

Notes to the Financial Statements

For the year ended 31 December 2002

1. ORGANISATION AND OPERATION

The Company was incorporated in Bermuda on 24 March 1997 under the Companies Act 1981 of Bermuda (as amended) as an exempted company limited by shares. Its shares have been listed on The Stock Exchange of Hong Kong Limited on 26 June 1997.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 13(b) to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The Group incurred a loss attributable to shareholders of HK\$213,004,000 and reported a significant net cash outflow from operating activities of HK\$10,273,000 for the year ended 31 December 2002.

The directors have continued to tighten cost controls over operating costs to improve the cash flows, profitability and operations of the Group. In addition, a substantial shareholder has confirmed his intention to continue to support financially the operations of the Company and to meet all third party obligations. The directors believe that the Group will have sufficient working capital for its future operational requirements. Accordingly, the financial statements have been prepared on a going concern basis. Currently, the Group's operations are funded by its internal resources. The continuation of the Group's business depends upon the ability of the Group to attain profitable and positive cash flow operations and ongoing financial support from the shareholders to meet its future working capital and financial requirements.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to the classification of recorded asset amounts, with these assets being written down to their recoverable amounts, and to the amounts and classification of liabilities, to reflect the fact that the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, additional liabilities may crystallise and the resulting amounts may differ materially from those stated in the financial statements. The effects of these adjustments have not been reflected in the financial statements.

The financial statements have been prepared under the historical cost convention and in accordance with generally accepted accounting principles in Hong Kong and with accounting standards issued by the Hong Kong Society of Accountants.

The accounting policies used in the preparation of the financial statements are consistent with the previous year except that the Group has adopted the following new or revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") which became effective for the current financial year.

Notes to the Financial Statements

For the year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

The changes to accounting policies and the effects are as follows:

SSAP 1 (revised)

A statement of changes in equity is presented in the current year's financial statements. In the previous year a statement of recognised gains and losses was presented.

SSAP 15 (revised)

This revised statement requires a change of the presentation of the cash flow statement and the related disclosures.

SSAP 33

This new statement requires the segregate disclosure of major discontinuing operations. As a result the income statements for the current and previous year are segregated into continuing operations and discontinuing operations.

SSAP 34 (revised)

SSAP 34 prescribes the recognition, measurement and disclosure requirements for employee benefits. The adoption of this SSAP has resulted in a provision for the estimated liability for annual leave in the financial statements. No such provision was made in the previous year.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the Board of Directors; or to cast majority of votes at the meetings of the Board of Directors.

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 are eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Basis of consolidation (Cont'd)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for long-term and significant influence is exercised in its management.

The Group's investments in associated companies include the Group's share of the net assets of the associated companies (plus the premium paid/less any discount on acquisition in so far as it has not already been written off or amortised). The Group's share of post-acquisition profits or losses of associated companies is included in the consolidated income statement.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses, if any. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

Unrealised profits and losses resulting from transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated company, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised in the consolidated income statement.

(d) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the consolidated income statement.

The balance sheets of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst income statements' items are translated at average rates. Exchange differences are dealt with as a movement in reserves. Upon the disposal of an overseas subsidiary or associated company, the related cumulative exchange difference is included in the consolidated income statement as part of the gain or loss on disposal.

Notes to the Financial Statements

For the year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Intangibles

(i) Goodwill

Goodwill represents the excess of the cost of investments over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight line method over its estimated useful life, but not exceeding 20 years.

(ii) Patents and trademarks

Patents and trademarks are stated at purchased cost less accumulated amortisation and impairment losses.

On the adoption of SSAP 29, expenditure on acquired patents and trademarks is capitalised and amortised using the sum of years digit method over their estimated useful lives but not exceeding 20 years. Patents and trademarks are not revalued as there is no active market for these assets.

(iii) Hotel operating licence

Hotel operating licence is stated at purchased cost less accumulated amortisation and impairment losses.

On the adoption of SSAP 29, expenditure on licence is capitalised and amortised using the straight line method over their estimated useful lives, but not exceeding 20 years. The licence is not revalued as there is no active market for the licence.

(iv) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses and are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Leasehold improvements	over unexpired lease term or 5 years, whichever is shorter
Furniture, fixtures and equipment	20% to 30%
Motor vehicles	20%

Notes to the Financial Statements

For the year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(f) Property, plant and equipment (Cont'd)

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the consolidated income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

(g) Construction contracts in progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract as revenues and expenses respectively. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period. The state of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

In determining costs incurred up to the year-end, any costs relating to future activity on a contract are excluded and shown as contract work-in-progress. The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts.

(h) Revenue recognition

(i) Contract revenue

Revenue for construction contracts is recognised as set out in note 2(g).

(ii) Provision of system services

Revenue from provision of system services is recognised when services are rendered.

(iii) Hotel operation revenue

Revenue for hotel operation income is recognised when services are rendered.

(iv) Interest income

Interest income is recognised to the extent when the revenue can be measured reliably.

Notes to the Financial Statements

For the year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated income statement.

(j) Other investments

Other investments are stated at cost less provision for impairment losses, if any. The carrying amounts of the investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment is reduced to its fair value. The amount of the reduction is recognised as an expense in the consolidated income statement.

(k) Clubs membership

Clubs membership are stated at cost less any impairment in value. An assessment of the membership is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

Upon disposals of the membership, the difference between net disposal proceeds and the carrying amount is charged or credited to the consolidated income statement.

(l) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the consolidated balance sheet are stated net of such provision.

(m) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. For the purpose of cash flow, bank overdrafts which are repayable on demand and form an integral part of an enterprise's cash management are also included as a component of cash and cash equivalents.

(n) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At inception finance leases are capitalised at the lower of the fair value of the leased assets or the present value of the minimum lease payments.

Lease payments are allocated between the capital and finance charges. The corresponding rental obligations, net of finance charges, are recorded as obligations under finance leases. Finance charges are charged to the consolidated income statement over the lease periods.

Notes to the Financial Statements

For the year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(o) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the consolidated income statement on a straight line basis over the lease term.

(p) Borrowing costs

All borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(r) Related parties

Two 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.

(s) Event after the balance sheet date

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(t) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Notes to the Financial Statements

For the year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(u) Employee benefits

- (i) Obligations for contributions to defined contribution retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as expenses in the consolidated income statement as incurred.

- (ii) Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

- (iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(v) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

Deferred taxation is provided using the liability method on all material timing differences, other than those which are not expected to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Notes to the Financial Statements

For the year ended 31 December 2002

3. REVENUE AND TURNOVER

	Group	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Construction contracts in Hong Kong	12,664	29,441
Construction contracts in the PRC	9,368	5,589
Sale of television programs	–	11,801
Provision of network security services	1,172	39
Hotel operation	1,441	–
	24,645	46,870
Other revenue		
Interest income		
– bank deposits	97	420
– loans receivable	–	1,980
– others	21	–
Write back of over provided job costs	1,566	6,964
Profit guarantee upon acquisition of a subsidiary	8,000	–
Waiver of interest on convertible loan notes	1,030	–
Others	4,724	3,277
	15,438	12,641
Total revenue	40,083	59,511

Notes to the Financial Statements

For the year ended 31 December 2002

3. REVENUE AND TURNOVER (Cont'd)

Primary reporting format – business segments

	Turnover		Operating profit/(loss)	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Construction contracts in Hong Kong	12,664	29,441	(19,329)	(24,192)
Construction contracts in the PRC	9,368	5,589	330	(2,773)
Sale of television programs and film rights	–	11,801	–	(27,313)
Provision of network security services	1,172	39	(151,910)	2
Hotel operation	1,441	–	(16,284)	–
Money lending	–	–	(42,910)	(48,091)
	24,645	46,870	(230,103)	(102,367)
Loss on disposal of subsidiaries			(1,905)	(84,147)
Impairment loss on investments held for resale			(30,816)	–
Share of results of associated companies			(486)	(11,685)
Amortisation of premium on acquisition of associated companies			(5,823)	–
Share of results of a joint venture			–	(310)
Finance costs			(4,633)	(996)
Loss from operating activities before taxation			(273,766)	(199,505)
Taxation			–	(82)
Loss from operating activities after taxation			(273,766)	(199,587)
Minority interest			60,762	(1)
Loss attributable to shareholders			(213,004)	(199,588)

Notes to the Financial Statements

For the year ended 31 December 2002

3. REVENUE AND TURNOVER (Cont'd)

Primary reporting format – business segments (Cont'd)

	Construction contracts		Sale of television programs and film rights		Provision of network security services		Hotel operation		Money lending		Total	
	2002	2001	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	HK\$'000	HK\$'000
Segment assets	6,913	8,738	-	30,000	191,645	358,176	18,176	-	78	67,940	216,812	464,854
Investments	1,063	1,763	-	-	-	-	-	-	-	-	1,063	1,763
Unallocated assets	-	-	-	-	-	-	-	-	-	-	37,342	84,150
Total assets	7,976	10,501	-	30,000	191,645	358,176	18,176	-	78	67,940	255,217	550,767
Segment liabilities	22,249	27,031	-	-	1,552	16,602	1,373	-	-	33	25,174	43,666
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	80,744	141,066
Total liabilities	22,249	27,031	-	-	1,552	16,602	1,373	-	-	33	105,918	184,732
Capital expenditure	96	-	-	-	-	-	-	-	-	-	96	-
Depreciation and amortisation	59	247	-	-	139,670	-	12,126	-	-	-	151,855	247
Provision for doubtful debts and loans receivable											63,165	44,940

Secondary reporting format – geographical segments

	Turnover		Operating (loss)/profit		Total assets		Capital expenditure	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	12,664	29,441	(105,416)	(199,193)	45,066	192,591	96	-
PRC	11,981	5,628	(167,864)	(2,771)	210,151	358,176	-	-
Taiwan	-	11,801	-	2,459	-	-	-	-
Singapore	-	-	(486)	-	-	-	-	-
Total	24,645	46,870	(273,766)	(199,505)	255,217	550,767	96	-

Notes to the Financial Statements

For the year ended 31 December 2002

4. OPERATING LOSS

Operating loss is stated after charging and crediting the following:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Charging:		
Amortisation of intangible assets (<i>note 11</i>)		
Hotel operating licence	12,126	–
Patents and trademarks	139,083	–
Film copyright and licences	–	30,000
Goodwill	517	–
	151,726	30,000
Amortisation of premium on acquisition of associated companies (<i>note 14(a)</i>)	5,823	–
Auditors' remuneration	500	450
Depreciation:		
– owned	2,248	5,617
– leased	–	30
Loss on disposal of property, plant and equipment	582	–
Loss on disposal of subsidiaries	1,905	84,147
Impairment loss on investments held for resale	30,816	–
Impairment loss on clubs membership	700	–
Operating leases:		
Hire of office equipment	185	–
Land and buildings	3,267	3,200
Retirement benefit costs (<i>note 9</i>)	181	332
Staff costs (<i>including directors' emoluments, see note 10</i>)	10,564	15,907
Crediting:		
Gain on disposal of property, plant and equipment	–	148
Write back of over provided job costs	1,566	6,964

Notes to the Financial Statements

For the year ended 31 December 2002

5. FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans and overdraft	178	232
Interest on convertible loan notes and redeemable debentures repayable within five years	4,426	505
Interest element of finance leases	-	235
Others	29	24
	<hr/> 4,633 <hr/>	<hr/> 996 <hr/>

6. TAXATION

	Group	
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries		
– Hong Kong profits tax	-	-
– PRC income taxes	-	2
– Taiwan income tax	-	80
	<hr/> -	<hr/> 82
	<hr/> - <hr/>	<hr/> 82 <hr/>

No provision for Hong Kong profits tax is required since the Group has no assessable profit in Hong Kong for the year. No provision for overseas tax is required as the Group has no assessable profit in these places of operation for the year.

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the income statement of the Company to the extent of HK\$182,615,000 (2001: HK\$292,963,000).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$213,004,000 (2001: HK\$199,588,000) and on the weighted average number of 1,777,431,995 (2001: 894,910,855) ordinary shares in issue during the year.

The diluted loss per share for both years ended 31 December 2001 and 2002 are not shown as the ordinary shares issuable under outstanding share options and convertible loan notes were anti-dilutive.

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9. RETIREMENT BENEFIT COSTS

The Group operates a Mandatory Provident Fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with employees when contributed into the MPF Scheme.

The total cost charged to the consolidated income statement of approximately HK\$181,000 (2001: HK\$332,000) represents contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme. As at 31 December 2002, contributions of approximately HK\$70,440 (2001: HK\$21,000) due in respect of the current reporting period had not been paid over the MPF Scheme.

10. DIRECTORS’ AND SENIOR MANAGEMENT’S EMOLUMENTS

(a) Directors’ emoluments

Directors’ emoluments, disclosed pursuant to Section 161(1) of the Companies Ordinance and the Listing Rules of The Stock Exchange of Hong Kong Limited, were as follows:

	Group			
	Executive directors		Non-executive directors	
	2002	2001	2002	2001
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Fees	–	–	271	316
Other emoluments:				
Basic salaries	5,780	5,503	–	–
Retirement benefit costs	39	48	–	–
Other allowances	346	346	–	–
	<u>6,165</u>	<u>5,897</u>	<u>271</u>	<u>316</u>

During the year, no emoluments were paid to independent non-executive directors of the Company.

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10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

The number of directors whose emoluments fell within the following bands is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
HK\$Nil – HK\$1,000,000	12	11
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	1	2
	<u>1</u>	<u>2</u>

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

Options to acquire shares in the Company were granted to certain directors on 26 April 2001 as set out in note 20(b) to the financial statements. All the options were lapsed during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2001: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2001: three) individual during the year are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Basic salaries	580	2,175
Retirement benefit costs	12	35
Other allowances	–	–
	<u>592</u>	<u>2,210</u>

The number of individuals whose emoluments fell within the following bands is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
HK\$Nil – HK\$1,000,000	1	3
	<u>1</u>	<u>3</u>

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11. INTANGIBLE ASSETS

Group

	Goodwill	Patents and trademarks	Hotel operating licence	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 January 2002	2,385	327,255	–	329,640
Additions	–	–	29,103	29,103
	<u>2,385</u>	<u>327,255</u>	<u>29,103</u>	<u>358,743</u>
At 31 December 2002	<u>2,385</u>	<u>327,255</u>	<u>29,103</u>	<u>358,743</u>
Amortisation				
Charge for the year and at 31 December 2002	517	139,083	12,126	151,726
	<u>517</u>	<u>139,083</u>	<u>12,126</u>	<u>151,726</u>
Net book value				
At 31 December 2002	<u>1,868</u>	<u>188,172</u>	<u>16,977</u>	<u>207,017</u>
At 31 December 2001	<u>2,385</u>	<u>327,255</u>	<u>–</u>	<u>329,640</u>

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 January 2002	6,330	860	185	7,375
Additions	563	278	–	841
Disposals	(957)	–	–	(957)
	<u>5,936</u>	<u>1,138</u>	<u>185</u>	<u>7,259</u>
At 31 December 2002	<u>5,936</u>	<u>1,138</u>	<u>185</u>	<u>7,259</u>
Accumulated depreciation				
At 1 January 2002	2,696	544	–	3,240
Charge for the year	1,865	346	37	2,248
Write back on disposals	(366)	–	–	(366)
	<u>4,195</u>	<u>890</u>	<u>37</u>	<u>5,122</u>
At 31 December 2002	<u>4,195</u>	<u>890</u>	<u>37</u>	<u>5,122</u>
Net book value				
At 31 December 2002	<u>1,741</u>	<u>248</u>	<u>148</u>	<u>2,137</u>
At 31 December 2001	<u>3,634</u>	<u>316</u>	<u>185</u>	<u>4,135</u>

Notes to the Financial Statements

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13. INVESTMENTS

(a) Group – Investments held for resale

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	28,672	28,672
Amount due from investments held for resale	2,144	–
Less: Impairment loss	(30,816)	–
	<u>–</u>	<u>28,672</u>

(b) Company – Investments in subsidiaries

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	181,325	155,537
Less: Impairment loss	(132,336)	(50,000)
	<u>48,989</u>	<u>105,537</u>
Amounts due from subsidiaries	410,610	387,200
Less: Provision	(165,000)	–
	<u>245,160</u>	<u>387,200</u>
Amounts due to subsidiaries	(68,687)	(70,531)
	<u>225,912</u>	<u>422,206</u>

Amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed repayment terms.

Notes to the Financial Statements

For the year ended 31 December 2002

13. INVESTMENTS (Cont'd)

(b) Company – Investments in subsidiaries (Cont'd)

The following is a list of the principal subsidiaries at 31 December 2002:

Company name	Place of incorporation and principal operation	Issued and paid up share capital	Equity interest attributable to the Group	Principal activities
Prosperity Construction and Decoration Limited*	Hong Kong	HK\$5,000,000	100%	Construction contractor
Prosperity Construction and Decoration (HK) Limited*	Hong Kong	HK\$2	100%	Construction contractor
Prosperity Construction (Hong Kong) Limited*	Hong Kong	HK\$2	100%	Construction contractor
Prosper eVision Finance Limited*	Hong Kong	HK\$2	100%	Provision of money lending services
Prosper eVision Management Limited*	Hong Kong	HK\$2	100%	Provision of management services
深圳安網達網絡技術有限公司#,^	PRC	HK\$15,000,000	60%	Provision of system services
Keyway China Limited @,*	British Virgin Islands/PRC	US\$100	100%	Construction contractor
Smartop Development Limited*	British Virgin Islands/PRC	US\$1	100%	Hotel operation under a licence right

Company not audited by RSM Nelson Wheeler. The Group's result before taxation attributable to this company amounted to loss of HK\$486,000 (2001: profit of HK\$2,000)

* Limited liability companies

^ A contractual joint venture

@ Shares held directly by the Company

The above table sets out the subsidiaries which, in the opinion of the directors, materially affected the amounts of the results for the year or the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended 31 December 2002

14. INVESTMENTS IN ASSOCIATED COMPANIES

(a)

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net liabilities	(1,726)	–
Premium on acquisition of associated companies	27,173	–
Less: Amortisation of premium on acquisition	(5,823)	–
	<u>19,624</u>	<u>–</u>

(b) Details of the associated companies at 31 December 2002 are as follows:

Company name	Place of incorporation and principal operation	Class of shares	Effective holding	Principal activities
Great Win International Limited	British Virgin Islands	Ordinary	35%	Investment holding
Intwell Technology (S) Pte Limited	Singapore	Ordinary	35%	System integration and training
Intwell Professional Training & Consultancy Pte Limited	Singapore	Ordinary	35%	System integration and training

15. CLUBS MEMBERSHIP

	Group	
	2002	2001
	HK\$'000	HK\$'000
At cost	1,763	1,763
Less: Impairment loss	(700)	–
	<u>1,063</u>	<u>1,763</u>

Note: The Group will dispose of the clubs membership within the next twelve months. It is the directors' opinion to re-classify the clubs membership as current assets in 2002.

Notes to the Financial Statements

For the year ended 31 December 2002

16. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Costs incurred plus attributable profit less foreseeable losses	64,929	62,609
<i>Less: Progress billings</i>	(64,590)	(65,802)
	339	(3,193)
Amounts due from customers on construction contracts	568	–
Amounts due to customers on construction contracts	(229)	(3,193)
	339	(3,193)

At 31 December 2002, retention held by customers for contract work included in prepayments, deposits and other receivables of the Group amounted to HK\$1,437,000 (2001: HK\$2,417,000).

At 31 December 2002, retention held by the Group for contract work included in accruals and other payables amounted to HK\$1,725,000 (2001: HK\$1,805,000).

17. ACCOUNTS RECEIVABLE

The Group has a policy of allowing its trade customers with credit period normally between 30 to 60 days or terms in accordance with construction contracts. The ageing analysis is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Less than 3 months	2,169	1,332
3 months to 6 months	–	–
6 months to 1 year	–	100
Over 1 year	4,867	5,485
<i>Less: Provision for doubtful debts</i>	(4,767)	(4,641)
	2,269	2,276

18. LOANS RECEIVABLE

	Group	
	2002	2001
	HK\$'000	HK\$'000
Loans receivable	75,584	90,584
<i>Less: Provision on loans receivable</i>	(75,584)	(32,646)
	–	57,938

Notes to the Financial Statements

For the year ended 31 December 2002

19. ACCOUNTS PAYABLE

	Group	
	2002	2001
	HK\$'000	HK\$'000
Less than 3 months	1,155	3,998
3 months to 6 months	2,491	811
6 months to 1 year	–	11
Over 1 year	10,810	12,617
	14,456	17,437

20. SHARE CAPITAL

(a) Share capital

	Ordinary shares of HK\$0.10 each	
	Number of shares	Par value HK\$'000
Authorised:		
At 1 January 2001	800,000,000	80,000
Increase in authorised ordinary share capital	1,200,000,000	120,000
At 31 December 2001	2,000,000,000	200,000
Increase in authorised ordinary share capital	2,000,000,000	200,000
At 31 December 2002	4,000,000,000	400,000
Issued and fully paid:		
At 1 January 2001	716,005,000	71,600
Issue of shares	742,500,000	74,250
Exercise of share option	40,000,000	4,000
At 31 December 2001	1,498,505,000	149,850
Placement of ordinary shares	290,000,000	29,000
Shares issued for conversion of convertible loan notes (<i>note 24(b)</i>)	151,955,830	15,196
At 31 December 2002	1,940,460,830	194,046

Notes to the Financial Statements

For the year ended 31 December 2002

20. SHARE CAPITAL (Cont'd)

(a) Share capital (Cont'd)

By an ordinary resolution passed on 30 January 2002, the authorised ordinary share capital of the Company was increased from HK\$200,000,000 to HK\$400,000,000 by the creation of 2,000,000,000 shares of HK\$0.10 each.

The following shares were issued by way of placement on 23 May 2002. The proceeds from the placing was used for additional general working capital and/or funds for potential acquisitions by the Company.

Date	Number of shares	At par	Premium	Total
		value	HK\$'000	HK\$'000
23 May 2002	290,000,000	29,000	870	29,870

During the year, a total of 151,955,830 ordinary shares of par value of HK\$0.10 each of the Company were issued in connection with the conversion of the convertible loan notes issued as consideration of acquisition of certain subsidiaries (see note 24(b)).

(b) Share option scheme

On 11 June 1997, the Company in general meeting adopted a share option scheme under which the directors may, at their discretion and at any time during the ten years from the date of adoption, invite any full-time employee or executive director of the Group to take up options to subscribe for shares of the Company. The subscription price may not be less than the greater of 80% of the average closing price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company excluding any shares issued on the exercise of option from time to time. The scheme became effective upon the listing of the Company's shares on the Stock Exchange on 26 June 1997.

Movements in the number of share options granted pursuant to the scheme during the year were as follows:

Exercise price per share	Exercise period	Number of options				Outstanding at 31 December 2002
		Outstanding at 1 January 2002	Granted during the year	Lapsed during the year	Exercised during the year	
HK\$0.16	13 July 1999 to 16 May 2002	10,000,000	-	(10,000,000)	-	-

Notes to the Financial Statements

For the year ended 31 December 2002

21. RESERVES

(a) Group

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
1 January 2001	436,523	22,130	(1,085)	(188,693)	268,875
Realisation of exchange reserve on disposal of subsidiaries	-	-	1,085	-	1,085
Premium arising on issue of shares, net of issuing expenses	9,565	-	-	-	9,565
Exchange differences arising on consolidation	-	-	659	-	659
Loss for the year	-	-	-	(199,588)	(199,588)
At 31 December 2001	446,088	22,130	659	(388,281)	80,596
Premium arising on issue of shares, net of issuing expenses	120	-	-	-	120
Premium arising on conversion of convertible loan notes (note 24(b))	12,804	-	-	-	12,804
Exchange differences arising on consolidation	-	-	(90)	-	(90)
Loss for the year	-	-	-	(213,004)	(213,004)
At 31 December 2002	459,012	22,130	569	(601,285)	(119,574)
Company and subsidiaries	446,088	22,130	659	(388,281)	80,596
Associated companies	-	-	-	-	-
At 31 December 2001	446,088	22,130	659	(388,281)	80,596
Company and subsidiaries	459,012	22,130	569	(600,799)	(119,088)
Associated companies	-	-	-	(486)	(486)
At 31 December 2002	459,012	22,130	569	(601,285)	(119,574)

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation scheme completed on 11 June 1997 over the nominal value of the Company's shares issued in exchange.

Notes to the Financial Statements

For the year ended 31 December 2002

21. RESERVES (Cont'd)

(b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2001	436,523	127,536	(16,320)	547,739
Premium arising on issue of shares, net of issuing expenses	9,565	-	-	9,565
Impairment loss on investments	-	(50,000)	-	(50,000)
Loss for the year	-	-	(292,963)	(292,963)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	446,088	77,536	(309,283)	214,341
Premium arising on issue of shares, net of issuing expenses	120	-	-	120
Premium arising on conversion of convertible loan notes (<i>note 24(b)</i>)	12,804	-	-	12,804
Impairment loss on investments	-	(77,536)	-	(77,536)
Loss for the year	-	-	(182,615)	(182,615)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	<u>459,012</u>	<u>-</u>	<u>(491,898)</u>	<u>(32,886)</u>

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the net asset value of the subsidiaries acquired pursuant to the Group's reorganisation scheme completed on 11 June 1997. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

Notes to the Financial Statements

For the year ended 31 December 2002

22. BANK AND OTHER BORROWINGS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Secured:		
Bank loans repayable		
– within one year	–	15,759
	<hr/>	<hr/>

23. SHAREHOLDERS' LOAN

The shareholders' loan is unsecured, interest free and will not be repayable within the next twelve months.

24. CONVERTIBLE LOAN NOTES

(a) Redeemable debentures

On 27 November 2001, the Company issued redeemable debentures in the aggregate amount of HK\$201,800,000 as consideration of acquisition of certain subsidiaries. These debentures bear interest at 6% per annum with maturity date three years from the date of issuance. If the debentures are redeemed in whole or in part within one year from the date of issuance, no interest will be payable on the part that are so redeemed.

During the year, a total of HK\$68,000,000 (2001: HK\$81,000,000) debentures were redeemed. The aggregate amount of the debentures outstanding as at 31 December 2002 was HK\$52,800,000 (2001: HK\$120,800,000).

Notes to the Financial Statements

For the year ended 31 December 2002

24. CONVERTIBLE LOAN NOTES (Cont'd)

(b) Convertible loan notes

On 10 December 1999, the Company issued convertible loan notes in the aggregate amount of HK\$181,897,000 as consideration of acquisition of certain subsidiaries. These convertible loan notes bear interest at 5% per annum and are repayable in one lump sum after three years from the date of issuance or convertible into shares of the Company at the conversion price of HK\$1 at any time after the date of issuance. If the convertible loan notes are redeemed or converted in whole or in part within one year from the date of issuance, no interest will be payable on the part that are so redeemed or converted. During the year, a total of HK\$10,000,000 (2001: HK\$Nil) were converted.

On 26 March 2002, the Company issued convertible loan notes in the aggregate amount of HK\$35,000,000 as consideration of acquisition of a subsidiary. These convertible loan notes bear interest at 3% per annum with maturity date three years from the date of issuance and are repayable after three years from the date of issuance or convertible into shares of the Company at the conversion price of HK\$0.1268 at any time after the date of issuance. During the year, a total of HK\$18,000,000 (2001: HK\$Nil) were converted.

During the year ended 31 December 2002, a total of HK\$28,000,000 convertible loan notes were converted which resulted in an increase in share capital of HK\$15,196,000 and share premium of HK\$12,804,000 respectively. The aggregate amount of the convertible loan notes outstanding as at 31 December 2002 was HK\$17,000,000 (2001: HK\$10,000,000).

25. DEFERRED TAXATION

The major components of the potential deferred taxation assets unprovided are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences on:		
Excess of depreciation charges over depreciation allowances	(51)	(110)
Tax losses carried forward	31,736	30,924
	31,685	30,814

As at 31 December 2002, there was no significant unprovided deferred taxation.

Notes to the Financial Statements

For the year ended 31 December 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK\$'000	2001 HK\$'000
Loss from operating activities before taxation	(273,766)	(199,505)
Adjustments for:		
Share of results of associated companies	486	11,685
Share of result of a joint venture	–	310
Provision for doubtful debts	20,227	–
Interest income (excluding interest income on loans receivable)	(118)	(420)
Finance costs	4,633	996
Impairment loss on investments held for resale	30,816	–
Impairment loss on clubs membership	700	–
Depreciation of property, plant and equipment	2,248	5,647
Amortisation of intangible assets	151,726	30,000
Amortisation of premium on acquisition of associated companies	5,823	–
Loss/(gain) on disposal of property, plant and equipment	582	(148)
Loss on disposal of subsidiaries	1,905	84,147
Loss on assignment of loans receivable	–	5,287
Provision on loans receivable	42,938	49,742
Profit guarantee upon acquisition of a subsidiary	(8,000)	–
Operating loss before working capital changes	(19,800)	(12,259)
(Increase)/decrease in gross amount due from customers on construction contracts	(568)	188
Decrease in loans receivable	15,000	–
(Increase)/decrease in accounts receivable	(2,970)	8,864
Decrease in prepayments, deposits and other receivables	5,429	10,173
(Decrease)/increase in amount due to a related party	(1,233)	1,233
Decrease in accounts payable	(2,981)	(14,844)
(Decrease)/increase in gross amount due to customers on construction contracts	(2,964)	983
Increase in accruals and other payables	4,348	2,511
Decrease in amount due to intermediate holding company	–	(3,921)
Decrease in amount due to immediate holding company	–	(4,001)
Net cash outflow generated from operation	(5,739)	(11,073)
Net interest paid	(4,515)	(576)
Hong Kong profits tax paid	(19)	(32)
Net cash outflow from operating activities	(10,273)	(11,681)

Notes to the Financial Statements

For the year ended 31 December 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

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

	2002				2001 Total HK\$'000
	Share capital and share premium HK\$'000	Convertible loan notes, debenture and promissory notes HK\$'000	Bank loans and other loans HK\$'000	Total HK\$'000	
Beginning of year	595,938	130,800	15,759	742,497	534,761
Proceeds from issue of share capital	29,120	–	–	29,120	87,815
Conversion on loan notes for non-cash consideration	28,000	(28,000)	–	–	–
Convertible loan notes issued for non-cash consideration	–	35,000	–	35,000	201,800
Redemption on debentures for non-cash consideration	–	(41,000)	–	(41,000)	(46,000)
Redemption on debentures and promissory notes	–	(47,000)	–	(47,000)	(35,000)
Promissory notes issued for acquisition of a subsidiary	–	20,000	–	20,000	–
Net repayment of banks loans and other loans for non-cash consideration	–	–	(15,759)	(15,759)	(2,349)
Payment of finance lease liabilities	–	–	–	–	(126)
Acquisition of subsidiaries	–	–	–	–	15,759
Disposal and deconsolidated of subsidiaries	–	–	–	–	(14,163)
End of year	<u>653,058</u>	<u>69,800</u>	<u>–</u>	<u>722,858</u>	<u>742,497</u>

Notes to the Financial Statements

For the year ended 31 December 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Acquisition of a subsidiary:

	2002 HK\$'000
Net assets acquired	
Intangible assets	29,103
Prepayments	<u>2,000</u>
	<u>31,103</u>
Satisfied by:	
	2002 HK\$'000
Cash	11,103
Promissory notes	<u>20,000</u>
	<u>31,103</u>

27. LEASE COMMITMENTS

As at 31 December 2002, the Group had the following operating lease commitments:

	Group	
	2002 HK\$'000	2001 HK\$'000
Total future minimum lease payments under non-cancellable operating leases in respect of Land and buildings:		
Within one year	2,138	2,994
In the second to fifth years, inclusive	<u>1,328</u>	<u>960</u>
	<u>3,466</u>	<u>3,954</u>
Office equipment:		
Within one year	208	-
In the second to fifth years, inclusive	<u>276</u>	<u>-</u>
	<u>484</u>	<u>-</u>
	<u>3,950</u>	<u>3,954</u>

Notes to the Financial Statements

For the year ended 31 December 2002

28. CONTINGENT LIABILITIES

As at 31 December 2002, the Group had the following contingent liabilities:

- (i) The Group gave letters of indemnity amounting to approximately HK\$10,627,000 (2001: HK\$24,514,000) to certain insurance companies for their issuance of surety bonds which are inherent in the nature of the Group's construction business.
- (ii) The Group is undergoing certain legal proceedings with its customers or sub-contractors in respect of alleged contractual entitlements. The amount of claim is approximately HK\$5,190,000 (2001: HK\$8,208,000). In the opinion of the directors, as the outcome cannot be reliably estimated, no provision for contingent losses has been made in the financial statements.
- (iii) A former employee of the Group has filed a claim against the Company in respect of its failure to allot and issue to the former employee certain shares pursuant to the 1997 Share Option Scheme of the Company. In the opinion of the directors, the outcome of the claim is uncertain and cannot be reliably estimated. No provision has been made in respect of this claim in the financial statements.
- (iv) An ex-chairman of the Company has issued a writ against the Company allegedly suffered loss and damages relating to purported share options exercised in 1999 amounting to HK\$18,787,000. The Company has filed a counter-claim against the ex-chairman for HK\$140,000,000. In the opinion of the directors, as the outcome cannot be reliably estimated, no provision has been made in the financial statements.
- (v) Two subsidiaries of the Company were engaged in nominated subcontract works in relation to the interior fitting out works to hotel and services apartment of Beijing Oriental Plaza.

The Company has issued a counter indemnity in favour of Cosmic Insurance Corporation Limited ("Cosmic"), an independent third party which has issued a surety bond of HK\$8,700,000 (refer to note 28(i)) in respect of the nominated subcontract works in favour of Beijing Oriental Plaza Co., Ltd. ("BOP"), the developer.

On and around July 2001, a subsidiary of the Company filed a writ in People's Court in Beijing against BOP for unpaid contract sums of RMB16,130,000 and HK\$1,500,000 respectively. BOP filed a counter-claim of HK\$29,000,000 and RMB16,000,000 respectively.

On 14 November 2002, BOP and the main contractor issued a writ of summons in the High Court of Hong Kong respectively against Cosmic in the sum of HK\$8,700,000 and against the two subsidiaries in the sums of HK\$28,800,000 and RMB13,900,000 in respect of breaches of the nominated subcontract works.

Notes to the Financial Statements

For the year ended 31 December 2002

28. CONTINGENT LIABILITIES (Cont'd)

(v) (Cont'd)

The directors have been advised that the Group has a strong case against the claims from BOP. The lawyers are seeking a stay of proceedings in Hong Kong on the grounds that there are similar proceedings already under way in Beijing. The directors considered the maximum negative impact to the Company, in the unlikely event that the two subsidiaries lose the claim, will be around HK\$8,700,000, being the counter indemnity provided in favour of Cosmic. In the opinion of the directors, the outcome cannot be reliably estimated and no provision for contingent losses has been made in the financial statements.

29. RELATED PARTY TRANSACTIONS

- (a) The amounts with related parties were unsecured, interest-free and have no fixed repayment terms.
- (b) During the year, the Group paid legal and professional fees amounting to approximately HK\$1,183,913 (2001: HK\$4,100,000) to a legal consultant who is also an ex-managing director of the Company for legal consultancy services rendered to the Group.

30. DISCONTINUED OPERATIONS

The Company entered into sale and purchase agreements with independent third parties in 2001 to dispose of the Group's 100% interest in Reach Video Production Co., Ltd., 100% interest in Starway Management Limited and its subsidiaries and joint venture and 100% interest in Brilliant Shine Development Limited and its subsidiaries and associated companies. The disposals were completed last year and the aggregate loss of HK\$84,147,000 were recognised in 2001.

Notes to the Financial Statements

For the year ended 31 December 2002

31. POST BALANCE SHEET EVENT

- (a) On 14 February 2003, pursuant to a Share Purchase Agreement, the Group will acquire 100% equity interest of Starwood Investment Limited (“Starwood”) from an independent third party. The acquisition will be satisfied by a consideration of HK\$14 million payable in cash of HK\$1.4 million and the remaining balance of HK\$12.6 million by the issue of a redeemable promissory note to be redeemed at various date after completion of the Share Purchase Agreement with the first and latest redeemable dates being nine months and eighteen months respectively after completion. As announced on 14 April 2003, pursuant to a supplemental agreement, the completion date of the Agreement has been extended to a date on or before 15 May 2003.
- (b) On 13 March 2003, pursuant to a Heads of Agreement entered between the Group and Mr. TAM Jin Rong, a substantial shareholder and executive director of the Company, the Group is interested to acquire a 40% interest in Dongguan Zhonghao Mart Co. Ltd. (“Zhonghao”) for an aggregate consideration of HK\$26.8 million which will be satisfied by the issue of 268 million new shares of the Company at HK\$0.10 each. Zhonghao will hold a 100% interest in four supermarkets in Dongguan, Guangdong Province, the PRC and a 50% interest in a supermarket in Shunde, Foshan, Guangdong Province, the PRC.

32. APPROVAL OF DE-MINIMIS CONCESSION AND MODIFIED CALCULATION CONCESSION

On 4 October 2002, the Stock Exchange approved the Company’s application for the right to apply (A) the De-minimis Concession; and (B) the Modified Calculation Concession for purposes of, amongst others, determining the “assets test” and the “consideration test” under Rules 14.06, 14.09, 14.12 and 14.20 and the net assets under Rules 14.24(5), 14.25(1) and 14.25(2)(b)(i) of the Listing Rules (as described in the Stock Exchange’s announcements dated 3 May 2001, 26 August 2001 and 9 October 2001).

The Stock Exchange’s approval for use of the De-minimis Concession and the Modified Calculation Concession will remain in effect from 4 October 2002 until the publication or the due date of publication of the Company’s next annual report, whichever is earlier.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year’s presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 28 April 2003.