

# Notes to the Financial Statements

## 1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in property holding and Internet-enabling and related technology businesses.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements on pages 17 to 66 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain investments in securities.

#### *Adoption of new/revised SSAPs*

In the current year, the Group has adopted the following new/revised SSAPs which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for accounting periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

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

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (a) Basis of preparation (continued)

(i) *SSAP 14 (revised) "Leases"*

The adoption of SSAP 14 (revised) has not resulted in any significant changes to the accounting treatment adopted for operating leases and accordingly, no prior year adjustment has been required. Disclosure for all the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (revised). Comparative amounts have been restated in order to achieve a consistent presentation.

(ii) *SSAP 26 "Segment reporting"*

The impact of SSAP 26 is the inclusion of significant additional segment reporting disclosures which are set out in note 2(r) and note 3 to the financial statements.

(iii) *SSAP 30 "Business combinations"*

When adopting SSAP 30, the Group has elected not to restate goodwill/negative goodwill previously eliminated against/credited to reserves. Details of the changes in accounting treatment of SSAP 30 are set out in note 2(c) and note 2(d) to the financial statements.

(iv) *SSAP 31 "Impairment of assets"*

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

#### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 April each year.

The results of subsidiaries and associates acquired or disposed of during the year are included in the 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 are eliminated on consolidation.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets and liabilities of the acquired subsidiary or associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 either continues to be amortised by equal instalments over its estimated useful life or has been eliminated against reserves immediately on acquisition and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight-line basis over its estimated useful life. Goodwill arising on acquisition of an associate is included within the carrying amount of the interests in associates. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

The carrying value of goodwill is assessed periodically or when factors indicating an impairment are present. Any impairment of goodwill is recognised as an expense in the period in which the impairment occurs.

#### (d) Negative goodwill

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

Negative goodwill arising on acquisitions prior to 1 January 2001 continues to be held in capital reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on the acquisition of an associate after 1 January 2001 is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries after 1 January 2001 is presented as a deduction from assets in the same balance sheet classification as goodwill and recognised in the income statement as follows:

- (i) to the extent that negative goodwill relates to expected future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, that portion of negative goodwill is recognised as income when the future losses and expenses are recognised.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (d) Negative goodwill (continued)

- (ii) the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable or amortisable assets.
- (iii) the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised as income immediately.

#### (e) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are carried at cost less impairment losses.

#### (f) Associates

An associate is a company, other than a subsidiary, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence on its financial and operating policy decisions.

The results of associates are accounted for by the Group using the equity method of accounting. The Group's investments in associates are stated at its share of their net assets. The Company's investments in associates are stated at cost less impairment losses.

An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (g) Property, plant and equipment

##### (i) Depreciation and amortisation

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

Freehold land	Nil
Leasehold land	Over the term of the relevant lease
Buildings	Over the shorter of the term of the relevant lease and 50 years
Furniture and fixtures	33-1/3%
Computer and office equipment	33-1/3%
Motor vehicles	12-1/2%

##### (ii) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure related to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

#### (h) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. The annual rentals payable or receivable under such operating leases are charged or credited respectively to the income statement on a straight-line basis over the relevant lease terms.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

**(i) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchases computed using the first-in, first out method. Net realisable value is calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

**(j) Investments in securities**

Investment securities are securities which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated in the balance sheet at cost less impairment loss that is other than temporary. The amount of the impairment loss is recognised as an expense in the income statement.

All other securities, whether held for trading or otherwise, are stated in the balance sheet as other investments at fair value. Changes in fair value are recognised in the income statement as they arise.

**(k) Deferred tax/Future tax benefits**

Deferred tax is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

**(l) Foreign currencies**

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling on that date. Gains and losses arising on exchange are dealt with in the income statement.

The financial statements of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains and losses arising on exchange are dealt with as movements in the exchange reserve.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (m) Revenue recognition

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

Interest income is recognised on a time proportion basis.

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

#### (n) Retirement benefit scheme

The Group's contributions to retirement and pension schemes are based on a certain percentage of employees' payroll and are charged to the income statement when incurred.

#### (o) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand and amounts repayable on demand with banks and short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

#### (p) 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.

#### (q) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (q) Impairment (continued)

##### (i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### (ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (r) Segment information

SSAP 26 was adopted in the current year, as detailed in note 2(a) 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.



## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (r) Segment information (continued)

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:

- (i) 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;
- (ii) investment holding segment engages in non-controlling investment holding in certain debt and equity securities;
- (iii) Internet consulting segment engages in the provision of Internet consulting services;
- (iv) logistics and freight forwarding segment engaged in the provision of freight forwarding and shipping agency operations which were abandoned in the prior year.

During the year, the Company disposed of a number of subsidiaries, which were engaged in investment holding, including the holding of investment securities and other investments (the "Disposal"). The Directors are of the opinion that the Disposal did not constitute a discontinued operation.

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

There were no intersegment sales and transfers during the year.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

## 3. SEGMENT INFORMATION

## (a) Business segment

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

	Continuing operations						Discontinued operations		Consolidated	
	Property development and investment segment		Investment holding segment		Internet consulting segment		Sea freight segment			
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	1,378	1,469	-	-	1,000	888	-	2,829	2,378	5,186
Other revenue	-	-	-	-	-	-	-	11,448	-	11,448
	1,378	1,469	-	-	1,000	888	-	14,277	2,378	16,634
Segment results *	(164)	148	(89,910)	(5,484)	(3,920)	(447)	-	11,611	(93,994)	5,828
Interest income									5,076	25,692
Finance costs									(204)	(229)
Share of loss of an associate	(1,542)	-	-	-	-	-	-	-	(1,542)	-
Amortisation of goodwill									(33,311)	(4,250)
Loss on disposal of property, plant and equipment									(853)	-
Loss on disposal of subsidiaries									(47,732)	-
Impairment of goodwill on a subsidiary									(157,135)	-
Other unallocated corporate expenses									(11,966)	(43,392)
Minority interests									17	98
<b>Net loss for the year</b>									<b>(341,644)</b>	<b>(16,253)</b>

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

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 3. SEGMENT INFORMATION (continued)

#### (a) Business segment (continued)

	Continuing operations						Discontinued operations		Consolidated	
	Property development and investment segment		Investment holding segment		Internet consulting segment		Sea freight segment			
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets *	18,564	18,195	-	135,404	5,061	2,307	-	3,484	23,625	159,390
Interests in associates	221,794	-	-	-	-	-	-	-	221,794	-
Unallocated assets									111,618	395,297
<b>Total assets</b>									<b>357,037</b>	554,687
Segment liabilities	15,532	4,597	-	52	666	762	-	4,884	16,198	10,295
Unallocated liabilities									28,759	10,157
<b>Total liabilities</b>									<b>44,957</b>	20,452

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

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 3. SEGMENT INFORMATION (continued)

#### (a) Business segment (continued)

	Continuing operations						Discontinued operations		Consolidated	
	Property development and investment segment		Investment holding segment		Internet consulting segment		Sea freight segment			
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:										
Depreciation	337	232	-	-	375	807	-	-	712	1,039
Unallocated amounts									2,332	2,106
									3,044	3,145
Other non-cash expenses	(15)	350	88,266	5,352	567	-	-	-	88,818	5,702
Unallocated amounts									229,815	14,178
									318,633	19,880
Capital expenditure	-	-	-	-	149	2,399	-	-	149	2,399
Other unallocated amounts									42,349	261,784
									42,498	264,183

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 3. SEGMENT INFORMATION (continued)

#### (b) Geographical segment

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

	Hong Kong		Asia Pacific other than Hong Kong		North America		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	1,141	3,717	606	754	631	715	2,378	5,186
Other revenue	-	11,448	-	-	-	-	-	11,448
	1,141	15,165	606	754	631	715	2,378	16,634
Other segment information:								
Segment assets	80,592	534,412	269,118	13,146	7,328	7,129	357,038	554,687
Capital expenditure	1,735	264,092	40,763	91	-	-	42,498	264,183

### 4. DISCONTINUED OPERATIONS

In the prior year, the Group discontinued its operations in logistics and freight forwarding businesses. The profit from the discontinued operations of HK\$12,122,000 was mainly attributable to the write-off of trade and other payables of HK\$9,359,000 and bad debts recovered of HK\$2,089,000.

### 5. OTHER REVENUE

	2002 HK\$'000	2001 HK\$'000
Bad debts recovered	84	2,093
Dividend income from listed equity securities	-	16
Gain on disposal of property, plant and equipment	-	53
Bank interest income	2,040	25,533
Interest income on loans	3,036	159
Reversal of provision for impairment in value of land and buildings	-	8,942
Sundry	598	1
Write-off of trade and other payables	-	14,808
	5,758	51,605

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 6. (LOSS)/PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
(Loss)/Profit from operations is arrived at after charging:		
Directors' remuneration (note 7(a))	3,979	1,878
Retirement benefit scheme contributions (2001 : net of forfeited contributions of HK\$554,000)	228	190
Other staff costs	4,345	8,552
<b>Total staff costs</b>	<b>8,552</b>	10,620
Amortisation of goodwill (included in other operating expenses)		
– associates	7,811	–
– a subsidiary	25,500	4,250
	<b>33,311</b>	4,250
Auditors' remuneration	663	427
Depreciation and amortisation of property, plant and equipment	3,044	3,145
Net realised and unrealised holding loss on other investments	–	8,106
Operating lease rentals on premises	4,658	2,921
Provision for doubtful debts	–	206
Provision for investment securities	–	5,346
Loss on disposal of investment securities (note 14(a))	74,546	–
Loss on disposal of subsidiaries (note 26(d))	47,732	–
Loss on disposal of property, plant and equipment	853	–
Impairment of goodwill (included in other operating expenses) (note 16)	157,135	–
Loss on assignment of loans to an investee company	5,053	–
Interest charges on mortgage loans not wholly repayable within five years	204	229
and after crediting:		
Rental income from properties under operating leases, net of outgoings of HK\$334,000 (2001: HK\$543,000)	1,044	925

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 7. DIRECTORS' AND EMPLOYEES' REMUNERATION

#### (a) Directors' emoluments

The aggregate amounts of emoluments payable to the Directors of the Company during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees		
– Executive Directors	–	712
– Non-executive Directors	260	583
	260	1,295
Other emoluments of executive Directors		
– Salaries and other benefits	3,665	568
– Mandatory provident funds	54	15
	3,719	583
<b>Total emoluments</b>	<b>3,979</b>	<b>1,878</b>

The Directors' emoluments were within the following band:

	2002 Number of Directors	2001 Number of Directors
Nil to HK\$1,000,000	17	29

During the year, no share options were granted to the Directors.

#### (b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2001: none) were Directors whose emoluments are disclosed in note 7(a) above. The remuneration of the remaining one individual (2001: five individuals) was as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	640	3,031
Contributions to retirement benefit schemes	33	41
	673	3,072

The emoluments of this individual (2001: each of the individuals) are below HK\$1,000,000.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 8. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profit for the year.

### 9. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of HK\$341,644,000 (2001: HK\$16,253,000), a loss of HK\$305,153,000 (2001: HK\$39,022,000) has been dealt with in the financial statements of the Company.

### 10. LOSS PER SHARE

The calculation of the basic loss per share is based on (i) the net loss for the year of HK\$341,644,000 (2001: HK\$16,253,000); and (ii) the weighted average of 743,714,100 (2001: 652,410,960 as restated) shares in issue during the year, as adjusted to reflect the consolidation of shares (note 23(b)(ii)) and the rights issue (note 23(c)) during the year.

No amount has been presented for the diluted loss per share for the current and last years as the effect of the exercise of the Company's outstanding share options would have been anti-dilutive.

### 11. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Land and buildings	Leasehold improvements	Furniture and fixtures	Computer and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>						
At 1 May 2001	34,750	619	4,609	3,921	-	43,899
Disposal of subsidiaries	-	-	-	(91)	-	(91)
Additions	-	11	75	171	1,189	1,446
Disposals	(421)	-	(43)	(1,360)	-	(1,824)
<b>At 30 April 2002</b>	<b>34,329</b>	<b>630</b>	<b>4,641</b>	<b>2,641</b>	<b>1,189</b>	<b>43,430</b>
<b>Accumulated depreciation/ impairment losses</b>						
At 1 May 2001	16,191	206	1,585	1,335	-	19,317
Disposal of subsidiaries	-	-	-	(2)	-	(2)
Charge for the year	411	208	1,533	838	54	3,044
Disposals	(315)	-	(22)	(453)	-	(790)
<b>At 30 April 2002</b>	<b>16,287</b>	<b>414</b>	<b>3,096</b>	<b>1,718</b>	<b>54</b>	<b>21,569</b>
<b>Net book value</b>						
<b>At 30 April 2002</b>	<b>18,042</b>	<b>216</b>	<b>1,545</b>	<b>923</b>	<b>1,135</b>	<b>21,861</b>
At 30 April 2001	18,559	413	3,024	2,586	-	24,582



## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 11. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of land and buildings held by the Group is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Held outside Hong Kong		
– Medium-term leasehold, held in the PRC	11,015	11,376
– Freehold, held in Canada	7,027	7,183
	<b>18,042</b>	<b>18,559</b>

The Group is in the process of obtaining the land use rights certificates or certificates of housing ownership for properties located in the PRC with an aggregate net book value of approximately HK\$1,936,000 (2001: HK\$1,980,000).

#### Company

	Furniture and fixtures HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 May 2001	4,410	2,103	–	6,513
Additions	39	58	1,189	1,286
<b>At 30 April 2002</b>	<b>4,449</b>	<b>2,161</b>	<b>1,189</b>	<b>7,799</b>
<b>Accumulated depreciation</b>				
At 1 May 2001	1,470	701	–	2,171
Charge for the year	1,492	712	54	2,258
<b>At 30 April 2002</b>	<b>2,962</b>	<b>1,413</b>	<b>54</b>	<b>4,429</b>
<b>Net book value</b>				
<b>At 30 April 2002</b>	<b>1,487</b>	<b>748</b>	<b>1,135</b>	<b>3,370</b>
At 30 April 2001	2,940	1,402	–	4,342

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 12. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	255,753	255,853
Less: Provision for impairment	(186,885)	–
	68,868	255,853
Amounts due from subsidiaries	243,113	246,620
Less: Provision for doubtful debts	(8,200)	(102,000)
	234,913	144,620
	303,781	400,473

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

Particulars of the Company's subsidiaries as at 30 April 2002 are set out below:

Name	Place of incorporation	Particulars of issued share capital	Percentage of issued capital held		Principal activities
			2002	2001	
<i>Directly held by the Company:</i>					
Active Power Development Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
Gain On Development Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
Glorious Star Development Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Inactive
Graceful Sun Investment Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Particulars of issued share capital	Percentage of issued capital held		Principal activities
			2002	2001	
<i>Directly held by the Company:</i>					
Grandeur Concord Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
Noble Time Development Inc.	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
Poly Yield Development Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
Spot On Assets Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
WebVideoShop.com Limited	Hong Kong	100 ordinary shares of HK\$1 each	85%	85%	Sales of video and audio contents and products through the Internet and the technology to stream video clips for customers to preview
E-Continental Group Limited	British Virgin Islands	1 ordinary share of US\$1	–	100%	Investment holding
Vincent Group Holdings Limited	British Virgin Islands	100 ordinary shares of US\$ 1 each	–	100%	Investment holding

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

## 12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Particulars of issued share capital	Percentage of issued capital held		Principal activities
			2002	2001	
<i>Indirectly held by the Company:</i>					
Best Modern Properties Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
Newshine Development Limited	Hong Kong	100 ordinary shares of HK\$1 each	42%	–	Investment holding
Ray Gold Development Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	–	Property holding
Vin-Shinyei (China) Limited	Hong Kong	120,000 ordinary shares of HK\$10 each	100%	100%	Property holding
Vincent Investment Limited	Canada	360 ordinary shares of CAD1 each	100%	100%	Property holding
Vincent Shipping (Holdings) Limited	Hong Kong	600,000 ordinary shares of HK\$10 each	100%	100%	Property and investment holding
Wellink Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Dormant

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Particulars of issued share capital	Percentage of issued capital held		Principal activities
			2002	2001	
<i>Indirectly held by the Company:</i>					
Extraordinary Service Limited	British Virgin Islands	1 ordinary share of US\$1	–	100%	Investment holding
Freight Links Express (Hong Kong) Limited	Hong Kong	300,000 ordinary shares of HK\$10 each	–	100%	Inactive
Full Glory Profits Limited	British Virgin Islands	1 ordinary share of US\$1	–	100%	Investment holding
vLink Global Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	–	100%	Investment holding
Websource Consultants Limited	Hong Kong	2 ordinary shares of HK\$1 each	–	100%	Provision of Internet consulting services and e-Solutions

The provision for impairment was made against a subsidiary, WebVideoShop.com Limited which is principally engaged in the sales of video and audio contents and products through the Internet. In view of the downturn of Internet-related businesses, the Directors have performed an assessment of the recoverable amount of its investment. As a result of this assessment, a provision for impairment of HK\$186,885,000 has been made for the year ended 30 April 2002.

Newshine Development Limited is accounted for as a subsidiary of the Company as the Directors consider that it is controlled by the Company.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 12. INTERESTS IN SUBSIDIARIES (continued)

During the year, the Company acquired three major subsidiaries – Best Modern Properties Limited, Newshine Development Limited and Ray Gold Development Limited in October 2001, December 2001 and April 2002 respectively. Further details of the acquisition of these subsidiaries are disclosed in note 26(c) and (e) to the financial statements.

Full list of the Company's subsidiaries as at 30 April 2002 has been given above. However, the above list only included the subsidiaries of the Company as at 30 April 2001 which, in the opinion of the Directors, principally affected the results or assets of the Group. The Directors were of the opinion that to give details of other subsidiaries as at 30 April 2001 would result in particulars of excessive length.

### 13. INTERESTS IN ASSOCIATES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	147,885	–
Goodwill (note)	73,909	–
	<b>221,794</b>	–
Amount due from an associate	–	218
Less: Provision	–	(218)
	<b>221,794</b>	–

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 13. INTERESTS IN ASSOCIATES (continued)

note:

	<b>Goodwill 2002 HK\$'000</b>
<b>Gross amount</b>	
Arising from acquisition of associates and at 30 April 2002	<b>81,720</b>
<b>Accumulated amortisation</b>	
Amortisation for the year and at 30 April 2002	<b>7,811</b>
<b>Carrying amount</b>	
At 30 April 2002	<b>73,909</b>

The goodwill on acquisition of associates is amortised on a straight-line basis over a period of five years from the date of acquisition of the respective associates.

Particulars of the associates as at 30 April 2002 are as follows:

Name	Place of incorporation and operations	Particulars of issued/registered capital	Percentage of issued/registered capital held by the Group		Principal activities
			2002	2001	
Shanghai Xin Yao Development Company Limited ('Shanghai Xin Yao')	People's Republic of China	RMB20,000,000	<b>39%</b>	–	Construction, development and sale of properties in Shanghai
北京新松家園房地產 開發有限公司	People's Republic of China	US\$6,000,000	<b>12.6%</b>	–	Construction, development and sale of properties in Beijing
Vinpac Container Line (CHI) Inc.	United States of America	100 ordinary shares of US\$100 each	–	40%	Freight forwarding and shipping agency

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 13. INTERESTS IN ASSOCIATES (continued)

Information in respect of the operating results of the Group's significant associates for the period ended 30 April 2002 and of their net assets as at that date based on the unaudited financial statements of the associates, as adjusted to conform with the Group's accounting policies, are summarised as follows:

	Shanghai Xin Yao HK\$'000	北京新松家園 房地產開發 有限公司 HK\$'000
<i>Results for the period:</i>		
Turnover	–	–
Loss for the period	3,955	767
<i>Financial position:</i>		
Non-current assets	431	998
Current assets	973,068	390,341
Current liabilities	(726,563)	(48,274)
Non-current liabilities	(47,170)	(111,422)
Net assets	199,766	231,643

### 14. INVESTMENT SECURITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Unlisted equity securities, at cost	–	38,950
Listed equity securities in Hong Kong, at cost	–	44,838
Less: Provision for impairment	–	(5,346)
	–	39,492
At 30 April 2002	–	78,442
Market value of listed equity securities	–	35,928



## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 14. INVESTMENT SECURITIES (continued)

The Group's principal investment securities as at 30 April 2001 represented investments in B-Tech (Holdings) Limited ("B-Tech") and Core Solutions Limited. The movements in these investments during the year are as follows:

- (a) On 23 March 2001, the Company entered into two share exchange agreements with B-Tech, an independent third party company listed on the Stock Exchange. Pursuant to the share exchange agreements, B-Tech agreed (i) to issue 3,421,220,000 new ordinary shares of B-Tech at a price of HK\$0.01 each in exchange for 42,765,250 new ordinary shares of the Company at a price of HK\$0.80 each (the "First Share Exchange"); and (ii) to issue 5,131,830,000 new ordinary shares of B-Tech at a price of HK\$0.01 each in exchange for 171,061,000 new ordinary shares of the Company at a price of HK\$0.30 each (the "Second Share Exchange").

The First and Second Share Exchanges were completed on 28 March 2001 and 10 May 2001 respectively. Immediately after the two share exchanges, the Group had 8,553,050,000 ordinary shares (restated as 855,305,000 ordinary shares after the share consolidation of B-Tech on 18 September 2001) of HK\$0.01 each in B-Tech.

On 3 November 2001, the Group entered into a sale and purchase agreement with Fortuna Investments Group Limited ("Fortuna"), an independent third party, under which the Group agreed to dispose of 750,000,000 ordinary shares in B-Tech to Fortuna for a consideration of HK\$13,125,000. Details of the transaction are set out in the Company's announcement dated 7 November 2001. As a condition precedent of the agreement, the Group also disposed of its remaining shares in B-Tech in the open market before 16 November 2001 for HK\$520,000. As a result, this gave rise to a total loss on disposal of investment securities of HK\$74,546,000 (including other incidental costs).

- (b) The Group's investment in Core Solutions Limited was disposed of as a result of the disposal of the Company's interests in a wholly-owned subsidiary, Extraordinary Service Limited which held such investment, in accordance with the sale and purchase agreement dated 10 December 2001 (note 26(e)(iii)).

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 15. OTHER INVESTMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Listed equity securities		
– Hong Kong	–	–
– Overseas	–	–
	–	–
Unlisted equity securities		
– Hong Kong	–	14,000
– Overseas	–	2
	–	14,002
Market value of listed equity securities at 30 April	–	100

The above investments were disposed of as a result of the disposal of the Company's 100% interests in Vincent Group Holdings Limited and E-Continental Group Limited which held such investments in accordance with the sale and purchase agreement dated 22 April 2002 (note 26(e)(iv)).

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 16. GOODWILL

	<b>Group HK\$'000</b>
<b>Gross amount</b>	
At 1 May 2001	255,049
Disposal of a subsidiary	51
<b>At 30 April 2002</b>	<b>255,100</b>
<b>Accumulated amortisation/impairment losses</b>	
At 1 May 2001	4,250
Amortisation for the year	25,500
Impairment	157,135
<b>At 30 April 2002</b>	<b>186,885</b>
<b>Carrying amount</b>	
<b>At 30 April 2002</b>	<b>68,215</b>
At 30 April 2001	250,799

Goodwill is amortised on a straight-line basis over the estimated useful life, which ranges from five to ten years.

The goodwill arose from the acquisition in the prior year of a subsidiary, WebVideoShop.com Limited which is principally engaged in the sales of video and audio contents and products through the Internet. In view of the downturn of Internet-related businesses, the Directors have performed an assessment of the recoverable amount of the goodwill. As a result of this assessment, a provision for impairment of HK\$157,135,000 has been made for the year ended 30 April 2002.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 17. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Trade receivables	1,000	264
Other receivables	608	5,093
Deposits and prepayments	40,685	2,439
	<b>42,293</b>	<b>7,796</b>

The Group's trade receivables of HK\$1,000,000 (2001: HK\$264,000) were aged within 90 days (2001 : over 90 days) as at the balance sheet date.

Included in deposits and prepayments are deposits of HK\$35,852,000 paid for the acquisition of certain properties in the People's Republic of China which the Directors intended to hold for resale.

### 18. LOANS TO AN INVESTEE COMPANY

	Group	
	2002 HK\$'000	2001 HK\$'000
Secured loan	–	29,500
Unsecured loan	–	3,302
	–	32,802

Details of the movements of the loans are set out in note 26(e)(ii).

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 19. AMOUNT DUE FROM AN INVESTEE COMPANY

The amount due from an investee company as at 30 April 2001 represented interest receivable on loans granted to the investee company.

### 20. TRADE AND OTHER PAYABLES

There were no trade payables as at the balance sheet date.

### 21. MORTGAGE LOANS

	Group	
	2002 HK\$'000	2001 HK\$'000
The mortgage loans are repayable as follows:		
– within one year	170	149
– more than one year, but not exceeding two years	197	166
– more than two years, but not exceeding five years	591	497
– after five years	2,052	2,395
	<b>3,010</b>	3,207
Less: Portion repayable within one year included under current liabilities	<b>(170)</b>	(149)
Portion repayable after one year included under non-current liabilities	<b>2,840</b>	3,058

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

**22. DEFERRED TAXATION**

The movements in the deferred tax account are as follows :

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Balance at 1 May 2001	<b>5</b>	5
Disposal of subsidiaries	<b>(5)</b>	–
Balance at 30 April 2002	<b>–</b>	5

As at 30 April 2002, the amount of the unprovided deferred tax assets/(liabilities) is analysed as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Tax effect of timing differences attributable to:		
Tax losses	<b>14,892</b>	18,100
Accelerated depreciation allowances	<b>(84)</b>	(28)
	<b>14,808</b>	18,072

No deferred tax asset has been recognised in the financial statements as it is uncertain that the deferred tax asset will crystallise in the foreseeable future.

The amount of the unprovided deferred tax (charge)/credit for the year is as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Tax effect of timing differences attributable to:		
Tax losses	<b>(3,208)</b>	1,854
Accelerated depreciation allowances	<b>(56)</b>	(28)
	<b>(3,264)</b>	1,826

The Company did not have any material deferred tax assets/liabilities as at 30 April 2002.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 23. SHARE CAPITAL

	Note	Number of ordinary shares of HK\$0.10 each	Number of ordinary shares of HK\$0.01 each	HK\$'000
Authorised :				
At 1 May 2000		1,000,000,000	–	100,000
Increase during the year		9,000,000,000	–	900,000
<hr/>				
At 30 April 2001 and 1 May 2001		10,000,000,000	–	1,000,000
Reduction of capital	(b)(i)	(10,000,000,000)	100,000,000,000	–
Consolidation of shares	(b)(ii)	10,000,000,000	(100,000,000,000)	–
Increase during the year	(b)(iii)	10,000,000,000	–	1,000,000
<hr/>				
<b>At 30 April 2002</b>		<b>20,000,000,000</b>	<b>–</b>	<b>2,000,000</b>
<hr/>				
Issued and fully paid:				
At 1 May 2000		664,778,046	–	66,478
Placement of new shares		4,961,000,000	–	496,100
Issue of new shares for acquisition of interest in an investee company		42,765,250	–	4,276
<hr/>				
At 30 April 2001 and 1 May 2001		5,668,543,296	–	566,854
Issue of new shares for acquisition of interest in an investee company	(a)	171,061,000	–	17,106
Reduction of capital	(b)(i)	(5,839,604,296)	5,839,604,296	(525,564)
Consolidation of shares	(b)(ii)	583,960,429	(5,839,604,296)	–
New shares issued under rights issue	(c)	291,980,214	–	29,198
<hr/>				
<b>At 30 April 2002</b>		<b>875,940,643</b>	<b>–</b>	<b>87,594</b>

Details of the changes in the share capital of the Company during the year are as follows:

- (a) Pursuant to a share exchange agreement dated 23 March 2001 (as detailed in note 14(a)), 171,061,000 new ordinary shares of the Company at a price of HK\$0.30 each were allotted and issued to B-Tech in exchange for 5,131,830,000 new ordinary shares of B-Tech at a price of HK\$0.01 each.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 23. SHARE CAPITAL (continued)

(b) On 31 December 2001, a special general meeting was convened and the shareholders approved the capital reorganisation and the increase in authorised share capital as follows:

(i) Reduction of capital

The nominal value of all the then existing shares, both issued and unissued, was reduced from HK\$0.10 per share to HK\$0.01 per share (the "Reduced Share") by the cancellation of HK\$0.09 per share.

The credit of HK\$525,564,000 arising from the reduction of the issued share capital was used to set off the accumulated losses of the Company as at 30 April 2001 of HK\$157,330,000 and the remaining balance of HK\$368,234,000 was credited to the contributed surplus account of the Company (note 25).

(ii) Consolidation of shares

Every ten Reduced Shares of HK\$0.01 each were consolidated into one ordinary share of HK\$0.10 (the "Consolidated Share").

(iii) Increase of authorised share capital

The authorised share capital of the Company was increased from HK\$1,000,000,000 to HK\$2,000,000,000 by the creation of 10,000,000,000 Consolidated Shares of HK\$0.10 each.

(c) On 16 November 2001, the Company proposed to raise approximately HK\$38 million, before expenses, by issuing not less than 291,980,214 new shares of HK\$0.10 each by way of a rights issue at the price of HK\$0.13 per share on the basis of one rights share for every two existing shares held. The rights issue became unconditional on 22 January 2002 and 291,980,214 new shares were issued. The rights shares ranked the same in all respects with the existing shares and the holders shall be entitled to receive all future dividends and distributions.

The Directors intended to apply the net proceeds of the rights issue as to about HK\$25 million for the PRC property investments and biotechnology-related projects and the balance of about HK\$10 million as working capital.

Details of the rights issue are set out in the Company's announcements dated 16 November 2001 and 22 January 2002.



## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 24. SHARE OPTIONS

At 30 April 2002, the following options to subscribe for shares were outstanding under the Company's share option scheme and placement agreement dated 31 March 2000:

Name of category of participant	Number of share options outstanding at 1 May 2001 '000	Cancelled during the year* '000	Adjustments to the consolidation of shares '000	Number of share options outstanding at 30 April 2002 '000	Exercise period	Adjusted exercise price after the capital reorganisation and rights issue
Employees	26,000	(22,400)	(3,240)	360	1 August 2001 to 29 October 2005	HK\$1.00
Independent investors **	1,124,000	–	–	1,124,000	15 May 2000 to 14 May 2002	HK\$0.84
<b>Total</b>	<b>1,150,000</b>	<b>(22,400)</b>	<b>(3,240)</b>	<b>1,124,360</b>		

\* The options were cancelled after resignation of the relevant employees from the Group.

\*\* In prior year, the Company granted 1,124,000,000 options at a consideration of HK\$0.01 per option to several independent investors to subscribe for 1,124,000,000 new shares of the Company.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 25. RESERVES

	Other reserve	Share premium	Con- tributed surplus	Capital reserve	Exchange reserve	Special reserve	Accu- mulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group</b>								
At 1 May 2000	–	72,708	–	9,389	(432)	(98)	(126,290)	(44,723)
Exchange difference	–	–	–	–	(143)	–	–	(143)
Share issue expenses	–	(12,693)	–	–	–	–	–	(12,693)
Share premium on share exchange	–	29,936	–	–	–	–	–	29,936
Consideration for grant of share options	11,240	–	–	–	–	–	–	11,240
Net loss for the year	–	–	–	–	–	–	(16,253)	(16,253)
At 30 April 2001								
and 1 May 2001	11,240	89,951	–	9,389	(575)	(98)	(142,543)	(32,636)
Exchange difference	–	–	–	–	(9)	–	–	(9)
Share issue expenses	–	(1,637)	–	–	–	–	–	(1,637)
Share premium on share exchange (note 23(a))	–	34,212	–	–	–	–	–	34,212
Reduction of capital (note 23(b))	–	–	368,234	–	–	–	157,330	525,564
Share premium on rights issue (note 23(c))	–	8,760	–	–	–	–	–	8,760
Realised upon disposal of subsidiaries (note 26(d))	–	–	–	(9,389)	581	98	–	(8,710)
Net loss for the year	–	–	–	–	–	–	(341,644)	(341,644)
<b>At 30 April 2002</b>	<b>11,240</b>	<b>131,286</b>	<b>368,234</b>	<b>–</b>	<b>(3)</b>	<b>–</b>	<b>(326,857)</b>	<b>183,900</b>
Reserve retained by/ (accumulated in):								
Company and subsidiaries	11,240	131,286	368,234	–	(3)	–	(325,315)	185,442
Associates	–	–	–	–	–	–	(1,542)	(1,542)
	<b>11,240</b>	<b>131,286</b>	<b>368,234</b>	<b>–</b>	<b>(3)</b>	<b>–</b>	<b>(326,857)</b>	<b>183,900</b>

All reserves as at 30 April 2001 were attributable to the Company and its subsidiaries.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 25. RESERVES (continued)

	Other reserve HK\$'000	Share premium HK\$'000	Con- tributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000	Accu- mulated losses HK\$'000	Total HK\$'000
<b>Company</b>								
At 1 May 2000	-	72,708	-	-	-	-	(118,308)	(45,600)
Share issue expenses	-	(12,693)	-	-	-	-	-	(12,693)
Share premium on share exchange	-	29,936	-	-	-	-	-	29,936
Consideration for grant of share options	11,240	-	-	-	-	-	-	11,240
Net loss for the year	-	-	-	-	-	-	(39,022)	(39,022)
At 30 April 2001 and 1 May 2001	11,240	89,951	-	-	-	-	(157,330)	(56,139)
Share issue expenses	-	(1,637)	-	-	-	-	-	(1,637)
Share premium on share exchange (note 23(a))	-	34,212	-	-	-	-	-	34,212
Reduction of capital (note 23(b))	-	-	368,234	-	-	-	157,330	525,564
Share premium on rights issue (note 23(c))	-	8,760	-	-	-	-	-	8,760
Net loss for the year	-	-	-	-	-	-	(305,153)	(305,153)
<b>At 30 April 2002</b>	<b>11,240</b>	<b>131,286</b>	<b>368,234</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(305,153)</b>	<b>205,607</b>

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2002*

### 25. RESERVES (continued)

The special reserve represents the difference between the nominal amount of the shares of the subsidiaries at the date of the Group reorganisation and the nominal amount of the shares issued by the Company as consideration for the acquisition of the subsidiaries.

Other reserve represents the amount received in relation to the granting of share options to several independent investors and employees of the Company. The reserve would be released to share premium account upon exercise of options or released to accumulated losses upon expiry of the unexercised options.

Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account 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 conditions which the Company is currently unable to satisfy.

In the opinion of the Directors, the Company has no reserve available for distribution to shareholders as at 30 April 2002 and 2001.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	<b>(341,661)</b>	(16,351)
Interest income	<b>(5,076)</b>	(25,692)
Interest expenses	<b>204</b>	229
Dividend income	–	(16)
Share of loss of an associate	<b>1,542</b>	–
Amortisation of goodwill	<b>33,311</b>	4,250
Impairment of goodwill	<b>157,135</b>	–
Depreciation and amortisation of property, plant and equipment	<b>3,044</b>	3,145
Loss/(gain) on disposal of property, plant and equipment	<b>853</b>	(53)
Loss on disposal of subsidiaries	<b>47,732</b>	–
Loss on disposal of investment securities	<b>74,546</b>	–
Reversal of provision for impairment in value of land and buildings and motor vessels	–	(8,942)
Net realised and unrealised loss on other investments	–	8,106
Provision for investment securities	–	5,346
Provision for doubtful debts	–	206
Loss on assignment of loans to an investee company	<b>5,053</b>	–
Write-off of trade and other payables	–	(14,808)
Increase in inventories	<b>(197)</b>	–
Decrease/(Increase) in receivables, deposits and prepayments	<b>534</b>	(3,480)
(Decrease)/Increase in trade and other payables	<b>(8,726)</b>	5,081
Net cash outflow from operating activities	<b>(31,706)</b>	(42,979)

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

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

	Share capital and share premium		Mortgage loans	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At 1 May 2001	656,805	139,186	3,207	3,859
Net cash inflow/(outflow) during the year:				
– Proceeds from issue of shares	37,958	496,100	–	–
– Expenses incurred in connection with the issue of shares	(1,637)	(12,693)	–	–
– Repayments of loans	–	–	(197)	(652)
	36,321	483,407	(197)	(652)
Non-cash transactions:				
Shares exchange with B-Tech (note 26(e)(i))	51,318	34,212	–	–
Reduction of capital (note 23(b))	(525,564)	–	–	–
<b>At 30 April 2002</b>	<b>218,880</b>	<b>656,805</b>	<b>3,010</b>	<b>3,207</b>

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

#### (c) Purchase of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	–	1,737
Other receivables and deposits	35,852	454
Cash at banks and in hand	–	291
Other payables	–	(1,522)
Minority interests	(40,586)	(115)
Interests in associates	231,147	–
	226,413	845
Goodwill arising on acquisition	–	255,049
Consideration	226,413	255,894
Satisfied by:		
Cash	155,186	255,894
Assignment of loan from an investee company (note 26(e)(ii))	33,000	–
Proceeds from disposal of other subsidiaries (note 26(e)(iii) and (iv))	38,227	–
	226,413	255,894
Analysis of net outflow of cash and cash equivalents in respect of the purchase of subsidiaries:		
Cash consideration paid	(155,186)	(255,894)
Cash at banks and in hand acquired	–	291
	(155,186)	(255,603)

The subsidiaries acquired during the year had no significant impact on the Group's cash flows.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

## 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

## (d) Disposal of subsidiaries

	2002 HK\$'000
Net assets disposed of:	
Property, plant and equipment	89
Other investments	14,002
Investment securities	40,666
Inventories	5,200
Trade and other receivables	946
Amounts due from group companies	38,776
Cash at banks and in hand	514
Trade and other payables	(5,343)
Deferred taxation	(5)
	<b>94,845</b>
Release of reserves upon disposal:	
Negative goodwill	(51)
Exchange reserve	581
Capital reserve	(9,389)
Special reserve	98
	<b>86,084</b>
Loss on disposal	<b>(47,732)</b>
Consideration	<b>38,352</b>
Satisfied by:	
Consideration for acquisition of other subsidiaries (note 26(e)(iii) and(iv))	<b>38,352</b>
Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries:	
Cash at banks and in hand disposed of	<b>(514)</b>



## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

#### (d) Disposal of subsidiaries (continued)

During the year, the disposed subsidiaries incurred a net cash outflow of HK\$1,385,000 of the Group's net operating cash flows, received HK\$3,110,000 in respect of the net cash inflow from returns on investments and servicing of finance, contributed HK\$4,157,000 in respect of the net cash inflow from investing activities, and repaid a net amount of HK\$8,809,000 for financing activities.

The disposed subsidiaries incurred a net loss of HK\$79,641,000 to the Group's loss before taxation during the year.

#### (e) Major non-cash transactions

- (i) Pursuant to a share exchange agreement dated 23 March 2001 (as detailed in note 14(a)), 171,061,000 new ordinary shares of the Company at a price of HK\$0.30 each were allotted and issued to B-Tech in exchange for 5,131,830,000 new ordinary shares of B-Tech at a price of HK\$0.01 each.
- (ii) The Group entered into a sale and purchase agreement on 24 August 2001 for the acquisition of the entire issued share capital together with the shareholder's loan of Best Modern Properties Limited ("Best Modern") from an independent third party (the "Best Modern Vendor") for an aggregate consideration of HK\$150 million.

The Group also granted two unsecured loans totalling HK\$16,698,000 to B-Tech during the year in addition to the loans of HK\$32,802,000 granted in the prior year (note 18). A total amount of HK\$11,447,000 was repaid by and received from B-Tech and the remaining balance of HK\$38,053,000 was subsequently assigned to the Best Modern Vendor for HK\$33,000,000 in accordance with the deed of assignment dated 16 October 2001 to offset against the consideration payable by the Group in connection with the purchase of Best Modern.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

#### (e) Major non-cash transactions (continued)

- (iii) Pursuant to the sale and purchase agreement dated 10 December 2001, the Company disposed of its entire equity interests in a wholly-owned subsidiary, Extraordinary Service Limited together with the receivable due from this subsidiary to an independent third party for an aggregate consideration of HK\$32,000,000. The said consideration was subsequently assigned to another independent third party on 28 December 2001 for HK\$31,875,000 to partly offset against the purchase consideration payable by the Group for the acquisition of the 42% equity interests together with the shareholder's loan of Newshine Development Limited in accordance with the sale and purchase agreement dated 28 December 2001.
- (iv) Pursuant to the sale and purchase agreement dated 22 April 2002, the Group disposed of its entire equity interests in two wholly-owned subsidiaries, Vincent Group Holdings Limited ("Vincent") and E-Continental Group Limited ("E-Continental") together with the receivables due from Vincent and E-Continental as well as their group companies to an independent third party for an aggregate consideration of HK\$6,352,000. The said consideration was subsequently assigned to another independent third party on 30 April 2002 to partly offset against the purchase consideration payable by the Group for the acquisition of the entire equity interests together with the shareholder's loan of Ray Gold Development Limited in accordance with the sale and purchase agreement dated 24 January 2002.

### 27. RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, all employees are required to join the mandatory provident fund scheme (the "MPF Scheme") set up in accordance with the Mandatory Provident Fund Schemes Ordinance.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the Group. The Group's contribution is calculated at 5% of the employee's monthly relevant income as defined in the MPF Ordinance of up to a maximum of HK\$20,000. The contributions made by the Company which exceed 5% of the employee's monthly relevant income are paid as voluntary contribution. No voluntary contribution is paid for the employees of the subsidiaries within the Group. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 28. PLEDGE OF ASSETS

As at 30 April 2002, the Group has pledged certain property, plant and equipment with an aggregate net book value of approximately HK\$7,027,000 (2001: HK\$7,183,000) to secure the mortgage loans granted to the Group (note 21).

### 29. OPERATING LEASE COMMITMENTS

#### (a) As lessee

At 30 April 2002, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Payable within one year	3,271	3,401	2,859	2,624
Payable in the second to fifth years	387	3,266	284	2,916
	<b>3,658</b>	6,667	<b>3,143</b>	5,540

The Group leases a number of properties under operating leases. The leases run for a period of one to three years. None of these leases include option to renew or contingent rentals.

#### (b) As lessor

At 30 April 2002, the Group has contracted with tenants for the following future minimum lease receipts in respect of land and buildings which fall due:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	644	862
In the second to fifth years	1,099	118
After five years	1,114	–
	<b>2,857</b>	980

## Notes to the Financial Statements (continued)

For the year ended 30 April 2002

### 29. OPERATING LEASE COMMITMENTS (continued)

#### (b) As lessor (continued)

The leases run for an initial period of three to ten years with an option to renew the lease terms at the expiry date. None of the leases include contingent rentals.

As at 30 April 2002, the Company did not have any operating lease commitments as a lessor.

### 30. RELATED PARTY TRANSACTIONS

During the year, the Group has entered into the following related party transactions:

- (a) The Group entered into a loan agreement on 10 May 2001 with 800 TeleServices Holdings Limited ("800 TeleServices") for the granting of an unsecured loan of HK\$5,040,000 to 800 TeleServices which was drawn down on the same date. According to the loan agreement, the final repayment date was 12 months from the drawdown date and the loan would bear interest on the outstanding principal at a rate of 20% per annum from the drawdown date up to but excluding the final repayment date. Interest should be payable monthly in arrears at the rate of 0.25% per month and an additional interest at the rate of 17% should be payable on the final repayment date. Mr. Wong Yau Kuen, Alex, a former Director of the Company, was a shareholder and director of 800 TeleServices.

Pursuant to a deed of assignment and novation dated 29 November 2001, the Group assigned the said loan together with all the outstanding interests and benefits to an independent third party for a consideration of HK\$5,040,000. The interest earned by the Group up to the date of assignment of the loan was HK\$84,000.

- (b) Property, plant and equipment with carrying value of HK\$361,000 were sold to Mr. Ho Hon Chung, Ivan, an alternate to Mr. Yeung Ming Kwong, Tony, a former Director of the Company for a consideration of HK\$60,000.
- (c) In relation to the loans granted to B-Tech as detailed in note 26(e)(ii), interest income of HK\$2,952,000 was earned by the Group from B-Tech. Mr. Lai Hok Lim, Alex, a Director, and Mr. Luo Lei, a former Director of the Company, were also former directors of B-Tech.

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2002*

### 31. POST BALANCE SHEET EVENTS

On 17 July 2002, the Group entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of its entire equity interests in Gain On Development Limited, Poly Yield Development Limited and Grandeur Concord Limited (the "Disposed Subsidiaries"), direct wholly-owned subsidiaries of the Company, together with the payables of HK\$1,320,000 due by the Group to these Disposed Subsidiaries and their subsidiaries (the "Disposed Group") for an aggregate consideration of HK\$14,320,000.

The principal activities of the Disposed Group were holding of properties in the People's Republic of China and Canada with carrying values of HK\$11,015,000 and HK\$7,027,000 respectively as at 30 April 2002. The net liabilities of the Disposed Group were HK\$9,284,000 as at 30 April 2002.

### 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 17 to 66 were approved by the board of directors on 25 October 2002.