NOTES TO FINANCIAL STATEMENTS

31 March 2002

1. CORPORATE INFORMATION

During the year, the Group was involved in property development and investment.

As at 1 April 2001, TEMFAT Investments (Holdings) Limited, a wholly-owned subsidiary of Tem Fat Hing Fung (Holdings) Limited ("TFHF"), a company incorporated in Bermuda and also listed in Hong Kong, was the single largest shareholder of the Company, holding approximately 33.71% of the Company's issued share capital. During the year, the Company completed a number of placements and the issue of 344,480,000 new ordinary shares of HK$0.25 each in the Company by way of a rights issue (the "Rights Issue"). As a result of these measures, the shareholding held by TFHF in the Company was diluted to approximately 15.87%. Regent Medal Assets Corp. ("RMAL") took up all of the 344,480,000 new ordinary shares offered under the Rights Issue and, as a result, became the single largest shareholder of the Company, holding an aggregate of 27.93% of the issued share capital of the Company. Further details of the placements and the Rights Issue are set out in note 27(f) to the financial statements.

2. CORPORATE UPDATE

(a) Debt Restructuring

On 17 April 2001, the Company entered into asset disposal agreements and subscription agreements (the "Debt Restructuring Exercises"), with a number of group companies of Cheung Kong Holdings Limited (the "Cheung Kong Group") and RMAL, in order to reduce the Group's overall gearing level. On 4 July 2001, upon the approval of the independent shareholders of the Company at an extraordinary general meeting and the fulfillment of the terms and conditions as set out in the relevant agreements, the Debt Restructuring Exercises were completed on 18 September 2001. The principal elements of the Debt Restructuring Exercises are summarised below.

(i) Asset disposals

The Group disposed of certain investments and properties, including: (i) a 49% interest in Cheung Wo Hing Fung Enterprises Limited ("Cheung Wo"); (ii) a 100% interest in Wise Method Limited ("Wise Method"); (iii) certain non-residential leasehold land (the "Land"); and (iv) the sub-participation interest in 49% of Cheung Kong (China Property Development) Limited (the "Hainan Investment") for a total consideration of HK$234,000,000. The net proceeds were used to offset an equivalent amount of the Group's indebtedness due to the Cheung Kong Group. Further details about the Group's indebtedness due to the Cheung Kong Group are disclosed in notes 23 and 24 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

2. CORPORATE UPDATE (Continued)

(a) Debt Restructuring (Continued)

(ii) Capital fund raising

As part of the Debt Restructuring Exercises, the Cheung Kong Group and RNA Holdings Limited (“RNA”), respectively completed:

- the subscription of 400,000,000 ‘A’ redeemable convertible preference shares of the Company at HK$0.25 per ‘A’ preference share on 18 September 2001; and
- the subscription of 284,000,000 ‘B’ redeemable convertible preference shares of the Company at HK$0.25 per ‘B’ preference share on 18 September 2001.

The net proceeds of HK$171,000,000 were used to offset the remaining indebtedness of the Group due to the Cheung Kong Group. Further details of the redeemable convertible preference shares and the subsequent change in shareholders of the redeemable convertible preference shares are set out in note 27(c) to the financial statements.

Prior to the completion of the Debt Restructuring Exercises, on 17 September 2001, one of the terms of the subscription agreements with the Cheung Kong Group, being the subscription of 60,000,000 new ordinary shares of the Company at HK$0.25 each, was cancelled. On the same date, the Group issued a promissory note of HK$15,000,000 which is due on 18 September 2003, to settle the remaining outstanding indebtedness due to the Cheung Kong Group. Further details of the promissory note are disclosed in note 24 to the financial statements.

Pursuant to the conditional subscription agreement dated 29 May 2001 entered into by the Company and RMAL (the “RMAL Subscription Agreement”), RMAL completed the subscription of 80,000,000 new ordinary shares of the Company at HK$0.25 each payable in cash on 18 September 2001. The resulting gross proceeds of HK$20,000,000 were used to settle the Group’s indebtedness and as general working capital of the Group. Further details of the RMAL Subscription Agreement are set out at in note 27(b) to the financial statements.

Further details of the Debt Restructuring Exercises are contained in the Company’s circulars issued to shareholders dated 11 June 2001.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

2. CORPORATE UPDATE (Continued)

(b) Issue of shares

On 14 May 2001, the Company, through a placing agent, issued 80,000,000 new ordinary shares at HK$0.25 each to certain independent investors. Together with the Rights Issue as detailed in note 1 above, the total net proceeds of HK$102,100,000 were received and were used as general working capital of the Group. Further details of the placement and the Rights Issue are set out in note 27(a) and 27(f), respectively.

(c) Debt Refinancing

On 19 May 2001, the Group obtained a bank loan of HK$175,000,000 from its principal banker (the "New Borrowing"). The New Borrowing is structured into a HK$100,000,000 instalment loan, which is repayable by 120 equal monthly instalments of approximately HK$1,200,000 each and a ten-year term loan of HK$75,000,000. The New Borrowing is secured by certain investment properties of the Group. The details of the New Borrowing are set out in note 24 to the financial statements.

(d) Related company borrowing

During the year, a loan of HK$85,038,000 was obtained from a related party of the Company. The related company loan was used to repay the bank overdraft obtained from the Group's principal banker during the year. Further details of the related company loan are set out in note 25 to the financial statements.

(e) Issue of convertible bonds

On 4 January 2002, the Company issued convertible bonds for an aggregate principal amount of HK$60,000,000 to certain independent investors. Further details of the convertible bonds are set out in note 26 to the financial statements.

Upon completion of the Debt Restructuring Exercises and the series of fund raising exercises as detailed above, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, these financial statements are prepared on a going concern basis.

NOTES TO FINANCIAL STATEMENTS

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3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs are effective for the first time for the current year's financial statements:

• SSAP 9 (Revised):	"Events after the balance sheet date"
• SSAP 14 (Revised):	"Leases"
• SSAP 18 (Revised):	"Revenue"
• SSAP 26:	"Segment reporting"
• SSAP 28:	"Provisions, contingent liabilities and contingent assets"
• SSAP 29:	"Intangible assets"
• SSAP 30:	"Business combinations"
• SSAP 31:	"Impairment of assets"
• SSAP 32:	"Consolidated financial statements and accounting for investments in subsidiaries"
• Interpretation 13:	"Goodwill"- continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and the Interpretation which have had a significant effect on the financial statements, are summarised as follows.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which is further detailed in note 31 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. This SSAP has not resulted in significant additional disclosures, as the Group operates in one business and one geographical segment, as explained in note 7 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (Continued)

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 4 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in notes 4 and 28 to the financial statements. The required new additional disclosures are included in notes 18 and 28 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore has had no effect on amounts previously reported in the prior year financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associate

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated against consolidated reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 to 10 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost thereof.

Depreciation is calculated on a straight-line basis to write off the cost of each asset over its estimated useful life at a rate of 15% per annum.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Other investments

Other investments are investments in club memberships or in securities and are stated at fair value, on an individual basis, at the balance sheet date. The gains or losses arising from changes in fair value of these investments are credited or charged to profit and loss account for the period in which they arise.

The profit or loss on disposal of other investments is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the investment.

Properties held for resale

Properties held for resale are stated at the lower of cost and market value on an individual property basis.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme being effective, the Group operated a defined contributions retirement benefits scheme (the "prior scheme") for those employees who were eligible to participate in this scheme. This prior scheme operated in a similar way to the MPF Scheme, except that when an employee left the prior scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer contributions. With effect from 1 December 2000, the prior scheme was terminated.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) rental income, on the straight-line basis over the lease terms;

(b) management fees and consultancy service income, in the period in which the services are rendered; and

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash and bank balances represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

5. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed in notes 25 and 27(c) to the financial statements, interest totalling HK$1,398,000 (2001: Nil) was charged by the related companies during the year.

6. TURNOVER

Turnover represents the gross rental income derived from the investment properties during the year.

NOTES TO FINANCIAL STATEMENTS
31 March 2002

7. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements.

No separate analysis of business or geographical segment information is presented as the Group's sole business is that of property development and investment in Hong Kong.

8. PROVISIONS FOR LOSSES ON RESTRUCTURING

Last year's amount represented the provision for losses arising on the agreed disposal of certain investments and properties of the Group to the Cheung Kong Group. The asset disposals were completed on 18 September 2001, the details of which are set out in note 2 to the financial statements.

9. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	2002	2001
	HK$'000	*HK$'000*
Depreciation	**–**	4
Auditors' remuneration	**400**	430
Staff costs (including directors' remuneration – *note 10*):		
Wages and salaries	**1,379**	4,717
Pension costs	**–**	372
	1,379	5,089
Provision for doubtful debts	**1,106**	–
Fixed assets written off	**24**	–
Interest income	**(709)**	(81)
Gain on disposal of other investments	**(5,295)**	–

NOTES TO FINANCIAL STATEMENTS

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10. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2002	2001
	HK$'000	*HK$'000*
Fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	500	300
	500	300
Salaries and other emoluments – executive	879	1,465
	1,379	1,765

The remuneration of the directors fell within the following bands:

	Number of directors	
	2002	2001
Nil to HK$1,000,000	4	8
HK$1,000,001 to HK$1,500,000	–	1
	4	9

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

During the year, 33,700,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 16 and 17. The number of these share options was adjusted to 47,180,000 as a result of the Rights Issue completed by the Group, details of which are set out in note 27(f) to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account.

Five highest paid employees

During the year, remuneration was paid to four employees only and all of whom are directors, details of whose remuneration are set out above. In the prior year, the five highest paid employees included two directors and the remuneration of each of the remaining three non-director highest paid employees fell within the band of nil to HK$1,000,000.

NOTES TO FINANCIAL STATEMENTS

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11. FINANCE COSTS

	2002	2001
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**25,150**	94,138
Interest on bank borrowings repayable beyond five years	**3,354**	–
Bank charges and refinancing charges	**3,239**	–
	31,743	94,138

12. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the current year. In the prior year, Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong.

No provision for deferred tax has been made as the net effect of all timing differences is insignificant (2001: Nil).

The principal component of an unrecognised deferred tax asset is as follows:

	Group		**Company**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Tax losses	**26,487**	32,973	**27,298**	32,065

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

13. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK$79,339,000 (2001: HK$1,117,483,000).

NOTES TO FINANCIAL STATEMENTS

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14. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the year of HK$78,965,000 (2001: HK$1,124,387,000), and the weighted average of 878,542,904 (2001: 404,088,810) ordinary shares in issue during the year, after taking into account of the effect of the Rights Issue during the year. The weighted average number of ordinary shares in issue for the year ended 31 March 2001 was not restated because there was no bonus element resulting from the Rights Issue during the year.

The diluted loss per share amounts for the years ended 31 March 2002 and 31 March 2001 have not been disclosed, because the share options, the convertible note, the convertible bonds and the redeemable convertible preference shares outstanding during both years had an anti-dilutive effect on the basic loss per share for these years.

15. FIXED ASSETS

	Group and Company *HK$'000*
Cost:	
At beginning of year	28
Written off	(28)
At 31 March 2002	–
Accumulated depreciation:	
At beginning of year	4
Written off	(4)
At 31 March 2002	–
Net book value:	
At 31 March 2002	–
At 31 March 2001	24

NOTES TO FINANCIAL STATEMENTS

31 March 2002

16. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
At beginning of year	**350,800**	395,800
Deficit on revaluation	**(70)**	(45,000)
At 31 March 2002	**350,730**	350,800

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	HK$'000
Long term leases	350,000
Medium term leases	730
	350,730

The investment properties were revalued by Chesterton Petty Limited, independent professional qualified valuers, on an open market value, existing use basis at 31 March 2002.

Certain of the above investment properties with an aggregate carrying value of HK$350,000,000 are pledged to secure the Group's bank loans and a loan borrowed from a related company (note 24 and note 25).

17. INTERESTS IN SUBSIDIARIES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**197,075**	413,621
Due from subsidiaries	**–**	246,183	**249,500**	419,687
Due to subsidiaries	**–**	–	**–**	(15,509)
	–	246,183	**446,575**	817,799
Provision for impairment	**–**	(177,983)	**(95,274)**	(567,321)
	–	68,200	**351,301**	250,478

NOTES TO FINANCIAL STATEMENTS

31 March 2002

17. INTERESTS IN SUBSIDIARIES (Continued)

The amounts due from/(to) subsidiaries are unsecured, interest-free and not repayable within twelve months following the balance sheet date, except for:

(i) a total amount of HK$170,228,000 (2001: Nil) due from a subsidiary at 31 March 2002, which bears interest at prime rate plus 1% (2001: Nil) per annum; and

(ii) an amount of HK$8,394,000 (2001: HK$68,200,000) due from a subsidiary, which is repayable within one year and is therefore classified as a current asset in the Company's balance sheet. The current year balance represents a loan granted to a subsidiary while last year's balance represented an amount due from a subsidiary, Wise Method, which was disposed of during the year.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Genuine Glory Investments Limited	Hong Kong	HK$2	100	–	Property investment
Master Profit Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Perfect Manor Limited	Hong Kong	HK$2	–	100	Property investment
Max Cyber Development Inc.	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Metro Fair Investment Limited	Hong Kong	HK$2	–	100	Property Investment

NOTES TO FINANCIAL STATEMENTS

31 March 2002

17. INTERESTS IN SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company 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 other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In the prior year, the Company acquired the entire equity interest in Wise Method. The principal asset of Wise Method was the entire equity interest in Crownity Limited, which held 151 units and 79 car park spaces of Cheung Fat Gardens located in the People's Republic of China (the "PRC"). As a result of the asset disposals as further detailed in note 2 to the financial statements, the Company disposed of the entire equity interest in Wise Method at a total consideration of HK$68,200,000 during the year, which did not result in any further gain or loss on the disposal. The whole amount was utilised to offset the Group's indebtedness due to the Cheung Kong Group.

18. INTEREST IN AN ASSOCIATE

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net assets	**–**	280,334	**–**	–
Goodwill on acquisition	**78,400**	–	**–**	–
	78,400	280,334	**–**	–
Due from an associate	**–**	153,183	**–**	68,729
	78,400	433,517	**–**	68,729
Provision for impairment	**(78,400)**	(269,917)	**–**	–
	–	163,600	**–**	68,729

The amount due from the associate in the prior year was unsecured, interest-free, and was disposed of during the year.

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18. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group 2002	2001	Principal activity
Masterful Resources Limited **	Corporate	British Virgin Islands/ Hong Kong	**49**	–	Operation of a shipping information website
Cheung Wo Hing Fung Enterprises Limited ** ("Cheung Wo") #	Corporate	British Virgin Islands/ Hong Kong	–	49	Investment holding

** *Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

As part of the asset disposal agreements, the Group's interest in Cheung Wo was disposed of to the Cheung Kong Group during the year, resulting in a gain on disposal of HK$17,877,000, and the details of which are set out in note 2 to the financial statements.

On 24 September 2001 and 13 December 2001, Max Cyber Development Inc., a wholly-owned subsidiary of the Company entered into sale and purchase agreements with independent third parties (the "Masterful Vendors") for the acquisition of 30% and 19% equity interests in Masterful Resources Limited ("Masterful") at total considerations of HK$48,000,000 and HK$30,400,000 (the "Masterful Acquisition"), respectively. The consideration paid by the Group was determined by reference to an independent professional valuation of the underlying business of Masterful as at 31 August 2001 on the fair market value basis. The principal asset of Masterful is a business-to-business web portal which aims to serve the shipping and logistics communities by providing network-based information services to shippers, forwarders, agents and carriers in Hong Kong and the PRC. The consideration for the Masterful Acquisition was satisfied by cash of HK$44,700,000, with the remaining balance being satisfied by the issue of 134,800,000 new ordinary shares of the Company at par of HK$0.25 each. The Masterful Acquisition was completed on 3 October 2001 and 17 December 2001, respectively. Further details of the issue of shares to the Masterful Vendors are set out in note 27(d) to the financial statements.

NOTES TO FINANCIAL STATEMENTS
31 March 2002

18. INTEREST IN AN ASSOCIATE (Continued)

SSAP 30 was adopted during the year, as detailed in note 3 to the financial statements. The amount of the goodwill capitalised as an asset, arising from the acquisition of the interest in Masterful, is as follows:

Group

	2002
	HK$'000
Cost:	
Acquisition of interest in an associate and at 31 March 2002	**78,400**
Accumulated impairment:	
Impairment provided during the year and at 31 March 2002	**(78,400)**
Net book value:	
At 31 March 2002	–

Masterful had no material transactions from the date of acquisition to 31 March 2002. Accordingly, the Group's interest in Masterful was principally reflected as goodwill arising on acquisition as set out above.

The impairment loss has been estimated by the directors based on the recoverable amount of the goodwill, which is the value in use of the Group's interest in Masterful, determined by discounting the future cash inflows and outflows arising from the relevant cash-generating units of Masterful. In the opinion of the directors, such an impairment loss has arisen from the prevailing unfavourable economic environment which has led to dissatisfactory operation of Shipping-Info.com subsequent to the balance sheet date.

No amortisation was charged for the current year as the web portal was launched subsequent to the balance sheet date, in May 2002.

19. PROPERTIES HELD FOR RESALE

During the year, nineteen pieces or parcels of non-residential land at Tuen Mun and Yuen Long were disposed of to the Cheung Kong Group at a total consideration of HK$1,000,000 in accordance with the asset disposal agreements, the details of which are set out in note 2 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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20. OTHER INVESTMENT

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted, outside Hong Kong	**–**	1,200	**–**	1,200

Included in the prior year's balance was a sub-participation interest in 49% of Hainan Investments was disposed of to the Cheung Kong Group during the year at a total consideration of HK$1,200,000 in accordance with the asset disposal agreements, the details of which are set out in note 2 to the financial statements.

21. ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. An aged analysis of accounts receivable as at the balance sheet date and net of provisions for doubtful debts is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Outstanding balances aged:		
Within 1 month	**1,390**	1,411
1 to 3 months	**1,456**	1,605
Over 3 months	**460**	815
	3,306	3,831

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**2,117**	1,819	**127**	7
Time deposits	**124,979**	–	**121,344**	–
Cash and cash equivalents	**127,096**	1,819	**121,471**	7

NOTES TO FINANCIAL STATEMENTS

31 March 2002

23. PROMISSORY NOTE PAYABLE

Upon the completion of the Debt Restructuring Exercises, which are further detailed in note 2 to the financial statements, the promissory note payable due to the Cheung Kong Group was repaid in full during the year.

24. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans, secured	**168,583**	177,012	**168,583**	–
Other borrowings, unsecured	**–**	12,195	**–**	12,195
Promissory notes payable:				
Secured	**–**	314,024	**–**	314,024
Unsecured	**15,000**	–	**15,000**	–
	15,000	314,024	**15,000**	314,024
Convertible note, secured	**–**	85,000	**–**	85,000
Total bank loans and other borrowings	**183,583**	588,231	**183,583**	411,219
Portion classified as current liabilities	**(8,394)**	(491,036)	**(8,394)**	(314,024)
Long term portion	**175,189**	97,195	**175,189**	97,195

Bank loans

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The bank loans are repayable:				
Within one year	**8,394**	177,012	**8,394**	–
In the second year	**8,710**	–	**8,710**	–
In the third to fifth years, inclusive	**26,132**	–	**26,132**	–
Beyond five years	**125,347**	–	**125,347**	–
	168,583	177,012	**168,583**	–

The bank loans are secured by certain investment properties of the Group with an aggregate carrying value of HK$350,000,000 (note 16) and an assignment of the rental income derived therefrom.

NOTES TO FINANCIAL STATEMENTS
31 March 2002

24. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

Other borrowings

The borrowings existing at the prior year end were fully repaid in the current year.

Promissory notes payable

	Group and Company	
	2002	2001
	HK$'000	*HK$'000*
Promissory notes payable are repayable:		
Within one year	–	314,024
In the second year	**15,000**	–
	15,000	314,024

Following the completion of the Debt Restructuring Exercises (note 2), all promissory notes, including those balances due to the Cheung Kong Group at the prior year end, were repaid in full. The promissory note existing at 31 March 2002 bears interest at the Hong Kong prime rate and is unsecured and repayable on 18 September 2003.

Convertible note

The convertible note due to the Cheung Kong Group at the prior year end was repaid in full upon the completion of the Debt Restructuring Exercises (note 2).

25. DUE TO RELATED COMPANIES

During the year, the Group obtained a loan of HK$85,038,000 from a related company and issued a promissory note of HK$4,488,000 to another related company. Both related companies are beneficially owned by the Company's single largest shareholder.

The loan of HK$85,038,000, which bears interest at a rate of 3.5% per annum, is secured by a second mortgage charge on certain investment properties of the Group with an aggregate carrying value of HK$350,000,000 (note 16) and repayable on 23 October 2002.

The promissory note bears interest at the Hong Kong prime rate and is unsecured and repayable on 18 September 2002.

The remaining amounts due are unsecured, interest-free, and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

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26. CONVERTIBLE BONDS

On 4 January 2002, the Company issued convertible bonds for an aggregate principal amount of HK$60,000,000 at par to certain independent investors (the "Bonds"). The maturity date of the Bonds is 4 January 2005 (the "Maturity Date"). The Bonds bear interest at a rate of 5% per annum payable semi-annually in arrears on 30 June and 31 December.

The holders of the Bonds have the option to convert the principal outstanding amount of the Bonds in whole or in part into ordinary shares of the Company at any time before the Maturity Date at the conversion price of HK$0.25 per share (subject to adjustment).

At any time after the expiry of 12 months from the issue date, the Company has the right to redeem the whole (but not part) of the outstanding Bonds at the redemption amount which is 105% of the principal amount of the Bonds to be redeemed together with accrued interest thereon.

Unless previously redeemed or converted or purchased and cancelled, the Company will redeem each convertible bond on the Maturity Date at the redemption amount, which is 100% of the principal amount of the outstanding convertible bonds together with accrued interest from and including the last interest payment date up to but excluding the Maturity Date.

During the year, no Bonds were redeemed or converted into ordinary shares of the Company.

27. SHARE CAPITAL

Shares

	Ordinary shares of HK$0.25 each		**'A' Preference shares of HK$0.25 each**		**'B' Preference shares of HK$0.25 each**		
	Number of shares	*HK$'000*	**Number of shares**	*HK$'000*	**Number of shares**	*HK$'000*	**Total** *HK$'000*
Authorised:							
At 31 March 2001	3,920,000,000	980,000	–	–	–	–	980,000
At 31 March 2002	3,920,000,000	980,000	400,000,000	100,000	284,000,000	71,000	1,151,000

NOTES TO FINANCIAL STATEMENTS

31 March 2002

27. SHARE CAPITAL (Continued)

Shares (Continued)

Pursuant to a special resolution passed in an extraordinary general meeting held on 4 July 2001, the authorised share capital of the Company was increased from HK$980,000,000 to HK$1,151,000,000 by the creation of 684,000,000 redeemable convertible preference shares divided into 400,000,000 redeemable convertible preference shares ("'A' Preference Shares") and 284,000,000 redeemable convertible preference shares ("'B' Preference Shares") both of nominal value of HK$0.25 each (collectively known as the "Preference Shares"). On the same date, a special resolution was proposed to the shareholders of the Company to amend the articles of association of the Company for the purpose of the issue of the Preference Shares.

Pursuant to the extraordinary general meeting passed on 22 June 2002 subsequent to the balance sheet date, the authorised share capital of the Company was further increased from 3,920,000,000 ordinary shares to 10,000,000,000 ordinary shares by the creation of additional 6,080,000,000 new ordinary shares of HK$0.25 each.

		Ordinary shares of HK$0.25 each		'A' Preference shares of HK$0.25 each		'B' Preference shares of HK$0.25 each		
		Number of shares	*HK$'000*	Number of shares	*HK$'000*	Number of shares	*HK$'000*	Total *HK$'000*
Issued and fully paid:								
At beginning of year		594,000,000	148,500	–	–	–	–	148,500
Placing of new shares	*(a)*	80,000,000	20,000	–	–	–	–	20,000
Issue of shares to RMAL	*(b)*	80,000,000	20,000	–	–	–	–	20,000
Issue of preference shares	*(c),(e)*	–	–	400,000,000	100,000	284,000,000	71,000	171,000
Issue of new shares	*(d)*	134,800,000	33,700	–	–	–	–	33,700
Rights issue	*(f)*	344,480,000	86,120	–	–	–	–	86,120
At 31 March 2002		1,233,280,000	308,320	400,000,000	100,000	284,000,000	71,000	479,320

During the year, there were the following movements in the Company's share capital:

(a) On 14 May 2001, the Company, through a placing agent, issued 80,000,000 new ordinary shares of the Company at HK$0.25 each to independent professional and institutional investors. The net proceeds of HK$19,000,000 from the placement were used to reduce the Group's debts and as additional general working capital.

(b) On 18 September 2001, 80,000,000 new ordinary shares at HK$0.25 each were issued and allotted in full to RMAL pursuant to the RMAL Subscription Agreement, the details of which are set out in note 2 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

27. SHARE CAPITAL (Continued)

Shares (Continued)

(c) The details of the subscription of the Preference Shares together with the subsequent change in shareholders of the Preference Shares are summarised as follows.

Pursuant to the Preference Shares subscription agreements (the "Subscription Agreements") jointly entered into between the Company, TFHF, being one of the single largest shareholders of the Company, RNA, being an associate of TFHF and the Cheung Kong Group dated 17 April 2001, the Cheung Kong Group was granted the right to require TFHF and RNA to acquire all 'A' Preference Shares and 'B' Preference Shares issued by the Company, respectively. By virtue of TFHF and RNA being the connected persons of the Company at the time of entering into the Subscription Agreements, the proposed transfer of the Preference Shares to TFHF and RNA by the Cheung Kong Group pursuant to the Subscription Agreements renders the subscription of the Preference Shares a connected transaction for the Company under the Listing Rules of the Hong Kong Stock Exchange. Approval from the independent shareholders of the Company was obtained at the extraordinary meeting held on 4 July 2001.

On 18 September 2001, the following transactions in relation to the Preference Shares occured:

(i) The proposed transfer of the 'A' Preference Shares to TFHF ceased to be valid because of the non-fulfillment of terms and conditions by TFHF. However, the remaining terms and conditions under the Subscription Agreements were satisfied and the Preference Shares as detailed in note 2(a)(ii) mentioned above, were allotted and issued in full to the Cheung Kong Group and RNA, respectively;

(ii) RNA issued new ordinary shares and convertible redeemable preference shares in RNA of an equivalent amount of HK$71 million to the Cheung Kong Group as the consideration for the acquisition of the 'B' Preference Shares from the Cheung Kong Group and RNA became the holders of the 'B' Preference Shares; and

(iii) The Cheung Kong Group entered into another subscription agreement with RNA to use the 'A' Preference Shares issued by the Company of an amount of HK$100 million as a consideration for the subscription of new ordinary shares and convertible redeemable preference shares in RNA (the "Share Exchange Agreement").

(d) On 3 October 2001 and 17 December 2001, the Company issued and allotted 107,200,000 and 27,600,000 new ordinary shares, respectively, to the Masterful Vendors at HK$0.25 each to finance the acquisition of the 49% equity interest in Masterful, the details of which are set out in note 18 to the financial statements.

(e) On 16 November 2001, the Share Exchange Agreement was completed and RNA became the holders of the 'A' Preference Shares.

NOTES TO FINANCIAL STATEMENTS
31 March 2002

27. SHARE CAPITAL (Continued)

Shares (Continued)

(f) On 5 December 2001, the Company completed a rights issue of two rights shares for every five existing shares held by members on the register of members on 5 December 2001, at an issue price of HK$0.25 per rights share, resulting in the issue of 344,480,000 shares of HK$0.25 each for a total cash consideration, before expenses of HK$86,120,000. The net proceeds from the rights issue will be used to provide funding for investments with earning potential.

Redeemable convertible preference shares

The Preference Shares carry no right to dividend distributions to the holders of Preference Shares. The Preference Shares carry a right to be converted into fully paid ordinary shares at an initial conversion prices of HK$0.90, HK$1.50 and HK$2.50 during Conversion Periods I, II and III, respectively, as set out below.

	'A' Preference Shares	**'B' Preference Shares**
Conversion period I	not more that HK$33,333,327 equivalent nominal value shall become convertible within a period of 12 months from the date of issue	not more than HK$23,666,661 equivalent nominal value shall become convertible within a period of 12 months from the date of issue
Conversion period II	not more than a further HK$33,333,333 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue	not more than a further HK$23,666,664 shall become convertible within a period commencing from the beginning of the 13th month up to the end of the 24th month after the date of issue
Conversion period III	the balance of HK$33,333,340 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue	the balance of HK$23,666,675 equivalent nominal value shall become convertible within a period commencing from the beginning of the 25th month up to the end of the 36th month after the date of issue

NOTES TO FINANCIAL STATEMENTS

31 March 2002

27. SHARE CAPITAL (Continued)

Shares (Continued)

Redeemable convertible preference shares (Continued)

Pursuant to the terms and conditions of the Preference Shares, the Preference Shares may be redeemed by the holders of the Preference Shares at any time subsequent to 50 years after the date of issue at the redemption value of HK$1.00 per Preference Share, or the Company may redeem the Preference Shares at any time subsequent to 30 days after the date of issue if the average closing price of the Company's shares for 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is not less than 150% of the conversion price in effect.

No Preference Shares were converted or redeemed during the year. Upon full conversion of the Preference Shares into ordinary shares of the Company at the predetermined conversion price set out above, an aggregate of approximately 124,133,324 ordinary shares of the Company would be issued, which represents approximately 10.07% of the Company's existing issued share capital of 1,233,280,000 ordinary shares and approximately 9.14% of the Company's enlarged share capital of 1,357,413,324.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 16 and 17.

On 22 June 2001, the Company granted 33,700,000 share options in favour of its directors. The options entitle the holders to subscribe for ordinary shares of the Company of HK$0.25 each exercisable at any time from 22 June 2001 to 12 December 2009. The exercise price is adjustable under the provisions of the Scheme.

Pursuant to the Company's Rights Issue completed on 5 December 2001 as stated in (f) above, the number of these outstanding share options was adjusted from 33,700,000 to 47,180,000 in accordance with the provisions of the Scheme. Accordingly, as at the balance sheet date, there was an aggregate of 47,180,000 share options outstanding.

No options were exercised during the year and up to the date of approval of these financial statements.

NOTES TO FINANCIAL STATEMENTS
31 March 2002

28. RESERVES

Group

	Share premium account HK$'000	Investment property revaluation reserve HK$'000	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	General reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 31 March 2000	294,812	20,000	469,965	–	6,000	19,124	(171,103)	638,798
Rights issue of new shares	257,400	–	–	–	–	–	–	257,400
Share issue expenses	(7,831)	–	–	–	–	–	–	(7,831)
Deficit on revaluation	–	(20,000)	–	–	–	–	–	(20,000)
Release upon disposal of a property under redevelopment	–	–	(469,965)	–	–	–	469,965	–
Arising from an associate	–	–	–	(84)	–	–	–	(84)
Loss for the year	–	–	–	–	–	–	(1,124,387)	(1,124,387)
At 31 March 2001 and beginning of year	544,381	–	–	(84)	6,000	19,124	(825,525)	(256,104)
Share issue expenses	(3,136)	–	–	–	–	–	–	(3,136)
Release upon disposal of an associate	–	–	–	84	–	(14,124)	–	(14,040)
Loss for the year	–	–	–	–	–	–	(78,965)	(78,965)
At 31 March 2002	541,245	–	–	–	6,000	5,000	(904,490)	(352,245)

Losses are accumulated in the Group as follows:

	2002 **HK$'000**	2001 *HK$'000*
Company and subsidiaries	**(904,490)**	(724,005)
An associate	**–**	(101,520)
	(904,490)	(825,525)

NOTES TO FINANCIAL STATEMENTS

31 March 2002

28. RESERVES (Continued)

Note:

SSAP 30 was adopted during the year, as detailed in note 3 to the financial statements. As explained in note 4 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits negative goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve. HK$19,124,000 and HK$5,000,000 of negative goodwill remaining in the capital reserve as at 1 April 2001 and 31 March 2002, respectively, arose from the acquisition of certain subsidiaries and an associate of the Group prior to 1 April 2001. HK$14,124,000 of negative goodwill, which arose on the acquisition of an associate prior to 1 April 2001, was released to the profit and loss account during the year on the disposal of that associate. The remaining negative goodwill will not be released to the profit and loss account unless the respective subsidiaries are disposed of by the Group.

Company

	Share premium account	Property revaluation reserve	General reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2000	294,812	469,965	6,000	(172,345)	598,432
Rights issue of new shares	257,400	–	–	–	257,400
Share issue expenses	(7,831)	–	–	–	(7,831)
Loss for the year	–	–	–	(1,117,483)	(1,117,483)
Release upon disposal of a property under redevelopment	–	(469,965)	–	469,965	–
At 31 March 2001 and beginning of year	544,381	–	6,000	(819,863)	(269,482)
Share issue expenses	(3,136)	–	–	–	(3,136)
Loss for the year	–	–	–	(79,339)	(79,339)
At 31 March 2002	541,245	–	6,000	(899,202)	(351,957)

NOTES TO FINANCIAL STATEMENTS

31 March 2002

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK$'000	*HK$'000*
Loss from operating activities	**(43,385)**	(930,420)
Interest income	**(709)**	(81)
Depreciation	**–**	4
Provision for impairment in value of goodwill	**78,400**	–
Deficit on revaluation of investment properties	**70**	25,000
Loss on disposal of a property under redevelopment	**–**	339,344
Gain on disposal of interest in an associate	**(17,877)**	–
Provisions for losses on restructuring	**–**	590,700
Fixed assets written off	**24**	–
Provision for doubtful debts	**1,106**	–
Gain on disposal of other investments	**(5,295)**	–
Decrease/(increase) in prepayments, deposits and other receivables	**(1,337)**	1,629
Increase in accounts receivable	**(354)**	(1,679)
Increase/(decrease) in other payables and accruals	**1,501**	(5,313)
Increase in due to related companies	**483**	871
Net cash inflow from operating activities	**12,627**	20,055

NOTES TO FINANCIAL STATEMENTS

31 March 2002

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) *HK$'000*	Bank loans and other borrowings *HK$'000*	Convertible bonds *HK$'000*	Loan from related companies *HK$'000*
At 31 March 2000	344,312	789,435	–	–
Cash inflow/(outflow) from financing activities, net	348,569	(349,387)	–	–
Issue of promissory notes on acquisition of interest in a subsidiary and other investment	–	211,183	–	–
At 31 March 2001 and beginning of year	692,881	651,231	–	–
Cash inflow/(outflow) from financing activities, net	122,984	(76,465)	60,000	85,038
Effect of Debt Restructuring Exercises	171,000	(391,183)	–	4,488
Issue of shares on acquisition of an associate	33,700	–	–	–
At 31 March 2002	1,020,565	183,583	60,000	89,526

NOTES TO FINANCIAL STATEMENTS

31 March 2002

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Major non-cash transactions

(i) Debt Restructuring Exercises

Pursuant to the Debt Restructuring Exercises as further described in note 2, the Group disposed of certain equity investments and properties at a total consideration of HK$234,000,000; issued Preference Shares of HK$171,000,000 and a promissory note of HK$15,000,000 to the Cheung Kong Group and issued a promissory note of HK$4,488,000 to a related company. The net proceeds of HK$424,488,000 were used to offset the indebtedness of the Group to the Cheung Kong Group as follows:

	2002
	HK$'000
Liabilities discharged:	
Promissory notes payable	**(321,183)**
Convertible note	**(85,000)**
Other payables and accruals	**(18,305)**
	(424,488)

(ii) Acquisition of an associate

During the year, the Group acquired a 49% equity interest in Masterful from the Masterful Vendors at a consideration of HK$78,400,000. Out of the total consideration, HK$33,700,000 was satisfied by the issue of 134,800,000 new ordinary shares of the Company at par of HK$0.25 each. The shares issued did not result in any cash flows to the Group during the year. Further details of the acquisition are set out in notes 18 and 27(d) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

30. CAPITAL COMMITMENTS

	Group and Company		
	2002	2001	
	HK$'000	*HK$'000*	
Contracted, but not provided for:			
Acquisition of a subsidiary	**400,000**	400,000	*(Note)*

Note:

In 2000, the Group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited ("Growing China"), a company incorporated in the British Virgin Islands at a consideration of HK$400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chengdu, Sichuan Province, the PRC. The consideration of HK$340,000,000 is expected to be satisfied by the issue and allotment of approximately 301,000,000 new ordinary shares of the Company and the balance of HK$60,000,000 in cash. The agreement has not yet become unconditional and parties to the agreement agreed on 19 December 2000 with a supplemental agreement to extend the long stop date of the agreement to such date as the parties may agree in writing, and details of the extension were announced by the Company on the same date. In the opinion of the directors of the Company, unless the parties mutually agree to complete the agreement, no payment under the agreement will be made within the next twelve months from the date of this report.

31. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 4 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**17,678**	16,539
In the second to fifth years, inclusive	**9,446**	5,021
	27,124	21,560

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed above. This disclosure was not previously required.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

32. POST BALANCE SHEET EVENT

On 3 April 2002, the directors announced that the Company intended to raise not less than HK$44,000,000, before expenses, by issuing not less than 176,182,857 and not more than 219,516,188 new shares at a par value of HK$0.25 each, by way of an open offer at a price of HK$0.25 per share (the "Offer Share") on the basis of one Offer Share for every seven existing shares held by shareholders of the Company whose addresses are shown on the register of members in Hong Kong (the "Open Offer"). Moreover, the Company further proposed that the holders of the Offer Shares will receive bonus shares on the basis of nine bonus shares for every Offer Share (the "Bonus Offer").

The Open Offer and the Bonus Offer were scheduled to be approved by the independent shareholders at an extraordinary general meeting held on 24 May 2002, but the meeting was subsequently adjourned (the "Adjourned EGM"). On 5 June 2002, the directors further announced that the Adjourned EGM was to be held on 22 June 2002, but the Open Offer and the Bonus Offer were not approved by independent shareholders of the Company on that date. Accordingly, the Open Offer and the Bonus Offer were cancelled and did not proceed.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 July 2002.