

Notes to the Financial Statements

For the year ended 31st March, 2002

1. GENERAL

The Company is incorporated in Hong Kong 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 principal activities of its major subsidiaries and associates are set out in notes 51 and 52, respectively.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAP”s) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs 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 SSAPs has resulted in the following major changes to the Group’s accounting policies that have affected the amounts and disclosures reported for the current and prior years.

Goodwill

In adopting SSAP 30 “Business Combinations”, the Group has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 has been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 has been recognised retrospectively. The effect of these adjustments is summarised in note 4. Following restatement, goodwill is presented as an asset in the balance sheet and amortised over its estimated useful life of not more than twenty years. Negative goodwill is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Notes to the Financial Statements

For the year ended 31st March, 2002

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

Leases

The adoption of SSAP 14 (Revised) "Leases" has not had any material effect on the results for the current or prior periods. Disclosures for the Group's leasing arrangements however have been modified so as to comply with the requirement of SSAP 14 (Revised).

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment property and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

Where the Group controls more than half of the voting power or controls the composition of its board of directors or equivalent governing body of a subsidiary, the financial statements of that subsidiary are consolidated. Where the Group holds more than half of the issued share capital of a subsidiary, but does not control the composition of the board of directors or equivalent governing body, the financial statements of that subsidiary are not consolidated because to do so would be misleading. Where the Group is in a position to exercise significant influence, such investments are dealt with as associates. Otherwise, they are dealt with as investments in securities and are stated at the amounts at which it would have been included under the equity method of accounting at the date on which the Group ceases to have significant influence.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill and negative goodwill

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

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life of not more than twenty years. 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 as a separate intangible asset.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

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

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and negative goodwill (continued)

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

Property, plant and equipment

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

Depreciation and amortisation are provided to write off the cost of assets over their estimated useful lives and after taking into account the estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over 50 years or the unexpired term of the relevant lease, whichever is shorter
Buildings	Over the estimated useful life of 25 years or the unexpired term of the relevant lease, whichever is shorter
Leasehold improvements	Over the unexpired term of the relevant lease
Fish ponds	Over the estimated useful life of 4 years or the unexpired term of the relevant lease, whichever is shorter
Motor vessels and equipment	10% – 20%
Furniture, fixtures and equipment	20% – 33 $\frac{1}{3}$ %
Plant and machinery	20%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the valuation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the 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.

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

No depreciation and amortisation are provided on investment properties except where unexpired terms of the relevant lease is 20 years or less.

Investments in subsidiaries

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

Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interest in an associate is stated at the Group's share of the net assets of its associate plus unamortised goodwill (negative goodwill) arising on acquisition, less any identified impairment loss.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in reserves, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Other assets

Other assets are stated at cost less any impairment losses recognised.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment *(continued)*

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expenses are recognised for tax purposes 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.

Revenue recognition

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

Revenue from sale of newspapers and other publications is recognised when the products are delivered and title has passed to distributors or dealers and the Group retains no significant obligation. Allowances for estimated future returns and exchanges are recorded in the period in which the related revenue is recognised.

Advertising income is recognised on the publication date.

Income from provision of printing services is recognised when the services are rendered.

Income from provision of internet content and website operations services is recognised when the services are rendered.

Sales of other investments are recognised when legally binding contracts are executed.

Rental income under operating leases is recognised on a straight-line basis over the period of the relevant lease.

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

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

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries or associates which are denominated in foreign currencies are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

4. PRIOR PERIOD ADJUSTMENTS

The financial effect of the adoption of the new and revised accounting policies described in note 2 is summarised below:

	Balance at 1st April, 2001		Balance at 1st April, 2000	
	Deficit	(Goodwill) capital reserve	Retained profits (deficit)	(Goodwill) capital reserve
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As originally stated	(10,254)	(79,116)	46,681	(79,051)
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation	(84,638)	84,638	(84,573)	84,573
Restatement of negative goodwill held in reserves with retrospective release to income	5,522	(5,522)	5,522	(5,522)
	(79,116)	79,116	(79,051)	79,051
As restated	(89,370)	—	(32,370)	—

Notes to the Financial Statements

For the year ended 31st March, 2002

4. PRIOR PERIOD ADJUSTMENTS (continued)

The effect of these changes in accounting policies on the results for the current and prior year is as follows:

	2002 HK\$'000	2001 HK\$'000
Increase in loss attributable to shareholders for the year as a result of:		
Impairment loss of goodwill	(13,022)	(65)
Amortisation of goodwill	(2,463)	—
	<u>(15,485)</u>	<u>(65)</u>

5. TURNOVER

Turnover for the year comprises:

	2002 HK\$'000	2001 HK\$'000
Apparel trading	159,520	138,725
Marine product trading	93,770	100,411
Sales of newspapers and publications	196,089	82,550
Advertising income	117,148	54,490
Printing income	19,013	15,852
Management fee income	3,642	—
Interest income on loans receivable	272	3,001
Rental income	265	644
Service income from internet content and website operations	—	2,137
	<u>589,719</u>	<u>397,810</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

6. DISCONTINUED OPERATIONS

In September 2000, the Group disposed of 50% equity interest in eDaily Group Limited ("eDaily"). eDaily and its subsidiaries were principally engaged in internet content and website operations. The turnover and loss from operations of eDaily and its subsidiaries attributable to the Group in 2001 were amounted to approximately HK\$2,137,000 and HK\$10,923,000 respectively. Subsequent to that, the Group discontinued its internet content and website operations.

7. OTHER OPERATING INCOME

Other operating income for the year includes the following items:

	2002 HK\$'000	2001 HK\$'000
Compensation received from government for closure of fishfarms	1,110	—
Interest received on advances to third parties	7	7,472
Interest received on bank deposits	1,993	2,613
Publishing service income	5,004	4,594
Royalty income	3,054	1,413
	<u>11,168</u>	<u>16,092</u>

8. OTHER OPERATING EXPENSES

	2002 HK\$'000	2001 HK\$'000
Allowance for doubtful loans receivable	(5,206)	—
Allowance for doubtful trade debts	(2,202)	—
Amortisation of intangible assets	(910)	—
Amortisation of publishing library	(1,580)	—
Deficit arising on revaluation of an investment property	—	(494)
Write off of a deposit	—	(120)
	<u>(9,898)</u>	<u>(614)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

9. IMPAIRMENT LOSSES OF ASSETS RECOGNISED

	2002 HK\$'000	2001 HK\$'000 (restated)
Impairment losses recognised in respect of:		
Goodwill	(704)	(65)
Intangible assets	(10,090)	—
Publishing library	(9,350)	—
Other assets	(565)	—
	<u>(20,709)</u>	<u>(65)</u>

10. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	1,132	1,277
Depreciation and amortisation		
– owned assets	25,328	20,882
– assets held under finance leases	64	10
Loss on disposal of property, plant and equipment	869	212
Loss on disposal of an investment property	185	—
Operating lease rentals in respects of rented premises	25,101	20,505
Staff costs, including directors' emoluments	199,648	95,326
and after crediting:		
Net foreign exchange gain	327	161
Rental income, net of outgoings of approximately HK\$22,000 (2001: HK\$86,000)	243	558
	<u>243</u>	<u>558</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

11. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

(i) Information regarding directors' and employee's emoluments

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Directors' emoluments:		
Directors' fees		
– Executive	200	200
– Independent non-executive	183	200
	383	400
Other emoluments to executive directors	—	—
Total emoluments	<u>383</u>	<u>400</u>

Employees' emoluments:

Of the five individuals with the highest emoluments in the Group, none of them were directors of the Company for both years. The emoluments of the five highest paid individuals for both years were as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Salaries and other benefits	<u>6,426</u>	<u>4,041</u>

Their emoluments are within the following bands:

	Number of employees	
	2002	2001
Nil – HK\$1,000,000	2	5
HK\$1,000,001 – HK\$1,500,000	2	—
HK\$1,500,001 – HK\$2,000,000	1	—
	<u>5</u>	<u>5</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

11. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (continued)

(ii) Retirement benefit scheme contributions

	2002	2001
	HK\$'000	HK\$'000
Retirement benefit scheme contributions to the Group's defined contribution schemes	2,119	1,037
Less: Forfeited contributions	(914)	(1,128)
	1,205	(91)
Contributions to mandatory provident fund scheme ("MPF Scheme")	7,867	1,515
Amount charged to income statement	9,072	1,424

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and the MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme.

The retirement benefit cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes 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 date, there were no forfeited contributions which arose upon employees leaving the retirement benefit schemes and which are available to reduce the contributions payable in the future years.

Notes to the Financial Statements

For the year ended 31st March, 2002

12. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank borrowings	(1,902)	(3,123)
Finance leases	(22)	(1)
Other borrowings wholly repayable within five years	(461)	(940)
Convertible redeemable loan notes	—	(4,063)
	<u>(2,385)</u>	<u>(8,127)</u>

13. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Profits tax for the year arising in		
Hong Kong	(136)	(25)
Other regions in the People's Republic of China ("PRC")	(25)	(61)
Overprovision of Hong Kong Profits Tax in prior years	92	—
	<u>(69)</u>	<u>(86)</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant jurisdiction.

Details of the net potential deferred taxation asset not recognised are set out in note 34.

Revaluation of the Group's investment property and other securities does not constitute a timing difference for taxation purposes as any profit or loss realised on disposal of the property and other securities would not be subject to taxation.

Notes to the Financial Statements

For the year ended 31st March, 2002

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK\$120,315,000 (2001: restated loss of HK\$57,000,000) and on the 589,257,804 (2001: weighted average of 582,964,215) shares in issue.

No disclosure of diluted loss per share has been presented for 2002 as there were no dilutive potential ordinary shares in issue in the year.

No disclosure of diluted loss per share was presented for 2001 as the exercise of the convertible loan notes did not have dilutive effect on the loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Fish ponds HK\$'000	Motor vessels and equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP								
COST								
At 1st April, 2001	7,000	32,403	1,220	297	16,341	115,848	3,164	176,273
Additions	—	5,500	25	—	9,636	13,554	805	29,520
Disposals	—	(2,396)	—	—	(2,731)	(4,620)	(573)	(10,320)
At 31st March, 2002	7,000	35,507	1,245	297	23,246	124,782	3,396	195,473
DEPRECIATION AND AMORTISATION								
At 1st April, 2001	199	27,651	976	297	10,033	43,236	1,367	83,759
Provided for the year	218	4,507	108	—	3,752	16,257	550	25,392
Eliminated on disposals	—	(1,948)	—	—	(2,628)	(3,019)	(573)	(8,168)
At 31st March, 2002	417	30,210	1,084	297	11,157	56,474	1,344	100,983
NET BOOK VALUES								
At 31st March, 2002	6,583	5,297	161	—	12,089	68,308	2,052	94,490
At 31st March, 2001	6,801	4,752	244	—	6,308	72,612	1,797	92,514

The leasehold land and buildings held by the Group are situated in Hong Kong and are held under long leases.

Notes to the Financial Statements

For the year ended 31st March, 2002

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The net book value of the Group's property, plant and equipment includes an amount of approximately HK\$468,000 (2001: HK\$283,000) in respect of assets held under finance leases.

	Furniture, fixtures and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
At 1st April, 2001	1,663
Disposals	(1,663)
At 31st March, 2002	<u>—</u>
DEPRECIATION	
At 1st April, 2001	1,663
Eliminated on disposals	(1,663)
At 31st March, 2002	<u>—</u>
NET BOOK VALUES	
At 31st March, 2002	<u><u>—</u></u>
At 31st March, 2001	<u><u>—</u></u>

Notes to the Financial Statements

For the year ended 31st March, 2002

16. INVESTMENT PROPERTY

	THE GROUP
	<i>HK\$'000</i>
VALUATION	
At 1st April, 2001	4,900
Disposal	<u>(4,900)</u>
At 31st March, 2002	<u>—</u>

The investment property was situated in the PRC and held under a long lease and was held for rental under an operating lease prior to the disposal.

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	28,236	28,236
Less: Impairment loss recognised	(28,236)	(28,236)
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

Particulars of the Company's major subsidiaries at 31st March, 2002 are set out in note 51.

Notes to the Financial Statements

For the year ended 31st March, 2002

18. GOODWILL

	THE GROUP
	<i>HK\$'000</i>
COST	
At 1st April, 2001	84,638
Arising on acquisition of subsidiaries	<u>704</u>
At 31st March, 2002	<u>85,342</u>
AMORTISATION AND IMPAIRMENT	
At 1st April, 2001	84,638
Impairment loss recognised in the year	<u>704</u>
At 31st March, 2002	<u>85,342</u>
NET BOOK VALUE	
At 31st March, 2002	<u>—</u>
At 31st March, 2001	<u>—</u>

The amortisation period adopted for goodwill is ranged from 2 to 3 years.

The goodwill arising on acquisition of subsidiaries in prior years were fully amortised prior to 1st April, 2001. An impairment loss on goodwill arising on acquisition of subsidiaries during the year was identified and charged to the income statement as a result of an assessment of the future business performance of those subsidiaries by the directors.

Notes to the Financial Statements

For the year ended 31st March, 2002

19. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES AND AMOUNTS DUE TO UNCONSOLIDATED SUBSIDIARIES

	THE GROUP 2002 & 2001 HK\$'000	THE COMPANY 2002 & 2001 HK\$'000
Interests stated at carrying value	12,201	—
Unlisted shares, at cost	—	10,088
Less: Impairment loss recognised	(4,676)	(3,746)
	<u>7,525</u>	<u>6,342</u>
Amounts due to unconsolidated subsidiaries	<u>(7,525)</u>	<u>(6,342)</u>

Particulars of the unconsolidated subsidiaries at 31st March, 2002 are as follows:

Name of unconsolidated subsidiary	Place of registration and operation	Proportion of equity interests attributable to the Company
北京中太國際保稅發展有限公司 Beijing Capital Asia International Bonded Affairs Development Co., Ltd. ("Bonded Affairs")	PRC	70%
上海福達珠寶首飾有限公司 Shanghai Fu Da Jewellery Company Limited ("Fu Da")	PRC	57%

Notes to the Financial Statements

For the year ended 31st March, 2002

19. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES AND AMOUNTS DUE TO UNCONSOLIDATED SUBSIDIARIES (continued)

The Company has been unable to exercise its rights as a major shareholder of Bonded Affairs and Fu Da throughout the year. Accordingly, the Company has been unable either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of both Bonded Affairs and Fu Da. For this reason, the financial statements of Bonded Affairs and Fu Da have not been consolidated. Based on the latest information available to the directors, the respective principal activity of Bonded Affairs and Fu Da is general trading and jewellery subcontracting.

The directors, to their best knowledge, are satisfied that the Group has no material obligations or commitments either in respect of Bonded Affairs or Fu Da that require either adjustment to or disclosure in these financial statements.

The Group has been unable to obtain the financial information since the loss of effective control of Bonded Affairs and Fu Da.

20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net liabilities	—	—
Amounts due from associates	23,287	23,885
Less: Impairment loss recognised	(23,232)	(23,885)
	<hr/>	<hr/>
	55	—
Unamortised goodwill arising on acquisition	—	—
	<hr/>	<hr/>
	55	—
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31st March, 2002

20. INTERESTS IN ASSOCIATES (continued)

Details of the movements of goodwill during the year are as follows:

	THE GROUP
	<i>HK\$'000</i>
Cost	
Arising on acquisition of an associate and balance at 31st March, 2002	14,781
Amortisation and impairment	
Charge for the year	2,463
Impairment loss recognised in the year	12,318
At 31st March, 2002	14,781
Net book value	
At 31st March, 2002	—

The amortisation period adopted for goodwill is ranged from 2 to 3 years.

An impairment loss on goodwill was identified and charged to the income statement as a result of the directors' assessment of the business performance of an associate which is engaged in magazine publishing business on internet and suffers losses from operations, by reference to the projected future business performance, market and business conditions and other pertinent factors, as at 31st March, 2002.

Particulars of the Group's major associates at 31st March, 2002 are set out in note 52.

Notes to the Financial Statements

For the year ended 31st March, 2002

21. INVESTMENTS IN SECURITIES

	THE GROUP 2002 & 2001 <i>HK\$'000</i>	THE COMPANY 2002 & 2001 <i>HK\$'000</i>
Other securities:		
Unlisted equity securities	28,141	5,000
Investment fund	6,077	6,077
	<u>34,218</u>	<u>11,077</u>
Less: Impairment loss recognised	(34,218)	(11,077)
	<u>—</u>	<u>—</u>

22. INTANGIBLE ASSETS

	THE GROUP <i>HK\$'000</i>
COST	
Acquired during the year and balance at 31st March, 2002	<u>18,200</u>
AMORTISATION AND IMPAIRMENT	
Amortisation charged for the year	910
Impairment loss recognised in the year	10,090
At 31st March, 2002	<u>11,000</u>
NET BOOK VALUE	
At 31st March, 2002	<u>7,200</u>
At 31st March, 2001	<u>—</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

22. INTANGIBLE ASSETS (continued)

The intangible assets mainly represent the copyright, trademarks and intellectual rights attaching to the business of Eastweek Magazine and Oriental Sunday Magazine acquired during the year. The assets are amortised over a period of 10 years.

At 31st March, 2002, the Group has assessed the value of the intangible assets by reference to the market conditions, business environment and estimation of future return generated from those intangible assets at a discount rate of 15%, an impairment loss on intangible assets of approximately HK\$10,090,000 was identified and charged to the income statement for the year.

23. PUBLISHING LIBRARY

THE GROUP
HK\$'000

COST

Acquired during the year and balance at 31st March, 2002	31,600
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AMORTISATION AND IMPAIRMENT

Amortisation provided for the year	1,580
Impairment loss recognised in the year	9,350

At 31st March, 2002	10,930
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NET BOOK VALUE

At 31st March, 2002	20,670
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At 31st March, 2001	—
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Notes to the Financial Statements

For the year ended 31st March, 2002

23. PUBLISHING LIBRARY (continued)

The publishing library mainly comprises the past issues of Eastweek Magazine and Oriental Sunday Magazine and the related published and non-published negatives, prints and articles as well as reference books and materials, which were acquired as part of the acquisition of the business of Eastweek Magazine and Oriental Sunday Magazine. The publishing library is amortised over a period of 10 years.

At 31st March, 2002, impairment loss of approximately of HK\$9,350,000 was recognised and charged to the income statement for the year as a result of an assessment of the value of the publishing library by the Group by reference to the estimated selling price and replacement cost of those assets.

24. OTHER ASSETS

	Club registration debentures HK\$'000	Vehicle marks HK\$'000	Total HK\$'000
THE GROUP			
Balance at 1st April, 2001, at cost	1,520	190	1,710
Less: Impairment losses recognised in the year	(465)	(100)	(565)
Balance at 31st March, 2002	1,055	90	1,145
THE COMPANY			
Balance at 1st April, 2001, at cost	470	100	570
Disposed to a subsidiary	—	(100)	(100)
Balance at 31st March, 2002	470	—	470

During the year, impairment losses of approximately HK\$565,000 was recognised and charged to the income statement for the year by reference to the latest market price or estimated selling price of those assets.

Notes to the Financial Statements

For the year ended 31st March, 2002

25. INVENTORIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Apparel	54,211	48,832
Newsprint papers	3,397	3,105
Marine products	116	188
	<u>57,724</u>	<u>52,125</u>

Inventories of approximately HK\$15,346,000 (2001: HK\$4,527,000) included above are carried at net realisable value.

26. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 days to 180 days to its trade customers.

An aged analysis of trade receivables at the balance sheet date is set out as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 – 30 days	28,531	24,318
31– 90 days	27,563	13,222
91 – 180 days	14,438	4,466
Over 180 days	5,141	2,625
	<u>75,673</u>	<u>44,631</u>
Other receivables	11,617	13,806
	<u>87,290</u>	<u>58,437</u>

The Company did not have any trade receivables at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2002

27. TRADE AND OTHER PAYABLES

An aged analysis of trade payables at the balance sheet date is set out as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 – 90 days	47,985	27,040
91 – 180 days	6,393	5,455
Over 180 days	1,008	807
	<hr/>	<hr/>
	55,386	33,302
Other payables	28,883	29,393
	<hr/>	<hr/>
	84,269	62,695

The Company did not have any trade payables at the balance sheet date.

28. AMOUNT DUE TO A RELATED COMPANY

The balance represents an amount due to a subsidiary of Emperor International Holdings Limited ("EIHL"), a substantial shareholder of the Company.

The amount is unsecured, bears interest at 2% per annum over Hong Kong prime interest rate and has no fixed repayment terms.

Notes to the Financial Statements

For the year ended 31st March, 2002

29. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trust receipt loans	25,338	34,635	—	—
Bank overdrafts	2,486	567	14	305
Other bank borrowings	1,517	19,718	—	—
	<u>29,341</u>	<u>54,920</u>	<u>14</u>	<u>305</u>
Analysed as:				
Secured	10,374	25,226	—	—
Unsecured	18,967	29,694	14	305
	<u>29,341</u>	<u>54,920</u>	<u>14</u>	<u>305</u>

The borrowings bear interest at prevailing market rates and are repayable as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	29,341	53,403	14	305
In the second year	—	1,517	—	—
	<u>29,341</u>	<u>54,920</u>	<u>14</u>	<u>305</u>
Less: Amount due within one year shown under current liabilities	(29,341)	(53,403)	(14)	(305)
Amount due after one year shown as non-current liabilities	<u>—</u>	<u>1,517</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	176	102	142	86
In the second to fifth year inclusive	342	198	264	167
	<u>518</u>	<u>300</u>	<u>406</u>	<u>253</u>
Less: Future finance charges	(112)	(47)	—	—
Present value of lease obligations	<u>406</u>	<u>253</u>	<u>406</u>	<u>253</u>
Less: Amount due for settlement within one year			(142)	(86)
Amount due for settlement after one year			<u>264</u>	<u>167</u>

The lease term is ranged from 2 to 5 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Financial Statements

For the year ended 31st March, 2002

31. SHARE CAPITAL

The following changes in the authorised, issued and fully paid share capital of the Company took place during the two years ended 31st March, 2002:

	Number of shares of HK\$0.01 each	Value HK\$'000
<i>Authorised:</i>		
At 1st April, 2000, 31st March, 2001 and 31st March, 2002	<u>50,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At 1st April, 2000	504,177,804	5,042
Issue of shares as a result of subscription (<i>note</i>)	<u>85,080,000</u>	<u>851</u>
At 31st March, 2001 and 31st March, 2002	<u>589,257,804</u>	<u>5,893</u>

Note: Pursuant to a subscription agreement dated 24th February, 2000, on 28th April, 2000, 85,080,000 new shares in the Company were allotted and issued to Goldstream Group Limited ("Goldstream"), a substantial shareholder of the Company, at a price of HK\$0.66 per share pursuant to the approval of the independent shareholders (other than Goldstream and its associates) at an extraordinary general meeting held on the same date. The proceeds were used to invest and engage in the internet business, to acquire Amazing Growth Profits Limited and its subsidiaries, to acquire the Island Gold Developments Limited and its subsidiaries and for the working capital of the Group. The new shares rank pari passu with the then existing shares in all respects.

Notes to the Financial Statements

For the year ended 31st March, 2002

32. RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Investment property revaluation reserve HK\$'000	(Goodwill) capital reserve HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
THE GROUP						
Balance at						
1st April, 2000, as originally stated	273,976	1,263	406	(79,051)	46,681	243,275
Prior year adjustment (see note 4)	—	—	—	79,051	(79,051)	—
Balance at						
1st April, 2000, as restated	273,976	1,263	406	—	(32,370)	243,275
Share premium arising from issue of shares, net of expenses	55,261	—	—	—	—	55,261
Deficit arising from revaluation	—	—	(406)	—	—	(406)
Loss attributable to shareholders	—	—	—	—	(57,000)	(57,000)
Balance at						
31st March, 2001	329,237	1,263	—	—	(89,370)	241,130
Loss attributable to shareholders	—	—	—	—	(120,315)	(120,315)
Balance at						
31st March, 2002	329,237	1,263	—	—	(209,685)	120,815
<i>Attributable to:</i>						
The Company and its subsidiaries	329,237	1,263	—	—	(209,685)	120,815
Associates	—	—	—	—	—	—
	329,237	1,263	—	—	(209,685)	120,815

Notes to the Financial Statements

For the year ended 31st March, 2002

32. RESERVES (continued)

	Share premium HK\$'000	Special reserve HK\$'000	Retained deficit HK\$'000	Total HK\$'000
THE COMPANY				
Balance at 1st April, 2000	273,976	38,531	(68,539)	243,968
Share premium arising from issue of shares, net of expenses	55,261	—	—	55,261
Loss for the year	—	—	(118,701)	(118,701)
Transfer as required under the Order on Petition (see note (a) below)	—	4,808	(4,808)	—
Balance at 31st March, 2001	329,237	43,339	(192,048)	180,528
Loss for the year	—	—	(59,786)	(59,786)
Transfer as required under the Order on Petition (see note (a) below)	—	1,593	(1,593)	—
Balance at 31st March, 2002	<u>329,237</u>	<u>44,932</u>	<u>(253,427)</u>	<u>120,742</u>

Notes:

- (a) As part of a share capital reorganisation (the "Reorganisation") (details of which are set out in the circular dated 10th August, 1998), an order dated 2nd March, 1999 confirming the reduction of the capital of the Company (the "Order") was made by the High Court of the Hong Kong Special Administrative Region (the "Court") in connection with the reduction of the capital and of the share premium account of the Company pursuant to which the Company undertook to the Court that any sum received by the Company in respect of the investments or loans or transactions, as more fully described in the Order, whether by reasons of realisation or repayment or recovery of the whole or any part of such investments or loans or transactions or the payment of dividends or interest or otherwise howsoever, up to a maximum amount of HK\$497,509,863.52, would be credited to a special reserve in the accounting records of the Company and that for so long as there remained any debt or claim against the Company outstanding at the date when the reduction of capital and of the share premium account became effective which, if such date were the date of the commencement of the winding up of the Company, would have been admissible in proof against the Company and the persons entitled to the benefit thereof had not have agreed otherwise, such reserve:

Notes to the Financial Statements

For the year ended 31st March, 2002

32. RESERVES (continued)

Notes: (continued)

- (i) should not be treated as realised profits; and
- (ii) should, for so long as the Company remained a listed company, be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof.

It was also provided in the Order that, notwithstanding the above undertaking, the amount standing to the credit of the special reserve might be reduced by the aggregate of any increase in the issued share capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves after the reduction of capital and of the share premium account became effective.

Since the Reorganisation, the Company increased its issued share capital and share premium account by ways of rights issue and share placement for cash consideration. Details of such increases are as follows:

	HK\$
Increase in issued share capital	5,542,429.87
Increase in share premium account, net of expenses incurred	<u>206,985,947.62</u>
	<u><u>212,528,377.49</u></u>

Accordingly, based on legal opinion, the maximum amount of HK\$497,509,863.52 to be credited to the special reserve of the Company as required by the undertaking in the Order is reduced by HK\$212,528,377.49 to HK\$284,981,486.03. Up to 31st March, 2002, the Company credited HK\$44,932,189.13 (2001: HK\$43,338,809.61) to the special reserve, thus resulting in a further reduction of the maximum amount to be credited to the special reserve to HK\$240,049,296.90 (2001: HK\$241,642,676.42).

- (b) In the opinion of the directors, the Company did not have any reserves available for distribution to shareholders at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2002

33. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, bears interest at 2% per annum over Hong Kong prime interest rate and has no fixed repayment terms.

The amount advanced to the subsidiary by the minority shareholder is considered as part of its contribution, together with paid up capital, made to finance the operations of that subsidiary. The minority shareholder agreed that the advance can be used to make good its share of the losses incurred by that subsidiary to the extent of the amount advanced to that subsidiary.

34. UNRECOGNISED DEFERRED TAXATION

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax losses	120,453	116,806	9,554	9,957
Difference between depreciation allowance and accounting depreciation	(7,590)	(8,614)	25	29
Net potential deferred taxation asset	<u>112,863</u>	<u>108,192</u>	<u>9,579</u>	<u>9,986</u>

Of the potential deferred taxation asset mentioned above, the tax effect of tax losses amounting to approximately HK\$29,326,000 (2001: HK\$17,114,000) has not been agreed with the Inland Revenue Department.

The net potential deferred taxation asset has not been recognised in the financial statements as it is not certain that the deferred taxation asset will be crystallised in the foreseeable future.

Notes to the Financial Statements

For the year ended 31st March, 2002

34. UNRECOGNISED DEFERRED TAXATION (continued)

The major components of the net potential deferred taxation credit for the year not recognised in the financial statements are analysed as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:				
Tax losses:				
Arising upon acquisition of subsidiaries	—	77,967	—	—
Credit (charge) for the year	3,647	4,939	(403)	(2,145)
	3,647	82,906	(403)	(2,145)
Difference between depreciation allowance and accounting depreciation:				
Arising upon acquisition of subsidiaries	—	(10,948)	—	—
Credit (charge) for the year	1,024	2,113	(4)	53
	1,024	(8,835)	(4)	53
	4,671	74,071	(407)	(2,092)

Notes to the Financial Statements

For the year ended 31st March, 2002

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

	2002 HK\$'000	2001 HK\$'000 (restated)
Loss before taxation	(120,388)	(57,016)
Interest income	(2,000)	(10,085)
Interest expenses	2,385	8,127
Depreciation and amortisation	25,392	20,892
Amortisation of goodwill	2,463	—
Amortisation of intangible assets	910	—
Amortisation of publishing library	1,580	—
Impairment loss of goodwill	13,022	65
Impairment loss of intangible assets	10,090	—
Impairment loss of publishing library	9,350	—
Impairment loss of other assets	565	—
Impairment loss of other investments	—	4
Loss on disposal of property, plant and equipment	869	212
Loss on disposal of an investment property	185	—
Deficit arising from revaluation of an investment property	—	494
Write off of deposits	—	120
Gain on disposal of subsidiaries	—	(456)
Allowance for doubtful loans receivable	5,206	—
Allowance for doubtful trade debts	2,202	—
Allowance for doubtful recovery of amounts due from associates	—	8,669
Write back of allowance for doubtful recovery of amount due from an associate	(1,641)	—
Share of results of associates	164	658
Increase in inventories	(5,599)	(14,860)
(Increase) decrease in trade and other receivables	(30,763)	2,315
Decrease (increase) in loans receivable	23,155	(15,772)
Increase in trade and other payables	20,578	10,618
Increase in bills payable	2,490	609
Increase in amount due to a related company	29,869	2,611
Net cash outflow from operating activities	(9,916)	(42,795)

Notes to the Financial Statements

For the year ended 31st March, 2002

36. ACQUISITION OF SUBSIDIARIES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net (liabilities) assets acquired comprise:		
Property, plant and equipment	—	105,974
Intangible assets	—	250,000
Amounts due from associates	—	259
Interests in associates	—	(192)
Inventories	—	4,458
Trade and other receivables	292	36,816
Bank balances and cash	—	6,804
Trade and other payables	(996)	(35,205)
Amounts due to minority shareholders	—	(3,936)
Taxation payable	—	(3,191)
Deferred taxation	—	(370)
Obligations under finance leases	—	(11)
Trust receipt loans	—	(5,949)
Bank loans	—	(33,324)
Other loan	—	(46,000)
Bank overdraft	—	(23)
Minority interests	—	2,126
	(704)	278,236
Goodwill arising on acquisition	704	—
	—	278,236
Satisfied by:		
Cash	—	128,236
5% fixed interest convertible redeemable loan notes	—	150,000
	—	278,236

Notes to the Financial Statements

For the year ended 31st March, 2002

36. ACQUISITION OF SUBSIDIARIES (continued)

Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Cash consideration paid	—	(128,236)
Bank balances and cash acquired	—	6,804
Bank overdraft acquired	—	(23)
	<hr/>	<hr/>
	—	(121,455)
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries acquired in 2002 did not have any significant impact on the cash flows of the Group.

The subsidiaries acquired in 2001 utilised approximately HK\$9,132,000 of the Group's net operating cash flows, paid approximately HK\$3,554,000 in respect of the net returns on investments and servicing of finance, paid approximately HK\$4,718,000 for investing activities and raised approximately HK\$13,341,000 in respect of financing activities.

The subsidiaries acquired in 2001 contributed approximately HK\$152,892,000 to the Group's turnover, and approximately HK\$36,662,000 to the Group's loss from operations.

Notes to the Financial Statements

For the year ended 31st March, 2002

37. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 <i>HK\$'000</i>
Net assets disposed of comprise:		
Property, plant and equipment	—	7,863
Intangible assets	—	250,000
Interests in associates	—	35
Inventories	—	178
Trade and other receivables	—	5,260
Bank balances and cash	—	1,018
Trade and other payables	—	(4,867)
Deferred taxation	—	(370)
Amounts due to minority shareholders	—	(2,034)
Minority interests	—	111
	—	257,194
Gain on disposal	—	456
	—	257,650
	<u>—</u>	<u>257,650</u>
Satisfied by:		
Cash	—	255,485
Interests in associates reclassified	—	2,183
Other payable reclassified	—	(18)
	—	257,650
	<u>—</u>	<u>257,650</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

37. DISPOSAL OF SUBSIDIARIES (continued)

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries in 2001:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Cash consideration received	—	255,485
Bank balances and cash disposed of	—	(1,018)
	<hr/>	<hr/>
	—	254,467
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of in 2001 did not have any significant impact on the cash flows of the Group and contributed approximately HK\$2,137,000 to the Group's turnover, and approximately HK\$10,923,000 to the Group's loss from operations.

Notes to the Financial Statements

For the year ended 31st March, 2002

38. ACQUISITION OF A MAGAZINE PUBLISHING BUSINESS AND AN ASSOCIATE

In September, 2001, the Group acquired the magazine publishing business of being the proprietor and publisher of Eastweek Magazine and Oriental Sunday Magazine and 50% equity interest in Eastweek.com.hk Limited ("Eastweek.com") at a total consideration of approximately HK\$65 million, with HK\$50 million and HK\$15 million being allocated as the consideration for the business assets acquired, and the shares in Eastweek.com and the outstanding debts due to the vendor of Eastweek.com respectively.

The following summaries the effect of the acquisition:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	200
Intangible assets	18,200
Publishing library	31,600
Interest in an associate	219
	<hr/>
	50,219
Goodwill arising on acquisition	14,781
	<hr/>
	65,000
	<hr/> <hr/>
Satisfied by:	
Cash consideration paid	65,000
	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31st March, 2002

39. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Convertible capital redeemable and premium	loan notes	Trust receipt loans	Other bank borrowings	Other borrowings	Obligations under finance leases	Minority interests	Amount due to a minority shareholder
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st April, 2000	279,018	—	—	—	—	—	—	—
Proceeds from issue of shares	56,152	—	—	—	—	—	—	—
Expenses incurred on issue of shares	(40)	—	—	—	—	—	—	—
Arising from acquisition of subsidiaries	—	—	5,949	33,324	46,000	11	(2,126)	3,936
Inception of finance lease contracts	—	—	—	—	—	250	—	—
Raised during the year	—	150,000	78,161	—	—	—	—	150
Repayment during the year	—	(150,000)	(49,475)	(13,606)	(46,000)	(8)	—	—
Share of results by minority shareholders	—	—	—	—	—	—	(102)	—
Eliminated upon disposal of subsidiaries	—	—	—	—	—	—	111	(2,034)
Acquisition of shares of a subsidiary from a minority shareholder	—	—	—	—	—	—	65	—
Balance at 31st March, 2001	335,130	—	34,635	19,718	—	253	(2,052)	2,052
Inception of finance lease contracts	—	—	—	—	—	260	—	—
Interest accrued for the year	—	—	80,625	—	—	—	—	142
Repayment during the year	—	—	(89,922)	(18,201)	—	(107)	—	—
Share of results by minority shareholders	—	—	—	—	—	—	(142)	—
Balance at 31st March, 2002	335,130	—	25,338	1,517	—	406	(2,194)	2,194

40. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash	11,472	135,117
Bank overdrafts	(2,486)	(567)
	8,986	134,550

Notes to the Financial Statements

For the year ended 31st March, 2002

41. MAJOR NON-CASH TRANSACTIONS

The Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of approximately HK\$260,000 (2001: HK\$250,000).

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had entered into certain non-cancellable operating leases in respect of rented premises. The future minimum lease payments committed by the Group in respect of the leases fall due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	21,694	18,140
In the second to fifth year inclusive	8,193	11,359
	<u>29,887</u>	<u>29,499</u>

Leases are negotiated for a term ranged from 2 to 3 years.

The Group as lessor

Rental income earned from the investment property during the year was approximately HK\$265,000 (2001: HK\$644,000). The investment property was disposed of during the year.

At 31st March, 2001, the Group had contracted with the tenant for the future minimum lease payments amounting to HK\$265,000 which fall due within one year.

The Company had no significant operating lease commitments as lessee or lessor at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2002

43. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure, contracted for but not provided in the financial statements in respect of:		
– acquisition of properties in Malaysia (<i>note</i>)	105,281	105,281
– acquisition of property, plant and equipment	495	955
	<u>105,776</u>	<u>106,236</u>
Capital expenditure, authorised but not contracted for in respect of acquisition of property, plant and equipment	—	5,196
	<u>—</u>	<u>5,196</u>

Note: In the opinion of the directors of the Company, no demand for payments of these amounts will be made by the counterparties in the coming year as the counterparties failed to complete the construction work.

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

44. OTHER COMMITMENTS

At the balance sheet date, the Group had entered into certain licensing arrangements. The future minimum licensing payments committed by the Group in respect of the arrangement are as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	4,706	4,585
In the second to fifth year inclusive	8,944	14,286
	<u>13,650</u>	<u>18,871</u>

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

Notes to the Financial Statements

For the year ended 31st March, 2002

45. CONTINGENT LIABILITIES

	2002		2001	
	Guarantees given <i>HK\$'000</i>	Amount utilised <i>HK\$'000</i>	Guarantees given <i>HK\$'000</i>	Amount utilised <i>HK\$'000</i>
THE COMPANY				
Guarantees given to banks in respect of credit facilities granted to subsidiaries	72,500	27,661	69,500	36,210
Guarantees given to a customer in favour of a subsidiary	1,125	—	—	—
	<u>73,625</u>	<u>27,661</u>	<u>69,500</u>	<u>36,210</u>

The Company provided a guarantee to a third party for a subsidiary under a licence agreement entered into between the subsidiary and that party for the payment of future minimum licence fees amounting to approximately HK\$2,803,000 (2001: HK\$4,453,000) as at 31st March, 2002.

The Company also provided a guarantee to another third party for the future rental payment by a subsidiary amounting to approximately HK\$1,843,000 (2001: HK\$3,493,000) as at 31st March, 2002.

Certain subsidiaries of the Company were involved in legal proceedings or claims against them in the ordinary course of their business activities. In the opinion of the directors of the Company, resolution of such litigation and claims will not have a material adverse effect on the Group's financial position and accordingly no provision for any potential liability in the Group's financial statements is considered necessary.

The Group had no significant contingent liabilities at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2002

46. LONG SERVICE PAYMENTS

The Group has a number of employees who have completed the required number of years of service to be eligible for long service payments on termination of their employment under the Employment Ordinance (the “Ordinance”). The Group is only liable to make these payments if termination of employment meets the circumstances which are specified in the Ordinance. Had employment of all eligible employees been terminated on 31st March, 2002 and long service payments were paid in accordance with the Ordinance, the amount payable would be approximately HK\$2,580,000 (2001: HK\$2,584,000). However, in the opinion of the directors, under current circumstance and plans, no payment will be made in the foreseeable future. Therefore, no provision has been made in the financial statements in respect of these long service payments.

47. PLEDGE OF ASSETS

At 31st March, 2002, the Group’s borrowings were secured by the leasehold land and buildings with carrying value of approximately HK\$7 million (2001: HK\$7 million) and bank deposits of approximately HK\$5 million (2001: HK\$3 million).

48. POST BALANCE SHEET EVENTS

On 10th June, 2002, the Company entered into an agreement (the “Island Gold Agreement”) with EIHL pursuant to which the Company agreed to dispose of the entire issued share capital of Island Gold Developments Limited and its subsidiaries (the “Island Gold Group”) at a cash consideration equivalent to the face value of the loan outstanding from the Island Gold Group to the Company after netting off the consolidated net liabilities of the Island Gold Group at the date of completion.

On the same day, Wide Profit Investments Limited (“Wide Profit”), a wholly-owned subsidiary of EIHL, entered into a conditional agreement (the “Sale and Purchase Agreement”) with Jade Forest Limited (“Jade Forest”) to dispose of the entire issued share capital of Goldstream Group Limited (“Goldstream”) and the shareholder’s loan outstanding from Goldstream to Wide Profit at a cash consideration of approximately HK\$51.5 million. Goldstream held 205,905,721 shares in the Company as at 31st March, 2002. The Sale and Purchase Agreement was conditional upon, among other matters, the Island Gold Agreement becoming unconditional. Upon completion, Jade Forest would own the entire issued share capital of Goldstream and indirectly own 205,905,721 shares, representing approximately 34.94% of the entire issued share capital of the Company. Jade Forest was not interested in any shareholding of the Company prior to entering into the Sale and Purchase Agreement.

Notes to the Financial Statements

For the year ended 31st March, 2002

48. POST BALANCE SHEET EVENTS *(continued)*

The above two agreements have not yet been completed at the date of approval of these financial statements.

49. RELATED PARTY TRANSACTIONS

During the year, the Group was granted certain banking facilities from banks. The banking facilities are guaranteed by EIHL to the extent of HK\$121,002,000 (2001: HK\$132,402,000). As at 31st March, 2002, bank borrowings other than overdrafts amounted to HK\$26,855,000 (2001: HK\$54,353,000) were utilised by the Group.

The Group also paid an interest amounting to approximately HK\$142,000 (2001: HK\$150,000) to a minority shareholder of a subsidiary.

Other significant transactions of the Group with subsidiaries of EIHL and related companies in which a substantial shareholder of the Company has beneficial interests were:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Sales of goods	2,746	3,860
Rental charges	6,289	4,327
Advertising income	3,159	2,041
Management fee and professional fee charges	2,225	1,592
Printing and publishing income	361	776
Interest expenses paid	318	—
	—————	—————

These transactions were carried out after negotiations between the Group and the related parties and on the basis of estimated market value as determined by the directors of the Company.

Interest expenses were charged at prevailing market rates.

Notes to the Financial Statements

For the year ended 31st March, 2002

50. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions: apparel trading, printing and publishing, marine product trading, financial services and property investment. These divisions are the basis on which the Group reports its primary segment information. In prior year, the Group was also involved in the internet content and website operation.

Segment information about these businesses for the year ended 31st March, 2002 is set out as follows:

	Apparel trading HK\$'000	Printing and publishing HK\$'000	Marine product trading HK\$'000	Financial services HK\$'000	Property investment and rental HK\$'000	Consolidated HK\$'000
INCOME STATEMENT						
Turnover						
External sales	<u>159,520</u>	<u>335,892</u>	<u>93,770</u>	<u>272</u>	<u>265</u>	<u>589,719</u>
Result						
Segment result	<u>1,718</u>	<u>(100,774)</u>	<u>887</u>	<u>(5,188)</u>	<u>357</u>	(103,000)
Interest income						2,000
Headquarter general and administrative expenses						<u>(3,699)</u>
Loss from operations						(104,699)
Interest expenses						(2,385)
Write back of allowance for doubtful recovery of amount due from an associate						1,641
Amortisation and impairment loss recognised in respect of goodwill arising on acquisition of an associate	—	(14,781)	—	—	—	(14,781)
Share of results of associates	—	(164)	—	—	—	<u>(164)</u>
Loss before taxation						(120,388)
Taxation						<u>(69)</u>
Loss before minority interests						<u>(120,457)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

50. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	Apparel trading HK\$'000	Printing and publishing HK\$'000	Marine product trading HK\$'000	Financial services HK\$'000	Property investment and rental HK\$'000	Others HK\$'000	Consolidated HK\$'000
OTHER INFORMATION							
Capital additions	1,112	78,148	60	—	—	—	79,320
Depreciation and amortisation	1,885	27,953	270	—	—	237	30,345
Impairment losses recognised	—	32,462	565	—	—	—	33,027
BALANCE SHEET							
Assets							
Segment assets	75,442	184,438	6,633	1,549	—	—	268,062
Interests in unconsolidated subsidiaries	—	—	—	—	—	7,525	7,525
Interests in associates	—	55	—	—	—	—	55
Unallocated corporate assets							18,047
Consolidated total assets							<u>293,689</u>
Liabilities							
Segment liabilities	(19,203)	(70,528)	(3,592)	—	—	—	(93,323)
Amounts due to unconsolidated subsidiaries	—	—	—	—	—	(7,525)	(7,525)
Unallocated corporate liabilities							<u>(68,327)</u>
Consolidated total liabilities							(169,175)
Minority interests							<u>2,194</u>
							<u>(166,981)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

50. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses for the year ended 31st March, 2001 is set out as follows:

	Apparel trading HK\$'000	Printing and publishing HK\$'000	Marine product trading HK\$'000	Internet content and website operation HK\$'000	Financial services HK\$'000	Property investment and rental HK\$'000	Consolidated HK\$'000
INCOME STATEMENT							
Turnover							
External sales	<u>138,725</u>	<u>152,892</u>	<u>100,411</u>	<u>2,137</u>	<u>3,001</u>	<u>644</u>	<u>397,810</u>
Result							
Segment result	<u>4,737</u>	<u>(36,061)</u>	<u>1,029</u>	<u>(10,923)</u>	<u>(4,110)</u>	<u>(458)</u>	(45,786)
Interest income							10,085
Headquarter general and administrative expenses							<u>(4,317)</u>
Loss from operations							(40,018)
Interest on convertible redeemable loan notes							(4,063)
Other interest expenses							(4,064)
Allowances for doubtful recovery of amounts due from associates							(8,669)
Gain on disposal of subsidiaries							456
Share of results of associates	—	192	—	(850)	—	—	<u>(658)</u>
Loss before taxation							(57,016)
Taxation							<u>(86)</u>
Loss before minority interests							<u>(57,102)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

50. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	Apparel trading	Printing and publishing	Marine product trading	Internet content and website operation	Financial services	Property investment and rental	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER INFORMATION								
Capital additions	2,717	4,189	328	3,349	—	—	1,182	11,765
Depreciation and amortisation	2,361	17,269	412	605	—	—	245	20,892
Impairment losses recognised	—	65	—	—	—	—	—	65
BALANCE SHEET								
Assets								
Segment assets	65,390	128,285	7,336	—	29,910	4,909	—	235,830
Interests in unconsolidated subsidiaries	—	—	—	—	—	—	7,525	7,525
Unallocated corporate assets								142,168
Consolidated total assets								<u>385,523</u>
Liabilities								
Segment liabilities	(17,648)	(46,085)	(4,127)	—	—	(503)	—	(68,363)
Amounts due to unconsolidated subsidiaries	—	—	—	—	—	—	(7,525)	(7,525)
Unallocated corporate liabilities								(64,664)
Consolidated total liabilities								(140,552)
Minority interests								2,052
								<u>(138,500)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

50. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are substantially located in Hong Kong. No analysis is presented in respect 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.

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

	Turnover by geographical market		Contributions to operating loss	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The PRC				
– Hong Kong	492,316	307,705	(118,426)	(65,999)
– Other regions	97,403	88,304	15,426	20,173
Others	—	1,801	—	40
	<u>589,719</u>	<u>397,810</u>	<u>(103,000)</u>	<u>(45,786)</u>
Interest income			2,000	10,085
Unallocated corporate expenses			(3,699)	(4,317)
Loss from operations			<u>(104,699)</u>	<u>(40,018)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

51. PARTICULARS OF MAJOR SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital	Proportion of equity interests held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Acute Investments Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Capital Asia Properties Limited	Hong Kong	HK\$2	—	100%	Dormant after disposal of investment property
Century Lead Limited	Hong Kong	HK\$2	—	100%	Apparel trading
China-V (HK) Limited	Hong Kong	HK\$2	—	100%	Marine product wholesaling
Diamond Faith Company Limited	Hong Kong/PRC	HK\$2	—	100%	Glass eel trading
Economic Digest Publications Limited	Hong Kong	HK\$800,000	—	100%	Magazine publishing
Emperor Magazine Management Limited	Hong Kong	HK\$2	—	100%	Magazine publishing and provision of management services
Fisherton Holdings Limited	Hong Kong	HK\$2	—	100%	Investment holding

Notes to the Financial Statements

For the year ended 31st March, 2002

51. PARTICULARS OF MAJOR SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital	Proportion of equity interests held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
French Trade Marketing Limited	Hong Kong	HK\$10,000	—	100%	Apparel trading
FTM (Asia) Limited	Hong Kong	HK\$2	—	100%	Apparel trading
FTM (HK) Limited	Hong Kong	HK\$2	—	100%	Apparel trading
Full Ahead Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Future Blossom Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Gainet Asia Limited	Hong Kong	HK\$2	—	100%	Money lending
Gold Stock Resources Limited	Samoa/PRC	US\$1	—	100%	Apparel trading
Goldgain Services Limited	Samoa/PRC	US\$1	—	100%	Apparel trading
Great Creator Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Hong Kong Daily News, Limited	Hong Kong	HK\$100,000	—	100%	Newspaper publishing

Notes to the Financial Statements

For the year ended 31st March, 2002

51. PARTICULARS OF MAJOR SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital	Proportion of equity interests held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Hong Kong Daily Offset Printing Limited	Hong Kong	HK\$2	—	100%	Provision of printing services
Island Gold Developments Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Jasmine Management Limited	Samoa/PRC	US\$1	—	100%	Apparel trading
New Media Group Limited	Hong Kong	HK\$2	—	100%	Magazine publishing
Pacific Globe Limited	Hong Kong	HK\$2	—	100%	Magazine publishing
Reward Well Limited	British Virgin Islands/PRC	US\$1	—	100%	Apparel trading
Smart Ideal Limited	Hong Kong	HK\$100	—	75%	Magazine publishing
Time Year Limited	Hong Kong	HK\$2	—	100%	Holding copyright, trademarks, intellectual rights and publishing library

Notes to the Financial Statements

For the year ended 31st March, 2002

51. PARTICULARS OF MAJOR SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital	Proportion of equity interests held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Top Queen Investments Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Well Charter Limited	Hong Kong	HK\$10,000,000	—	100%	Investment holding
Wide Connection Limited	Hong Kong	HK\$2	—	100%	Magazine publishing
World Sources Limited	Hong Kong	HK\$2	—	100%	Magazine publishing

- (a) All the above subsidiaries operate in their places of incorporation except as otherwise disclosed.
- (b) None of the subsidiaries had any loan capital subsisting at 31st March, 2002 or at any time during the year.
- (c) The above table lists 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 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 31st March, 2002

52. PARTICULARS OF MAJOR ASSOCIATES

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

Name of associate	Place of incorporation	Nominal value of issued ordinary share capital	Proportion of equity interests held by the Group	Principal activities
Eastweek.com.hk Limited	British Virgin Islands	HK\$78	50%	Investment holding
Eastweek.com.hk Operations Limited	Hong Kong	HK\$2	50%	Internet website operations

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