

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2002

1. GENERAL

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

The Company is an investment holding company. The principal activities of the Company’s principal subsidiaries and the Group’s principal associates are set out in note 43.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK\$338,414,000 as at 31st March, 2002. The directors are satisfied that the Group has access to sufficient funding and facilities to be able to meet in full its liabilities 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 (“SSAP(s)”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 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 for the prior year have been restated in order to achieve a consistent presentation.

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

Goodwill

In the current year, the Group has adopted SSAP 30 “Business Combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively. The effect of these prior period adjustments is to increase the accumulated losses as at 1st April, 2000 by HK\$48,080,000 and to increase the loss for the year ended 31st March, 2001 by HK\$70,043,000 (note 28). The prior period adjustments result from the share of impairment loss recognised in respect of goodwill by the associates.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Paul Y. - ITC Construction Holdings Limited (“Paul Y. - ITC”), one of the associates, has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves, which differs from the transitional treatment applied by the Group. Accordingly, the financial statements of Paul Y. - ITC have been restated for consolidation under the Group’s accounting policy.

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 31st March, 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 certain properties and investments in securities, and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

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

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

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves 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 arising on acquisitions after 1st April, 2001 is presented as deduction from assets and will be released to income statement based on an analysis of the circumstances from which the balance resulted.

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

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

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

Investments in subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 plus the premium paid/less any discount on acquisition in so far as it has not already been written off/amortised/released to income, less any identified impairment loss.

Revenue recognition

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

Service revenue is recognised when services are rendered.

Sales of securities are recognised when the sale agreement becomes unconditional.

Dividend income from investments is recognised when the Group's or the Company's right to receive payment has been established.

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

Rental income is recognised on a straight-line basis over the period of respective leases.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation increase is transferred to retained profits.

No amortisation is provided in respect of freehold land.

Amortisation is provided to write off the valuation of leasehold land over the remaining period of the relevant lease using the straight-line method. The valuation of buildings is depreciated, using the straight-line method, over their estimated useful lives of fifty years or the remaining period of the relevant lease, whichever is shorter.

Depreciation is provided so as to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Plant, machinery and office equipment	10 – 33%
Motor vehicles	10 – 30%
Furniture and fixtures	10 – 20%

The gain or loss arising on the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Investment properties**

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

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

On disposal of an investment property, the balance on the investment properties 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.

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 loss is recognised as an expense immediately.

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

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

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.

Foreign currencies

Transactions in currencies other than Hong Kong dollar are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the subsidiaries and associates which are denominated in currencies other than Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Taxation

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories represent finished goods which are stated at the lower of cost and net realisable value. Cost is calculated on first-in, first-out method.

Retirement benefit scheme

The retirement benefit scheme contributions relating to the defined contribution scheme charged to the income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

Convertible notes

Convertible notes are separately disclosed and regarded as debts unless conversion actually occurs. The finance costs recognised in the income statement in respect of the convertible notes are calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible notes for each accounting period.

The costs incurred in connection with the issue of convertible notes are deferred and amortised on a straight-line basis over the term of the convertible notes, that is from the dates of issue of the notes to their final redemption dates. If any of the notes are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised cost will be charged immediately to the income statement.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant lease.

5. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the net amounts received and receivable from outside customers for the year and is analysed as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Investment and finance	32,833	57,049
Sale of building materials and machinery	7,314	6,095
	<u>40,147</u>	<u>63,144</u>

Business segments

For management purposes, the Group is currently organised into two operating divisions – investment and finance, and sale of building materials and machinery. These divisions form the basis on which the Group reports its primary segment information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

5. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

An analysis of the Group's turnover and contribution to operating results and segmental assets and liabilities by business segments is presented below:

For the year ended 31st March, 2002

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	32,833	7,314	–	40,147
Inter-segment sales	1,280	–	(1,280)	–
	<u>34,113</u>	<u>7,314</u>	<u>(1,280)</u>	<u>40,147</u>
RESULT				
Segment result	<u>14,397</u>	<u>393</u>	<u>–</u>	14,790
Unallocated corporate expenses				<u>(11,157)</u>
Profit from operations				3,633
Finance costs				(49,446)
Gain on disposal of subsidiaries	6	–	–	6
Gain arising from dilution of interests in associates	2,122	–	–	2,122
Impairment loss in respect of goodwill	(195,466)	–	–	(195,466)
Share of results of associates	(33,306)	–	–	<u>(33,306)</u>
Loss before taxation				(272,457)
Taxation				<u>(16,853)</u>
Loss for the year				<u>(289,310)</u>

Inter-segment sales are charged at prevailing market rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

5. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

At 31st March, 2002

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Total HK\$'000
ASSETS			
Segment assets	308,815	2,354	311,169
Interests in associates	1,797,104	–	1,797,104
Unallocated corporate assets			7,355
			<u>2,115,628</u>
LIABILITIES			
Segment liabilities	19,106	853	19,959
Convertible notes, bank overdrafts and other loan			604,075
Unallocated corporate liabilities			2,160
			<u>626,194</u>

OTHER INFORMATION

For the year ended 31st March, 2002

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital additions	27	8	724	759
Depreciation and amortisation	725	25	1,015	1,765
Amortisation of deferred expenditure on issuance of convertible notes	–	–	3,114	3,114
	<u>752</u>	<u>33</u>	<u>4,853</u>	<u>5,638</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

5. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

For the year ended 31st March, 2001

	Investment and finance <i>HK\$'000</i>	Sale of building materials and machinery <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	57,049	6,095	–	63,144
Inter-segment sales	1,548	–	(1,548)	–
	<u>58,597</u>	<u>6,095</u>	<u>(1,548)</u>	<u>63,144</u>
RESULT				
Segment result	<u>21,471</u>	<u>1,003</u>	<u>–</u>	22,474
Unallocated corporate expenses				<u>(7,589)</u>
Profit from operations				14,885
Finance costs				(56,088)
Gain on disposal of subsidiaries	221	–	–	221
Loss arising from dilution of interests in and disposal of associates	(213,470)	–	–	(213,470)
Goodwill eliminated on cessation of business of an associate	(14,596)	–	–	(14,596)
Allowances for amounts due from associates	(10,546)	–	–	(10,546)
Share of results of associates	(306,949)	–	–	<u>(306,949)</u>
Loss before taxation				(586,543)
Taxation				<u>(25,870)</u>
Loss for the year				<u><u>(612,413)</u></u>

Inter-segment sales are charged at prevailing market rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

5. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

At 31st March, 2001

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Total HK\$'000
ASSETS			
Segment assets	751,362	2,378	753,740
Interests in associates	1,654,448	–	1,654,448
Unallocated corporate assets			6,631
			<u>2,414,819</u>
LIABILITIES			
Segment liabilities	39,957	1,490	41,447
Convertible notes, bank overdrafts and other loan			759,171
Unallocated corporate liabilities			2,284
			<u>802,902</u>

OTHER INFORMATION

For the year ended 31st March, 2001

	Investment and finance HK\$'000	Sale of building materials and machinery HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital additions	863	8	2,275	3,146
Depreciation and amortisation	703	26	917	1,646
Amortisation of deferred expenditure on issuance of convertible notes	–	–	3,113	3,113
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

5. TURNOVER AND SEGMENTAL INFORMATION (continued)

Geographical segments

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

	Turnover		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	35,346	55,947	4,679	18,697
Others	4,801	7,197	(1,046)	(3,812)
	<u>40,147</u>	<u>63,144</u>	<u>3,633</u>	<u>14,885</u>

The following is an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	2,084,705	2,383,524	732	2,291
Others	30,923	31,295	27	855
	<u>2,115,628</u>	<u>2,414,819</u>	<u>759</u>	<u>3,146</u>

6. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	435	441
Allowances for doubtful debts	4,914	–
Retirement benefit scheme contributions, net of forfeited contributions of HK\$39,000 (2001: HK\$489,000)	537	248
Rental payments under operating leases in respect of properties	539	3,484
Loss on disposal of property, plant and equipment	62	–
and after crediting:		
Bad debts recovered	3,580	–
Gain on disposal of an investment property	216	–
Gain on disposal of property, plant and equipment	–	58
Rental income in respect of properties under operating leases, net of negligible outgoings	1,688	4,026
Interest income	<u>26,542</u>	<u>42,720</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals for the year are as follows:

(a) Directors' emoluments

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Directors' fees:		
– executive	90	90
– independent non-executive	220	240
	<u>310</u>	<u>330</u>
Other emoluments (executive directors):		
– salaries and other benefits	12,052	11,079
– retirement benefit scheme contributions	543	504
	<u>12,595</u>	<u>11,583</u>
	<u>12,905</u>	<u>11,913</u>

Emoluments of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	5	5
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	1	1

(b) Employees' emoluments

The five highest paid individuals in the Group for each of the two years ended 31st March, 2002 were all directors and information regarding their emoluments has been included in the disclosures in paragraph (a) above.

8. FINANCE COSTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Amortisation of deferred expenditure on issuance of convertible notes	3,114	3,113
Interest payable on:		
Bank borrowings wholly repayable within five years	646	893
Convertible notes	43,685	49,889
Other borrowings wholly repayable within five years	2,001	2,193
	<u>49,446</u>	<u>56,088</u>

No interest was capitalised by the Group during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

9. IMPAIRMENT LOSS IN RESPECT OF GOODWILL

As at 31st March, 2002, the directors estimated that the recoverable amount of the interest in an associate was net market selling price and an impairment loss on goodwill arising from acquisition of that associate of approximately HK\$195,466,000 have been recognised in the financial statements in the current year in consideration of the operating results of that associate.

10. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year. The charge for each of the two years ended 31st March, 2002 represents the Group's share of taxation on the results of associates.

Details of unrecognised deferred taxation are set out in note 29.

11. DIVIDENDS

The directors do not recommend the payment of a dividend to ordinary shareholders for the year ended 31st March, 2002.

Preference share dividend on the 267,980,000 compulsorily convertible cumulative preference shares at HK\$0.069 per share per annum has not been accrued for the year in the financial statements.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss for the year	(289,310)	(612,413)
Dividend for preference shares	<u>(18,491)</u>	<u>(18,491)</u>
Loss for the purposes of basic loss per share	(307,801)	(630,904)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	<u>(1,324)</u>	<u>(3,248)</u>
Loss for the purposes of diluted loss per share	<u>(309,125)</u>	<u>(634,152)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>607,659,374</u>	<u>525,960,774</u>

The convertible notes and share options are anti-dilutive as the exercise of these convertible notes and share options would result in a decrease in loss per share for both years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Plant, machinery and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST OR VALUATION					
At 1st April, 2001	19,338	704	10,303	2,306	32,651
Translation adjustments	(270)	(3)	(10)	(13)	(296)
Additions	–	259	486	14	759
Disposals	–	(14)	–	(100)	(114)
	<u>19,068</u>	<u>946</u>	<u>10,779</u>	<u>2,207</u>	<u>33,000</u>
At 31st March, 2002	19,068	946	10,779	2,207	33,000
Comprising:					
At cost	–	946	10,779	2,207	13,932
At valuation – 2002	19,068	–	–	–	19,068
	<u>19,068</u>	<u>946</u>	<u>10,779</u>	<u>2,207</u>	<u>33,000</u>
DEPRECIATION AND AMORTISATION					
At 1st April, 2001	–	395	4,760	784	5,939
Translation adjustments	–	(2)	(3)	(8)	(13)
Provided for the year	250	147	1,113	255	1,765
Eliminated on disposals	–	(14)	–	(38)	(52)
Written back on revaluation	(250)	–	–	–	(250)
	<u>–</u>	<u>526</u>	<u>5,870</u>	<u>993</u>	<u>7,389</u>
At 31st March, 2002	–	526	5,870	993	7,389
NET BOOK VALUES					
At 31st March, 2002	<u>19,068</u>	<u>420</u>	<u>4,909</u>	<u>1,214</u>	<u>25,611</u>
At 31st March, 2001	<u>19,338</u>	<u>309</u>	<u>5,543</u>	<u>1,522</u>	<u>26,712</u>

Land and buildings of the Group were revalued as at 31st March, 2002 on an open market value basis by B.I. Appraisals Ltd., an independent professional property valuer.

The net book values of land and buildings held by the Group as at the balance sheet date comprised:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Freehold properties in Canada	17,618	17,888
Long term leasehold properties in the People's Republic of China (the "PRC")	<u>1,450</u>	<u>1,450</u>
	<u>19,068</u>	<u>19,338</u>

As at 31st March, 2002, had the Group's land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$22,508,000 (2001: HK\$23,085,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

14. INVESTMENT PROPERTIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
VALUATION		
At 1st April	23,800	1,230
Disposal	(22,800)	–
On acquisition of subsidiaries	–	21,000
Surplus arising on revaluation	125	1,570
	<u>1,125</u>	<u>1,570</u>
At 31st March	<u>1,125</u>	<u>23,800</u>

The Group's investment properties are held for use under operating leases and the carrying value comprises:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Properties held under		
– medium term land use right in the PRC	1,125	1,000
– long term lease in Hong Kong	–	22,800
	<u>1,125</u>	<u>22,800</u>
	<u>1,125</u>	<u>23,800</u>

The investment property of the Group was stated at open market value as at 31st March, 2002 estimated by the directors with reference to the sale and purchase agreement entered into by the Group in May 2002 for the sale of the property after the balance sheet date.

The valuation as at 31st March, 2002 gave rise to a revaluation surplus of approximately HK\$125,000 which is credited to the income statement to offset the valuation deficit previously charged to the income statement.

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	2,972,906	2,623,120
	<u>2,972,907</u>	<u>2,623,121</u>
Less: Allowances for amounts due from subsidiaries	(960,877)	(272,086)
	<u>2,012,030</u>	<u>2,351,035</u>

Details of the Company's principal subsidiaries as at 31st March, 2002 are set out in note 43.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net assets of associates:				
Listed in Hong Kong	1,837,156	1,642,795	–	–
Listed overseas	3,418	4,632	–	–
Unlisted	4,329	7,021	–	–
Goodwill (note a)	–	–	–	–
Negative goodwill (note b)	(47,799)	–	–	–
	<u>1,797,104</u>	<u>1,654,448</u>	<u>–</u>	<u>–</u>
Convertible note receivable from an associate listed in Hong Kong	–	385,900	–	385,900
	<u>1,797,104</u>	<u>2,040,348</u>	<u>–</u>	<u>385,900</u>
Convertible note receivable from an associate – due within one year and shown under current assets	–	(385,900)	–	(385,900)
	<u>1,797,104</u>	<u>1,654,448</u>	<u>–</u>	<u>–</u>
Market value of listed securities:				
Hong Kong	335,523	283,606	–	–
Overseas	33,945	46,460	–	–
	<u>369,468</u>	<u>330,066</u>	<u>–</u>	<u>–</u>

Notes:

- (a) Included in interests in associates is goodwill arising from acquisition of an associate:

	HK\$'000
Goodwill	
Arising from acquisition of an associate during the year and balance at 31st March, 2002	195,466
Impairment loss	
Recognised during the year (note 9) and balance at 31st March, 2002	<u>(195,466)</u>
Carrying value	
At 31st March, 2002	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

16. INTERESTS IN ASSOCIATES (continued)

Notes:

- (b) Included in interests in associates is negative goodwill arising from acquisition of associates:

	<i>HK\$'000</i>
Goodwill	
Arising from acquisition of associates during the year and balance at 31st March, 2002	48,724
Amortisation	
Charged for the year and balance at 31st March, 2002	(925)
Carrying value	
At 31st March, 2002	<u>47,799</u>

The goodwill is amortised over a period of 20 years.

- (c) The Group increased its equity interest in Hanny Holdings Limited ("Hanny") from 27.24% at the beginning of the year to 27.73% at the end of the year and increased its equity interest in Paul Y. - ITC from 40.91% at the beginning of the year to 42.59% at the end of the year.
- (d) During the year, there was a transfer of approximately HK\$279,412,000 from investments in securities to interests in associates after the Group increased its equity interest in Star East Holdings Limited ("Star East") to over 20%.

Details of the Group's principal associates at 31st March, 2002 are set out in note 43.

Extracts from the consolidated results and financial position of the Group's significant associates, Paul Y. - ITC, Hanny and Star East from their respective audited financial statements for the year ended 31st March, 2002 are set out in note 44.

17. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002	2001	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

THE GROUP

Equity securities:

Listed securities						
– Hong Kong	–	242,449	2	3	2	242,452
– Elsewhere	–	–	2,417	2,217	2,417	2,217
	<u>–</u>	<u>242,449</u>	<u>2,419</u>	<u>2,220</u>	<u>2,419</u>	<u>244,669</u>
Unlisted club debentures	–	–	1,589	1,589	1,589	1,589
Total	<u>–</u>	<u>242,449</u>	<u>4,008</u>	<u>3,809</u>	<u>4,008</u>	<u>246,258</u>
Market value of listed securities	<u>–</u>	<u>24,650</u>	<u>2,419</u>	<u>2,220</u>	<u>2,419</u>	<u>26,870</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

18. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade receivables:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Trade receivables		
0–30 days	1,312	943
31–60 days	98	199
61–90 days	16	151
Over 90 days	123	131
	<hr/>	<hr/>
	1,549	1,424
Other receivables, prepayments and deposits	1,026	1,020
	<hr/>	<hr/>
	2,575	2,444
	<hr/> <hr/>	<hr/> <hr/>

The general credit term is 30 to 60 days.

19. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured and repayable on demand. Of these amounts, an amount of approximately HK\$114,600,000 (2001: HK\$31,223,000) bears interest at commercial rates and the remaining balance is interest-free.

20. AMOUNTS DUE FROM RELATED COMPANIES

The amounts are unsecured and repayable within one year. Of these amounts, an amount of approximately HK\$42,000,000 (2001: Nil) bears interest at commercial rates and the remaining balance is interest-free. Details of the transactions and balances with related companies are set out in note 42.

21. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Trade payables		
0–30 days	11,592	13,450
31–60 days	81	21
61–90 days	1	–
Over 90 days	47	15
	<hr/>	<hr/>
	11,721	13,486
Other payables and accrued charges	10,287	23,447
	<hr/>	<hr/>
	22,008	36,933
	<hr/> <hr/>	<hr/> <hr/>

At 31st March, 2001, amounts payable under margin accounts included in other payables of approximately HK\$9,531,000 were secured by certain listed investments held by the Group with an aggregate carrying value of approximately HK\$122,410,000. These amounts have been repaid in full during the year.

22. AMOUNTS DUE TO ASSOCIATES

The balances are unsecured, interest-free and repayable on demand. At 31st March, 2001, an amount of approximately HK\$6,780,000 bore interest at commercial rates and was secured by certain listed investments of the Group. The remaining balance was unsecured and interest-free.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

23. CONVERTIBLE NOTES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
HK\$150,000,000 convertible notes due 2002 (note a)	–	150,000	–	–
HK\$120,000,000 convertible notes due 2002 (note b)	120,000	120,000	120,000	120,000
Less: Unamortised deferred expenditure	(344)	(1,033)	(344)	(1,033)
	<u>119,656</u>	<u>118,967</u>	<u>119,656</u>	<u>118,967</u>
HK\$460,000,000 convertible notes due 2003 (note c)	460,000	460,000	460,000	460,000
Less: Unamortised deferred expenditure	(2,021)	(4,446)	(2,021)	(4,446)
	<u>457,979</u>	<u>455,554</u>	<u>457,979</u>	<u>455,554</u>
	<u>577,635</u>	<u>724,521</u>	<u>577,635</u>	<u>574,521</u>
The convertible notes are repayable as follows:				
Within one year	577,635	150,000	577,635	–
More than one year, but not exceeding two years	–	574,521	–	574,521
	<u>577,635</u>	<u>724,521</u>	<u>577,635</u>	<u>574,521</u>
Less: Amount due after one year and shown under non-current liabilities	–	(574,521)	–	(574,521)
Amount due within one year	<u>577,635</u>	<u>150,000</u>	<u>577,635</u>	<u>–</u>

Notes:

- (a) The convertible notes bore interest at 6.25% per annum, were unconditionally and irrevocably guaranteed by the Company and were redeemed on 15th February, 2002.
- (b) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 30th September, 1999, the Company issued on 5th October, 1999 HK\$50,000,000 convertible notes to each of Galaxyway Investments Limited (“Galaxyway”) and independent investors by subscription and placement, respectively, with an over-allotment option granted to the independent investors of an amount up to HK\$20,000,000. The Company further issued HK\$20,000,000 convertible notes on 3rd November, 1999 pursuant to the over-allotment option exercised by the independent investors. Galaxyway was a wholly-owned subsidiary of Chinaview International Limited (“Chinaview”) which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company.

The notes bear interest at the best lending rate of Hong Kong Dollar quoted by The Hongkong and Shanghai Banking Corporation Limited (“Best Lending Rate”) and payable semi-annually in arrears.

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$1.10 per share, subject to adjustment, on or before 5th October, 2002 (or the next following business day if it is not a business day). The conversion price was adjusted to HK\$1.06 per share pursuant to a placing and subscription of ordinary shares of the Company in June 2001. The ordinary shares to be issued upon such conversion are to rank pari passu in all respects with the ordinary shares of the Company in issue on the relevant conversion date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

23. CONVERTIBLE NOTES (continued)

Notes:

- (c) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 25th February, 2000, the Company issued on 29th February, 2000 HK\$200,000,000 convertible notes to each of Galaxyway and independent investors by subscription and placement, respectively, with an over-allotment option granted to the independent investors of an amount up to HK\$60,000,000. The Company further issued HK\$60,000,000 convertible notes on 30th March, 2000 pursuant to the over-allotment option exercised by the independent investors.

The notes bear interest at Best Lending Rate and payable semi-annually in arrears.

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$1.75 per share, subject to adjustment, on or before 1st March, 2003 (or the next following business day if it is not a business day). The conversion price was adjusted to HK\$1.68 per share pursuant to a placing and subscription of ordinary shares of the Company in June 2001. The ordinary shares to be issued upon such conversion are to rank pari passu in all respects with the ordinary shares of the Company in issue on the relevant conversion date.

24. BANK OVERDRAFTS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts are analysed as follows:				
Secured	9,109	9,365	–	–
Unsecured	14	7,968	–	4,949
	<u>9,123</u>	<u>17,333</u>	<u>–</u>	<u>4,949</u>

25. OTHER LOAN

The loan is unsecured, bears interest at commercial rates and is repayable within one year.

26. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2000, 31st March, 2001 and 31st March, 2002	<u>2,000,000,000</u>	<u>200,000</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2000, 31st March, 2001 and 31st March, 2002	<u>280,000,000</u>	<u>28,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2000 and 31st March, 2001	525,960,774	52,596
Placing of new shares	<u>105,000,000</u>	<u>10,500</u>
At 31st March, 2002	<u>630,960,774</u>	<u>63,096</u>
Compulsorily convertible cumulative preference shares of HK\$0.10 each		
At 1st April, 2000, 31st March, 2001 and 31st March, 2002	<u>267,980,000</u>	<u>26,798</u>

26. SHARE CAPITAL (continued)

On 21st June, 2001, the Company allotted 105,000,000 new ordinary shares of HK\$0.10 each at an issue price of HK\$0.60 per share to Galaxyway. The placing price of HK\$0.60 per share represented a discount of approximately 18.1% to the average closing price of approximately HK\$0.733 per share over the last 10 trading days, up to and including 18th June, 2001 on the Hong Kong Stock Exchange and also represented a discount of approximately 14.3% to the closing price of the shares of HK\$0.70 quoted on the Hong Kong Stock Exchange on 18th June, 2001. The proceeds of the subscription were used as additional working capital of the Company, apart from HK\$12.4 million which were used to subscribe for the shares in Star East pursuant to a conditional agreement as announced by Star East on 12th June, 2001.

All the new ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.

The preference shares are non-voting, non-redeemable and are entitled to a cumulative dividend of HK\$0.069 per share per annum. The preference shares rank in priority to the ordinary shares in the Company as to dividends and return of capital. The preference shares are convertible into ordinary shares of the Company at the option of the holders at any time. However, the preference shares may be converted at the option of the Company in any of the following cases:

- the closing price of the ordinary shares in the Company on the Hong Kong Stock Exchange is 125% or more of the adjusted conversion value of HK\$21.20, subject to further adjustments, for twenty consecutive trading days; or
- there are less than 50,000,000 preference shares in issue.

27. SHARE OPTIONS

The movements of share options granted by the Company to the directors and full time employees of the Company or any of its subsidiaries during the year were as follows:

Date of grant	Exercise price per share HK\$	Number of ordinary shares of the Company to be issued upon exercise of the share options		
		Balance at 1.4.2001	Lapsed during the year	Balance at 31.3.2002
18.12.1998	0.3792	6,600,000	(6,600,000)	–
17.12.1999	1.0816	24,500,000	(24,500,000)	–
		<u>31,100,000</u>	<u>(31,100,000)</u>	<u>–</u>

No share options were granted, exercised or cancelled during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

28. RESERVES

	Share premium HK\$'000	Warrant reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
THE GROUP									
At 1st April, 2000									
– as originally stated	153,843	5,432	2,092,234	908	–	(51,322)	(783,522)	212,480	1,630,053
– prior period adjustments (note 3)	–	–	–	–	–	–	48,080	(48,080)	–
At 1st April, 2000 (as restated)	153,843	5,432	2,092,234	908	–	(51,322)	(735,442)	164,400	1,630,053
Exchange differences arising from translation of overseas operations	–	–	–	–	–	775	–	–	775
Reserve movements arising on acquisition of subsidiaries	–	–	–	–	–	–	698	–	698
Reserve movements arising on acquisition of associates	–	–	–	–	–	–	188,524	–	188,524
Released on disposal of subsidiaries	–	–	–	–	–	–	10	–	10
Released on disposal of associates	–	(5,367)	–	–	–	(129)	259,978	–	254,482
Reserve movements arising on reduction of interests in associates	–	(65)	–	–	–	467	14,010	–	14,412
Share of post-acquisition reserve movements of associates	–	–	–	–	–	(13,734)	54,670	–	40,936
Goodwill eliminated on cessation of business of an associate	–	–	–	–	–	–	14,596	–	14,596
Surplus on revaluation	–	–	–	–	450	–	–	–	450
Loss for the year	–	–	–	–	–	–	–	(612,413)	(612,413)
At 31st March, 2001 (as restated)	153,843	–	2,092,234	908	450	(63,943)	(202,956)	(448,013)	1,532,523
Exchange differences arising from translation of overseas operations	–	–	–	–	–	(173)	–	–	(173)
Issue of ordinary shares	52,500	–	–	–	–	–	–	–	52,500
Shares issue expenses	(1,121)	–	–	–	–	–	–	–	(1,121)
Reserve movements arising on reduction of interests in associates	–	–	–	–	–	18	1,088	–	1,106
Released on disposal of investment properties	–	–	–	–	(450)	–	–	–	(450)
Share of post-acquisition reserve movements of associates	–	–	–	–	–	42,247	62,218	–	104,465
Loss for the year	–	–	–	–	–	–	–	(289,310)	(289,310)
At 31st March, 2002	<u>205,222</u>	<u>–</u>	<u>2,092,234</u>	<u>908</u>	<u>–</u>	<u>(21,851)</u>	<u>(139,650)</u>	<u>(737,323)</u>	<u>1,399,540</u>
Attributable to:									
The Company and its subsidiaries	205,222	–	2,092,234	908	–	277	–	(24,643)	2,273,998
Associates	–	–	–	–	–	(22,128)	(139,650)	(712,680)	(874,458)
	<u>205,222</u>	<u>–</u>	<u>2,092,234</u>	<u>908</u>	<u>–</u>	<u>(21,851)</u>	<u>(139,650)</u>	<u>(737,323)</u>	<u>1,399,540</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

28. RESERVES (continued)

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated (losses) profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY					
At 1st April, 2000	153,843	2,117,993	908	63,006	2,335,750
Loss for the year	—	—	—	(271,122)	(271,122)
At 31st March, 2001	153,843	2,117,993	908	(208,116)	2,064,628
Issue of ordinary shares	52,500	—	—	—	52,500
Shares issue expenses	(1,121)	—	—	—	(1,121)
Loss for the year	—	—	—	(725,283)	(725,283)
At 31st March, 2002	<u>205,222</u>	<u>2,117,993</u>	<u>908</u>	<u>(933,399)</u>	<u>1,390,724</u>

Notes:

The contributed surplus of the Group comprises the difference between the nominal amount of the ordinary share capital issued by the Company in exchange for the nominal amount of the share capital of a subsidiary acquired pursuant to a corporate reorganisation on 24th January, 1992 and the credits arising from the changes in the capital and reserves of the Company and the transfers to the accumulated losses.

The contributed surplus of the Company comprises the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's ordinary share capital issued as consideration for the acquisition and the credits arising from the changes in the capital and reserves of the Company and the transfers to the accumulated losses.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

In the opinion of the directors, subject to the restrictions as stipulated in the Companies Act 1981 of Bermuda as described above, the Company's reserves available for distribution to shareholders were as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Contributed surplus	2,117,993	2,117,993
Accumulated losses	<u>(933,399)</u>	<u>(208,116)</u>
	<u>1,184,594</u>	<u>1,909,877</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

29. DEFERRED TAXATION

The components of the deferred taxation credit not recognised for the year were as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Tax losses	5,278	15,128
Shortfall (excess) of tax allowances over depreciation	197	(287)
	<u>5,475</u>	<u>14,841</u>

At the balance sheet date, the components of the net potential deferred taxation asset not recognised in the financial statements were as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Unutilised tax losses	58,419	53,141
Excess of tax allowances over depreciation	(660)	(857)
	<u>57,759</u>	<u>52,284</u>

The net potential deferred taxation asset has not been recognised in the financial statements as realisation of this asset in the foreseeable future is uncertain.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated <i>(see note 3)</i>
Loss before taxation	(272,457)	(586,543)
Share of results of associates	33,306	306,949
Interest expenses	46,332	52,975
Depreciation and amortisation	1,765	1,646
(Surplus) deficit arising from revaluation of land and buildings	(250)	1,238
Surplus arising from revaluation of investment properties	(125)	(1,120)
Amortisation of deferred expenditure on issuance of convertible notes	3,114	3,113
(Gain) loss arising from dilution of interest in and disposal of associates	(2,122)	213,470
Goodwill eliminated on cessation of business of an associate	–	14,596
Allowances for amounts due from associates	–	10,546
Impairment loss in respect of goodwill	195,466	–
Loss on disposal of investments in securities	–	5,409
Gain on disposal of subsidiaries	(6)	(221)
Unrealised (gain) loss on valuation of other investments	(232)	458
Loss (gain) on disposal of property, plant and equipment	62	(58)
Gain on disposal of an investment property	(216)	–
Increase in inventories	(34)	(79)
Decrease in property held for resale	–	2,311
(Increase) decrease in trade and other receivables	(137)	7,445
Decrease (increase) in amounts due from associates	4,784	(271)
Decrease (increase) in loan receivables	9,276	(5,440)
Increase in amounts due from related companies	(3,746)	–
Decrease in trade and other payables	(2,936)	(9,189)
(Decrease) increase in amounts due to associates	(6,687)	8,098
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>5,157</u>	<u>25,333</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

31. PURCHASE OF SUBSIDIARIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET ASSETS PURCHASED		
Investment property	–	21,000
Investment in securities	–	744
Trade and other receivables	–	2,640
Loan receivables	–	2,560
Bank balances and cash	–	7
Trade and other payables	–	(588)
	<u>–</u>	<u>26,363</u>
Capital reserve arising on acquisition of subsidiaries	–	(698)
	<u>–</u>	<u>25,665</u>
Satisfied by:		
Cash	<u>–</u>	<u>25,665</u>

The subsidiaries acquired during the year ended 31st March, 2001 contributed cash inflow of approximately HK\$6,232,000 to the Group's net operating cash inflow and paid approximately HK\$8,000 in respect of investing activities.

The subsidiaries acquired during the year ended 31st March, 2001 contributed approximately HK\$1,445,000 to the Group's turnover and a profit of approximately HK\$1,169,000 to the Group's results of operations for that year.

32. DISPOSAL OF SUBSIDIARIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET ASSETS DISPOSED OF		
Trade and other receivables	–	1,902
Trade and other payables	–	(170)
Amounts due to associates	–	(1,902)
	<u>–</u>	<u>(170)</u>
Gain on disposal of subsidiaries	–	221
Goodwill reserve released on disposal of subsidiaries	–	10
	<u>–</u>	<u>61</u>
Satisfied by:		
Cash	<u>–</u>	<u>61</u>

The results and net cash flows of subsidiaries disposed of during the year ended 31st March, 2001 were not significant to the Group as a whole for that year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

33. ANALYSIS OF THE NET (OUTFLOW) INFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASE/DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
PURCHASE OF SUBSIDIARIES		
Cash consideration paid	–	(25,665)
Bank balances and cash acquired	–	7
	<u>–</u>	<u>7</u>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>–</u>	<u>(25,658)</u>
DISPOSAL OF SUBSIDIARIES		
Cash consideration received	–	61
	<u>–</u>	<u>61</u>

34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Convertible notes HK\$'000	Other loan HK\$'000	Amounts payable under margin accounts HK\$'000
At 1st April, 2000	233,237	721,408	17,317	–
New borrowings raised	–	–	4,000	9,531
Repayments during the year	–	–	(4,000)	–
Amortisation of deferred expenditure	–	3,113	–	–
	<u>–</u>	<u>3,113</u>	<u>–</u>	<u>–</u>
At 31st March, 2001	233,237	724,521	17,317	9,531
Issue of ordinary shares	63,000	–	–	–
Shares issue expenses	(1,121)	–	–	–
New borrowings raised	–	–	15,000	–
Repayments during the year	–	(150,000)	(15,000)	(9,531)
Amortisation of deferred expenditure	–	3,114	–	–
	<u>–</u>	<u>3,114</u>	<u>–</u>	<u>–</u>
At 31st March, 2002	<u>295,116</u>	<u>577,635</u>	<u>17,317</u>	<u>–</u>

35. MAJOR NON-CASH TRANSACTION

During the year, an amount due from an associate of HK\$22,500,000 was settled by distribution of 121,621,622 shares of Star East by the associate through the exercise of the conversion right in a convertible note.

36. RETIREMENT BENEFIT SCHEMES

The Group has a defined contribution retirement benefit scheme for qualifying employees. The assets of the scheme are separately held in funds under the control of an authorised insurer.

The cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

36. RETIREMENT BENEFIT SCHEMES (continued)

At the balance sheet date, there were no significant forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

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

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

37. CONTINGENT LIABILITIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Guarantees given to holders of the 2002 convertible notes issued by a subsidiary	–	150,000
Guarantees given to banks and financial institutions in respect of general credit facilities utilised by subsidiaries	–	12,550
	<u>–</u>	<u>162,550</u>

The Group did not have any significant contingent liabilities at the balance sheet date.

38. MATERIAL LITIGATION

The liquidators of Hoi Sing Construction Company Limited ("Hoi Sing"), a former wholly-owned subsidiary of the Company, instituted proceedings against the Company on 10th July, 1998 claiming approximately HK\$297,441,000 plus interest pursuant to an alleged guarantee by the Company for debt owed by Hoi Sing Builders Limited to Hoi Sing. The Company does not admit the existence of the guarantee, and has put Hoi Sing to strict proof of its terms and the amounts claimed under it. Even if the Court upholds the alleged guarantee, the Company has a defence of "set off" arising from a claim against Hoi Sing for approximately HK\$308,207,000. The Company is a principal creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of the Company's claim as at 31st March, 2002. The balance is being adjudicated by the liquidators of Hoi Sing.

The directors of the Company have taken legal advice and consider that the Company's defence is valid and that no obligation exists for the Company.

39. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

The Group and the Company did not have any significant commitments under non-cancellable operating leases at the balance sheet date.

The Group as lessor

Property rental income earned during the year was HK\$1,720,000 (2001: HK\$4,026,000). Certain of the Group's properties held for rental purposes with a carrying amount of HK\$22,800,000, have been disposed of during the year. Certain of the properties held have committed tenants for the next three years.

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

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	269	1,630
In the second to fifth years inclusive	361	639
	<u>630</u>	<u>2,269</u>

(b) Capital commitments

The Group and the Company did not have any significant capital commitments at the balance sheet date.

40. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's land and buildings with an aggregate carrying value of approximately HK\$17,618,000 (2001: HK\$244,447,000) were pledged to banks to secure general credit facilities granted to the Group.

41. POST BALANCE SHEET EVENT

In April 2002, Gold Focus Ltd. ("Gold Focus"), an associate of the Group and holding company of the Mobile Media Group which is engaged in out-of-home audio and video media business in Hong Kong and the PRC, disposed of its entire interest in the Mobile Media Group to 36.com Holdings Limited ("36.com"), a company whose securities are listed on the Growth Enterprises Market of the Hong Kong Stock Exchange, in consideration of 36.com issuing new shares to the shareholders of Gold Focus. Following the completion of the transaction, the Group held an effective interest of approximately 25% in 36.com which has changed its name to M Channel Corporation Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

42. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year or at the balance sheet date, the Group had transactions/balances with the following related parties, details of which are as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Associates:		
Sales (<i>note a</i>)	1,404	422
Dividend income	11,017	12,239
Rental income received (<i>note b</i>)	–	2,910
Interest income received (<i>note c</i>)	21,519	39,040
Interest paid	27	43
Amounts advanced and fully repaid during the year (<i>note d</i>)	181,700	–
Balance due by the Group (<i>note 22</i>)	111	6,798
Balance due to the Group (<i>note 19</i>)	148,528	42,391
Convertible note receivable by the Group	–	385,900
	<u> </u>	<u> </u>
Directors or companies controlled by directors:		
Interest paid by the Group (<i>note e</i>)	173	15
Interest payable on convertible notes issued by the Group (<i>note f</i>)	15,287	23,034
	<u> </u>	<u> </u>
Related companies:		
Interest income received (<i>note g</i>)	658	–
Balance due to the Group (<i>note g</i>)	45,746	–
	<u> </u>	<u> </u>

In addition to the above, during the year, the Company issued 105,000,000 new ordinary shares of HK\$0.10 each at an issue price of HK\$0.60 per share to Galaxyway, a company in which Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company, has a beneficial interest. Details of the transaction are set out in note 26.

Notes:

- (a) Sales are carried out by reference to the prevailing market price for comparable transactions.
- (b) Rentals are charged with reference to the market price.
- (c) Interest is charged at a range from Best Lending Rate less 2.75% to 2% over Best Lending Rate.
- (d) Interest is charged at Best Lending Rate less 2.5%.
- (e) Interest is charged at 1% over Best Lending Rate.
- (f) Interest is charged at Best Lending Rate.
- (g) Interest is charged at prevailing market rate on loans advanced to related companies. Out of the balances due from related companies, HK\$25,000,000 and HK\$17,000,000 are loans to a subsidiary of China Strategic Holdings Limited (“China Strategic”) and a subsidiary of Sing Pao Media Group Limited (“Sing Pao”), respectively. The amounts are unsecured and repayable within one year. The remaining balance is interest-free.

The Group has indirect beneficial interests and has common directors in China Strategic and Sing Pao.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

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

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital held by the Company*/ subsidiaries %	Percentage of issued share capital attributable to the Group %	Principal activities
Burcon Group Limited	Canada	CAD1,000 class A common share	100	100	Investment and property holding
CEF Concord (BVI) Company Limited	British Virgin Islands	US\$1 ordinary share	100	100	Provision of financial services
Dreyer and Company Limited	Hong Kong	HK\$6,424,000 ordinary shares	99	99	Trading of building materials and machinery
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Development Co. Limited	British Virgin Islands	US\$15,000 ordinary shares	100*	100	Investment holding
ITC Investment Group Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Investment Holdings Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
ITC Management Group Limited	British Virgin Islands	US\$2 ordinary shares	100*	100	Investment holding
ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Provision of management and administrative services
Landwin Properties Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding in the PRC
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Spark Fortune Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding in the PRC

All of the above subsidiaries operate in Hong Kong with the exception of Burcon Group Limited which operates in Canada.

Except for CEF Concord (BVI) Company Limited which has issued convertible notes with an aggregate principal value of HK\$150 million, in which the Group had no interest in these convertible notes, and was fully repaid during the year, none of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(continued)*

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

Name of associates	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital held by the Group %	Principal activities
Burcon NutraScience Corporation	Canada	CAD10,897,207 common shares	26.04	Investment holding in company engaged in the development of commercial canola proteins
CU Futures Limited	Hong Kong	HK\$12,000,000 ordinary shares	40.00	Dealing and broking in futures contract
CU Securities Limited	Hong Kong	HK\$11,000,000 ordinary shares	40.00	Dealing and broking in securities
Great Concept Profits Limited	British Virgin Islands	HK\$20 ordinary shares	40.00	Investment holding
Gold Focus Ltd.	British Virgin Islands	US\$10,000 ordinary shares	34.50	Investment holding in mobile media business
Hanny Holdings Limited	Bermuda	HK\$160,301,438 ordinary shares	27.73	Investment holding in companies engaged in the manufacturing, distribution and marketing of data storage media, the distribution of related products, securities investments and strategic investments in information technology related business and other business
Paul Y. - ITC Construction Holdings Limited	Bermuda	HK\$103,674,492 ordinary shares	42.59	Investment holding in companies engaged in construction, engineering and infrastructure management services, property development and investment and hotel operations

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2002

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Name of associates	Place of incorporation	Issued and fully paid share capital	Percentage of issued share capital held by the Group %	Principal activities
Star East Holdings Limited	Bermuda	HK\$175,137,516 ordinary shares	21.11	Investment holding in companies engaged in entertainment business including the franchising and operation of "Planet Hollywood" and "Star East" theme restaurants in Asia Pacific, production of movies, television drama series, documentary and infotainment programmes, strategic investment and property investment and development

All of the above associates are held indirectly by the Company and operate in Hong Kong with the exception of Burcon NutraScience Corporation which operates in Canada.

The above tables list the subsidiaries of the Company and associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all other subsidiaries and associates would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

44. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES

The following is extracted from the audited financial statements of Paul Y. - ITC, Hanny and Star East for the year ended 31st March, 2002.

Paul Y. - ITC

(a) Consolidated income statement For the years ended 31st March, 2002 and 2001

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
Group turnover	5,343,810	10,803,255
Cost of sales	<u>(5,174,038)</u>	<u>(10,046,207)</u>
Gross profit	169,772	757,048
Other revenue	23,829	14,297
Administrative expenses	(175,413)	(554,923)
Other operating expenses	<u>–</u>	<u>(25,246)</u>
Profit from operations	18,188	191,176
Finance costs	(38,301)	(211,650)
Investment income (expenses) – net	39,584	(18,742)
Loss on disposal and dilution of interests in subsidiaries and an associate	(6,688)	(289,190)
Share of results of associates	103,901	14,969
Share of results of jointly controlled entities	<u>8,559</u>	<u>293</u>
Profit (loss) before taxation	125,243	(313,144)
Taxation	<u>(47,935)</u>	<u>(49,953)</u>
Profit (loss) before minority interests	77,308	(363,097)
Minority interests	<u>(6,605)</u>	<u>(91,343)</u>
Profit (loss) for the year	<u><u>70,703</u></u>	<u><u>(454,440)</u></u>
Dividends		
Interim dividend paid	10,246	9,801
Final dividend proposed	<u>10,367</u>	<u>9,925</u>
	<u><u>20,613</u></u>	<u><u>19,726</u></u>
Earnings (loss) per share		
Basic	<u><u>HK\$0.071</u></u>	<u><u>HK\$(0.463)</u></u>
Diluted	<u><u>HK\$0.068</u></u>	<u><u>HK\$(0.471)</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

44. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Paul Y. - ITC *(continued)*

(b) Consolidated balance sheet *As at 31st March, 2002 and 2001*

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
NON-CURRENT ASSETS		
Investment properties	675,900	585,130
Property, plant and equipment	1,180,615	1,200,272
Goodwill	18,442	20,747
Interests in associates	848,552	702,905
Interests in jointly controlled entities	7,823	276
Investments in securities	659,029	768,315
Other long term investments	16,289	16,226
	<u>3,406,650</u>	<u>3,293,871</u>
CURRENT ASSETS		
Properties under development held for resale	–	174,359
Properties held for resale	7,692	–
Amounts due from customers for contract works	375,414	367,784
Debtors, deposits and prepayments	1,371,982	1,441,677
Amounts due from related companies	34,095	144,534
Amounts due from associates	58,007	55,576
Unsecured loans receivable	189,840	87,487
Investments in securities	141,829	16,903
Taxation recoverable	5,800	4,247
Short term bank deposits	559,437	527,260
Bank balances and cash	42,253	63,180
	<u>2,786,349</u>	<u>2,883,007</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

44. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Paul Y. - ITC *(continued)*

(b) Consolidated balance sheet *(continued)* *As at 31st March, 2002 and 2001*

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
CURRENT LIABILITIES		
Amounts due to customers for contract works	613,911	804,685
Creditors and accrued expenses	1,135,357	1,275,854
Amounts due to related companies	1,467	1,582
Amounts due to associates	4,482	6,164
Amounts due to jointly controlled entities	91,694	13,390
Taxation payable	3,661	11,960
Obligations under finance leases	–	6,450
Bank borrowings – due within one year	468,267	54,341
Other loan	–	321,760
	<u>2,318,839</u>	<u>2,496,186</u>
NET CURRENT ASSETS	<u>467,510</u>	<u>386,821</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,874,160</u>	<u>3,680,692</u>
MINORITY INTERESTS	<u>15,664</u>	<u>15,162</u>
NON-CURRENT LIABILITIES		
Bank borrowings – due after one year	827,582	338,270
Convertible note	–	450,000
Deferred taxation	35,884	42,358
	<u>863,466</u>	<u>830,628</u>
NET ASSETS	<u>2,995,030</u>	<u>2,834,902</u>
CAPITAL AND RESERVES		
Share capital	103,675	99,249
Reserves	2,891,355	2,735,653
	<u>2,995,030</u>	<u>2,834,902</u>
SHAREHOLDERS' FUNDS	<u>2,995,030</u>	<u>2,834,902</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

44. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Hanny

(a) Consolidated income statement *For the years ended 31st March, 2002 and 2001*

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
Turnover	4,373,909	3,595,783
Cost of sales	<u>(3,560,003)</u>	<u>(2,952,453)</u>
Gross profit	813,906	643,330
Other income	62,505	95,045
Distribution costs	(443,261)	(408,409)
Administrative expenses	(267,238)	(256,522)
Other operating expenses	<u>(184,938)</u>	<u>(388,210)</u>
Loss from operations	(19,026)	(314,766)
Finance costs	(58,144)	(111,362)
Share of results of associates	(3,499)	(30,072)
Impairment loss on goodwill	–	(362,982)
Net gain on disposal of subsidiaries and associates	<u>5,625</u>	<u>245,053</u>
Loss before taxation	(75,044)	(574,129)
Taxation	<u>2,686</u>	<u>22,871</u>
Loss before minority interests	(77,730)	(597,000)
Minority interests	<u>24,725</u>	<u>(7,635)</u>
Loss for the year	<u>(102,455)</u>	<u>(589,365)</u>
Dividends	<u>9,647</u>	<u>20,605</u>
Loss per share – basic	<u>(1.60 cents)</u>	<u>(13.35 cents)</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

44. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Hanny *(continued)*

(b) Consolidated balance sheet *As at 31st March, 2002 and 2001*

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
Non-current Assets		
Property, plant and equipment	91,742	105,547
Intangible assets	152,621	166,959
Interests in associates	179,902	192,934
Investments in securities	1,221,210	1,230,782
Deposit made for acquisition of an associate	4,235	–
Long-term loans receivable	21,483	–
Other receivables – due after one year	–	129,779
	<u>1,671,193</u>	<u>1,826,001</u>
Current Assets		
Inventories	449,323	257,638
Trade and other receivables	815,145	796,642
Investments in securities	292,507	779,280
Short-term loans receivable	244,012	138,906
Margin loans receivable	123,248	119,204
Tax recoverable	456	387
Pledged bank deposits	91,800	–
Bank balances and cash	217,379	595,967
	<u>2,233,870</u>	<u>2,688,024</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

44. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Hanny *(continued)*

(b) Consolidated balance sheet *(continued)*
As at 31st March, 2002 and 2001

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
Current Liabilities		
Trade and other payables	740,982	682,078
Margin loans payable	22,111	24,407
Bills payable	2,079	27,372
Taxation	21,269	23,233
Borrowings – due within one year	566,902	844,211
Convertible note	–	385,900
Obligations under finance leases – due within one year	2,851	3,187
Bank overdrafts	76,110	49,813
	<u>1,432,304</u>	<u>2,040,201</u>
Net Current Assets	<u>801,566</u>	<u>647,823</u>
	<u>2,472,759</u>	<u>2,473,824</u>
Capital and Reserves		
Share capital	160,301	160,780
Reserves	2,086,867	2,008,513
	<u>2,247,168</u>	<u>2,169,293</u>
Minority interests	<u>214,611</u>	<u>182,623</u>
Non-current Liabilities		
Borrowings – due after one year	8,289	116,093
Obligations under finance leases – due after one year	246	3,144
Amount due to a minority shareholder	2,445	2,671
	<u>10,980</u>	<u>121,908</u>
	<u>2,472,759</u>	<u>2,473,824</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

44. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Star East

(a) Consolidated income statement *For the years ended 31st March, 2002 and 2001*

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
Turnover	179,797	239,183
Cost of sales	(125,771)	(229,289)
Direct expenses	<u>(100,971)</u>	<u>(39,050)</u>
	(46,945)	(29,156)
Other operating income	18,953	31,306
Distribution costs	(9,457)	(4,409)
Administrative expenses	(95,408)	(106,742)
Loss attributable to property, plant and equipment	(54,463)	(30,799)
Loss attributable to investment properties	(15,110)	(20,348)
Loss attributable to properties held for development	(8,844)	(7,311)
Allowances for loans and receivables	(25,865)	(12,647)
Provision for restructuring costs	(26,890)	–
Unrealised loss on other investments	<u>(514)</u>	<u>(11)</u>
Loss from operations	(264,543)	(180,117)
Finance costs	(12,972)	(18,278)
Impairment losses recognised in respect of investments in securities	(114,956)	(10,000)
Gain on deconsolidation, disposal and dilution of interest in subsidiaries	5,296	105,338
Gain on dilution of interest in an associate	–	30,737
Gain on disposal of jointly controlled entities	–	3,054
Allowances for amounts due from associates	(39,332)	(23,714)
Recovery of (allowances for) amounts due from jointly controlled entities	6,970	(10,753)
Share of results of jointly controlled entities	(37,475)	(68,521)
Share of results of associates	(22,724)	(42,532)
Impairment loss recognised in respect of goodwill	<u>–</u>	<u>(252,895)</u>
Loss before taxation	(479,736)	(467,681)
Taxation	<u>17,726</u>	<u>(1,038)</u>
Loss before minority interests	(462,010)	(468,719)
Minority interests	<u>320</u>	<u>23</u>
Net loss for the year	<u>(461,690)</u>	<u>(468,696)</u>
Loss per ordinary share		
– Basic	<u>HK\$(0.31)</u>	<u>HK\$(0.61)</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

44. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Star East *(continued)*

(b) Consolidated balance sheet *As at 31st March, 2002 and 2001*

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
NON-CURRENT ASSETS		
Investment properties	32,600	70,410
Property, plant and equipment	152,291	168,008
Properties held for development	–	45,000
Goodwill	275	–
Intangible assets	2,491	2,017
Other long-term investments	–	–
Interests in jointly controlled entities	61,218	135,833
Interests in associates	100,149	131,276
Investments in securities	25,453	133,956
Deposits paid on acquisition of interest in associates	43,750	–
Deposit paid on acquisition of franchise	–	15,606
	<u>418,227</u>	<u>702,106</u>
CURRENT ASSETS		
Properties held for resale	57,700	–
Inventories	3,012	30,181
Loans and interest receivables	15,500	69,105
Debtors, deposits and prepayments	30,403	37,842
Amounts due from associates	4,995	754
Amount due from a related company	–	538
Investments in securities	4,532	132
Pledged bank deposits	33,433	–
Bank balances and cash	28,436	68,777
	<u>178,011</u>	<u>207,329</u>
CURRENT LIABILITIES		
Creditors, accrued charges and deposits	92,696	106,646
Provision for restructuring costs	23,400	–
Taxation	8,749	27,010
Amounts due to associates	2,247	2,740
Amounts due to related companies	5,527	1,783
Loans from related companies	70,054	–
Bank and other borrowings	25,076	16,177
Convertible notes	100,000	–
	<u>327,749</u>	<u>154,356</u>
NET CURRENT (LIABILITIES) ASSETS	<u>(149,738)</u>	<u>52,973</u>
	<u>268,489</u>	<u>755,079</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2002

44. EXTRACTS OF THE CONSOLIDATED RESULTS AND FINANCIAL POSITION OF ASSOCIATES *(continued)*

Star East *(continued)*

(b) Consolidated balance sheet *(continued)*

As at 31st March, 2002 and 2001

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> as restated
CAPITAL AND RESERVES		
Share capital	175,138	82,867
Reserves	<u>(33,681)</u>	<u>377,094</u>
	<u>141,457</u>	<u>459,961</u>
MINORITY INTERESTS		
	<u>277</u>	<u>427</u>
NON-CURRENT LIABILITIES		
Bank and other borrowings	125,980	108,000
Convertible notes	–	150,000
Other long-term payable	775	635
Amounts due to jointly controlled entities	<u>–</u>	<u>36,056</u>
	<u>126,755</u>	<u>294,691</u>
	<u><u>268,489</u></u>	<u><u>755,079</u></u>

Full details of the results and financial position of Paul Y. - ITC, Hanny and Star East can be found in their annual reports dated 18th July, 2002, 18th July, 2002 and 12th July, 2002, respectively.