1. CORPORATE INFORMATION

The principal place of business of Cheong Ming Investments Limited is located at 4th Floor, Mai Sik Industrial Building, 1-11 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong.

During the year, the Group was involved in the following principal activities:

Continuing operations:

- manufacture and sale of paper cartons and packaging boxes
- manufacture and sale of hangtags, labels and shirt paper boards and plastic bags
- commercial printing

Discontinued operation (note 4):

- the provision of Internet on-line games

In the opinion of the directors, the ultimate holding company is Harmony Link Corporation, which was incorporated in the British Virgin Islands.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations 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 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

These SSAPs and related Interpretations 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 related Interpretations which have had a significant effect on the financial statements are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. The prior year adjustments arising from the adoption of this new SSAP are detailed in note 13 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and 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, and 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 are further detailed in note 33 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of this SSAP has resulted in a prior year adjustment, further details of which are included in notes 12, 18 and 29 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. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (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 separate disclosure of 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. 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, further details of which are included in note 3 to the financial statements. The required new additional disclosures are included in note 17 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets, investment properties and other investments as explained in the respective accounting policies below.

Basis of consolidation

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

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) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the relevant services are rendered;

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

(d) rental income, on a time proportion basis over the lease terms; and

(e) dividend income, when the shareholders' right to receive payment has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly and indirectly, so as to obtain benefits from its activities.

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

Goodwill

Goodwill arising on the acquisition of subsidiaries 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 not exceeding 20 years.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to the Group's accounting period beginning 1 April 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisition is treated according to the new accounting policy above.

On disposal of subsidiaries, 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 consolidated 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, including goodwill remaining eliminated against consolidated reserves, 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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

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 are stated at cost or valuation 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 of that asset.

Changes in the values of fixed assets are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset 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 a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates for this purpose are as follows:

Medium term leasehold land and buildings outside Hong Kong	Over the lease terms
Medium term leasehold land in Hong Kong	Over the lease terms
Medium term leasehold buildings in Hong Kong	4%
Plant and machinery	10%
Furniture, fixtures and office equipment	20%
Motor vehicles	25%

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.

3. 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, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease, 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 the 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.

Investment

Debt securities which are intended to be held to maturity are accounted for as held-to-maturity securities, while other securities are accounted for as investment securities or other investments, as explained below.

The profit or loss on disposal of an investment is credited or charged to the profit and loss account in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the investment.

Provisions against the carrying values of investments are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(a) *Held-to-maturity securities*

Investments in dated debt securities which are intended to be held to maturity are stated in the balance sheet at cost, adjusted for the amortisation of premiums or discounts arising on acquisition, less any impairment losses.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when the carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment (Continued)

(b) Investment securities

Investments in dated debt securities and equity securities, intended to be held for an identified long term purpose, are stated in the balance sheet at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

(c) Other investments

Investments in equity securities which are not intended to be held for an identified long term purpose are stated in the balance sheet at fair values. Fair values are determined on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair values of such investments are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, 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.

Operating leases

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 operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Foreign currency transactions are translated 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 overseas subsidiaries 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Provisions have been made in the financial statements in respect of long service payments which may become payable in the future under the Hong Kong Employment Ordinance to employees in proportion to their periods of service with the Group up to the balance sheet date. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Hong Kong Employment Ordinance.

Retirement pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “Hong Kong Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Hong Kong Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong 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 Hong Kong 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 Hong Kong Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement pension scheme (Continued)

Pursuant to the relevant regulations of the government of the People's Republic of China, excluding Hong Kong (the "PRC"), a subsidiary of the Company operating in the PRC participates in a local municipal government retirement benefits scheme (the "PRC Scheme"), whereby the subsidiary is required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to the profit and loss account as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

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.

Trade receivables

Trade receivables, which generally have credit terms of 30 to 90 days, are recognised and carried at original invoiced amount. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents 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 equivalents represent assets similar in nature to cash which are not restricted as to use.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends (Continued)

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 12, 13 and 29 to the financial statements.

4. DISCONTINUED OPERATION

On 6 February 2001, as part of the terms of the Disposal and Share Repurchase Agreement entered into between the Company and Sega.com, Inc., the Group disposed of 100% equity interest in Sega.com Asia Networks Limited, a former wholly-owned subsidiary, and the entire 6.8% equity interest in Sega.com PC Networks, Inc. (the "Disposed Operation") at a total consideration of approximately HK$146,265,000.

On 7 May 2001, all the conditions in relation to the above disposal were fulfilled and the Group completed the discontinuance of the provision of Internet on-line games activity previously engaged by the Disposed Operation. The consideration was satisfied by cash of approximately HK$6,084,000, the settlement of other receivable of HK$1,131,000 and the repurchase of 176,000,000 ordinary shares of the Company from Sega.com, Inc. valued at approximately HK$139,050,000. The resulting net gain from the above disposal of approximately HK$1,112,000 was recognised by the Group during the year.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

Continuing operations:

(a) the manufacture and sale of paper cartons and packaging boxes segment produces paper cartons and packaging boxes for sale principally to consumer products manufacturers.

5. **SEGMENT INFORMATION** (Continued)

Continuing operations: (Continued)

(b) the manufacture and sale of hangtags, labels, shirt paper boards and plastic bags segment produces hangtags, labels, shirt paper boards and plastic bags products for sale principally to consumer products manufacturers.

(c) the commercial printing segment provides financial printing, digital printing and other related services.

Discontinued operation (note 4):

(a) the provision of Internet on-line games segment provides Internet on-line games services to subscribers.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group	Continuing Operations						Discontinued Operation					
	Manufacture and sale of paper cartons and packaging boxes		Manufacture and sale of hangtags, labels shirt paper boards, and plastic bags		Commercial printing		Provision of Internet on-line games		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**214,085**	227,835	**16,363**	23,973	**52,822**	45,127	**–**	346	**–**	–	**283,270**	297,281
Intersegment sales	**2,534**	3,318	**300**	233	**458**	910	**–**	–	**(3,292)**	(4,461)	**–**	–
Total	**216,619**	231,153	**16,663**	24,206	**53,280**	46,037	**–**	346	**(3,292)**	(4,461)	**283,270**	297,281
Segment results	**11,362**	11,874	**109**	1,075	**2,855**	3,359	**–**	(17,001)	**–**	–	**14,326**	(693)
Interest income											**3,081**	2,786
Unallocated gain											**1,112**	–
Unallocated expenses											**(768)**	–
Profit from operating activities											**17,751**	2,093
Finance costs											**(625)**	(1,912)
Share of profit of a joint controlled entity											**–**	26
Profit before tax											**17,126**	207
Tax											**(2,294)**	1,038
Profit before minority interests											**14,832**	1,245
Minority interests											**344**	183
Net profit from ordinary activities attributable to shareholders											**15,176**	1,428

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group	Continuing Operations						Discontinued Operation					
	Manufacture and sale of paper cartons and packaging boxes		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Provision of Internet on-line games		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**335,539**	335,192	**21,867**	22,769	**18,856**	14,740	**–**	145,668	**–**	–	**376,262**	518,369
Segment liabilities	**55,463**	66,449	**3,793**	3,950	**8,442**	5,424	**–**	2,001	**–**	–	**67,698**	77,824
Other segment information:												
Depreciation	**20,053**	19,525	**2,021**	2,347	**1,985**	1,008	**–**	2,353	**–**	–	**24,059**	25,233
Capital expenditure	**9,693**	9,019	**1,756**	2,347	**1,360**	5,680	**–**	2,353	**–**	–	**12,809**	19,399
Revaluation deficit of leasehold land and buildings recognised in the profit and loss account	**2,275**	2,319	**–**	–	**–**	–	**–**	–	**–**	–	**2,275**	2,319
Revaluation deficit of investment properties recognised in the profit and loss account	**2,720**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,720**	–
Revaluation deficit of leasehold land and buildings recognised in asset revaluation reserve	**1,658**	2,662	**–**	–	**–**	–	**–**	–	**–**	–	**1,658**	2,662
Other non-cash expense	**531**	2,820	**–**	91	**124**	708	**–**	–	**–**	–	**655**	3,619

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table present revenue, profit and certain assets and expenditure information for the Group's geographical segments.

Group	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**278,718**	292,931	**4,552**	4,350	**–**	–	**283,270**	297,281
Segment results	**13,793**	(1,048)	**533**	355	**–**	–	**14,326**	(693)
Other segment information:								
Segment assets	**219,292**	357,453	**156,970**	160,916	**–**	–	**376,262**	518,369
Capital expenditure	**5,579**	11,705	**7,230**	7,694	**–**	–	**12,809**	19,399

6. TURNOVER, OTHER REVENUE AND GAIN

Turnover represents the invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered during the year after eliminations of all significant intra-group transactions.

An analysis of the Group's turnover, other revenue and gain is as follows:

	2002	2001
	HK$'000	HK$'000
Turnover – sale of goods and services rendered	**283,270**	297,281
Other revenue:		
Sale of scrap paper materials	**4,528**	4,974
Interest income	**3,081**	2,786
Gross rental income from investment properties	**1,962**	962
Dividend income from other listed investments	**16**	15
Gain on disposal of other unlisted investments	**139**	–
Others	**576**	623
	10,302	9,360
Gain:		
(Loss)/Gain on disposal of a subsidiary*	**(16)**	87
	(16)	87
Total revenue	**293,556**	306,728

* The gain on disposal of Sega.com Asia Network Limited of HK$2,300,000 was included in "Gain on disposal of a discontinued operation" on the face of the consolidated profit and loss account.

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2002 HK$'000	2001 HK$'000
Cost of inventories sold	**168,411**	196,453
Cost of services rendered	**34,111**	29,818
Depreciation	**24,059**	25,233
Minimum lease payments under operating leases:		
Land and buildings	**2,677**	3,838
Auditors' remuneration	**750**	750
Staff costs (excluding directors' remuneration – note 9):		
Wages and salaries	**42,896**	46,250
Provisions for long service payments	**908**	99
Gross pension fund contributions	**1,167**	991
Less: Forfeited contributions	**(351)**	(268)
Pension fund expenses, net	**816**	723
Provisions for obsolete and slow-moving inventories	**–**	1,796
Provisions for doubtful debts	**655**	1,823
Net unrealised loss on other investments	**–**	245
Revaluation deficit on leasehold land and buildings	**2,275**	2,319
Revaluation deficit on investment properties	**2,720**	–
Loss on disposal of fixed assets	**–**	89
Gross rental income from investment properties	**(1,962)**	(962)
Less: Outgoings	**315**	230
Net rental income from investment properties	**(1,647)**	(732)
Dividend income from other listed investments	**(16)**	(15)
Gain on disposal of other unlisted investments	**(139)**	–
Gain on disposal of subsidiaries	**(2,284)**	(87)

8. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**625**	1,890
Interest on finance leases	**–**	22
	625	1,912

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**240**	240
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**9,930**	9,230
Pension contributions	**514**	254
	10,684	9,724

The number of directors whose remuneration fell within the bands set out below is as follows:

	Group	
	2002	2001
	Number of directors	Number of directors
Nil – HK$1,000,000	**5**	7
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**4**	2
HK$2,000,001 – HK$2,500,000	**1**	1

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five directors (2001: five), further details of whose remuneration are disclosed above.

11. TAX

	Group 2002 HK$'000	Group 2001 HK$'000
Hong Kong:		
Current year provision	**477**	6,588
Overprovision in the prior year	**(98)**	(4)
Overseas:		
Current year provision	**2,204**	1,356
Overprovision in the prior year	**(449)**	(747)
Deferred tax charge/(credit)	**160**	(8,231)
Tax charge/(credit) for the year	**2,294**	(1,038)

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operated during the year based on existing legislation, interpretations and practices in respect thereof.

A subsidiary operating in the PRC is exempted from income tax for two years from its first profit-making year and is eligible for a 50% relief from income tax for the following three years under the Income Tax Law of the PRC.

Deferred tax is provided under the liability method at the rate of 16% (2001: 16%) on timing differences between taxable profits and profits reported in the financial statements.

Movements in the deferred tax provision of the Group are as follows:

	Group 2002 HK$'000	Group 2001 HK$'000
At beginning of year	**736**	9,940
Charged/(credit) for the year	**160**	(8,231)
Disposal of a subsidiary	**–**	(973)
At balance sheet date	**896**	736

11. TAX (Continued)

The principal components of the Group's provision for deferred tax and the net deferred tax asset position not recognised in the financial statements are as follows:

	Group			
	Provided		Not provided	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**896**	736	**1,715**	2,351
Tax losses carried forward	**–**	–	**(1,879)**	(4,495)
	896	736	**(164)**	(2,144)

The net deferred tax asset has not been recognised as at the balance sheet date because the directors consider it appropriate not to recognise the benefit of any future tax relief until it is assured beyond reasonable doubt.

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

There are no significant potential deferred tax liabilities for which provision has not been made.

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year dealt with in the financial statements of the Company is HK$13,449,000 (2001: HK$16,206,000 as restated).

The comparative amount for 2001 has been restated by a prior year adjustment resulting in a net credit of HK$15,100,000 to the Company's net profit for that year, and a net debit of the same amount to the amounts due from subsidiaries in the Company's balance sheet. The prior year adjustment reversed dividends declared and approved by the subsidiaries after the prior year's balance sheet date, but which were recognised by the Company as revenue in its financial statements for that year. This change in accounting policy has arisen from the adoption of revisions to SSAP 18 (Revised), as further detailed in notes 2 and 29 to the financial statements.

The effect of this change in accounting policy on the Company's net profit for the current year, was to increase the net profit by HK$16,900,000 to HK$13,449,000 as disclosed above, representing the net effect of the prior year adjustment of HK$16,900,000.

13. DIVIDENDS

	2002 HK$'000	2001 HK$'000
Interim: HK0.5 cent (2001: Nil) per ordinary share	**2,089**	–
Proposed final: HK1.5 cents (2001: HK1 cent) per ordinary share	**6,268**	3,343
	8,357	3,343

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted SSAP 9 (Revised) "Events after the balance sheet date", as detailed in notes 2 and 3 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 March 2001 of HK$3,343,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 March 2001, by HK$3,343,000.

The effect of this change in accounting policy as at 31 March 2002 is that the current year's proposed final dividend of HK$6,268,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years, it would have been recognised as a current liability at the balance sheet date.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the year of HK$15,176,000 (2001: HK$1,428,000) and the weighted average of 440,176,370 (2001: 629,635,274, as adjusted for the 1 for 4 bonus issue) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the year of HK$15,176,000 (2001: HK$1,428,000). The weighted average number of ordinary shares used in the calculation is 440,176,370 (2001: 629,635,274, as adjusted for the 1 for 4 bonus issue) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 1,680,811 (2001: 7,691,630 as adjusted for the 1 for 4 bonus issue) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

15. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At beginning of year	85,200	166,984	21,383	8,852	5,509	287,928
Additions	5,012	2,478	1,146	3,790	383	12,809
Transfer to investment properties – note 16	(4,660)	–	–	–	–	(4,660)
Revaluation deficit	(5,592)	–	–	–	–	(5,592)
Disposal of subsidiaries	–	–	(1,560)	(699)	–	(2,259)
At 31 March 2002	79,960	169,462	20,969	11,943	5,892	288,226
Analysis of cost or valuation:						
At cost	–	169,462	20,969	11,943	5,892	208,266
At valuation	79,960	–	–	–	–	79,960
	79,960	169,462	20,969	11,943	5,892	288,226
Accumulated depreciation and impairment:						
At beginning of year	–	64,544	14,151	2,754	4,164	85,613
Provided during the year	1,659	17,195	3,180	1,454	571	24,059
Write back on revaluation	(1,659)	–	–	–	–	(1,659)
Disposal of subsidiaries	–	–	(1,545)	(103)	–	(1,648)
At 31 March 2002	–	81,739	15,786	4,105	4,735	106,365
Net book value:						
At 31 March 2002	79,960	87,723	5,183	7,838	1,157	181,861
At 31 March 2001	85,200	102,440	7,232	6,098	1,345	202,315

15. FIXED ASSETS (Continued)

Land and buildings comprised:

	Group	
	2002	2001
	HK$'000	HK$'000
Medium term leasehold land and buildings in Hong Kong	**10,760**	18,200
Medium term leasehold land and buildings outside Hong Kong	**69,200**	67,000
Total valuation	**79,960**	85,200

At the balance sheet date, the Group's leasehold land and buildings in Hong Kong were carried at their valuations as at 31 January 2002 performed by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of professional valuers, using the open market, existing use basis, at HK$10,760,000. The resulting revaluation deficit amounting to HK$2,275,000 has been charged to the profit and loss account.

At the balance sheet date, the Group's leasehold land and buildings outside Hong Kong were carried at their valuations as at 31 January 2002 performed by DTZ, using the open market, existing use basis, at HK$69,200,000. The resulting revaluation deficit amounting to HK$1,658,000 is recognised in the asset revaluation reserve.

Had the Group's land and buildings in Hong Kong been valued at cost less accumulated depreciation, their carrying amounts, after transfer to investment properties, would have been restated at HK$14,245,270 (2001: HK$18,956,000).

Had the Group's land and buildings outside Hong Kong been valued at cost less accumulated depreciation, their carrying amounts would have been restated at HK$48,286,642 (2001: HK$44,467,000).

At the balance sheet date, certain of the Group's land and buildings amounting to HK$7,960,000(2001: HK$11,995,000) were pledged to secure general banking facilities granted to the Group as further detailed in note 27 to the financial statements.

16. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK$'000	HK$'000
At valuation:		
At beginning of the year	**11,800**	–
Transfer from leasehold land and buildings – note 15	**4,660**	11,800
Revaluation deficit	**(2,720)**	–
At 31 March	**13,740**	11,800

The Group's investment properties were revalued on the open market, income capitalisation basis by DTZ at HK$13,740,000 as at 31 January 2002. The resulting revaluation deficit amounting to HK$2,720,000 has been charged to the profit and loss account. As confirmed by DTZ, the valuation of the Group's investment properties as at 31 March 2002 approximated to the valuation as at 31 January 2002.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33 to the financial statements.

All of the Group's investment properties are situated in Hong Kong under medium term leases. Investment properties with a valuation of HK$6,230,000 (2001: HK$5,570,000) were pledged to secure general banking facilities granted to the Group as further detailed in note 27 to the financial statements.

Further particulars of the Group's investment properties are included on page 69.

17. GOODWILL

SSAP 30 was adopted during the year, as detailed in notes 2 and 3 to the financial statements. The amount of goodwill capitalised as an asset, arising from the acquisition of an additional equity interest in a subsidiary, is as follows:

	Group HK$'000
Cost:	
At beginning of year	–
Acquisition of an additional interest in a subsidiary	**527**
At 31 March 2002	**527**
Accumulated amortisation and impairment:	
At beginning of year	–
Amortisation provided during the year	–
At 31 March 2002	–
Net book value:	
At 31 March 2002	**527**

The Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of previous acquisition which occurred prior to the Group's accounting period beginning 1 April 2001, to remain eliminated against consolidated reserves.

At 31 March 2002, the amount of goodwill, arising from the acquisition of subsidiaries which occurred prior to the Group's accounting period beginning 1 April 2001, remaining in the consolidated reserves amounted to HK$1,408,000.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**116,995**	116,995

The balances with subsidiaries, which have been classified as current assets and liabilities, are unsecured, interest-free and have no fixed terms of repayment.

The amounts due from subsidiaries in the prior year have been adjusted for the effect of the prior year adjustment of HK$16,900,000 in respect of dividends proposed after the prior year's balance sheet date, as further explained in note 12 to the financial statements.

The subsidiaries disposed of did not have a significant contribution to the Group's turnover and net profit for the year.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ establishment and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cheong Ming (BVI) Enterprises Limited	British Virgin Islands	Ordinary HK$10,000	100	–	Investment holding
CM Investment Enterprises Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Cheong Ming Properties Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
Cheong Ming Press Factory Limited	Hong Kong	Ordinary HK$1,000 *Non-voting deferred HK$1,000,000	–	100	Manufacture and sale of paper cartons and commercial printing
Chun Ming Printing Factory Company Limited	Hong Kong	Ordinary HK$150,000	–	100	Manufacture and sale of hangtags, labels and shirt paper boards
Cheong Ming Paper, Poly. Press & Printing Factory Limited	Hong Kong	Ordinary HK$1,000 *Non-voting deferred HK$1,000,000	–	100	Sub-contracting of the manufacture of paper cartons
Dongguan Cheong Ming Printing Co., Ltd.	PRC	HK$65,850,000	–	100	Sub-contracting of the manufacture of paper cartons and plastic bags

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Company	Place of incorporation/ establishment and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Capital Financial Press Limited	Hong Kong	Ordinary HK$800,000	–	100	Commercial printing
Capital Translation Services Limited	Hong Kong	Ordinary HK$500,000	–	100	Provision of translation services
32 Print.com Limited	Hong Kong	Ordinary HK$3,750,000	–	100	Digital printing
Harvest King Limited	Hong Kong	Ordinary HK$2	–	100	Trading of hangtags, labels and shirt paper boards
Aegina (B.V.I.) Limited (formerly Aegina Investments Company Limited)	British Virgin Islands	Ordinary US$1	–	100	Investment holding

* The non-voting deferred shares carry no rights to dividends unless the profit available for distribution for the financial year exceeds HK$100,000,000,000,000, no rights to attend or vote at general meetings except, at a general meeting convened for any resolution which directly affects the rights or privileges of the non-voting deferred shares, and no rights to receive any surplus in a return of capital in a winding-up (other than the amount paid up on those shares, provided that the holders of the ordinary shares of that company have received, by way of a distribution in such winding-up, a sum of HK$500,000,000,000,000).

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 all subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. OTHER INVESTMENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Long term:				
Unlisted equities outside Hong Kong, at fair value	–	142,794	–	142,794
Short term:				
Listed equity securities in Hong Kong, at market value	–	539	–	–
Equity-linked bonds in Hong Kong, at fair value	–	2,779	–	–
	–	3,318	–	–

Last year's long term unlisted equities outside Hong Kong represented the Group's investment in the 6.8% equity interest in Sega.com PC Networks, Inc., which was disposed of to Sega.com, Inc. on 7 May 2001 as further detailed in note 4 to the financial statements.

Last year's equity-linked bonds were debt securities with the return of which was linked to the share price performance of a Hong Kong listed reference equity.

20. NOTE RECEIVABLE

On 10 July 2001, the Group entered into an agreement (the "Note Agreement") with a private company incorporated in Hong Kong, an independent third party, (the "Borrower") for the subscription of a convertible redeemable note (the "Note") amounting to HK$24,000,000. The Note bore interest at a rate of 8% per annum and is secured by a share mortgage over all the issued share capital and a debenture over all the assets of the Borrower and personal guarantees executed by two directors of the Borrower. Interest is payable every quarter in arrears and up to 31 March 2002, the Borrower has made interest payments of HK$1,412,000 in accordance with the Note Agreement. The outstanding principal amount of the Note may be converted into ordinary shares of the Borrower in accordance with the conversion mechanism as stated in the Note Agreement prior to the maturity of the Note on 11 July 2003. In accordance with the Note Agreement, the Note becomes immediately due and payable if there are events the occurrence of which would have an adverse impact on the Borrower's financial position.

20. NOTE RECEIVABLE (Continued)

On 22 May 2002, the Group issued a demand letter to the Borrower for the repayment of the principal of HK$24,000,000 together with accrued interest at the rate of 8% per annum from 1 April 2002 up to and including the date of repayment. The demand letter was issued on the basis that the directors of the Company became aware of certain events which they believe might have an adverse impact on the Borrower's financial position. Upon the failure to reach an immediate settlement agreement with the Borrower, the Group filed a petition for winding up of the Borrower in the High Court of Hong Kong SAR on 14 June 2002.

The Borrower's principal activity is the undertaking of maintenance building works from the Hong Kong SAR Government as a subcontractor. The nature of the Borrower's principal activity requires a substantial outflow of cash resources at the beginning of maintenance contract to settle labour costs and to purchase raw materials, while the replenishment of the Borrower's cash resources in the billings for work completed and certified involves a time lag from the cash outflow required for the maintenance contracts noted above.

According to the audited financial statements of the Borrower as at 31 March 2001 and the related latest unaudited financial information as at 31 December 2001 made available to the directors of the Company, the on-going operations of the Borrower depend on its ability to generate sufficient timely cash returns from maintenance contracts undertaken and/or to obtain sufficient financial support from its main contractor.

On 17 July 2002, the directors of the Company reached a settlement agreement with the Borrower for the full repayment of the Note and the winding up petition was also withdrawn. The Borrower has made prompt settlement of the first instalment in accordance with the settlement agreement. After the repayment of the first instalment, the principal outstanding amount of the Note is HK$23,500,000 as at the date of approval of these financial statements. Having considering the Borrower's timely settlement of the interest for the Note and the repayment of the first instalment in accordance with the settlement agreement, the directors consider that notwithstanding the fundamental uncertainty surrounding the recovery of the outstanding principal amount of HK$23,500,000, no provision in respect thereof is required to be made in the preparation of these financial statements. The directors will take the necessary actions to recover the remaining outstanding amount of the Note and will review the situation on an on-going basis and make provisions, if necessary, when deemed appropriate.

In the opinion of the directors, the classification of the related outstanding amount of the Note as a note receivable under current assets and non-current assets as at 31 March 2002 in accordance with the terms of the settlement agreement is appropriate because they anticipate the repayment of the Note in accordance with the revised terms and also because the Group has no intention to convert the principal of HK$24,000,000 into ordinary shares of the Borrower.

21. INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	**18,058**	25,878
Work in progress	**1,490**	2,200
Finished goods	**1,226**	763
	20,774	28,841

At the balance sheet date, no inventories were stated at net realisable value (2001: Nil).

22. TRADE RECEIVABLES

The aged analysis of the Group's trade receivables as at the balance sheet date, based on invoiced date and net of provisions, is as follows:

	Group			
	2002		2001	
	Balance	**Percentage**	Balance	Percentage
	HK$'000		HK$'000	
Current to 30 days	**22,145**	**43**	20,946	42
31 to 60 days	**11,140**	**22**	12,584	26
61 to 90 days	**12,017**	**23**	4,531	9
Over 90 days	**6,303**	**12**	11,174	23
	51,605	**100**	49,235	100

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**59,298**	26,309	**265**	56
Bank deposits	**19,765**	44,568	**–**	–
	79,063	70,877	**265**	56

24. TRADE PAYABLES

The aged analysis of the Group's trade payables at the balance sheet date, based on invoiced date, is as follows:

	Group			
	2002		2001	
	Balance	**Percentage**	Balance	Percentage
	HK$'000		HK$'000	
Current to 30 days	**14,017**	**42**	14,562	53
31 to 60 days	**8,074**	**24**	5,001	18
61 to 90 days	**5,468**	**17**	4,665	17
Over 90 days	**5,793**	**17**	3,259	12
	33,352	**100**	27,487	100

25. INTEREST-BEARING BORROWINGS

	Group	
	2002	2001
	HK$'000	HK$'000
Bank overdrafts, secured	**127**	693
Bank loans, secured	**4,868**	8,600
Bank loans, unsecured	**2,778**	9,011
	7,773	18,304
Portion classified as current liabilities	**(7,773)**	(13,364)
Non-current portion	**–**	4,940

	Group	
	2002	2001
	HK$'000	HK$'000
Bank loans repayable:		
Within one year	**7,646**	12,671
In the second year	**–**	4,940
	7,646	17,611
Portion classified as current liabilities	**(7,646)**	(12,671)
Non-current portion	**–**	4,940

26. PROVISIONS FOR LONG SERVICE PAYMENTS

	Group Total HK$'000
At beginning of year	**1,395**
Additional provision	**908**
Amount utilised during the year	**(351)**
At 31 March 2002	**1,952**

27. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by the following:

(a) legal charges on certain of the Group's leasehold land and buildings (note 15);

(b) legal charges on certain of the Group's investment properties (note 16); and

(c) corporate guarantees from the Company and certain of its subsidiaries (note 31).

28. SHARE CAPITAL

	Company	
	2002	2001
	HK$'000	HK$'000
Shares		
Authorised:		
800,000,000 ordinary shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
417,875,000 (2001: 510,300,000) ordinary shares of HK$0.10 each	**41,788**	51,030

28. SHARE CAPITAL (Continued)

Shares (Continued)

Details of the movements in the issued share capital of the Company during the year were as follows:

	Notes	HK$'000	Number of shares
At 1 April 2001		51,030	510,300,000
Repurchase of ordinary shares from Sega.com, Inc.	(a)	(17,600)	(176,000,000)
Bonus issue – one bonus share for every four ordinary shares	(b)	8,358	83,575,000
At 31 March 2002		41,788	417,875,000

Notes:

(a) On 7 May 2001, as a result of the completion of the disposal of the Disposed Operation, 176,000,000 ordinary shares of HK$0.10 each were repurchased from Sega.com, Inc. and were cancelled accordingly. The issued share capital of the Company was reduced by the par value in the aggregate of HK$17,600,000 thereof. The premium on the repurchase of the above shares, of HK$121,450,000, has been debited to the share premium account. Further details of the above transaction are set out in note 4 to the financial statements.

(b) By an ordinary resolution passed at the annual general meeting held on 31 August 2001, the issued share capital of the Company was increased by way of applying HK$8,357,500 standing to the credit of the share premium account in payment in full at par for the bonus issue of 83,575,000 shares of HK$0.10 each on the basis of one new ordinary share for every four existing ordinary shares held by the shareholders on 31 August 2001. These new ordinary shares rank pari passu with the existing ordinary shares of the Company.

28. SHARE CAPITAL (Continued)

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.

The movements in the number of share options to subscribe for ordinary shares in the Company during the year were as follows:

	Number of share options to subscribe for ordinary shares at an exercise price per share of					
	HK$0.2240*	HK$0.3507*	HK$1.0960*	HK$1.4048*	HK$2.7744*	Total
	'000	'000	'000	'000	'000	'000
At beginning of year	6,000	2,000	8,500	200	6,000	22,700
Cancelled during the year	–	–	(6,300)	–	–	(6,300)
Lapsed during the year	–	–	(2,000)	–	–	(2,000)
Adjustment during the year for the 1 for 4 bonus issue	1,500	500	50	50	1,500	3,600
At 31 March 2002	7,500	2,500	250	250	7,500	18,000

* Adjusted to take into account for the one for four bonus issue of the issued share capital of the Company.

The share options outstanding as at 31 March 2002 will expire on 26 December 2006. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 18,000,000 (2001: 22,700,000) additional ordinary shares and cash proceeds to the Company of approximately HK$23,990,000 before the related share issue expenses.

29. RESERVES

	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Goodwill reserve HK$'000	Retained profits HK$'000	Total HK$'000
Group						
At 1 April 2000	37,927	34,080	27,430	(1,408)	148,921	246,950
Issue of new shares for the acquisition of Sega.com PC Networks, Inc.	121,056	–	–	–	–	121,056
Issue of new shares	20,160	–	–	–	–	20,160
Share issue expenses	(327)	–	–	–	–	(327)
Exercise of share options	1,893	–	–	–	–	1,893
Revaluation deficit on leasehold land and buildings	–	–	(2,662)	–	–	(2,662)
Net profit for the year	–	–	–	–	1,428	1,428
Proposed final dividend	–	–	–	–	(3,343)	(3,343)
At 31 March 2001 and 1 April 2001	180,709	34,080	24,768	(1,408)	147,006	385,155
Repurchase of ordinary shares from Sega.com, Inc.	(121,450)	–	–	–	–	(121,450)
1 for 4 bonus issue	(8,358)	–	–	–	–	(8,358)
Revaluation deficit on leasehold land and buildings	–	–	(1,658)	–	–	(1,658)
Net profit for the year	–	–	–	–	15,176	15,176
Interim dividend	–	–	–	–	(2,089)	(2,089)
Proposed final dividend	–	–	–	–	(6,268)	(6,268)
At 31 March 2002	50,901	34,080	23,110	(1,408)	153,825	260,508

29. RESERVES (Continued)

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Company				
At 1 April 2000				
As previously reported	37,927	116,795	17,917	172,639
Prior year adjustment:				
SSAP 18 (Revised) – net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year (notes 2 and 12)	–	–	(32,000)	(32,000)
As restated	37,927	116,795	(14,083)	140,639
Issue of new shares for the acquisition of Sega.com PC Networks, Inc.	121,056	–	–	121,056
Issue of new shares	20,160	–	–	20,160
Share issue expenses	(327)	–	–	(327)
Exercise of share options	1,893	–	–	1,893
Net profit for the year (as restated)	–	–	16,206	16,206
Proposed final dividend	–	–	(3,343)	(3,343)
	180,709	116,795	(1,220)	296,284
At 31 March 2001 and 1 April 2001				
As previously reported	180,709	116,795	15,680	313,184
Prior year adjustment:				
SSAP 18 (Revised) – net year-on-year effect of dividends from subsidiaries no longer recognised as income for the year (notes 2 and 12)	–	–	(16,900)	(16,900)
As restated	180,709	116,795	(1,220)	296,284
Repurchase of ordinary shares from Sega.com, Inc.	(121,450)	–	–	(121,450)
1 for 4 bonus issue	(8,358)	–	–	(8,358)
Net profit for the year	–	–	13,449	13,449
Interim dividend	–	–	(2,089)	(2,089)
Proposed final dividend	–	–	(6,268)	(6,268)
At 31 March 2002	50,901	116,795	3,872	171,568

29. RESERVES (Continued)

The contributed surplus of the Group arose as a result of the Group reorganisation carried out on 24 December 1996 and represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company arose as a result of the same Group reorganisation scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK$'000	HK$'000
Profit from operating activities	**17,751**	2,093
Interest income	**(3,081)**	(2,786)
Gain on disposal of subsidiaries – net	**(2,284)**	(87)
Dividend income from other listed investments	**(16)**	(15)
Depreciation	**24,059**	25,233
Loss on disposal of fixed assets	**–**	89
Net unrealised loss on other investments	**–**	245
Revaluation deficit on leasehold land and buildings	**2,275**	2,319
Revaluation deficit on investment properties	**2,720**	–
Provisions for obsolete and slow-moving inventories	**–**	1,796
Provisions for doubtful debts	**655**	1,823
Gain on disposal of other unlisted investments	**(139)**	–
Decrease in an amount due from a jointly-controlled entity	**–**	500
Decrease/(increase) in long term deposits	**482**	(481)
Decrease/(increas) in inventories	**7,164**	(2,968)
Decrease/(increase) in trade receivables	**(3,122)**	2,022
Decrease in prepayments, deposits and other receivables	**2,620**	1,922
Increase/(decrease) in trade payables	**5,937**	(2,442)
Increase in accrued liabilities and other payables	**517**	4,043
Increase/(decrease) in provisions for long service payments	**557**	(1,161)
Net cash inflow from operating activities	**56,095**	32,145

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

(b) Disposal of subsidiaries

	Group	
	2002	2001
	HK$'000	HK$'000
Net assets disposed of:		
Fixed assets	**611**	6,727
Inventories	**903**	635
Trade receivables	**97**	3,908
Prepayments, deposits and other receivables	**1,060**	103
Cash and cash equivalents	**7**	2,215
Trade payables	**(72)**	(3,103)
Accrued liabilities and other payables	**(1,624)**	(822)
Tax payable	**–**	(380)
Finance lease payables	**–**	(1,064)
Provision for long service payments	**–**	(701)
Deferred tax	**–**	(973)
	982	6,545
Costs incurred in respect of the disposal of subsidiaries	**1,188**	25
Gain on disposal of subsidiaries – net	**2,284**	87
	4,454	6,657
Represented by:		
Cash consideration	**3,140**	5,074
Other receivables	**1,314**	1,583
	4,454	6,657

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	HK$'000	HK$'000
Cash consideration received	**3,140**	5,074
Costs incurred in respect of the disposal of subsidiaries	**(1,188)**	(25)
Cash and bank balances of the disposed subsidiaries	**(7)**	(2,215)
	1,945	2,834

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

(b) Disposal of subsidiaries (Continued)

The subsidiaries disposed of during the year did not have any significant contribution to the Group in respect of net operating cash inflow and outflow, net returns on investments and servicing of finance, tax, investing activities and financing activities.

(c) Analysis of changes in financing during the years

	Issued capital and share premium account HK$'000	Finance lease payables HK$'000	Bank loans HK$'000	Minority interests HK$'000
At 1 April 2000	70,657	1,208	29,120	–
Net cash inflow/(outflow) from financing activities	24,026	(144)	(11,509)	1,200
Minority interests' share of loss for the year	–	–	–	(183)
Issue of new shares for the acquisition of Sega.com PC Networks, Inc.	137,056	–	–	–
Disposal of a subsidiary	–	(1,064)	–	–
At 31 March 2001 and 1 April 2001	231,739	–	17,611	1,017
Net cash outflow from financing activities	–	–	(9,965)	–
Repurchase of ordinary shares from Sega.com, Inc.	(139,050)	–	–	–
Minority interests' share of loss for the year	–	–	–	(344)
Acquisition of an additional interest in a subsidiary	–	–	–	(673)
31 March 2002	92,689	–	7,646	–

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

(d) Major non-cash transactions

(i) During the year, the Group completed the disposal of the Disposed Operation. Consequently, the Company repurchased 176,000,000 ordinary shares from Sega.com, Inc. valued at approximately HK$139,050,000. The 176,000,000 ordinary shares repurchased were subsequently cancelled.

(ii) During the year ended 31 March 2001, the Group acquired 6.8% equity interest in Sega.com PC Networks, Inc. at a consideration of approximately HK$137,056,000, which was satisfied by the new issue of 160,000,000 ordinary shares of HK$0.10 each in the Company to Sega.com, Inc..

31. CONTINGENT LIABILITIES

At the balance sheet date, the Company provided corporate guarantees to banks for the provisions of general banking facilities to its subsidiaries to the extent of HK$47,200,000 (2001: HK$69,900,000).

The amount of banking facilities utilised by the subsidiaries amounted to HK$7,773,000 as at 31 March 2002 (2001: HK$18,304,000).

32. CAPITAL COMMITMENTS

	Group	
	2002	2001
	HK$'000	HK$'000
Contracted for	**526**	3,741
Authorised, but not contracted for	**5,076**	–
	5,602	3,741

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

33. OPERATING LEASE COMMITMENTS

(a) 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 2 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 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	**654**	1,282
In the second to fifth years, inclusive	**152**	156
	806	1,438

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
		(Restated)
Within one year	**1,375**	4,837
In the second to fifth years, inclusive	**97**	1,472
	1,472	6,309

33. OPERATING LEASE COMMITMENTS (Continued)

(b) As lessee (continued)

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessors under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as lessees previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to conform with the current year's presentation.

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

34. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2002.