the Company has beneficial interests. The amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

(b) At 31st March, 2002, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current	102	99	—	—
30-60 days	101	157	—	—
61-90 days	102	146	—	—
Over 90 days	2,776	831	—	—
	<u>3,081</u>	<u>1,233</u>	<u>—</u>	<u>—</u>

## 20 Amounts due to related companies

The related companies are companies in which a shareholder of the Company has beneficial interests. The amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

## 21 Loan from a related company

The related company is a company in which a shareholder of the Company has beneficial interests. The loan is unsecured, interest bearing at prime rate plus 2% per annum and is repayable on demand.

## 22 Share capital

### Authorised:

	Ordinary shares of HK\$0.01 (At 1st April, 2000: HK\$0.10) each	
	Number of shares	HK\$'000
At 1st April, 2000	10,000,000,000	1,000,000
Reduction of share capital from HK\$0.10 each to HK\$0.01 each (note (a))	—	(900,000)
At 31st March, 2001 and 2002	<u>10,000,000,000</u>	<u>100,000</u>

### Issued and fully paid:

	Ordinary shares of HK\$0.01 (At 1st April, 2000: HK\$0.10) each	
	Number of shares	HK\$'000
At 1st April, 2000	647,978,320	64,798
Reduction of share capital from HK\$0.10 each to HK\$0.01 each (note (a))	—	(58,318)
Issue of shares of HK\$0.01 each (notes (b) and (c))	<u>2,411,287,680</u>	<u>24,113</u>
At 31st March, 2001 and 31st March, 2002	<u>3,059,266,000</u>	<u>30,593</u>

- (a) By a resolution passed in the Special General Meeting held on 3rd April, 2000, the nominal and paid up value of each share in the issued share capital of the Company and the nominal value of each share in the authorised share capital of the Company were reduced from HK\$0.10 to HK\$0.01 each and the reduction recognised as contributed surplus (note 23).
- (b) Pursuant to a share subscription agreement completed on 15th May, 2000, Uni-Tech International Group Limited ("Uni-Tech") and Top Century Investments Company Limited subscribed for 2,238,470,560 and 58,907,120 new shares of the Company respectively at a price of HK\$0.051 per share. Pollon Internet Corporation, the holding company of Uni-Tech, has become the ultimate holding company of the Group from then onwards.

## 22 Share capital (Continued)

- (c) On 18th September, 2000 and 22nd December, 2000, 55,000,000 and 58,910,000 ordinary shares of HK\$0.01 each respectively were issued at a price of HK\$1.20 per share to third party institutional investors upon completion of subscription agreements.
- (d) For the year ended 31st March, 2002, there is no change in authorised and issued share capital.
- (e) The Company has a share option scheme approved at a Special General Meeting held on 28th May, 1998. Details of share options granted by the Company pursuant to the share option schemes and the share options outstanding at 31st March, 2002 are as follows:

<b>Date of grant</b>	<b>Number of options held at 1st April, 2001</b>	<b>Number of options cancelled during the year</b>	<b>Number of options held at 31st March, 2002</b>	<b>Exercise Price (HK\$)</b>
13th July, 2000	118,050,000	44,500,000	73,550,000	0.9900
20th November, 2000	49,200,000	41,200,000	8,000,000	0.7920
9th January, 2001	12,000,000	—	12,000,000	0.5660
20th March, 2001	17,200,000	11,100,000	6,100,000	0.3304

No share option (2001: 226,300,000 options) was granted and exercised (2001: Nil) during the year ended 31st March, 2002. During the year, 96,800,000 (2001: 29,850,000) share options were cancelled. The options are exercisable subject to the terms and conditions stipulated each time options are granted. All the options granted will expire at the end of ten years from the date of grant or the life of the scheme, whichever is earlier.

## 23 Reserves

	Share Contributed		Exchange	General Accumulated		Total
	premium	surplus	translation	reserve	losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group:</b>						
At 1st April, 2000	—	19,790	2,013	5,658	(84,193)	(56,732)
Contributed surplus arising from reduction of share capital from HK\$0.10 each to HK\$0.01 each (note 22(a))	—	58,318	—	—	—	58,318
Premium on issue of ordinary shares, net of expenses (notes 22 (b) and (c))	227,646	—	—	—	—	227,646
Exchange differences	—	—	(1,174)	—	—	(1,174)
Loss for the year	—	—	—	—	(64,834)	(64,834)
	<u>227,646</u>	<u>78,108</u>	<u>839</u>	<u>5,658</u>	<u>(149,027)</u>	<u>163,224</u>
At 31st March, 2001	<u>227,646</u>	<u>78,108</u>	<u>839</u>	<u>5,658</u>	<u>(149,027)</u>	<u>163,224</u>
Comprising:						
Company and subsidiaries	227,646	78,108	839	5,658	(144,095)	168,156
Jointly controlled entities	—	—	—	—	(3,496)	(3,496)
Associated companies	—	—	—	—	(1,436)	(1,436)
	<u>227,646</u>	<u>78,108</u>	<u>839</u>	<u>5,658</u>	<u>(149,027)</u>	<u>163,224</u>
At 31st March, 2001	<u>227,646</u>	<u>78,108</u>	<u>839</u>	<u>5,658</u>	<u>(149,027)</u>	<u>163,224</u>
At 1st April, 2001	227,646	78,108	839	5,658	(149,027)	163,224
Exchange differences	—	—	1,026	—	—	1,026
Loss for the year	—	—	—	—	(77,400)	(77,400)
	<u>227,646</u>	<u>78,108</u>	<u>1,865</u>	<u>5,658</u>	<u>(226,427)</u>	<u>86,850</u>
At 31st March, 2002	<u>227,646</u>	<u>78,108</u>	<u>1,865</u>	<u>5,658</u>	<u>(226,427)</u>	<u>86,850</u>
Comprising:						
Company and subsidiaries	227,646	78,108	1,865	5,658	(221,495)	91,782
Jointly controlled entities	—	—	—	—	(3,496)	(3,496)
Associated companies	—	—	—	—	(1,436)	(1,436)
	<u>227,646</u>	<u>78,108</u>	<u>1,865</u>	<u>5,658</u>	<u>(226,427)</u>	<u>86,850</u>
At 31st March, 2002	<u>227,646</u>	<u>78,108</u>	<u>1,865</u>	<u>5,658</u>	<u>(226,427)</u>	<u>86,850</u>

## 23 Reserves (Continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>Company:</b>				
At 1st April, 2000	—	—	(38,531)	(38,531)
Contributed surplus arising from reduction of share capital from HK\$0.10 each to HK\$0.01 each (note 22(a))	—	58,318	—	58,318
Premium on issue of ordinary shares, net of expenses (notes 22(b) and (c))	227,646	—	—	227,646
Loss for the year	—	—	(78,967)	(78,967)
At 31st March, 2001	<u>227,646</u>	<u>58,318</u>	<u>(117,498)</u>	<u>168,466</u>
At 1st April, 2001	227,646	58,318	(117,498)	168,466
Loss for the year	—	—	(80,806)	(80,806)
At 31st March, 2002	<u>227,646</u>	<u>58,318</u>	<u>(198,304)</u>	<u>87,660</u>

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the net asset value of the subsidiaries acquired, and the surplus arising from the reduction of share capital.

## 24 Bank loans

	Group	
	2002	2001
	HK\$'000	HK\$'000
Bank loans - secured	<b>30,415</b>	57,450
Less: Amount due within one year included under current liabilities	—	(55,456)
Current portion of long term bank loans	<b>(1,535)</b>	(85)
	<u><b>28,880</b></u>	<u>1,909</u>

## 24 Bank loans (Continued)

The analysis of the above is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank loans		
Wholly repayable within five years	—	55,456
Not wholly repayable within five years	<b>30,415</b>	1,994
	<b>30,415</b>	57,450

At 31st March, 2002, the Group's bank loans were repayable as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	<b>1,535</b>	55,541
In the second year	<b>1,512</b>	240
In the third to fifth year inclusive	<b>5,090</b>	718
After the fifth year	<b>22,278</b>	951
	<b>30,415</b>	57,450

At 31st March, 2002, bank loans were secured by two investment properties with carrying value of HK\$62,000,000 situated in Hong Kong and freehold land and buildings with carrying value of HK\$4,974,000 situated in New Zealand.

## 25 Notes to consolidated cash flow statement

### (a) Reconciliation of operating loss to net cash outflow from operating activities

	2002 HK\$'000	2001 HK\$'000
Operating loss	<b>(74,935)</b>	(50,124)
Interest income	<b>(1,519)</b>	(2,908)
Dividend income	<b>(19)</b>	(77)
Depreciation of fixed assets	<b>886</b>	657
Deficit arising on revaluation of investment properties	<b>40,646</b>	35,508
Impairment of leasehold land and buildings	<b>476</b>	—
Provision for deposits for investment in jointly controlled entities	—	17,000
Gain on disposal of a subsidiary	—	(37,995)
Gain on disposal of property under development	<b>(1,369)</b>	—
Loss on disposal of fixed assets	<b>317</b>	544
Write-down of inventories	<b>2,147</b>	—
(Increase)/decrease in inventories	<b>(1,038)</b>	306
Decrease /(increase) in trade and other receivables	<b>2,715</b>	(9,977)
Decrease in trade and other payables	<b>(2,160)</b>	(13,351)
Increase in amounts due to related companies	—	115
Effect of foreign exchange rate changes	<b>8</b>	(202)
	<hr/>	<hr/>
Net cash outflow from operating activities	<b><u>(33,845)</u></b>	<b><u>(60,504)</u></b>

## 25 Notes to consolidated cash flow statement (Continued)

### (b) Analysis of changes in financing during the year

	Share capital, premium and contributed surplus HK\$'000	Bank loans HK\$'000	Other loan HK\$'000	Loan from a related company HK\$'000
At 1st April, 2000	84,588	98,253	31,038	3,978
Translation difference	—	(486)	—	—
Issue of shares	251,759	—	—	—
Repayments	—	(40,317)	(31,038)	—
Interest payable	—	—	—	381
	<u>336,347</u>	<u>57,450</u>	<u>—</u>	<u>4,359</u>
At 31st March, 2001	<u>336,347</u>	<u>57,450</u>	<u>—</u>	<u>4,359</u>
At 1st April, 2001	336,347	57,450	—	4,359
Translation difference	—	132	—	—
New loans raised	—	29,000	—	—
Repayments	—	(56,167)	—	—
Interest payable	—	—	—	276
	<u>336,347</u>	<u>30,415</u>	<u>—</u>	<u>4,635</u>
At 31st March, 2002	<u>336,347</u>	<u>30,415</u>	<u>—</u>	<u>4,635</u>



## 25 Notes to consolidated cash flow statement (Continued)

### (c) Sale of a subsidiary

	2001 HK\$'000
Net assets disposed of :	
Properties held for sale	1,007
Trade and other payables	(582)
	<u>425</u>
Gain on disposal	37,995
	<u>38,420</u>
Satisfied by:	
Cash	38,420
	<u>38,420</u>

The subsidiary disposed of did not contribute significant cash flows to the Group before the disposal.

## 26 Deferred taxation

The potential deferred tax asset/(liability) which has not been provided for in the accounts, on the basis that there is no reasonable certainty of crystallisation in the foreseeable future, amounts to:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax losses	36,200	41,153	—	313
Accelerated depreciation allowances	(365)	(361)	—	—
	<u>35,835</u>	<u>40,792</u>	<u>—</u>	<u>313</u>

Potential deferred taxation has not been quantified in respect of revaluation of investment properties as the revaluation surplus or deficit arising therefrom does not constitute a timing difference for taxation purposes.

## 27 Commitments

### (a) Capital commitments

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Authorized but not contracted for investment in an associated company (note 13(a))	—	9,497	—	—
Contracted but not provided for purchase of other securities	—	2,037	—	—
	<u>—</u>	<u>11,534</u>	<u>—</u>	<u>—</u>

### (b) Commitments under operating leases

At 31st March, 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2002 HK\$'000	Restated 2001 HK\$'000
Not later than one year	—	280
Later than one year and not later than five years	—	280
	<u>—</u>	<u>560</u>

Comparative figures were restated to comply with the SSAP14 (revised), issued by the HKSA, which is effective for accounting periods commencing on or after 1st July, 2000.

## 27 Commitments (Continued)

### (c) Future operating lease receivables

At 31st March, 2002, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Not later than one year	<b>3,413</b>	4,784
Later than one year and not later than five years	<b>1,558</b>	1,805
	<u><b>4,971</b></u>	<u>6,589</u>

The Group's operating leases are for terms ranging from one to three years.

## 28 Contingent liabilities

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Guarantees given in lieu of utility deposits	<b>200</b>	200	—	—
Corporate guarantees given to banks in respect of credit facilities granted to subsidiaries	<u>—</u>	<u>—</u>	<u><b>28,374</b></u>	<u>55,457</u>
	<u><b>200</b></u>	<u>200</u>	<u><b>28,374</b></u>	<u>55,457</u>

## 29 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Interest expenses payable to a related company	<u><b>276</b></u>	<u>381</u>

The loan from a related company (note 21), Planetic International Limited, is interest bearing at prime rate plus 2% per annum. Planetic International Limited is a subsidiary of Easyknit International Holdings Limited in which a shareholder of the Company has beneficial interests.

## 30 Litigation

At 31st March, 2002, the Group had the following pending legal litigation:

- (a) In March 1998, litigation was brought by Kadoorie Estate Limited (“Kadoorie”), a third party, against Rheingold (Hong Kong) Limited (“Rheingold”), a wholly owned subsidiary of the Company. Kadoorie claimed damages totalling HK\$2.2 million in respect of alleged breaches of the terms of the operating lease agreement previously entered into between the two parties; and
- (b) In May 1999, another litigation was commenced by Wai Fung Plaza Limited (“Wai Fung”), a third party, against Easy Department Store Limited (“Easy Department Store”), a wholly owned subsidiary of the Company. Wai Fung claimed damages amounting to approximately HK\$9.3 million in respect of alleged breaches of the terms of the operating lease agreement previously entered into between Wai Fung and Easy Department Store.

The directors, having sought independent legal advice, made a provision of HK\$2.2 million to cover the entire claim from Kadoorie and a provision of HK\$4.6 million for the claim from Wai Fung in prior years. The directors are of the opinion that the provisions made in prior years in the respective cases are adequate and no further provision is required.

## 31 Discontinuing operations

On 1st November, 2001, the Group entered into a conditional sale and purchase agreement to dispose of the leasehold land and buildings, livestock and investment securities held by the dairy farm in New Zealand at a consideration of NZD 3 million which is subject to adjustment in respect of the valuation of the livestock. Subsequent to year end, NZD 2,360,000 was received by the Group as a partial settlement on the consideration and the balance will be settled upon the completion of the health testing on livestock. The proceeds was used to repay a bank loan of HK\$2,041,000 which was secured by the leasehold land and buildings in New Zealand and not wholly repayable within five years.

### 31 Discontinuing operations (Continued)

The Group's dairy farm operation will be ceased and discontinued. The results for the year ended 31st March, 2002 and principal assets / liabilities as at 31st March, 2002 in respect of the dairy farm operation are as follows:

	<b>2002</b>
	<b>HK\$'000</b>
Turnover	<b>3,103</b>
Operating profit	<b>1,402</b>
Fixed assets	<b>5,229</b>
Investment securities	<b>979</b>
Inventories	<b>2,084</b>
Bank loans	<b>(2,041)</b>
Amount due to immediate holding company	<b>(7,182)</b>
Other net assets	<b>522</b>

During the year ended 31st March, 2002, the dairy farm operation generated cash inflow from operating activities of HK\$780,000 and cash outflows in respect of returns on investments and servicing of finance, taxation, investing and financing activities are HK\$159,000, HK\$203,000, HK\$104,000 and HK\$85,000 respectively.

### 32 Subsequent events

On 3rd April, 2002, the Group entered into an acquisition agreement (the "Acquisition Agreement") with Mr Chen Wen Xin (the "Vendor"), a brother of Ms. Chen Xiao Ying, the director and the ultimate controlling shareholder of the Company. Pursuant to the Acquisition Agreement, the Company acquires the entire issued share capital of Joy Heaven Inc. ("Joy Heaven") as well as the rights to a shareholder's loan made by the Vendor to Joy Heaven. The total consideration is HK\$17 million, including cash payment of HK\$2 million and the issue of 50,000,000 shares of the Company's shares at issue price of HK\$0.3 per share. The acquisition was completed on 22nd May 2002. The estimated negative goodwill arose therefrom was approximately HK\$1.3 million, which was calculated based on the difference between the latest available unaudited net tangible assets of the Joy Heaven Group of approximately HK\$18.3 million without taking into account the loan due to the Vendor as at 31st December, 2001 and the consideration of HK\$17 million.

### 33 Ultimate holding company

The directors regard Pollon Internet Corporation, a private company incorporated in the British Virgin Islands, as the ultimate holding company of the Company.

### 34 Approval of financial statements

The financial statements were approved by the Board of Directors on 17th July, 2002.

### 35 Particulars of subsidiaries

The following is a list of the major subsidiaries as at 31st March, 2002 which, in the opinion of the directors, principally affect the results and assets of the Group:

Name	Place of incorporation/ establishment and operations	Particulars of issued share capital	Group equity interest	Principal activities
<b>Held directly</b>				
Easy Concepts (BVI) Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	100%	Investment holding
21CN Advertising Agency Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Pioneer Venture Global Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	100%	Investment holding
<b>Held indirectly</b>				
Easy Concepts China Investment Company Limited	Hong Kong	2 ordinary shares of HK\$10 each	100%	Property investment
Easy Concepts (China) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
Easy Concepts (Shanghai) International Trading Co., Ltd. (Note)	People's Republic of China	US\$1,610,000	100%	Property investment
Easy Concepts Limited	Hong Kong	64,797,832 ordinary shares of HK\$1 each	100%	Investment holding
Easy Investments Limited	Hong Kong	50,000 ordinary shares of HK\$100 each	100%	Investment holding

### 35 Particulars of subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Particulars of issued share capital	Group equity interest	Principal activities
Easy Properties Limited	Hong Kong	10,000 ordinary shares of HK\$10 each	100%	Property investment
Modern View Investment Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
Rheingold (Hong Kong) Limited	Hong Kong	50,000 ordinary shares of HK\$100 each	100%	Investment holding
Swing Stores, Limited	Hong Kong	500,000 ordinary shares of HK\$1 each	100%	Property investment

Note: Easy Concepts (Shanghai) International Trading Co., Ltd. is a wholly foreign owned enterprise established in the PRC to be operated for 50 years up to May 2043.