



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of Financial Statements
SSAP 11 (Revised)	Foreign Currency Translation
SSAP 15 (Revised)	Cash Flow Statements
SSAP 34	Employee Benefits

The new and revised standards have introduced revised disclosure requirements which have been adopted in the condensed financial statements. The adoption of these standards has resulted in a change in the format of the cash flow statement and the statement of changes in equity. Comparative amounts for prior period have been restated in order to achieve a consistent presentation. The adoption of these standards has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

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3. SEGMENT INFORMATION

For management purpose, the Group is currently organised into nine operating divisions, namely, lease of properties, sales of properties, printing and publishing, securities brokerage services, wholesaling and retailing of furniture, hotel operations, consultancy and advisory services, securities trading and licence of internet streaming rights. These divisions are the basis on which the Group reports its primary segment information.

	Segment revenue		Segment result	
	Six month ended		Six months ended	
	30th September, 2002 (unaudited)	30th September, 2001 (unaudited and restated)	30th September, 2002 (unaudited)	30th September, 2001 (unaudited and restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segments				
Lease of properties	49,541	52,435	44,442	(148,540)
Sale of properties	56,804	130,576	20,883	(38,525)
Printing and publishing	71,247	—	(20,626)	—
Securities brokerage services	18,440	37,219	11,738	23,562
Wholesaling and retailing of furniture	45,290	59,775	(1,228)	2,948
Hotel operations	21,289	23,189	(3,515)	(7,962)
Consultancy and advisory services	33,851	10,877	31,755	8,987
Securities trading	72,734	7,441	(4,652)	2,425
Licence of internet streaming rights	—	—	(92,400)	(17,857)
	369,196	321,512	(13,603)	(174,962)
Interest income			6,264	7,674
Interest expenses			(12,349)	(35,633)
Corporate general and administrative expenses			(25,794)	(40,738)
Amortisation of goodwill arising on acquisition of an associate – (Business segment: Others)			(3,094)	(578)
Gain on disposal of an associate – (Business segment: Others)			17,662	—
Share of results of associates – (Business segment: Sale of properties)			(306,212)	(2,438)
Share of result of associates – (Business segment: Others)			(11,390)	(9,240)
Loss before taxation			(348,516)	(255,915)

4. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTANGIBLE ASSETS

The amount mainly represents the impairment loss recognised in respect of internet streaming rights of approximately HK\$92,400,000, based on the Directors' estimation on the net recoverable amount of the assets by reference to a valuation report prepared by an independent professional valuer and based on the projected future net income generated from the assets.



5. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF PUBLISHING LIBRARY

The impairment loss recognised is estimated by the Directors based on an assessment of the net recoverable amount of the publishing library by reference to a valuation report prepared by an independent professional valuer and based on the estimated selling price or licence fee of the assets.

6. LOSS FROM OPERATIONS

Loss from operations for the Period has been arrived at after charging depreciation of approximately HK\$15,723,000 (2001: HK\$13,770,000) in respect of the Group's property, plant and equipment and crediting dividend income from listed securities of approximately HK\$33,000 (2001: HK\$79,000).

7. SHARE OF RESULTS OF ASSOCIATES

During the Period, an associate of the Group made an allowance for doubtful recovery of the amount due from an unconsolidated subsidiary in its income statement for the Period. The associate was informed by its lawyers in the People's Republic of China ("PRC") that an unauthorised registration had been filed with the relevant authority in the PRC pursuant to which the entire interest in a wholly owned subsidiary held by that unconsolidated subsidiary had already been transferred to a party unknown to the associate. Actions would be taken by the directors of the associate to contest against the aforesaid registration. As a result, the allowance for doubtful recovery of the amount due from an unconsolidated subsidiary in the associate shared by the Group during the Period was approximately HK\$308,314,000.

8. TAXATION

	Six months ended	
	30th September, 2002 (unaudited)	30th September, 2001 (unaudited)
	HK\$'000	HK\$'000

The charge comprises:

Hong Kong Profits Tax attributable to the Group	(4,065)	(4,084)
Share of taxation attributable to associates	(186)	(344)
	(4,251)	(4,428)

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for both periods.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK\$354,320,000 (2001: HK\$248,043,000) and on 863,293,521 shares in issue during both periods.

No disclosure of diluted loss per share figures is presented as there were no dilutive potential shares outstanding in during both periods.

10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2002 (2001: nil).

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment directly amounting to approximately HK\$5,286,000 and through the acquisition of certain subsidiaries amounting to approximately HK\$85,877,000.



12. DEBTORS, DEPOSITS AND PREPAYMENTS

In general, the Group grants credit periods ranging from 30 days to 180 days to some of its customers. Loans to share margin clients are secured by clients' pledged securities and are repayable on demand. No aged analysis is disclosed in respect of loans to share margin clients as in the opinion of the directors, the aged analysis does not give relevant information in view of the nature of the business of share margin financing.

The following is an aged analysis of trade debtors as at the balance sheet date:

	30th September, 2002 (unaudited)	31st March, 2002 (audited)
	HK\$'000	HK\$'000
0 – 30 days	120,345	142,763
31 – 90 days	31,060	3,973
91 – 180 days	13,569	1,907
Over 180 days	12,005	6,836
	176,979	155,479
Loans to share margin clients	57,713	86,773
Other receivables, deposits and prepayments	22,457	13,830
	257,149	256,082

13. CREDITORS, CUSTOMER DEPOSITS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors as at the balance sheet date:

	30th September, 2002 (unaudited)	31st March, 2002 (audited)
	HK\$'000	HK\$'000
0 – 90 days	88,414	87,237
91 – 180 days	1,420	149
Over 180 days	7,373	2,242
	97,207	89,628
Other payables, deposits and accruals	178,219	56,825
	275,426	146,453

14. SHARE CAPITAL

	Number of shares of HK\$1 each	Capital HK\$'000
<i>Authorised:</i>		
As at 31st March, 2002 and 30th September, 2002	5,000,000,000	5,000,000
<i>Issued and fully paid:</i>		
As at 31st March, 2002 and 30th September, 2002	863,293,521	863,293



15. CONTINGENCIES AND COMMITMENTS

Contingent liabilities

	30th September, 2002 (unaudited)		31st March, 2002 (audited)	
	Guarantees given	Amount utilised	Guarantees given	Amount utilised
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of credit facilities utilised by the				
– associates	—	—	121,002	36,428
– third parties	59,750	31,440	—	—
	59,750	31,440	121,002	36,428

Capital commitments

	30th September, 2002 (unaudited)	31st March, 2002 (audited)
	HK\$'000	HK\$'000
Authorised but not contracted for	151	291
Contracted for but not provided in the financial statements, net of deposits paid	128,832	216,087
	128,983	216,378

All of the above capital commitments are related to property investment and development projects.

16. ACQUISITION OF SIGNIFICANT SUBSIDIARIES

On 22nd July, 2002, the Group acquired the entire interests of Island Gold Developments Limited and its subsidiaries ("Island Gold Group") from Matsunichi Communication Holdings Limited (formerly known as Emperor Technology Venture Limited) ("ETV"), a then associate, at a cash consideration equivalent to the face value of the shareholder's loan after netting off the consolidated net liabilities of Island Gold Group as at that date. Island Gold Group is engaged principally in the publication of newspaper and magazines and provision of printing services.

The effect of the acquisition is summarised as follows:

	HK\$'000
Net liabilities acquired	(630,838)
Shareholder's loan acquired	709,021
Total amount	78,183
Satisfied by:	
– Cash consideration paid	78,183



17. RELATED PARTY TRANSACTIONS

- (a) During the Period, the Group had the following significant transactions with related parties:

	Six months ended	
	30th September, 2002 (unaudited) HK\$'000	30th September, 2001 (unaudited) HK\$'000
Advertising income received from related companies (<i>note ii</i>)	358	—
Interest received from associates (<i>note iii</i>)	5,872	7,181
Management fees received from associates (<i>note ii</i>)	731	—
Management fees received from related companies (<i>note ii</i>)	436	—
Rental received from related companies (<i>note ii</i>)	4,220	4,730
Rental received from associates (<i>note ii</i>)	2,110	3,182
Professional and service fees received from related companies (<i>note ii</i>)	1,354	2,099
Interest paid to a shareholder (<i>note iii</i>)	562	5,158

Notes:

- (i) Certain directors and substantial shareholders of the Company have beneficial interests in the related companies.
- (ii) 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.
- (iii) The interest received or paid by the Group is calculated by reference to the principal outstanding and at the prevailing market interest rates.
- (b) During the Period, the Group acquired 100% interest in Island Gold Group at a cash consideration of approximately HK\$78,183,000, which represented the loan outstanding from Island Gold Group to ETV and its subsidiaries other than the Island Gold Group after netting off the net liabilities of Island Gold Group as at the date of completion.
- (c) The advances to the associates and loans from shareholders, related parties and minority shareholders of subsidiaries are set out in the condensed consolidated balance sheet.

18. POST BALANCE SHEET EVENTS

In light of the widespread adverse public sentiment against the cover of an issue of Eastweek Magazine ("Eastweek") published on 30th October, 2002, the Group discontinued the publication of Eastweek in early November 2002. In connection with the discontinuance of Eastweek, the Group made a payment of compensation of approximately HK\$9,000,000 to the then employees of Eastweek to terminate their employment contracts with the Group. The Group also expects a write off of certain assets of not more than HK\$11,000,000.

As at this report date, there is an outstanding litigation in connection with the controversial cover of the issue of Eastweek. The Directors anticipated a financial impact of not more than HK\$2,000,000 should the judgment be made against Eastweek.