

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 41 and 18, respectively.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group adopted for the first time a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. Adoption of these standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

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

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for all of the Group's leasing arrangement have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/
CHANGES IN ACCOUNTING POLICIES (Continued)****Goodwill**

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill (negative goodwill) arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged (released) to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

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

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

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

Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Goodwill** *(Continued)*

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

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

Investments in subsidiaries

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

Interest in associates

The Group's interest in its associates is included in the consolidated balance sheet at the Group's share of the net assets of the associates plus goodwill on acquisition in so far as it has not already been written off, less any identified impairment loss. The Group's share of the post-acquisition results of its associates is included in the consolidated income statements.

Recognition of income

Advertising income is recognised on the relevant publication date.

Sales of newspaper, magazines and building materials are recognised when they are delivered and title has passed.

Sales of investments in securities are recognised on a trade-date basis.

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

When the renovation services are provided and the outcome of the renovation project can be estimated reliably, renovation service income is recognised on the percentage of completion method measured by reference to the proportion of costs incurred to date bear to estimated total costs for the contract. When the outcome of a renovation project cannot be measured reliably, revenue is recognised only to the extent of the project costs incurred that it is probable will be recoverable.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Recognition of income** *(Continued)*

Rental income is recognised on a straight line basis over the term of the relevant lease.

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

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

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Investment properties

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

Investment properties are stated at open market values based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged respectively to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on this investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Investment properties** *(Continued)*

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

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

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and amortisation and accumulated impairment loss.

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

Land	Over the term of the lease
Buildings	2% – 4%
Leasehold improvements	10% to 15% or over the term of the lease, if shorter
Others	10% to 30%

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Publishing right**

Publishing right is stated at cost less amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost of the publishing right over a period of twenty years on a straight line basis.

Inventories*Properties held for sale*

Property held for sale is stated at the lower of cost and net realisable value. Cost includes the acquisition cost, architect's fees and other direct costs attributable to such property.

Other inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Operating leases

Rental income or expenses under operating leases are credited or charged, respectively, to the income statement on a straight line basis over the term of the relevant leases.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Foreign currencies**

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

On consolidation, the financial statement which are denominated in the currencies other than Hong Kong dollar are translated at the exchange rates ruling on the balance sheet date. Differences arising on translation are credited or charged to the translation.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefits scheme

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. TURNOVER

Turnover represents the aggregate of the net amount received and receivable from third parties and is summarized as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Publishing of newspaper and magazine and advertising income	37,940	24,560
Securities trading and investment	29,376	5,098
Renovation services	6,667	–
Property rental	3,847	72,487
Trading of building materials	2,189	–
Software development	9	–
Property development and investment	–	412,513
	80,028	514,658

5. OTHER OPERATING EXPENSES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net unrealised holding losses on other investments	20,979	5,418
Amortisation of publishing right	859	685
Amortisation of goodwill arising on acquisition of subsidiaries	352	–
Impairment loss of goodwill on:		
– acquisition of certain subsidiaries	–	13,056
– other investment (<i>note i</i>)	–	33,799
Unrealised holding loss on other investment reclassified after disposal of a former associate (<i>note ii</i>)	–	42,166
Impairment losses on investment securities	–	1,014
	22,190	96,138

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

5. OTHER OPERATING EXPENSES (Continued)

Notes:

- (i) At 31st March, 2000, the Group had an associate (the "Former Associate") with its shares listed on the Stock Exchange. The majority of the Group's interest in the Former Associate was held by Asean Resources Holdings Limited ("Asean"), a former subsidiary of the Company. Asean is a public limited company incorporated in Bermuda with its shares listed on the Stock Exchange. Following the disposal of Asean during the year ended 31st March, 2001 as described in note 9, the Group only held an approximate 1.7888% interest in the Former Associate. Since the Group could no longer exercise significant influence over the Former Associate, the investment in the Former Associate was reclassified as other investment and carried at fair value in accordance with the Group's accounting policy. The amount represented the goodwill previously write off against reserves on acquisition of the Former Associate. Impairment loss on goodwill arose at the time the investment in the Former Associate was reclassified as other investment.
- (ii) The unrealised holding loss of approximately HK\$42,166,000 represented the difference between the carrying value of 1.7888% interest in the Former Associate at the date of disposal of Asean and the fair value of the shares of the Former Associate as at 31st March, 2001.

6. (LOSS) PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
(Loss) profits from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– basic salaries and other benefits	41,999	56,808
– retirement benefits scheme contribution	1,504	1,525
	43,503	58,333
Auditors' remuneration	848	2,377
Depreciation and amortisation of property, plant and equipment	5,199	10,260
Loss on disposal of an investment property	140	–
Loss on disposal of property, plant and equipment	594	5,736
Net realised and unrealised holding losses on other investments	18,393	5,418
and after crediting:		
Dividend income from listed other investments	263	542
Interest income	4,946	6,792
Gross rental income from investment properties under operating leases, before deduction of outgoings of HK\$45,000 (2001: HK\$3,523,000)	3,847	72,487

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

7. DIRECTORS' AND HIGH PAID INDIVIDUALS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
(A) Directors' emoluments		
Fees:		
Executive directors	600	–
Independent non-executive directors	500	–
Non-executive directors	348	91
	1,448	91
Other emoluments paid to executive directors		
– basic salaries and other benefits	3,131	9,805
– retirement benefits scheme contribution	15	–
	3,146	9,805
Total emoluments	4,594	9,896

Not included in the directors' emoluments above in last year was rent-free accommodation provided to a Company's director of a property owned by the Group with money value determined with reference to its rateable value amounting to approximately HK\$2,635,000 up to the date of his resignation in February 2001.

The emoluments, including the above accommodation benefits, were within the following bands:

	2002 Number of directors	2001 Number of directors
Up to HK\$1,000,000	14	14
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$6,000,001 – HK\$6,500,000	–	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

7. DIRECTORS' AND HIGH PAID INDIVIDUALS (Continued)

(B) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2001: four) were directors of the Company whose emoluments are included in the disclosure in (A) above. The emoluments of the remaining individual were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	520	1,173
Retirement benefits scheme contribution	6	–
	526	1,173

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

8. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	4,111	51,108
Bank borrowings not wholly repayable within five years	–	20,874
Convertible redeemable notes (including provision for premium payable on redemption)	–	30,580
Other borrowings wholly repayable within five years	3,663	6,468
	7,774	109,030
Less: Amount capitalised to properties under development	–	(27,403)
	7,774	81,627
Amortisation of issue costs of convertible redeemable notes	–	2,223
Bank facilities arrangement fees	–	1,619
	7,774	85,469

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

9. LOSS ON DISPOSAL OF SUBSIDIARIES

The loss on disposal of subsidiaries for the year ended 31st March, 2002 principally arose from the disposal of the Group's entire interest in Actiwater Resources Limited ("Actiwater") and Kavix Limited ("Kavix"). Details of the discontinued operations are set out in note 10.

For the year ended 31st March, 2001, the loss on disposal of subsidiaries principally arose from the disposal of an approximate 63.68% interest in Asean in January 2001 at a consideration of approximately HK\$573 million. Details of the disposal were set out in the circular dated 2nd January, 2001 issued by the Company.

10. DISCONTINUED OPERATIONS

In July 2001, the Group ceased its operations in the publishing of newspaper and magazine and advertising income after the disposal of a subsidiary, Actiwater Resources Limited ("Actiwater").

In January 2002, the Group ceased its operations in software development after the disposal of a subsidiary, Kavix Limited ("Kavix").

The results of Actiwater and Kavix for the period from 1st April, 2001 to the date of discontinuance, which have been included in the consolidated financial statements, were as follows:

	Actiwater <i>HK\$'000</i>	Kavix <i>HK\$'000</i>
Turnover	37,940	9
Cost of sales	(50,923)	(2,917)
	(12,983)	(2,908)
Other revenue	958	–
Administrative expenses	(16,727)	(11,398)
Loss from operations	(28,752)	(14,306)
Finance costs	(814)	(605)
Loss before minority interests	(29,566)	(14,911)
Minority interests	204	9,384
Loss for the period up to date of discontinuance	(29,362)	(5,527)
Loss on disposal of the subsidiaries	(5,058)	(40,347)

Further details of the discontinued operations are set out in note 42.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

11. TAXATION

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
The charge comprises:		
Overseas taxation		
Current year	–	30
Underprovision in prior years	–	347
	–	377
Share of taxation attributable to associates	–	3,719
	–	4,096

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no assessable profit for the year.

Overseas taxation for the year ended 31st March, 2001 was calculated at the rates prevailing in the respective jurisdictions.

Details of the unrecognised deferred taxation for the year are set out in note 33.

12. LOSS PER SHARE

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss for the purposes of basic loss per share	(151,169)	(1,025,297)
Effect of dilutive potential ordinary shares:		
– adjustment to the share of results of Asean based on dilution of its earnings per share	–	(1,230)
– adjustment to the share of results of the Former Associate based on dilution of its loss per share	–	(158)
Loss for the purposes of diluted loss per share	(151,169)	(1,026,685)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

12. LOSS PER SHARE (Continued)

	2002 Number of shares	2001 Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,801,598,435	1,564,735,970

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for 2002 and 2001 has been adjusted for the effect of shares subdivision proposal approved by the shareholders on 24th April, 2002, details of which are set out in note 40(b).

For the year ended 31st March, 2002, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the Group incurred a loss for the year.

For the year ended 31st March, 2001, the computation of diluted loss per share did not assume the conversion of the Company's convertible redeemable notes and share options which were surrendered in February 2001 as the Group incurred a loss for the year.

13. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
VALUATION	
At 1st April, 2001	84,510
Disposals	(760)
Deficit arising on revaluation	(120)
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At 31st March, 2002	83,630
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The investment properties were revalued at 31st March, 2002 on an open market value basis by RHL Appraisal Limited, an independent firm of professional property valuers. The deficit arising on the revaluation of HK\$120,000 has been charged to the investment property revaluation reserve (note 28).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

13. INVESTMENT PROPERTIES (Continued)

The Group's investment properties comprises:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Properties situated in Hong Kong held under long leases	83,430	83,550
Properties situated in Hong Kong held under medium-term leases	200	960
	83,630	84,510

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles and yachts <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST						
At 1st April, 2001	517	3,483	93,672	819	8,682	107,173
Acquisition of a subsidiary	-	-	-	-	203	203
Additions	-	649	-	3,522	2,214	6,385
Disposals	-	(208)	-	(380)	(94)	(682)
Disposal of subsidiaries	(517)	(3,722)	(93,672)	(1,299)	(10,572)	(109,782)
At 31st March, 2002	-	202	-	2,662	433	3,297
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1st April, 2001	3	263	2,334	25	1,344	3,969
Provided for the year	3	216	3,501	348	1,131	5,199
Eliminated on disposals	-	(26)	-	(42)	(20)	(88)
Disposal of subsidiaries	(6)	(445)	(5,835)	(65)	(2,445)	(8,796)
At 31st March, 2002	-	8	-	266	10	284
NET BOOK VALUES						
At 31st March, 2002	-	194	-	2,396	423	3,013
At 31st March, 2001	514	3,220	91,338	794	7,338	103,204

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Motor vehicles and yachts HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
THE COMPANY						
COST						
At 1st April, 2001	-	-	-	-	-	-
Additions	-	410	-	-	316	726
Disposals	-	(208)	-	-	-	(208)
At 31st March, 2002	-	202	-	-	316	518
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1st April, 2001	-	-	-	-	-	-
Provided for the year	-	34	-	-	24	58
Eliminated on disposals	-	(26)	-	-	-	(26)
At 31st March, 2002	-	8	-	-	24	32
NET BOOK VALUES						
At 31st March, 2002	-	194	-	-	292	486
At 31st March, 2001	-	-	-	-	-	-

The leasehold land and buildings held at 31st March, 2001 were situated in Hong Kong and held under a medium-term lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

15. GOODWILL

THE GROUP
HK\$'000

COST

Arising on acquisitions during the year and balance at 31st March, 2002	29,076
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AMORTISATION

Charge for the year and balance at 31st March, 2002	352
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NET BOOK VALUE

At 31st March, 2002	<u>28,724</u>
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The amortisation period adopted for goodwill is 10 years.

16. PUBLISHING RIGHT

HK\$'000

COST

At 1st April, 2001	68,760
Disposal of subsidiaries	<u>(68,760)</u>

At 31st March, 2002

<u>—</u>

AMORTISATION

At 1st April, 2001	685
Amortisation for the year	859
Disposal of subsidiaries	(1,544)

At 31st March, 2002

<u>—</u>

NET BOOK VALUE

At 31st March, 2002	<u>—</u>
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At 31st March, 2001	<u>68,075</u>
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The amount represented the right to publish newspaper under the trademark and tradename of "Sing Pao".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted shares, at cost	–	–
Amounts due from subsidiaries, less allowance for doubtful debts	270,311	190,149
	270,311	190,149

The Company's cost of investments in the unlisted shares of its directly held subsidiaries is in aggregate less than HK\$1,000. The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts due from subsidiaries will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current assets.

Details of the Company's principal subsidiaries at 31st March, 2002 are set out in note 41.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Share of net assets	10,266	9,869
Goodwill arising on acquisition	20,479	–
Amortization of goodwill	(711)	–
Impairment loss recognised on goodwill	(19,768)	–
	10,266	9,869
Amounts due from associates	9,563	9,597
	19,829	19,466

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

18. INTERESTS IN ASSOCIATES *(Continued)*

During the year, the Group acquired a 30% interest on Dionysus Investments Limited ("Dionysus"). Primarily, the goodwill arising on acquisition of the associate was amortised over a period of 10 years. Due to the uncertain outcome of legal proceedings against the main contractor of the property development projects alleged by a jointly controlled entity of Dionysus as at 31st March, 2002, the property development projects were suspended. The directors are of the opinion that inflow of economic benefit from the property development projects cannot be predicted with certainty, the goodwill should not be carried forward in the financial statements and that it should be written off to the income statement accordingly.

The amounts due from associates are unsecured and non-interest bearing. In the opinion of the directors, the amounts due from associates will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current assets.

As at 31st March, 2002, the Group had interest in the following associates:

Name of associate	Place of incorporation/ operations	Paid up share capital	Proportion of nominal value of issued capital held by subsidiaries %	Principal activity
Asia Standard Development Company Limited	Hong Kong	HK\$2	50	Investment holding
Era Winner Limited	Hong Kong	HK\$2	50	Property holding
Dionysus	British Virgin Islands	US\$10	30	Investment holding and property investment and development

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

19. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Equity securities Listed						
– Hong Kong	–	–	116,570	20,100	116,570	20,100
– Overseas	–	–	6,417	2,418	6,417	2,418
	–	–	122,987	22,518	122,987	22,518
Unlisted	42,000	2,000	25,550	–	67,550	2,000
	42,000	2,000	148,537	22,518	190,537	24,518
Market value of listed securities	–	–	122,987	22,518	122,987	22,518
Carrying amount analysed for reporting purposes as:						
Current	–	–	122,987	22,518	122,987	22,518
Non-current	42,000	2,000	25,550	–	67,550	2,000
	42,000	2,000	148,537	22,518	190,537	24,518

20. DEPOSIT PAID FOR ACQUISITION OF INVESTMENTS IN SECURITIES

The amount represents a deposit paid for acquisition of a 19% interest in Ariel Vision Limited (“Ariel Vision”). Ariel Vision is incorporated in the British Virgin Islands and is engaged in the software development, system integration and other information technology related projects. The acquisition was completed in April 2002.

Details of the capital commitment was set out in note 35.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

21. INVENTORIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Building materials	3,016	–
Properties held for sale	4,400	4,800
Printing materials	–	998
Books	–	162
	7,416	5,960

Properties held for sale held by the Group were carried at net realisable value. The remaining inventories were carried at cost.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows a credit period normally ranging from 60 days to 90 days (2001: from 30 days to 60 days) to its trade customers. The following is an aged analysis of trade receivables at 31st March, 2002:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Trade receivables		
Up to 30 days	1,367	9,852
31 to 90 days	2,742	1,644
91 day to 365 days	3,328	93
Over 365 days	1,054	–
	8,491	11,589
Amounts due from customers for contract work (<i>note</i>)	3,730	–
Retentions receivable	581	–
Other receivables and prepayments	2,021	14,781
	14,823	26,370

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Note:

Amounts due from (to) customers for contract works

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Contract costs incurred plus recognized profits less recognized losses	6,147	–
Less: Progress billings	(2,576)	–
	3,571	–
Represented by:		
Due from customers included in current assets	3,730	–
Due to customers included in current liabilities (note 23)	(159)	–
	3,571	–

23. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade creditors at 31st March, 2002:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade payables		
Up to 30 days	1,379	12,861
31 to 90 days	541	–
Over 90 days	1,210	–
	3,130	12,861
Amounts due to customers for contract work (note 22)	159	–
Rentable payables	116	–
Other payables	5,675	12,946
	9,080	25,807

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

24. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2000 HK\$'000
The borrowings comprise:				
Bank overdrafts	4,327	–	–	–
Import loans	2,523	–	–	–
Other bank borrowings	52,864	108,146	–	–
Other borrowings	120,296	–	105,000	–
	180,010	108,146	105,000	–
Analysed as:				
Secured	75,010	58,146	–	–
Unsecured	105,000	50,000	105,000	–
	180,010	108,146	105,000	–
The borrowings are repayable as follows:				
Within one year or on demand	180,010	101,263	105,000	–
More than one year, but not exceeding two years	–	6,883	–	–
	180,010	108,146	105,000	–
Less: Amount due within one year shown under current liabilities	(180,010)	(101,263)	(105,000)	–
Amount due after one year	–	6,883	–	–

At 31st March, 2002, the secured bank and other borrowings included bank borrowings secured by assets held by the minority shareholder (also a director) of Prosper City International Limited ("Prosper City") amounted to HK\$5,947,000. The remaining borrowings are secured by assets held by the Group.

At 31st March, 2001, all the borrowings were secured by assets held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

25. AMOUNT DUE TO FORMER ULTIMATE HOLDING COMPANY

The amount was unsecured, non-interest bearing and was disposed of upon the disposal of a subsidiary during the year.

26. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Value HK\$'000
Authorised:			
Ordinary shares at HK\$0.40 each at 1st April, 2000 and 1st April, 2001		3,000,000,000	1,200,000
Addition due to subdivision of shares into 40 ordinary shares of HK\$0.01 each	<i>(a)</i>	117,000,000,000	–
Ordinary share at HK\$0.01 each		120,000,000,000	1,200,000
Consolidation of ordinary shares	<i>(a)</i>	(96,000,000,000)	–
Ordinary shares at HK\$0.05 each		24,000,000,000	1,200,000
Cancellation of unissued ordinary shares		(21,000,000,000)	(1,050,000)
Ordinary shares at HK\$0.05 each at 31st March, 2002		3,000,000,000	150,000
Issued and fully paid:			
Ordinary shares at HK\$0.40 each at 1st April, 2000 and 1st April, 2001		1,564,735,970	625,894
Adjustment of nominal value and consolidation of ordinary shares	<i>(a)</i>	(1,251,788,776)	(610,247)
Issue of shares on private placement	<i>(b)</i>	312,947,194	15,647
Issue of shares on shares subscription	<i>(c)</i>	62,000,000	3,100
		74,980,000	3,749
Ordinary shares at HK\$0.05 each at 31st March, 2002		449,927,194	22,496

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***26. SHARE CAPITAL** *(Continued)*

During the year, the following changes in the share capital of the Company took place:

- (a) Pursuant to special resolutions passed by the shareholders in a special general meeting held on 2nd April, 2001, the Company carried out the following capital reorganisation:
- adjusting the nominal value of the shares of the Company by reducing the nominal value of all the issued shares from HK\$0.40 each to HK\$0.01 each by the cancellation of HK\$0.39 paid up share capital on each issued share;
 - subdividing every unissued share of HK\$0.40 into 40 unissued shares of HK\$0.01 each;
 - consolidating every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05;
 - cancelling an amount of HK\$48,000,000 from the share premium account of the Company and crediting this amount together with the nominal value of issued shares of HK\$610,247,000 so cancelled to the contributed surplus account of the Company (note 28); and
 - cancelling an amount of HK\$1,050,000,000 being the unissued authorised share capital of the Company.

Details of the above capital reorganisation were set out in the circular dated 10th March, 2001.

- (b) On 27th July, 2001 a placing agreement was entered into between the Company and certain independent professional investors to subscribe for 62,000,000 new shares of HK\$0.05 each in the Company at a price of HK\$1.10 per share, representing a premium of 0.9% to the closing price of the Company's shares as quoted on the Stock Exchange on 27th July, 2001. The new proceeds of approximately HK\$66 million would be used for future expansion in properties investment and development and in securities trading and investment businesses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

26. SHARE CAPITAL (Continued)

- (c) On 4th January, 2002, a subscription agreement was entered into between the Company and an independent third party, Great Huge Investments Corporation (“Great Huge”) of which Mr. Chen Long (“Mr. Chen”) holds the entire beneficial interest. Pursuant to the subscription agreement, Great Huge would subscribe for 74,980,000 new shares of HK\$0.05 each in the Company at a price of HK\$0.60 per share, representing a discount of 52% to the closing price of the Company’s shares as quoted on the Stock Exchange on 4th January, 2002. The net proceeds of approximately HK\$44.0 million would be used to finance the acquisition of a 51% interest in a company, Shanghai Hualong Construction Stock Co., Ltd. 上海華龍建設股份有限公司 (“Shanghai Hualong”) and the remaining balance would be used as additional general working capital of the Group. Mr. Chen has a beneficial interest in Shanghai Hualong, a company established in the PRC and is engaged in the business of properties investment and development in the PRC.

The acquisition of Shanghai Hualong constituted a connected transaction and is subject to the fulfilment of certain conditions specified in the sale and purchase agreement. The acquisition was completed in July 2002.

The new shares issued during the year rank *pari passu* with the existing shares in all respects.

27. SHARE OPTIONS

At 31st March, 2002, the following options to subscribe for share were outstanding under an share option scheme of the Company adopted on 9th April, 2001:

Date of grant	Exercisable period	Exercise price per share <i>HK\$</i>	Number of shares to be issued upon exercise of the share options <i>HK\$</i>
30th August, 2001	30th August, 2001 to 8th April, 2011	1.10	9,000,000

The outstanding share options were cancelled in April 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

28. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Capital reserve (goodwill) on consolidation HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
THE GROUP										
At 1st April, 2000	50,395	13,878	498,329	328,915	361,123	78,176	-	(5,629)	496,388	1,821,575
Surplus arising on revaluation of investment properties	-	-	23,051	-	-	-	-	-	-	23,051
Share of associates' reserve movements	-	-	2,596	-	(1,569)	-	-	(5,734)	-	(4,707)
Goodwill arising on acquisition of subsidiaries	-	-	-	-	(67,551)	-	-	-	-	(67,551)
Capital reserve arising on acquisition of an associate	-	-	-	-	2,651	-	-	-	-	2,651
Impairment loss of goodwill charged to income statement	-	-	-	-	13,056	-	-	-	-	13,056
Release of reserve upon disposal of other property	-	-	-	(26,968)	-	-	-	-	-	(26,968)
Impairment loss on goodwill on other investment	-	-	-	-	33,799	-	-	-	-	33,799
Eliminated on disposal of interests in subsidiaries	-	-	(498,979)	(301,947)	(394,111)	-	-	14,182	-	(1,180,855)
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	-	-	-	-	(3,315)	-	(3,315)
Loss for the year	-	-	-	-	-	-	-	-	(1,025,297)	(1,025,297)
At 1st April, 2001	50,395	13,878	24,997	-	(52,602)	78,176	-	(496)	(528,909)	(414,561)
Deficit arising on revaluation of an investment property	-	-	(120)	-	-	-	-	-	-	(120)
Cancellation of issued shares (note 26)	-	-	-	-	-	-	610,247	-	-	610,247
Cancellation of share premium account (note 26)	(48,000)	-	-	-	-	-	48,000	-	-	-
Issue of shares	106,339	-	-	-	-	-	-	-	-	106,339
Shares issue expenses	(2,482)	-	-	-	-	-	-	-	-	(2,482)
Eliminated on disposal of interest in subsidiaries	-	-	-	-	52,602	-	-	496	-	53,098
Loss for the year	-	-	-	-	-	-	-	-	(151,169)	(151,169)
At 31st March, 2002	160,252	13,878	24,877	-	-	78,176	658,247	-	(680,078)	201,352

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

28. RESERVES (Continued)

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Capital reserve (goodwill) on consolidation HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
THE COMPANY										
At 1st April, 2000	50,395	13,878	-	-	-	-	222,794	-	233,670	520,737
Loss for the year	-	-	-	-	-	-	-	-	(957,278)	(957,278)
At 31st March, 2001	50,395	13,878	-	-	-	-	222,794	-	(723,608)	(436,541)
Cancellation of issued shares (note 26)	-	-	-	-	-	-	610,247	-	-	610,247
Cancellation of share premium account (note 26)	(48,000)	-	-	-	-	-	48,000	-	-	-
Issue of shares	106,339	-	-	-	-	-	-	-	-	106,339
Shares issue expenses	(2,482)	-	-	-	-	-	-	-	-	(2,482)
Loss for the year	-	-	-	-	-	-	-	-	(93,819)	(93,819)
At 31st March, 2002	106,252	13,878	-	-	-	-	881,041	-	(817,427)	183,744

At 31st March, 2001, the capital reserve (goodwill) on consolidation comprised approximately HK\$54,394,000 in respect of goodwill and approximately HK\$1,792,000 in respect of negative goodwill. All of the goodwill and negative goodwill were realised to income statement during the year ended 31st March, 2002.

The accumulated losses of the Group include a profit of HK\$5,502,000 (2001: HK\$5,421,000) retained by associates of the Group.

The contributed surplus of the Group represents the cancellation of an amount of HK\$48,000,000 from the share premium account of the Company and the credit of an amount of HK\$610,247,000 of the Company's share capital so cancelled as detailed in note 26(a).

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of share capital of its subsidiaries acquired at the date of a previous group reorganisation.

The contributed surplus of the Company represents:

- (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganization; and

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

28. RESERVES (Continued)

- (ii) the cancellation of an amount of HK\$48,000,000 from the share premium account of the Company and the credit of an amount of HK\$610,247,000 so cancelled as detailed in note 26(a).

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

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

In the opinion of the directors, at 31st March, 2002, the Company's reserve available for distribution to shareholders comprise:

	<i>HK\$'000</i>
Contributed surplus	881,041
Accumulated losses	<u>(817,427)</u>
	<u>63,614</u>

The Company did not have any distributable reserves at 31st March, 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

29. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss before taxation	(160,822)	(972,381)
Share of results of associates	9,124	35,215
Loss on deemed disposal of interest in an associate	–	1,797
Interest income	(4,946)	(6,792)
Interest expenses	7,774	81,627
Amortisation of issue costs of the convertible notes	–	2,223
Bank facilities arrangement fees	–	1,619
Depreciation and amortisation of property, plant and equipment	5,199	10,260
Amortisation of publishing right	859	685
Amortisation of goodwill	1,063	–
Impairment of goodwill	19,768	46,855
Unrealised holding loss on other investment reclassified after disposal of a former associate	–	42,166
Gain on disposal of interests in associates	–	(20)
Loss on disposal of interests in subsidiaries	44,260	864,078
Loss on disposal of property, plant and equipment	594	5,736
Loss on disposal of an investment property	140	–
Increase in properties under development	–	(39,602)
(Decrease) increase in inventories	606	(186,602)
Increase in trade and other receivables	(8,519)	(6,546)
(Increase) decrease in investments in securities	(100,469)	11,253
(Decrease) increase in trade and other payable	(5,590)	9,971
Net cash outflow from operating activities	(190,959)	(98,458)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

30. ACQUISITION OF SUBSIDIARIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	203	98,787
Publishing right	–	68,760
Investments in securities	–	366
Inventories	3,320	1,069
Trade and other receivables and prepayments	13,392	14,238
Bank balances and cash	5	61,043
Trade and other payables	(6,419)	(23,159)
Taxation payable	(777)	–
Bank loans	–	(50,000)
Import loans	(600)	–
Bank overdrafts	(5,530)	(11,866)
Amount due to ultimate holding company	–	(28,684)
Amount due to a minority shareholder	(1,782)	–
Minority interests	(888)	(33,871)
	924	96,683
Goodwill arising on acquisition of subsidiaries	29,076	67,551
	30,000	164,234
Satisfied by:		
Cash	30,000	164,234

Analysis of the net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash consideration paid	(30,000)	(164,234)
Bank balances and cash acquired	5	61,043
Import loans acquired	(600)	–
Bank overdrafts acquired	(5,530)	(11,866)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(36,125)	(115,057)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

30. ACQUISITION OF SUBSIDIARIES (Continued)

The subsidiary acquired during the year contributed approximately HK\$870,000 to the Group's net operating cash outflows, paid approximately HK\$42,000 in respect of the net returns on investments and servicing of finance, paid approximately HK\$247,000 in respect of taxation, utilised approximately HK\$5,000 for investing activities and raised approximately HK\$623,000 in respect of financing activities.

The subsidiaries acquired during the year contributed approximately HK\$8,856,000 to the Group's turnover and approximately HK\$90,000 to the Group's loss from operations.

31. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Investment properties	–	2,034,580
Publishing right	67,216	–
Property, plant and equipment	100,986	41,351
Properties under development	–	717,710
Interests in associates	–	1,726,237
Investments in securities	–	15,765
Inventories	1,258	450,862
Trade and other receivables and prepayments	32,708	388,256
Pledged bank deposits	10,000	–
Bank balances and cash	29,989	60,163
Bank overdrafts	(61)	(6,936)
Trade and other payables	(19,393)	(68,159)
Taxation payable	–	(28,515)
Amounts due to associates	–	(46)
Bank borrowings	(73,563)	(995,198)
Amount due to a related party	(18,239)	–
Amount due to former ultimate holding company	(28,684)	–
Minority interests	(852)	(1,716,956)
	101,365	2,619,114
Attributable goodwill (capital reserve)	52,602	(394,111)
Exchange reserve realised	496	14,182
Investment property revaluation reserve realised	–	(498,979)
Other property revaluation reserve realised	–	(301,947)
	154,463	1,438,259
Loss on disposal of subsidiaries	(44,260)	(864,078)
Total consideration	110,203	574,181
Satisfied by:		
Cash	110,203	574,181

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

31. DISPOSAL OF SUBSIDIARIES (Continued)

Net cash inflow arising on disposal:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash consideration	110,203	574,181
Bank balances and cash disposed of	(29,989)	(60,163)
Bank overdrafts disposed of	61	6,936
Net inflow arising on disposal	80,275	520,954

The subsidiaries disposed of during the year contributed approximately HK\$48,360,000 to the Group's net operating cash outflows, paid approximately HK\$1,590,000 in respect of the net returns on investment and servicing of finance, utilized approximately HK\$26,611,000 for investing activities and raised approximately HK\$64,447,000 in respect of financing activities.

The subsidiaries disposed of during the year contributed approximately HK\$37,949,000 to the Group's turnover and approximately HK\$43,058,000 to the Group's loss from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Bank and other borrowings	Convertible redeemable notes	Amount due to a related party	Amounts due to associates	Minority interests	Amount due to a minority shareholder
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2000	676,289	1,031,649	295,451	-	968	1,665,642	-
New borrowings raised	-	181,216	-	-	135	-	-
Disposal of subsidiaries (note 31)	-	(995,198)	-	-	(46)	(1,716,956)	-
Repayments	-	(159,521)	(297,674)	-	-	-	-
Amortisation of issue cost	-	-	2,223	-	-	-	-
Acquisition of subsidiaries (note 30)	-	50,000	-	-	-	33,871	-
Disposal of an associate	-	-	-	-	(1,057)	-	-
Contribution from minority shareholders	-	-	-	-	-	18,149	-
Dividend paid to minority shareholders	-	-	-	-	-	(4,670)	-
Profit for the year shared by minority shareholders	-	-	-	-	-	48,820	-
Reserve shared by minority shareholders for the year:							
Other property revaluation reserve	-	-	-	-	-	(26,267)	-
Exchange reserve	-	-	-	-	-	(7,262)	-
Net capital reserve on consolidation	-	-	-	-	-	(895)	-
At 1st April, 2001	676,289	108,146	-	-	-	10,432	-
Net cash proceeds from issue of shares	110,706	-	-	-	-	-	-
Cancellation of share premium	(48,000)	-	-	-	-	-	-
Adjustment of nominal value and consolidation of ordinary shares	(610,247)	-	-	-	-	-	-
Acquisition of subsidiaries (note 30)	-	-	-	-	-	888	1,782
Disposal of subsidiaries (note 31)	-	(73,563)	-	(18,239)	-	(852)	-
New borrowings raised	-	138,577	-	18,239	-	-	-
Repayment	-	-	-	-	-	-	(501)
Contribution from minority shareholders	-	-	-	-	-	8	-
Loss attributable to minority shareholders	-	-	-	-	-	(9,653)	-
At 31st March, 2002	128,748	173,160	-	-	-	823	1,281

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

33. UNRECOGNISED DEFERRED TAXATION

The major components of the deferred taxation assets (liability) at the balance sheet date of the Group not recognised in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses incurred during the year	40,736	57,538	25,695	20,979
Excess of tax allowances over depreciation	(850)	(10,930)	(42)	–
	39,886	46,608	25,653	20,979

The deferred tax asset has not been recognised in the financial statements as it is not certain that the benefits will be realised in the foreseeable future.

The major components of the unrecognised deferred taxation credit (charge) of the Group for the year are as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:		
Tax losses incurred during the year	10,671	39,495
Excess of tax allowances over depreciation	(52)	(10,160)
Disposal of subsidiaries	(17,341)	(15,474)
	(6,722)	13,861

Deferred taxation has not been provided for the accumulated surplus arising on the revaluation of investment properties as profits arising on future disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

34. CONTINGENT LIABILITIES

	THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Guarantees given to banks and/or a securities broker in respect of banking and credit facilities utilised by subsidiaries	53,767	58,146

At the balance sheet date, the Group did not have any contingent liabilities.

35. CAPITAL COMMITMENTS

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Capital commitments contracted for but not provided in the financial statements:		
For acquisition of a subsidiary	43,850	–
For acquisition of investments in securities	10,000	–
For acquisition of property, plant and equipment	–	16,201
	53,850	16,201

The Company had no significant capital commitments at the balance sheet date.

36. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Minimum lease payments paid under operating leases in respect of premises during the year	3,431	4,417

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

36. OPERATING LEASE ARRANGEMENTS (Continued)

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	844	8,820
In the second to fifth year inclusive	715	8,311
	1,559	17,131

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated and fixed for an average term of two to three years.

The Group as lessor

The investment property is expected to generate rental yields of 5% on an ongoing basis and have committed tenant for the next two years.

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

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	3,840	3,840
In the second to fifth year inclusive	6,880	10,720
	10,720	14,560

The Company had no outstanding commitments under non-cancellable operating leases at the balance sheet date.

37. PLEDGE OF ASSETS

At 31st March, 2002, an investment property with a carrying value of HK\$80,000,000 (2001: HK\$80,000,000) and a bank deposit of HK\$2,002,000 (2001: nil) have been pledged to banks to secure banking facilities granted to the Group. The Group also has investment in securities with carrying value of approximately HK\$48,335,000 (2001: nil) deposited with a securities broker as collateral for margin facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***38. RETIREMENT BENEFITS SCHEME**

The Group operates a defined contribution retirement benefits scheme for eligible employees. The assets of the scheme are separately held in funds under the control of trustees.

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

At the balance sheet dates, the Group had no significant forfeited contributions, which arose upon employees leaving the pension scheme and which are available to reduce the contributions payable by the Group in the future years.

With effect from 1st December, 2000, the Group has also joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation to the Group with respect to MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

39. RELATED PARTY DISCLOSURES

The Group had the following related party transactions occurred during the year:

- (a) In November 2000, the Group entered into a lease agreement with an ex-director, Mr. Chan Boon Ho, Peter ("Mr. Chan"), under which an investment property of the Group was leased to Mr. Chan for a period of three years commencing 17th November, 2000 for a monthly rental of HK\$320,000 exclusive of rates and management fee. The rental income received by the Group during the year amounted to HK\$3,840,000. The rental was negotiated by reference to prevailing market rates.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2002***39. RELATED PARTY DISCLOSURES** *(Continued)*

- (b) During the year ended 31st March, 2002, certain operating expenses of the Group amounting to approximately HK\$2.0 million were paid by the former substantial shareholder of the Company, Capital Strategic Investment Limited, on behalf of the Group. The amount was unsecured, interest free and was fully reimbursed during the year.
- (c) During the year ended 31st March, 2002, Mr. Chan advanced an aggregate of approximately HK\$18,239,000 to certain non-wholly owned subsidiaries. The advances were unsecured, interest bearing at Hong Kong prime rate plus 2% and were repayable within one year after drawdown. The advances were disposed of upon the disposal of the respective subsidiaries during the year. The interest expenses incurred during the year amounted to approximately HK\$605,000.
- (d) During the year ended 31st March, 2001, the Group paid rental expenses and management and air-conditioning charges of HK\$2,118,000 in respect of office premises under a non-cancellable operating lease to a former associate which was disposed of during the year ended 31st March, 2001. The rental was paid in accordance with the terms of the relevant tenancy agreement.

40. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the balance sheet date:

- (a) On 10th April, 2002, a subscription agreement was entered into between the Company and one of its substantial shareholders, United Jumbo Limited ("United Jumbo") to subscribe for 89,946,000 new shares of HK\$0.05 each in the Company at a price of HK\$0.80 per share, representing a discount of 19.2% to the closing price of the Company's shares as quoted on the Stock Exchange on 10th April, 2002. On the same date, a placing agreement was entered into between United Jumbo and independent professional institutional investors to place 65,900,000 shares at a price of HK\$0.80 per share.

The net proceeds of approximately HK\$72 million would be used as the general working capital of the Group or to reduce borrowings.

The new shares rank *pari passu* with the existing shares in all respects.

- (b) Pursuant to a special resolution passed by the shareholders in a special general meeting held on 24th April, 2002, the Company carried out a capital reorganisation by subdividing every issued and unissued share of HK\$0.05 each into five shares of HK\$0.01 each. Details of the capital reorganisation were set out in the circular dated 8th April, 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

40. POST BALANCE SHEET EVENTS

- (c) On 8th May, 2002, the Company has entered into a warrant placing agreement with an independent professional institution in relation to the private placing of warrants at an initial subscription price of HK\$0.36 per new share in the Company and an issue price of HK\$0.05 per unit of the subscription rights of warrants. On 26th June, 2002, the initial subscription price was revised to HK\$0.22 per new share. The initial net proceeds from the subscription of approximately HK\$26.0 million would be used as general working capital of the Group, to reduce the Group's liabilities or to invest in suitable projects as the directors think appropriate.

The warrants are in registered form giving the holders the right to subscribe up to HK\$118,764,800 in aggregate for shares equivalent to the aggregate subscription price for a total of 539,840,000 shares on the basis of an initial subscription price of HK\$0.22 per share (subject to adjustment) between 9th July, 2002 and 8th July, 2003.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operations	Paid up share capital/ registered capital	Proportion of nominal value of issued capital held by the Company#/ subsidiaries %	Effective proportion of issued capital held by the Group %	Principal activities
All Grand Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property investment
Chip Plus Development Incorporated	B.V.I./ Hong Kong	US\$1 ordinary share	100 #	100	Investment holding
Fairtop Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operations	Paid up share capital/ registered capital	Proportion of nominal value of issued capital held by the Company#/ subsidiaries %	Effective proportion of issued capital held by the Group %	Principal activities
Flow Success Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Full Champion Financial Limited	B.V.I./ Hong Kong	US\$3 ordinary shares	100 #	100	Investment holding
Glad & Nice Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Greenham Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Honorary Company Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding
Huey Tai Holdings Limited	Hong Kong	HK\$2 ordinary shares	100 #	100	Investment holding
Most Rich Assets Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100 #	100	Investment holding
Jettie Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100	100	Investment holding
Progain Holdings Limited	Hong Kong	HK\$2 ordinary shares	100 #	100	Investment holding
Prosper City International Limited	Hong Kong	HK\$100 ordinary shares	51	51	Trading of building materials and provision of renovation service
Smart Century International Limited	Hong Kong	HK\$2 ordinary shares	100 #	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operations	Paid up share capital/ registered capital	Proportion of nominal value of issued capital held by the Company#/ subsidiaries %	Effective proportion of issued capital held by the Group %	Principal activities
Somerset Profits Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100#	100	Investment holding
South Gater Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
Super Target Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100#	100	Investment holding
Terimin Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding
View Century Limited	B.V.I./ Hong Kong	US\$1 ordinary share	100#	100	Investment holding
Weth Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

42. SEGMENTAL INFORMATION

Business segments

For management purpose, the Group is currently organised into six major operating divisions – publishing of newspaper and magazines and advertising income, property development and investment, property rental, securities trading and investment, trading of building materials and renovation service income and software development.

These division are the basis on which the Group reports its primary segment information.

2002

Continuing operations			Discontinued operations			Unallocated	Consolidated
Trading of building materials and renovation services	Property development and investment	Property rental	Securities trading and investment	Publishing of newspaper and trading magazine and advertising income	Software development		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

INCOME STATEMENT
FOR THE YEAR ENDED
31ST MARCH, 2002

REVENUE

External sales	8,856	-	3,847	29,376	37,940	9	-	80,028
Segment results	(90)	-	3,402	(18,130)	(29,710)	(14,306)	-	(58,834)
Other revenue	-	-	-	-	958	-	4,707	5,665
Other operating expenses	(352)	-	-	-	-	-	-	(352)
Unallocated corporate expenses								(25,664)
Loss from operations								(79,185)
Finance costs								(7,774)
Amortisation of goodwill arising on acquisition of an associate	-	(711)	-	-	-	-	-	(711)
Impairment loss on goodwill on acquisition of an associate	-	(19,768)	-	-	-	-	-	(19,768)
Loss on disposal of subsidiaries	-	-	-	-	(5,058)	(40,347)	1,145	(44,260)
Share of results of associates	-	(9,229)	107	-	-	-	(2)	(9,124)
Loss before minority interests								(160,822)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

42. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

	Continuing operations			Discontinued operations				Unallocated	Consolidated
	Trading of building materials and renovation services	Property development and investment	Property rental	Securities and trading investment	Publishing of newspaper and magazine and advertising income	Software development	HK\$'000		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
BALANCE SHEET									
AT 31ST MARCH, 2002									
ASSETS									
Segment assets	16,090	7,836	80,256	123,328	-	-	-	227,510	
Interest in associates	-	16,214	3,615	-	-	-	-	19,829	
Unallocated corporate assets								168,233	
Consolidated total assets								415,572	
LIABILITIES									
Segment liabilities	(5,909)	-	(645)	-	-	-	-	(6,554)	
Unallocated corporate liabilities								(184,347)	
Consolidated total liabilities								(190,901)	
OTHER INFORMATION									
Capital additions	29,284	-	-	-	2,343	267	3,770	35,664	
Depreciation and amortization	356	-	-	-	4,642	1,045	367	6,410	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

42. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

2001

	Continuing operations		Discontinued operations			Unallocated HK\$'000	Consolidated HK\$'000
	Property development and investment HK\$'000	Property rental HK\$'000	Securities trading and investment HK\$'000	Publishing of newspaper and magazine and advertising income HK\$'000	Software development HK\$'000		
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001							
REVENUE							
External sales	412,513	72,487	5,098	24,560	-	-	514,658
Segment result	140,755	67,587	(6,889)	(24,087)	(12,573)	-	164,793
Other revenue							12,588
Other operating expenses	-	-	(5,418)	(685)	-	(90,035)	(96,138)
Unallocated corporate expenses							(67,065)
Profit from operations							14,178
Finance costs							(85,469)
Loss on disposal of subsidiaries	(878,326)	-	-	-	-	14,248	(864,078)
Loss on deemed disposal of interest in an associate	(1,797)	-	-	-	-	-	(1,797)
Share of results of associates	(35,102)	(113)	-	-	-	-	(35,215)
Loss before taxation							(972,381)
Taxation							(4,096)
Loss before minority interests							(976,477)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

42. SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

	Continuing operations		Discontinued operations				Unallocated HK\$'000	Consolidated HK\$'000
	Property development and investment HK\$'000	Property rental HK\$'000	Securities trading and investment HK\$'000	Publishing of newspaper and magazine and advertising income HK\$'000	Software development HK\$'000			
BALANCE SHEET								
AT 31ST MARCH, 2001								
ASSETS								
Segment assets	9,170	80,331	23,435	214,476	7,911	-	-	335,323
Interest in associates	15,900	3,566	-	-	-	-	-	19,466
Unallocated corporate assets								29,613
Consolidated total assets								384,402
LIABILITIES								
Segment liabilities	46	678	15	16,805	6,848	-	-	24,392
Unallocated corporate liabilities								138,245
Consolidated total liabilities								162,637
OTHER INFORMATION								
Capital additions	81,893	47	-	168,775	7,462	-	-	258,177
Depreciation and amortisation	3,922	2,164	-	3,212	1,453	194	-	10,945
Impairment loss of goodwill	-	-	-	-	-	-	46,855	46,855
Impairment loss on investment securities	-	-	-	-	-	-	1,014	1,014
Amortisation of issue cost of convertible notes	-	-	-	-	-	-	2,223	2,223
Unrealised holding loss on other investment reclassified after disposal of a former associate	-	-	-	-	-	-	42,166	42,166

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

42. SEGMENTAL INFORMATION (Continued)

Geographical segments

All of the Group's operations are principally located in Hong Kong except that the software development division was located in the North America. Group administration is carried out in Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market		Contribution to loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	80,019	514,658	(91,024)	14,163
North America	9	–	(14,305)	(12,573)
	80,028	514,658	(105,329)	1,590
Other revenue			5,665	12,588
(Loss) profit from operations			(99,664)	14,178

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	409,155	376,491	35,664	250,715
North America	6,417	7,911	–	7,462
	415,572	384,402	35,664	258,177