1. Corporate Information

The principal activity of the Company is investment holding. The principal activities of the Group consisted of property development and investment, and the investment in high value-added technology related businesses through the acquisition of non-controlling interests in certain companies.

During the year, the Group diversified its business into the investments of debt securities and listed equity securities.

2. Impact of New and Revised Hong Kong Statements of Standard Accounting Practice

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"

2. Impact of New and Revised Hong Kong Statements of Standard Accounting Practice (continued)

These SSAPs prescribe new accounting measurement and disclosure practices. Except for SSAP 14 (Revised) and SSAP 26, none of the above SSAPs has had a major impact on these financial statements. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements arising from SSAP 14 (Revised) and SSAP 26 are summarised as follows:

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 finance leases and operating leases, which are further detailed in notes 21 and 27 to the financial statements, respectively.

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.

3. Basis of Presentation and Fundamental Uncertainty

The Group sustained a consolidated net loss from ordinary activities attributable to shareholders of approximately HK$238 million for the year ended 31 March 2002. As at 31 March 2002, the Group had net current liabilities of approximately HK$344 million and total borrowings of HK$373 million, which were either repayable within one year, or on demand and which were classified as current liabilities. In preparing these financial statements, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group.

During the year, the Group disposed of certain subsidiaries and diversified its businesses into investing in debt and listed equity securities as part of its strategic plan to achieve a better financial and liquidity position in the near term, as well as for long term growth and development (the "Disposal and Diversification").

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3. Basis of Presentation and Fundamental Uncertainty (continued)

Subsequent to the balance sheet date and as further detailed in note 30(i)(c) to the financial statements, the Group successfully raised approximately HK$100 million (net of expenses) from a rights issue of 1,223,724,110 ordinary shares of the Company (the "Rights Issue"), which was completed in June 2002.

The Group is also currently actively exploring new business opportunities in order to revitalise the Group.

Active cost-saving measures to streamline the Group's existing operations and to focus on improving the financial resources of the Group have been implemented or are being contemplated to substantially reduce the operating expenses and cash outflows in the coming year and to enable the Group to revitalise itself to take advantage of any growth opportunities in the near future (the "Cost-saving Measures").

The financial statements have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future notwithstanding its liquidity concerns as at 31 March 2002. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year, after taking into consideration several arrangements made subsequent to the balance sheet date together with those being contemplated, including the Disposal and Diversification, the Rights Issue, Cost-saving Measures, and certain future financing arrangements/plans including, inter alia, the following:

As further detailed in note 22 to the financial statements, a subsidiary of the Group had certain secured other loans (the "Loan Payables") from a financial creditor (the "Financial Creditor") totalling approximately HK$348 million as at 31 March 2002. Notice of demand for repayment of the Loan Payables was received from the Financial Creditor subsequent to the balance sheet date. The Group is currently in the process of negotiating with the Financial Creditor to settle the Loan Payables by means of applying its interests in certain loan receivables (the "Loan Receivables") from an associate of the Group (the "Associate", which is a 60%-owned subsidiary of the Financial Creditor) amounting to approximately HK$339 million as at 31 March 2002 to the Financial Creditor. The Group is seeking legal advises as to how to mitigate its liabilities under the Loan Payables (collectively the "Negotiation and Future Course of Actions").

3. Basis of Presentation and Fundamental Uncertainty (continued)

The directors are of the opinion that, in light of the measures/arrangements implemented to date, together with the expected results of other measures/arrangements in progress/as planned, the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future. The directors believe that the aforementioned financing arrangements/plans, including the Negotiation and Future Course of Actions, will be successful and, accordingly, the financial statements have been prepared on a going concern basis.

The financial statements have not incorporated any adjustments that may be required if the above measures are not successful. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in the financial statements.

4. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with the 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 investment properties and other investments, as further explained below.

(b) Basis of consolidation

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

(c) Subsidiaries

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

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

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4. Summary of Significant Accounting Policies (continued)

(d) Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses. Where the audited financial statements of the associates are not coterminous with those of the Group, the share of results and reserves is arrived at based on the audited financial statements as at 31 December 2001 after making appropriate adjustments for significant transactions and events in the intervening period up to 31 March 2002 between the associates and the Group.

(e) Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of purchase consideration paid for the subsidiaries 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.

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 acquisition which occurred prior to 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 reserves, as appropriate.

4. Summary of Significant Accounting Policies (continued)

(e) Goodwill (continued)

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 has reversed the effect of that event.

(f) 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.

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), 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.

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4. Summary of Significant Accounting Policies (continued)

(g) Fixed assets and depreciation

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

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

Leasehold improvements	20% to 50%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

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.

(h) 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 stated at their open market values on the basis of annual professional valuations performed at the end of each financial year and are not depreciated except where the unexpired terms of the leases are 20 years or less, in which case the then carrying amounts are amortised on the straight-line basis over the respective remaining lease terms. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

4. Summary of Significant Accounting Policies (continued)

(h) Investment properties (continued)

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.

(i) Properties under development

Properties under development intended for sale are stated at the lower of cost and net realisable value, which is determined by reference to prevailing market prices, on an individual property basis. Other properties under development are stated at cost less impairment losses. Cost includes all development expenditure, borrowing costs and other direct costs attributable to such properties.

Properties under development which have been pre-sold are stated at cost plus attributable profits less any foreseeable losses.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, and is limited to the amount of sale deposits and instalments received and with due allowances for contingencies.

Where properties are sold under deferred terms with part of the sales proceeds being receivable after an interest-free period, the difference between the sale prices with and without such terms, representing finance income, is treated as deferred income and is allocated to the profit and loss account on a basis which reflects the effective yields on the amounts of the sale proceeds receivable over the interest-free period.

Deposits received on properties pre-sold prior to their completion in excess of the attributable profit recognised are classified as current liabilities.

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4. Summary of Significant Accounting Policies (continued)

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 6.4% and 7.6% was applied to the expenditure on the individual assets in prior year.

(k) Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

4. Summary of Significant Accounting Policies (continued)

(l) Investment securities

Investment securities are listed and unlisted equity securities, which are intended to be held for a continuing strategic or long term purpose. Investment securities are included in the balance sheet at cost less any impairment losses, on an individual investment basis.

When impairments 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.

(m) Held-to-maturity securities

Held-to-maturity securities are investments in dated debt securities which the Group has the expressed intention and ability to hold to maturity, and are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any impairment losses which reflect their credit risk.

(n) Other investments

Other investments in securities are securities which are not classified as investment securities nor as held-to-maturity securities, and are stated at their fair values at the balance sheet date on an individual investment basis.

The fair values of such listed securities are their quoted market prices at the balance sheet date whereas the fair values of such unlisted securities are estimated by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or professional valuation.

The gains or losses arising from changes in their respective fair values are credited or charged to the profit and loss account for the period in which they arise.

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4. Summary of Significant Accounting Policies (continued)

(o) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value, which is determined by the directors with reference to the prevailing market prices, on an individual property basis.

(p) 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.

(q) Deferred tax

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

(r) Foreign currencies

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

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

4. Summary of Significant Accounting Policies (continued)

(s) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all its employees. The Scheme has operated since 1 December 2000. 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 Scheme. The assets of the 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 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 Scheme.

(t) 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:

(i) 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;

(ii) from the restaurant and entertainment businesses, in the period in which the services are rendered;

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

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

(u) 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.

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4. Summary of Significant Accounting Policies (continued)

(v) Cash equivalents

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.

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:

(a) the property development and investment segment comprises the development and sale of properties and the investments in office and commercial premises for their rental income potential;

(b) the investment holding segment engages in non-controlling investment holding in certain debt and equity securities;

(c) the restaurants and entertainment facilities segment was engaged in the operations of restaurants and entertainment facilities, and was discontinued in the prior year as detailed in note 7 to the financial statements; and

(d) the department store and supermarkets segment was engaged in the operations of a department store and supermarkets, and was discontinued in the prior year as detailed in note 7 to the financial statements.

5. Segment Information (continued)

During the year, the Group disposed of a subsidiary, which was engaged in property investment (the "Disposal"). After the Disposal, no other group companies were engaged in property investment. The purpose of the Disposal was solely to improve the financial position of the Group during the year and the Group is now actively searching for potential property investment opportunities after the Rights Issue. Accordingly, in the opinion of the directors, the Disposal did not constitute a discontinued operation.

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.

There were no intersegment sales and transfers during the year.

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5. Segment Information (continued)

(a) Business segments

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

Group

	Continuing operations				Discontinued operations					
	Property development and investment		Investment holding		Restaurant and entertainment facilities operations		Department store and supermarkets operations		Consolidated	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Segment revenue:										
Sales to external customers	5,035	15,326	—	—	—	12,157	—	11,178	5,035	38,661
Other revenue	—	3,326	—	—	—	—	—	—	—	3,326
Total	5,035	18,652	—	—	—	12,157	—	11,178	5,035	41,987
Segment results*	3,634	(49,549)	(215,689)	(160,945)	—	(6,761)	—	(13,344)	(212,055)	(230,599)
Interest income and unallocated revenue/gains									22,689	31,002
Unallocated expenses									(16,757)	(109,334)
Loss from operating activities									(206,123)	(308,931)
Finance costs									(28,539)	(54,499)
Share of profits less losses of associates	(2,933)	(1,499)	—	—	—	—	—	—	(2,933)	(1,499)
Loss before tax									(237,595)	(364,929)
Tax									(478)	(1,767)
Net loss from ordinary activities attributable to shareholders									(238,073)	(366,696)

* Investment holding is one of the Group's segments and, accordingly, the Group's investment securities, held-to-maturity securities and other investments, and the corresponding income/expenses, were included in the segment assets and segment results, respectively.

5. Segment Information (continued)

(a) Business segments (continued)

Group

	Continuing operations				Discontinued operations					
	Property development and investment		Investment holding		Restaurant and entertainment facilities operations		Department store and supermarkets operations		Consolidated	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Segment assets*	1,000	51,000	43,941	204,372	—	—	—	—	44,941	255,372
Interests in associates	—	3,796	—	—	—	—	—	—	—	3,796
Unallocated assets									364,309	302,139
Total assets									409,250	561,307
Segment liabilities	3,580	11,227	510	605	—	—	—	—	4,090	11,832
Unallocated liabilities									378,284	371,631
Total liabilities									382,374	383,463

* Investment holding is one of the Group's segments and, accordingly, the Group's investment securities, held-to-maturity securities and other investments, and the corresponding income/expenses, were included in the segment assets and segment results, respectively.

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5. Segment Information (continued)

(a) Business segments (continued)

Group

	Continuing operations				Discontinued operations					
	Property development and investment		Investment holding		Restaurant and entertainment facilities operations		Department store and supermarkets operations		Consolidated	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Other segment information:										
Depreciation	—	5,291	—	—	—	3,765	—	1,273	—	10,329
Unallocated amounts									675	641
									675	10,970
Other non-cash expenses	—	83,757	172,075	158,759	—	—	—	—	172,075	242,516
Unallocated amounts									1,904	15,000
									173,979	257,516
Capital expenditure	—	3,088	—	—	—	227	—	1,925	—	5,240
Unallocated amounts									1,724	2,340
									1,724	7,580

5. Segment Information (continued)

(b) Geographical segments

The following tables present revenue, loss and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Consolidated	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Segment revenue:						
Sales to external customers	—	—	5,035	38,661	5,035	38,661
Other revenue	4,386	—	5,304	4,179	9,690	4,179
	4,386	—	10,339	42,840	14,725	42,840
Segment results	(134,028)	(282,588)	(85,094)	(56,492)	(219,122)	(339,080)
Other segment information:						
Segment assets	48,144	98,978	1,000	161,309	49,144	260,287
Capital expenditure	1,724	2,342	—	5,238	1,724	7,580

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6. Turnover

Turnover represents the aggregate of the gross amounts of the net invoiced value of goods sold (after allowance for returns and trade discounts), the rendering of services and rental income, after eliminations of all significant intra-group transactions during the year.

Revenue from the following activities has been included in turnover:

	GROUP 2002 HK$'000	GROUP 2001 HK$'000
Sale of goods	—	11,178
Income from restaurant and entertainment businesses	—	12,157
Rental income	5,035	15,326
	5,035	38,661

7. Discontinued Operations in the Prior Year

On 31 July 2000, the Group disposed of certain property interests and operations located in the mainland of The People's Republic of China (the "PRC") (collectively as the "Disposal Group") to Mr. Peng Xiongfa (a then director of the Company), thereby resulting in a loss on disposal of approximately HK$22 million for the year ended 31 March 2001. The loss on disposal was determined based on the sale proceeds less the consolidated net asset value of the Group's interests in such property interests and operations as at 31 July 2000 plus the release of relevant reserves including goodwill previously eliminated directly against consolidated reserves of HK$53.8 million.

Effective from the date of disposal of the Disposal Group, the Group discontinued its operations of supermarkets, a department store, restaurants and entertainment facilities. The operations of supermarkets and the department store contributed HK$11,178,000 to the Group's turnover and accounted for HK$13,344,000 of the Group's loss from operating activities for the year ended 31 March 2001. The operations of restaurants and entertainment facilities contributed HK$12,157,000 to the Group's turnover and accounted for HK$6,761,000 of the Group's loss from operating activities for the year ended 31 March 2001.

8. Loss From Operating Activities

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

	2002 HK$'000	2001 HK$'000
Cost of inventories sold and services rendered	—	25,713
Depreciation#	675	10,970
Staff costs (excluding directors' remuneration (note 10))##:		
Wages and salaries	1,621	8,470
Pension scheme contributions	59	28
less: Forfeited contributions	—	—
Net employer pension contributions*	59	28
	1,680	8,498
Auditors' remuneration	700	1,720
Loss on disposal of fixed assets	96	—
Write-off of fixed assets	1,904	—
Minimum lease payments under operating lease in respect of land and buildings	1,043	12,617
Exchange losses, net	—	668
Write-off of investment securities	6,000	—
Unrealised losses of other investments	—	71,509
Write-off of doubtful debts	—	2,250
Loss on disposal of listed other investments	43,409	—
Provisions against properties held for sale	—	47,257
Loss on foreclosure of interest in an other investment	—	85,000
Provision for compensation loss	—	15,000
Deposit forfeited	—	33,000
Loss/(gain) on disposal of subsidiaries, net	(5,304)	21,941
Loan payable waived by a financial creditor (note 25(e)(iii))	(4,322)	—
Loan payable waived by a minority shareholder of a subsidiary	—	(21,000)
Gross rental income from investment properties	—	(9,999)
Gross rental income from properties held for sale	(5,035)	(5,327)
Less: Outgoings	252	406
Net rental income	(4,783)	(14,920)
Amortisation of deferred income	—	(1,214)
Interest income from an associate	(12,517)	(19,625)
Other interest income	(482)	(10,524)

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8. Loss From Operating Activities (continued)

The amount for the prior year included an amount of HK$9,145,000 classified under cost of inventories sold and services rendered.

The amount for the prior year included an amount of HK$4,727,000 classified under cost of inventories sold and services rendered.

* As at 31 March 2002, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2001: Nil).

9. Finance Costs

	GROUP	
	2002 HK$'000	2001 HK$'000
Interest on:		
Bank loans and overdrafts	—	26,764
Other loans wholly repayable within five years	28,516	34,925
Finance lease	23	100
Total interest	28,539	61,789
Less: Interest capitalised in respect of properties under development	—	(7,290)
	28,539	54,499

10. Directors' Remuneration and Five Highest Paid Individuals

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	GROUP	
	2002 HK$'000	2001 HK$'000
Fees*	123	167
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	1,644	4,992
Performance related bonuses	—	1,940
Pension scheme contributions	21	10
	1,665	6,942
	1,788	7,109

* Fees included HK$123,000 (2001: HK$167,000) payable to the independent non-executive directors of the Company. There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

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

	Number of directors	
	2002	2001
HK$		
Nil - 1,000,000	22	16
1,000,001 - 1,500,000	—	1
2,000,001 - 2,500,000	—	1
3,000,001 - 3,500,000	—	1
	22	19

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10. Directors' Remuneration and Five Highest Paid Individuals (continued)

During the year, 534,340,000 share options (2001: 360,000,000) were granted to certain directors in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors. Under the terms of the grant, the options granted on the shares of the Company are not transferable and, in the absence of a readily available market value for the options, the directors are unable to arrive an accurate assessment of the value of the options granted to the respective directors during the year. Accordingly, no value is included in the directors' remuneration in respect of the share options granted.

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

The five highest paid individuals during the year included three (2001: five) directors of the Company, details of whose remuneration are disclosed above. Details of the remuneration of the remaining two (2001: Nil) non-director, highest paid individuals are as follows:

	GROUP	
	2002 HK$'000	2001 HK$'000
Salaries, allowances and benefits in kind	685	—
Performance related bonuses	—	—
Pension scheme contributions	18	—
	703	—

The remuneration of two non-director, highest paid individuals fell within the band of nil to HK$1,000,000 for the year ended 31 March 2002.

11. Tax

	GROUP 2002 HK$'000	2001 HK$'000
The Company and subsidiaries:		
Hong Kong	—	—
Overseas	478	1,767
	478	1,767
Associates:		
Overseas	—	—
Tax charge for the year	478	1,767

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2001: Nil).

Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on existing legislation, interpretations and practices in respect thereof.

At the balance sheet date, the Group and the Company had no material unprovided deferred tax liabilities (2001: Nil).

12. Net Loss from Ordinary Activities Attributable to Shareholders

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company is HK$226,356,000 (2001: HK$281,681,000).

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13. Loss Per Share

(a) Basic loss per share

Basic loss per share is calculated based on (i) the net loss from ordinary activities attributable to shareholders of HK$238,073,000 (2001: HK$366,696,000); and (ii) the weighted average number of 78,779,817 (2001: 32,445,045 as restated) ordinary shares in issue during the year, as adjusted to reflect the consolidation of shares during the year (note 23(b)(ii)), and the consolidation of shares (note 30(b)) and the Rights Issue (note 30(c)) subsequent to the balance sheet date.

(b) Diluted loss per share

No diluted loss per share is presented for the two years ended 31 March 2002 as the effect of the Company's outstanding share options was anti-dilutive.

14. Fixed Assets

GROUP

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:					
At beginning of year	1,209	740	503	1,458	3,910
Additions	469	80	325	—	874
Acquisition of a subsidiary	—	—	—	850	850
Disposals	—	—	—	(1,458)	(1,458)
Write-off	(1,209)	(633)	(568)	—	(2,410)
At 31 March 2002	469	187	260	850	1,766
Accumulated depreciation:					
At beginning of year	91	56	61	503	711
Provided during the year	229	98	66	282	675
Disposals	—	—	—	(722)	(722)
Write-off	(291)	(108)	(107)	—	(506)
At 31 March 2002	29	46	20	63	158
Net book value:					
At 31 March 2002	440	141	240	787	1,608
At 31 March 2001	1,118	684	442	955	3,199

The net book value of the fixed assets of the Group held under a finance lease included in the total amount of motor vehicles at 31 March 2001 amounted to HK$702,000.

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15. Interests in Subsidiaries

	COMPANY	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	452,556	466,136
Amounts due to subsidiaries	(4,000)	—
	448,557	466,137
Provisions against amounts due from subsidiaries	(439,945)	(266,187)
	8,612	199,950

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

As detailed in note 4 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against the goodwill reserve.

For the year ended 31 March 2001, goodwill arising from acquisition of a subsidiary previously dealt with in reserves amounting to HK$43,864,000 was fully written off to the profit and loss account, resulting in the balance of goodwill reserve of nil as at 31 March 2002 and 2001.

15. Interests in Subsidiaries (continued)

Particulars of the principal subsidiaries of the Company at the balance sheet date were as follows:

Company	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
B-Tech Limited	Hong Kong	HK$2	—	100%	Investment holding
B-Tech (Hong Kong) Limited	Hong Kong	HK$10,000	—	100%	Provision of corporate services
Best Guard Company Limited	British Virgin Islands	US$1	—	100%	Investment holding
Brillant Crown Trading Co., Ltd. *	Hong Kong	HK$1,000,000	—	100%	Holding of a motor vehicle
City Base Logistics Limited	British Virgin Islands	US$100	—	100%	Investment holding
Convex Properties Limited	British Virgin Islands	US$1	—	100%	Investment holding
Coupeville Limited	British Virgin Islands	US$1	100%	—	Investment holding
Dollar Group Limited	British Virgin Islands	US$1	—	100%	Investment holding
Dong-Jun Development Co., Limited	Hong Kong	HK$2	—	100%	Provision of corporate services

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15. Interests in Subsidiaries (continued)

Company	Place of incorporation and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Giant Idea Limited	British Virgin Islands	US$1	—	100%	Investment holding
Polywise Investments Limited	Hong Kong	HK$10,000	—	100%	Investment holding
Power Cyber Inc.	British Virgin Islands	US$1	—	100%	Investment holding
Prostar Hong Kong Ltd	Hong Kong	HK$2	100%	—	Provision of corporate services
Super Nature Investments Limited	British Virgin Islands	US$1	—	100%	Investment holding

* During the year, the Group acquired Brillant Crown Trading Co., Ltd. Further details of this acquisition are included in note 25(c) to the financial statements.

All of the above subsidiaries operate in the place of their incorporation.

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

16. Interests in Associates

	GROUP	
	2002	2001
	HK$'000	HK$'000
Share of net assets other than goodwill	—	3,796
Loans to an associate (note 22)	339,139	297,007
Amount due from an associate	217	217
	339,356	301,020
Portion classified as current assets	(217)	(217)
Non-current portion	339,139	300,803

The loans to the associate are unsecured, bear interest at rates ranging from 1.659% to 1.788% per annum above HIBOR (2001: 1.899% to 2.045% per annum above HIBOR) and are not repayable within one year.

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

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16. Interests in Associates (continued)

Particulars of the associates, all of which are corporations, at the balance sheet date were as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid share capital/ and paid-up capital	Percentage of equity attributable to the Group 2002	2001	Principal activities
Guangzhou Chong Hing Property Development Company Limited	PRC	RMB170,000,000	30%	30%	Property development
Linktime International Development Limited	British Virgin Islands	Ordinary US$10	30%	30%	Inactive
Speed World Investment Limited ("Speed World")	Hong Kong	Ordinary HK$100	30%	30%	Investment holding

All associates are indirectly held by the Company and were not audited by Ernst & Young or other Ernst & Young International member firms.

The financial statements of the above associates have a financial year ending 31 December.

A summary of the results and the net liabilities of Speed World, a material associate, is as follows:

Results:	Year ended 31 December 2001 HK$'000	2000 HK$'000
Total income	248	76
Loss for the year	(74,818)	(4,985)

16. Interests in Associates (continued)

Net liabilities:

	31 December 2001 HK$'000	2000 HK$'000
Non-current assets	1,081,541	1,008,511
Current assets	49,674	20,358
Current liabilities	(1,244,197)	(1,064,156)
	(112,982)	(35,287)

Speed World did not have any contingent liabilities as at 31 December 2001 (2000: Nil).

17. Investment Securities

	GROUP 2002 HK$'000	GROUP 2001 HK$'000	COMPANY 2002 HK$'000	COMPANY 2001 HK$'000
Investment securities, at cost:				
Unlisted equity investments	—	6,000	—	—
Listed equity investments in Hong Kong	25,085	—	24,849	—
	25,085	6,000	24,849	—
Market value of Hong Kong listed equity investments as at 31 March	47,492	—	47,208	—

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18. Held-to-Maturity Securities

	GROUP 2002 HK$'000	GROUP 2001 HK$'000
Unlisted debt securities, at amortised cost	5,040	—

19. Other Investments and Related Advances

	GROUP		COMPANY	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Other investments, at fair value:				
Listed equity investment in Hong Kong	—	2,053	—	2,053
Unlisted equity investments	—	175,195	—	13,528
	—	177,248	—	15,581
Advances to investees	—	5,960	—	1,552
	—	183,208	—	17,133
Market value of Hong Kong listed equity investments as at 31 March	—	2,053	—	2,053

The advances to investees are unsecured, interest-free and have no fixed terms of repayment.

19. Other Investments and Related Advances (continued)

Particulars of the other investments as at the balance sheet date were as follows:

Company name	Place of incorporation	Class of shares held	Percentage of equity interest attributable to the Group	
			2002	2001
Asiaprice.com Limited	Hong Kong	Ordinary	13.33%	13.33%
Autopower Technology Limited ("Autopower") *	British Virgin Islands	Ordinary	—	50%
Green Choice Technology Limited	British Virgin Islands	Ordinary	25%	25%
PiLink International Limited	British Virgin Islands	Ordinary	22%	22%
vLink Global Limited ("vLink") *	Bermuda	Ordinary	—	0.75%
World Class Technology Limited	British Virgin Islands	Ordinary	20%	20%

* Directly held by the Company.

Included in other investments of the Group and the Company as at 31 March 2001 were investments in 20% or more of the equity interests in certain private companies (the "Investees") with fair values of HK$173,528,000 and HK$13,528,000, respectively. The Investees were not treated as associates, because in the opinion of the directors, the Investees were acquired and held with a view to the ultimate realisation of capital gain and to their subsequent disposal in the near future.

During the year, the Group further acquired shares in a listed equity investment, vLink, at a total cost of HK$51,318,000 (note 23(a)). The entire interests in vLink were then subsequently disposed of. An unlisted equity investment, Autopower, including related advances, was also disposed of during the year. The total consideration received from the disposals was HK$25,042,000, which resulted in an aggregated loss on disposal of HK$43,409,000.

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19. Other Investments and Related Advances (continued)

In addition, due to the unsatisfactory business development of the Group's other investments as at 31 March 2002 (the "Investments") and the decision of the Group not to provide financial support to the Investments, the directors are of the opinion that the carrying amounts of the Investments will not be recovered. Accordingly, the Group fully wrote off the carrying amounts of the Investments, including related advances, amounted to HK$166,075,000 to the profit and loss account in the current year.

20. Properties Held for Sale

The properties held for sale of the Group and the Company are stated at their net realisable value as at the balance sheet date.

21. Finance Lease Payable

As at 31 March 2001, the future minimum lease payment under a finance lease was HK$458,000 and its present value was HK$375,000. During the year, the lease payable was fully settled in accordance with the leasing agreement.

22. Interest-Bearing Other Borrowings

	GROUP		COMPANY	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Other loans:				
Secured (note 26)	348,281	293,443	—	—
Unsecured	25,019	43,095	25,000	43,095
	373,300	336,538	25,000	43,095
Portion repayable within one year or on demand, classified as current liabilities	(373,300)	(43,095)	(25,000)	(43,095)
Non-current portion	—	293,443	—	—

22. Interest-Bearing Other Borrowings (continued)

The maturity terms of the above amounts are as follows:

	GROUP		COMPANY	
	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000
Repayable:				
Within one year or on demand	373,300	43,095	25,000	43,095
In the second year	—	293,443	—	—
	373,300	336,538	25,000	43,095

The secured other loans carry floating interest rates calculated by reference to the Hong Kong dollar prime rate. The interest rates thereon at the balance sheet date ranged from 7.13% to 10.13% per annum (2001: 10.00% to 13.00% per annum).

The unsecured other loans either carry fixed interest rates or floating interest rates calculated by reference to the Hong Kong dollar prime rate. The interest rates thereon at the balance sheet date ranged from 5.00% to 7.13% per annum (2001: 8.50% to 19.88% per annum). Mr. Wong Chun Hung, Vincent, a former director of the Company, has provided personal guarantees for the Group's other loans to the extent of approximately HK$20 million as at 31 March 2001.

As at 31 March 2001, the Group was in default of repayments of certain other loans totalling approximately HK$28 million. These loans were repayable on demand and, therefore, were classified as current liabilities. During the year, the overdue other loans of HK$28 million were fully settled.

As at 31 March 2002, a subsidiary of the Group had secured other loans totalling HK$348 million (the "Loan Payables"). Notice of demand for repayment of the Loan Payables was received from the corresponding financial creditor (the "Financial Creditor") subsequent to the balance sheet date. The Group is currently holding discussions with the Financial Creditor to settle the Loan Payables by means of applying loan receivables (the "Loan Receivables") from an associate of the Group (the "Associate", which is a 60%-owned subsidiary of the Financial Creditor) amounting to approximately HK$339 million (note 16) as at 31 March 2002 as the Group originally obtained the Loan Payables to finance the Loan Receivables.

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23. Share Capital

Shares

	Notes	COMPANY Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:			
Balance at beginning of year and at end of year		50,000,000,000	500,000
Issued and fully paid:			
Balance at beginning of year		20,527,334,747	205,273
Issue for acquisition of other investments	(a)	5,131,830,000	51,318
Reduction of capital	(b) (i)	—	(230,932)
Consolidation of shares	(b) (ii)	(23,093,248,273)	—
Placement of new shares	(c) and (d)	2,328,980,000	23,290
Balance at end of year		4,894,896,474	48,949

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

(a) Pursuant to a share exchange agreement dated 23 March 2001, 5,131,830,000 new ordinary shares at a price of HK$0.01 each were allotted and issued to vLink Global Limited ("vLink") in exchange for 171,061,000 new ordinary shares of vLink at a price of HK$0.30 per share on 10 May 2001.

23. Share Capital (continued)

Shares (continued)

(b) On 18 September 2001, a special general meeting was convened and the shareholders approved the capital reorganisation of the Company as follows:

(i) **Reduction of capital**

The par value of all issued shares of the Company was reduced from HK$0.01 per share to HK$0.001 per share (the "Reduced Shares"). The credit arising from such reduction was credited to the contributed surplus account of the Company.

(ii) **Consolidation of shares**

Every ten issued Reduced Shares of HK$0.001 each were consolidated into one ordinary share of HK$0.01.

(iii) **Share premium cancellation**

The share premium account of the Company was cancelled and the credit arising was credited to the contributed surplus account of the Company, which then was used to partially offset against the accumulated losses of the Company, based on the accumulated losses of the Company as at 31 March 2001.

(c) Pursuant to two placement agreements dated 17 December 2001, 513,180,000 and 1,000,000,000 new ordinary shares of HK$0.01 each were allotted and issued for cash to independent third parties at a price of HK$0.018 per share on 31 December 2001 and 28 January 2002, respectively. The proceeds were used to provide additional working capital of the Group.

(d) Pursuant to a placing agreement dated 13 March 2002, 815,800,000 new ordinary shares of HK$0.01 each were allotted and issued for cash to independent third parties at a price of HK$0.013 per share on 25 March 2002. The proceeds were used to provide additional working capital of the Group.

See note 30 for details of changes in the Company's share capital after the balance sheet date.

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23. 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 share options granted by the Company to employees of the Group during the year were as follows:

	Number of share options to subscribe for shares at an exercise price (subject to adjustment) per share of					
Exercise price						
At 1 April 2001	HK$0.177	HK$0.092	HK$0.062	HK$0.036	N/A	
After the consolidation of shares*	HK$1.770	N/A	N/A	HK$0.360	HK$0.100	Total
	'000	'000	'000	'000	'000	'000
Balance at beginning of year	34,000	130,000	80,000	120,000	—	364,000
Granted during the year (Note 1)	—	—	—	—	1,271,510	1,271,510
Adjustment due to the consolidation of shares*	(10,800)	—	—	(108,000)	(1,144,359)	(1,263,159)
Cancelled during the year (Note 2)						
Before the consolidation of shares	(22,000)	(130,000)	(80,000)	—	—	(232,000)
After the consolidation of shares	(1,200)	—	—	(12,000)	(73,717)	(86,917)
Balance at end of year	—	—	—	—	53,434	53,434
Exercise period	N/A	N/A	N/A	N/A	15-5-2001 to 14-5-2011	N/A

Notes:

(1) At a consideration of HK$1 per grantee.

(2) The options were cancelled after resignation from the Group by respective directors and employees.

* On 18 September 2001, every ten shares of the Company were consolidated into one share. Accordingly, every ten share options were consolidated into one share option and exercise prices were adjusted. Further details are set out in the section "Shares" above.

23. Share Capital (continued)

Share options (continued)

No share options were exercised during the year.

The exercise in full of the outstanding share options at the balance sheet date would, under the present capital structure of the Company, result in the issue of 53,434,000 additional ordinary shares of HK$0.01 each and cash proceeds of approximately HK$5,343,000 before related expenses.

Subsequent to the balance sheet date, in April and May 2002, all outstanding share options as at 31 March 2002 were cancelled after resignation from the Group by respective directors and employees.

Subsequent to the balance sheet date, in July 2002, 13,460,000 share options were granted to and exercised by an employee with an exercise price of HK$0.095 each.

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24. Reserves

GROUP

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Goodwill reserve HK$'000	Investment property revaluation reserve HK$'000	Other asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2000	1,217,973	1,038	123,294	(97,708)	—	(1,724)	(1,161)	(1,119,015)	122,697
Premium on shares issued upon exercise of share options	3,765	—	—	—	—	—	—	—	3,765
Premium on shares placed	88,353	—	—	—	—	—	—	—	88,353
Premium on shares issued for acquisition of other investments	32,400	—	—	—	—	—	—	—	32,400
Share issue expenses	(3,335)	—	—	—	—	—	—	—	(3,335)
Exchange realignments	—	—	—	—	—	—	24	—	24
Release upon reclassification of investment properties to properties held for sale	—	—	—	—	(15,228)	—	—	—	(15,228)
Release upon the disposal of subsidiaries	—	—	—	53,844	15,228	1,724	(3,393)	—	67,403
Release upon write-off of goodwill in respect of impairment in value of an investment in a subsidiary	—	—	—	43,864	—	—	—	—	43,864
Share of exchange fluctuation reserve of associates	—	—	—	—	—	—	(676)	—	(676)
Net loss for the year	—	—	—	—	—	—	—	(366,696)	(366,696)
Balance at 31 March 2001 and 1 April 2001	1,339,156	1,038	123,294	—	—	—	(5,206)	(1,485,711)	(27,429)

24. Reserves (continued)

GROUP (continued)

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Goodwill reserve HK$'000	Investment property revaluation reserve HK$'000	Other asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at the 1 April 2001	1,339,156	1,038	123,294	—	—	—	(5,206)	(1,485,711)	(27,429)
Capital reorganisation									
— Reduction of capital (note 23 (b)(i))	—	—	230,932	—	—	—	—	—	230,932
— Cancellation of share premium (note 23 (b)(iii))	(1,339,156)	—	1,339,156	—	—	—	—	—	—
— Offsetting against accumulated losses (note 23 (b)(iii))	—	—	(1,490,946)	—	—	—	—	1,490,946	—
Issuance of new shares	14,553	—	—	—	—	—	—	—	14,553
Share issuance expenses	(1,193)	—	—	—	—	—	—	—	(1,193)
Share of exchange fluctuation reserve of associates	—	—	—	—	—	—	(863)	—	(863)
Net loss for the year	—	—	—	—	—	—	—	(238,073)	(238,073)
Balance at 31 March 2002	13,360	1,038	202,436	—	—	—	(6,069)	(232,838)	(22,073)
Reserves retained by/ (accumulated in):									
Company and subsidiaries	13,360	1,038	202,436	—	—	—	—	(236,036)	(19,202)
Associates	—	—	—	—	—	—	(6,069)	3,198	(2,871)
Balance at 31 March 2002	13,360	1,038	202,436	—	—	—	(6,069)	(232,838)	(22,073)
Company and subsidiaries	1,339,156	1,038	123,294	—	—	—	—	(1,491,842)	(28,354)
Associates	—	—	—	—	—	—	(5,206)	6,131	925
Balance at 31 March 2001	1,339,156	1,038	123,294	—	—	—	(5,206)	(1,485,711)	(27,429)

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24. Reserves (continued)

COMPANY

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2000	1,217,973	1,038	123,294	(1,209,265)	133,040
Premium on shares issued upon exercise of share options	3,765	—	—	—	3,765
Premium on shares placed	88,353	—	—	—	88,353
Premium on shares issued for acquisition of other investments	32,400	—	—	—	32,400
Share issue expenses	(3,335)	—	—	—	(3,335)
Net loss for the year	—	—	—	(281,681)	(281,681)
Balance at 31 March 2001 and 1 April 2001	1,339,156	1,038	123,294	(1,490,946)	(27,458)
Capital reorganisation					
— Reduction of capital (note 23(b)(i))	—	—	230,932	—	230,932
— Cancellation of share premium (note 23(b)(iii))	(1,339,156)	—	1,339,156	—	—
— Offsetting against accumulated losses (note 23(b)(iii))	—	—	(1,490,946)	1,490,946	—
Issuance of new shares	14,553	—	—	—	14,553
Share issuance expenses	(1,193)	—	—	—	(1,193)
Net loss for the year	—	—	—	(226,356)	(226,356)
Balance at 31 March 2002	13,360	1,038	202,436	(226,356)	(9,522)

24. Reserves (continued)

COMPANY (continued)

As at 31 March 2002, the Company had no reserves available for distribution. Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account and capital redemption reserve may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is distributable to shareholders under certain circumstances, which the Company is currently unable to satisfy.

See note 30 for the changes to the Company's contributed surplus and share premium account subsequent to the balance sheet date.

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25. Notes to the Consolidated Cash Flow Statement

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

	2002 HK$'000	2001 HK$'000
Loss from operating activities	(206,123)	(308,931)
Depreciation	675	10,970
Loss on disposal of fixed assets	96	—
Write-off of fixed assets	1,904	—
Amortisation of deferred income	—	(1,214)
Interest income	(12,999)	(30,149)
Loan payable waived by a minority shareholder of a subsidiary	—	(21,000)
Loan payable waived by a financial creditor	(4,322)	—
Provisions against properties held for sale	—	47,257
Provision for compensation loss	—	15,000
Deposits forfeited	—	33,000
Unrealised losses of other investments	—	71,509
Write-off of other investments and related advances	166,075	—
Write-off of doubtful debts	—	2,250
Write-off of goodwill in respect of impairment in value of an investment in a subsidiary	—	43,864
Loss on disposal of listed other investments	43,409	—
Loss/(gain) on disposal of subsidiaries, net	(5,304)	21,941
Loss on foreclosure of the interest in an other investment	—	85,000
Write-off of investment securities	6,000	—
Development expenditure on properties under development	—	(6,971)
Increase in prepayment, deposits and other receivables	(38,020)	(32,994)
Decrease in inventories	—	1,441
Increase/(decrease) in other payables and accrued liabilities	(26,809)	34,322
Decrease in amounts due to directors	—	(5,150)
Net cash outflow from operating activities	(75,418)	(39,855)

25. Notes to the Consolidated Cash Flow Statement (continued)

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

	Issued capital (including share premium account) HK$'000	Bank loans, other loans and loan from a minority shareholder of a subsidiary HK$'000	Obligations under finance lease HK$'000
Balance at 1 April 2000	1,277,544	1,160,771	825
Disposal of subsidiaries	—	(924,171)	—
Non-cash transactions	109,812	29,369	—
Net cash inflow/(outflow) from financing activities	157,073	70,569	(450)
Balance at 31 March 2001 and 1 April 2001	1,544,429	336,538	375
Disposal of subsidiaries	—	(29,500)	—
Non-cash transactions	51,318	31,516	—
Capital reorganisation			
— Reduction of capital (note 23(b)(i))	(230,932)	—	—
— Cancellation of share premium (note 23(b)(iii))	(1,339,156)	—	—
Net cash inflow/(outflow) from financing activities	36,650	34,746	(375)
Balance at 31 March 2002	62,309	373,300	—

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25. Notes to the Consolidated Cash Flow Statement (continued)

(c) Acquisition of subsidiary

	2002 HK$'000	2001 HK$'000
Net assets acquired — fixed assets	850	—
Satisfied by:		
Cash	850	—

The subsidiary acquired during the year has had no significant impact in respect of the Group's consolidated cash flows, turnover or loss after tax for the year.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	2002 HK$'000	2001 HK$'000
Cash consideration and net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary	850	—

25. Notes to the Consolidated Cash Flow Statement (continued)

(d) Disposal of subsidiaries

	2002 HK$'000	2001 HK$'000
Fixed assets	—	704,657
Properties under development	—	844,955
Loan receivable	—	99,835
Properties held for sale	50,000	78,744
Inventories	—	6,382
Trade receivables, prepayments, deposits and other receivables	759	121,384
Pledged bank deposits	—	16,648
Cash and bank balances	—	160
Trade payables, other payables and accrued liabilities	(10,667)	(613,179)
Deposits received	—	(119,695)
Tax payable	—	(125,417)
Amount due to a related company	—	(67)
Amount due to a minority shareholder of a subsidiary	—	(60,600)
Interest-bearing bank and other borrowings	(29,500)	(984,069)
Amounts due to group companies	(53,534)	(343,612)
Net deficiency in assets disposed of	(42,942)	(373,874)
Amounts due from subsidiaries disposed of	53,534	343,612
Release of reserves upon disposal:		
Goodwill reserve	—	53,844
Other asset revaluation reserve	—	1,724
Investment properties revaluation reserve	—	15,228
Exchange fluctuation reserve	—	(3,393)
Gain/(loss) on disposal of subsidiaries, net	5,304	(21,941)
Consideration	15,896	15,200

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25. Notes to the Consolidated Cash Flow Statement (continued)

(d) Disposal of subsidiaries (continued)

	2002 HK$'000	2001 HK$'000
Satisfied by:		
Cash	15,896	9,800
Properties held for sale	—	5,400
	15,896	15,200

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2002 HK$'000	2001 HK$'000
Cash and bank balances disposed of	—	(160)
Bank overdrafts disposed of	—	59,898
Cash consideration	15,896	9,800
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	15,896	69,538

During the year, the disposed subsidiaries contributed HK$475,000 to the Group's net operating cash outflows and paid HK$478,000 in respect of tax.

In the prior year, the disposed subsidiaries contributed HK$1,144,000 to the Group's net operating cash outflow, paid HK$25,257,000 in respect of the net returns on investments and servicing of finance, and utilised HK$2,154,000 and raised HK$22,474,000 for investing activities and financing activities, respectively.

The subsidiaries disposed of during the year contributed HK$5,035,000 (2001: HK$26,853,000) to the Group's turnover and a profit of HK$3,483,000 (2001: a loss of HK$23,827,000) to the Group's loss before tax.

25. Notes to the Consolidated Cash Flow Statement (continued)

(e) Major non-cash transactions

(i) During the year, the Group obtained further other loans of HK$29,615,000 (2001: HK$27,150,000) to finance an equivalent amount of the loans to an associate. The loans were directly advanced from the lender to the associate.

In addition to the above, the Group also accrued a total of HK$25,223,000 (2001: HK$28,219,000) interest expenses for the year for other loans and HK$12,517,000 (2001: HK$19,625,000) interest income for the year for the loans to an associate. These amounts were included in the respective loan accounts.

(ii) During the year, 5,131,830,000 new ordinary shares of the Company were issued at a total consideration of approximately HK$51,318,000 as purchase consideration to acquire certain other investments, vLink (note 23(a)).

(iii) During the year, a financial creditor accepted an assignment of a deposit of the Group amounting to HK$15,000,000 for the settlement of other loans with the same amount that the Group owed. In addition, another financial creditor of the Group accepted an assignment of another deposit of the Group amounting to HK$4,000,000 for the settlement in full for amounts due to it of HK$8,322,000 and resulting in a gain of HK$4,322,000 to the Group.

26. Pledges of Assets

The secured other loans of the Group at the balance sheet date were secured by way of a first legal charge over the shares in an associate together with the assignment and transfer of all dividends or any other distributions deriving therefrom.

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27. Operating Lease Arrangements

(a) As lessor

The Group leased its properties held for sale under operating lease arrangement, with lease negotiated for a term of five years. The terms of the lease generally also required the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2002, the Group did not have any future minimum lease receivables under non-cancellable operating leases, as the relevant properties held for sale were disposed of as part of the disposal of a subsidiary by the Group during the year.

At 31 March 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due within one year of HK$10,424,528.

(b) As lessee

The Group leases certain of its office properties and under operating lease arrangements. Leases for properties are negotiated for terms of three years.

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

	GROUP	
	2002 HK$'000	2001 HK$'000 (Restated)
Within one year	605	2,025
In the second to fifth years, inclusive	1,108	2,868
	1,713	4,893

At the balance sheet date, the Company did not have any operating lease arrangements.

27. Operating Lease Arrangements (continued)

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

28. Contingent Liabilities

(a) In a prior year, the Company received a writ of summons from a contractor (the "Plaintiff"), for a sum of HK$124 million claiming for alleged substandard mechanical and electrical installation work completed by the Plaintiff and the supply of project management services under two head contracts in connection with a property development project in Guangzhou, the PRC. The subject head contracts were entered into between the Plaintiff and Guangzhou Dong-Jun Real Estate Interest Company Limited ("GZ Dong Jun", a then indirect wholly-owned subsidiary of the Company) but the Plaintiff claimed directly against the Company in reliance on two guarantee letters allegedly given by the Company in favour of the Plaintiff.

The Hong Kong High Court ordered that all proceedings be stayed and the case was passed to Fushan, the PRC, for arbitration as this case was under its jurisdiction. The case was finalised on 30 November 1999 and the Fushan Arbitration Committee decided that GZ Dong Jun should pay the Plaintiff HK$12 million together with interest from 30 December 1999 until the date of actual payment at the interest rate of 0.04% per day to settle the outstanding construction costs (the "Decision").

In May 2000, GZ Dong Jun appealed to the Guangdong Fushan City Intermediate People's Court (the "Fushan Intermediate Court") in respect of the Decision, which appeal was rejected by the Fushan Intermediate Court.

On 31 July 2000, GZ Dong Jun was disposed of by the Group. Pursuant to a deed of indemnity dated 31 July 2000, Mr. Peng Xiongfa ("Mr. Peng", a then director of the Company) indemnified the Company for all damages, losses and liabilities arising from these proceedings.

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28. Contingent Liabilities (continued)

(a) (continued)

On 10 January 2001, GZ Dong Jun appealed the decision of the Fushan Intermediate Court to the Guangdong Province Higher People's Court (the "GD Higher Court").

On 3 April 2001, GZ Dong Jun also filed a separate application to the Guangzhou City Intermediate People's Court (the "GZ Intermediate Court") requesting for the termination of the execution of the Decision.

In July 2001, the GZ Intermediate Court decided that the enforcement of the Decision was disallowed due to the improper procedure of the Fushan Arbitration Committee.

On 22 March 2001, the Plaintiff issued a summons to uplift the stay of proceedings imposed by the Hong Kong High Court.

On 28 September 2001, the above-mentioned stay of proceedings was removed according to an order of the Hong Kong High Court (the "Order").

On 9 January 2002, the Plaintiff obtained a default judgement of HK$12,004,800 plus interest (the "Default Judgement") issued by the Hong Kong High Court. By another order of the Hong Kong High Court dated 15 April 2002, the Default Judgement was set aside.

Based on advice of the Group's legal adviser, the directors are of the opinion that no provision for contingent liabilities is required as the Company has a reasonable chance in defending the Plaintiff's claim and the contingent liabilities arising therefrom, if any, are indemnified by Mr. Peng in any event.

(b) In February 2001, China United Holdings Limited ("China United", one of the Company's substantial shareholders as at 31 March 2001) filed a writ against the Company, certain subsidiaries of the Company (the "Subsidiaries"), a purchaser, and, certain ex-directors of the Company, in connection with a proposed disposal of a then subsidiary of the Group (the "Proposed Disposal") and placements of 3,421,200,000 shares of the Company to third parties in the prior year. It was alleged that the share placement was in breach of the directors' fiduciary duties to the Company and that the Proposed Disposal was unlawful.

In June and July 2001, China United discontinued the above proceedings against certain ex-directors of the Company, certain Subsidiaries and the purchaser.

28. Contingent Liabilities (continued)

(b) (continued)

The directors are of the opinion, based on advice from the Group's legal adviser, China United's claim is a derivative action and the Company is only a necessary party to the claim, and no provision for contingent liabilities is required in respect of this action.

(c) In August 2000, the Group entered into a sale and purchase agreement (the "S&P Agreement") with two wholly-owned subsidiaries of China United (collectively the "Vendors") for the acquisition of the entire issued share capital and shareholder's loan of East Champion Limited ("East Champion") for a total cash consideration of HK$99 million (the "Acquisition"). An initial purchase deposit of HK$33 million (the "Deposit") was paid to the Vendors in the prior year.

East Champion is a property holding company, which owns the basement of the China United Centre in Hong Kong. The completion of the Acquisition did not take place because in the opinion of the then directors, the Vendors failed to satisfy certain conditions precedent on or before 5 February 2001. The Group filed a writ against the Vendors on 6 February 2001, claiming against the Vendors for the breach of the S&P Agreement and demanding the refund of the Deposit. According to the lawyer of the Vendors, it was averred that the Vendors were entitled to the forfeiture of the Deposit and to sue for damages or the Vendors could demand specific performance by the Group. A provision of HK$36.5 million was made in the prior year in respect of this claim.

The Group received a letter from the lawyer of the Vendors dated 4 September 2001 (the "Settlement Letter") offering an option to the Group to settle the above dispute by paying HK$4.75 million to the Vendors within seven days from the date of the Settlement Letter.

As at the date of the approval of these financial statements, no agreement has been entered into between the Group and the Vendors. The directors are of the opinion, based on advice from the Group's legal adviser, that no additional provision has been made for the current year.

(d) Pursuant to the shareholders' agreements of certain other investments, the Group has agreed to provide corporate guarantees to secure certain investees' borrowing facilities as and when required. As at 31 March 2002 and the date of the approval of these financial statements, no borrowings have been drawn by the respective investees.

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29. Related Party Transactions

The Group had the following material transactions with related parties during the year:

(i) Interest income from an associate of the Group of HK$12,517,000 (2001: HK$19,625,000) arose from certain loans to the associate. Details of the loans to the associate at the balance sheet date are included in note 16 to the financial statements.

(ii) On 23 March 2001, the Company entered into two share exchange agreements with vLink Global Limited ("vLink"), an independent third party listed in Hong Kong. Pursuant to the share exchange agreements, the Company agreed (i) to issue 3,421,220,000 new ordinary shares of the Company at a price of HK$0.01 each in exchange for 42,765,250 new ordinary shares of vLink at a price of HK$0.80 each (the "First Share Exchange"); and (ii) to issue 5,131,830,000 new ordinary shares of the Company at a price of HK$0.01 each in exchange for 171,061,000 new ordinary shares of vLink at a price of HK$0.30 each (the "Second Share Exchange"). On the same date, a wholly-owned subsidiary of vLink (the "Related Creditor") granted a loan facility to the extent of HK$29.5 million to the Group (the "First Facility").

The First Share Exchange was completed on 28 March 2001 and accordingly, vLink became one of the Company's substantial shareholders on the same date. The Second Share Exchange was completed on 10 May 2001.

In addition to the First Facility, the Related Creditor further granted two loan facilities to the Group during the year. During the year, pursuant to these facilities, the Group drew down an aggregated amount of HK$49.5 million from the Related Creditor (the "Loans"). The Loans were unsecured (except for a loan of HK$29.5 million which was secured by the Group's entire interest in a subsidiary, certain properties held for sale and an other investment), bore interest at Hong Kong dollar prime rate plus 4% to 5% per annum and were fully settled during the year. The related interest expenses amounted to HK$2,934,000 for the year (2001: Nil).

30. Post Balance Sheet Events

Subsequent to the balance sheet date, there were the following significant events of the Group, not disclosed elsewhere in the financial statements:

(i) On 24 May 2002, a special general meeting was convened and the shareholders approved the capital reorganisation of the Company as follows:

(a) **Reduction of capital**

The par value of all issued shares of the Company was reduced from HK$0.01 per share to HK$0.00025 per share (the "Share"). The credit arising from such reduction was credited to the contributed surplus account of the Company.

(b) **Consolidation of shares**

Every forty issued Shares of HK$0.00025 each were consolidated into one ordinary share of HK$0.01 (the "Consolidated Share").

(c) **Rights issue with bonus issue**

1,223,724,110 ordinary shares (the "Rights Shares") were issued at a price of HK$0.084 each (being a premium of HK$0.074 per share) based on ten Rights Shares for every Consolidated Share with total cash proceeds of approximately HK$100 million, net of expenses (the "Rights Issue"); and

244,744,822 warrants (the "Warrants") were issued in the proportion of one warrant for every five Rights Shares, which entitle the holders thereof to subscribe 244,744,822 Consolidated Shares in cash in aggregate up to HK$22,027,034 at an initial subscription price of HK$0.09 per Consolidated Share, subject to adjustment, and exercisable from 25 June 2002 to 30 June 2003, both dates inclusive.

The reduction of capital and the consolidation of share were effective from 24 May 2002. The Rights issue with bonus issue was completed in June 2002.

(ii) The Company further acquired certain listed equity investment securities and certain unlisted held-to-maturity securities with total cost of approximately HK$53 million and HK$9 million, respectively.

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31. Approval of the Financial Statements

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