

# Notes to the Financial Statements

*For the year ended 30 April 2003*

## 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 principal activities of its subsidiaries are set out in note 12.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements on pages 15 to 64 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 ("HKSA"). The financial statements are prepared under the historical cost convention.

#### *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 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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:

##### (i) SSAP 1 (revised) "Presentation of financial statements"

In adopting SSAP 1 (revised) the Group is required to present a consolidated statement of changes in equity instead of a consolidated statement of recognised gains and losses. Comparative amounts have been restated to achieve a consistent presentation.

##### (ii) SSAP 11 (revised) "Foreign currency translation"

SSAP 11 is revised to eliminate the option to translate the income statement of a foreign enterprise at the closing rate when preparing consolidated financial statements. The income statement of foreign enterprise is now required to be translated at the average rate for the year. Although this is a change in accounting policy, the translation of the income statements of foreign enterprises in prior years has not been restated as the effect of this change is not material to the Group's results for the current and prior years.

##### (iii) SSAP 15 (revised) "Cash flow statements"

In adopting SSAP 15 (revised), the Group is required to present a cash flow statement to report cash flows during the year classified by operating, investing and financing activities only. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Comparative amounts have been restated to achieve a consistent presentation.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

##### (iv) SSAP 33 "Discontinuing operations"

In adopting SSAP 33, the Group has disclosed the relevant information of discontinuing operations as stipulated in the SSAP in the current financial year when an initial disclosure event takes place. Since this SSAP relates effectively to disclosures, it has no effect on the results for the current or prior accounting years. This change in accounting policy has been applied retrospectively so that the comparative amounts presented have been restated to conform with the changed policy on disclosures.

##### (v) SSAP 34 "Employee benefits"

Employee entitlements

In adopting SSAP 34, employee entitlements to annual leave and long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date. The adoption of this new SSAP has not resulted in any significant changes to the accounting treatment adopted for employee entitlements and accordingly, no prior year adjustment is required.

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

#### (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.

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2003*

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (b) Basis of consolidation (continued)

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

#### (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 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. Any remaining unamortised goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary or associate.

#### (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.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries 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.
- (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 an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of associates are accounted for by the Group using the equity method of accounting. The Group's interests in associates are stated at its share of their net assets plus any unamortised goodwill or negative goodwill relating to these associates (notes 2(c) and 2(d)). The Company's investments in associates are stated at cost less impairment losses.

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2003*

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) **Associates** (continued)

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.

(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 <sup>1</sup> / <sub>3</sub> %
Computer and office equipment	33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	12 <sup>1</sup> / <sub>2</sub> %

(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.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (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.

#### (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) 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.

#### (k) 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 balance sheets of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and their income statements are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movements in exchange reserve.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (l) 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.

Income from internet consulting services is recognised in accordance with the terms of the relevant agreements.

#### (m) Employee benefits

##### (i) *Employee entitlements*

Employee entitlements to annual leave and long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date. Non-accumulating compensated absences are not recognised until the time of leave.

##### (ii) *Retirement benefit scheme*

The Group's contributions to retirement benefit scheme are based on a certain percentage of employee's payroll and are charged to the income statement when incurred.

##### (iii) *Share option scheme*

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the share options, the shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.



## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (n) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

#### (o) 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.

#### (p) 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.

##### (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.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (p) Impairment (continued)

##### (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.

#### (q) Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (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;

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2003*

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (q) Segment information (continued)

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.

#### (r) Discontinuing operations

A discontinuing operation is a clearly distinguishable component of the Group's business that is disposed of or abandoned pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

## 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				Discontinuing operations (note 4)		Consolidated	
	Property development and investment segment		Investment holding segment		Internet consulting segment		2003	2002
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>Segment revenue</b>								
Sales to external customers	22	1,378	-	-	500	1,000	522	2,378
<b>Segment results</b>	<b>(340)</b>	<b>(164)</b>	<b>-</b>	<b>(89,910)</b>	<b>(5,386)</b>	<b>(3,920)</b>	<b>(5,726)</b>	<b>(93,994)</b>
Interest income							579	5,076
Finance costs							(569)	(204)
Share of losses of associates	(12,806)	(1,542)	-	-	-	-	(12,806)	(1,542)
Amortisation of goodwill – associates	(16,344)	(7,811)	-	-	-	-	(16,344)	(7,811)
– a subsidiary							(7,722)	(25,500)
Loss on disposal of property, plant and equipment							(895)	(853)
Gain/(Loss) on disposal of subsidiaries							30,895	(47,732)
Impairment of goodwill on a subsidiary							-	(157,135)
Other unallocated corporate expenses							(15,255)	(11,966)
Loss before taxation							(27,843)	(341,661)
Taxation							(9,166)	-
Loss after taxation							(37,009)	(341,661)
Minority interests							2,355	17
<b>Net loss for the year</b>							<b>(34,654)</b>	<b>(341,644)</b>
Segment assets	59,524	18,564	-	-	403	5,061	59,927	23,625
Interests in associates	193,953	221,794	-	-	-	-	193,953	221,794
Unallocated assets							64,639	111,618
<b>Total assets</b>	<b>253,477</b>	<b>240,358</b>	<b>-</b>	<b>-</b>	<b>403</b>	<b>5,061</b>	<b>318,519</b>	<b>357,037</b>
Segment liabilities	23,776	15,532	-	-	1,394	666	25,170	16,198
Unallocated liabilities							7,752	28,759
<b>Total liabilities</b>	<b>23,776</b>	<b>15,532</b>	<b>-</b>	<b>-</b>	<b>1,394</b>	<b>666</b>	<b>32,922</b>	<b>44,957</b>

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

## 3. SEGMENT INFORMATION (continued)

## (a) Business segment (continued)

	Continuing operations				Discontinuing operations (note 4)		Consolidated	
	Property development and investment segment		Investment holding segment		Internet consulting segment			
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Other segment information:								
Depreciation	-	337	-	-	286	375	286	712
Unallocated amount							1,774	2,332
	-	337	-	-	286	375	2,060	3,044
Other non-cash expenses	-	(15)	-	88,266	1,697	567	1,697	88,818
Unallocated amount							56,218	229,815
	-	(15)	-	88,266	1,697	567	57,915	318,633
Capital expenditure	-	-	-	-	-	149	-	149
Unallocated amount							1,477	42,349
	-	-	-	-	-	149	1,477	42,498

## (b) Geographical segment

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

	Hong Kong		Asia Pacific other than Hong Kong		North America		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
	Segment revenue:							
Sales to external customers	500	1,141	22	606	-	631	522	2,378
Other segment information:								
Segment assets	65,042	80,592	253,477	269,118	-	7,327	318,519	357,037
Capital expenditure	1,477	1,735	-	40,763	-	-	1,477	42,498

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2003*

### 4. DISCONTINUING OPERATIONS

The Company has entered into a sale and purchase agreement with an independent third party on 7 January 2003 under which the Company agreed to dispose of 45% equity interest in its 85% owned subsidiary, WebVideoShop.com Limited, which was engaged in internet consulting segment for a consideration of HK\$72 million. The disposal is to ensure the adherences of the Group's long term strategy to focus its activities in the areas of property development and investments in the People's Republic of China (the "PRC"). The disposal was subsequently completed in August 2003. As at 30 April 2003, the Company has received from the independent third party a deposit of HK\$3,600,000 which was included in trade and other payables under current liabilities.

As a result, Internet consulting segment is reported in the financial statements for the year ended 30 April 2003 as a discontinuing operation. The sales, results, cash flows and net assets of internet consulting segment were as follows:

	2003 HK\$'000	2002 HK\$'000
Sales and results:		
Sales	500	1,000
Operating expenses	(5,886)	(4,920)
<b>Loss for the year</b>	<b>(5,386)</b>	<b>(3,920)</b>
Cash flows:		
Operating cash flows	(274)	(7,192)
Investing cash flows	(14)	(160)
Financing cash flows	–	7,600
<b>Total cash flows</b>	<b>(288)</b>	<b>248</b>
Assets and liabilities:		
Total assets	403	5,061
Total liabilities (including amount due to the Company of HK\$8,200,000)	(9,594)	(8,866)
<b>Net liabilities</b>	<b>(9,191)</b>	<b>(3,805)</b>

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 5. OTHER REVENUE

	2003 HK\$'000	2002 HK\$'000
Bad debts recovered	–	84
Interest income from		
– Bank	10	2,040
– Others	569	3,036
Waiver of other payables*	7,202	–
Sundry	31	598
	<b>7,812</b>	<b>5,758</b>

\* A former subsidiary of the Company, which was disposed of by the Company in the previous year, has agreed to waive its receivables of HK\$7,202,000 due from the Company in the current year.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

**6. LOSS FROM OPERATIONS**

	2003 HK\$'000	2002 HK\$'000
Loss from operations is arrived at after charging:		
Directors' remuneration (note 7(a))	281	3,979
Contributions to mandatory provident fund scheme (note 25)	185	228
Other staff costs	2,904	4,345
<b>Total staff costs</b>	<b>3,370</b>	<b>8,552</b>
Amortisation of goodwill (included in other operating expenses)		
– associates	16,344	7,811
– a subsidiary	7,722	25,500
	<b>24,066</b>	<b>33,311</b>
Auditors' remuneration	481	663
Depreciation and amortisation of property, plant and equipment	2,060	3,044
Impairment of goodwill (included in other operating expenses) (note 15)	–	157,135
Interest charges on bank loans		
– not wholly repayable within five years	–	204
– wholly repayable within five years	569	–
Loss on disposal of investment securities	–	74,546
Loss on disposal of property, plant and equipment	895	853
Loss on assignment of loans to an investee company	–	5,053
Operating lease rentals on premises	4,756	4,658
Provision for doubtful debts	4,500	–
Provision for slow moving inventories (note 16)	6,197	–
and after crediting:		
Rental income from properties under operating leases (2002: net of outgoings of HK\$334,000)	–	1,044



## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 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:

	2003 HK\$'000	2002 HK\$'000
Fees		
– Executive Directors	–	–
– Independent Non-Executive Directors	80	260
	<u>80</u>	<u>260</u>
Other emoluments of Executive Directors		
– Salaries and other benefits	201	3,665
– Contributions to mandatory provident fund scheme	–	54
	<u>201</u>	<u>3,719</u>
Total emoluments	<u>281</u>	<u>3,979</u>

The Directors' emoluments were within the following band:

	2003 Number of Directors	2002 Number of Directors
Nil to HK\$1,000,000	7	17

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

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 7. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

#### (b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, none (2002: four) was Directors whose emoluments are disclosed in note 7(a) above. The remuneration of the five individuals (2002: remaining one individual) was as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,518	640
Contributions to mandatory provident fund scheme	48	33
	<u>1,566</u>	<u>673</u>

The emoluments of each of the five individuals (2002: one individual) are below HK\$1,000,000.

### 8. TAXATION

	2003 HK\$'000	2002 HK\$'000
The tax charge comprises:		
Company and its subsidiaries	–	–
Share of taxation attributable to an associate	9,166	–
	<u>9,166</u>	<u>–</u>

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.

The associate established in the PRC is subject to enterprise income tax on its taxable income at the rate of 33%.

Details of the unrecognised deferred taxation are set out in note 20.

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2003*

### 9. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of HK\$34,654,000 (2002: HK\$341,644,000), a loss of HK\$581,000 (2002: HK\$305,153,000) 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\$34,654,000 (2002: HK\$341,644,000); and (ii) the weighted average of 875,940,643 shares in issue during the year (2002: 743,714,100 shares, as adjusted to reflect the consolidation of shares (note 21(b)(ii)) and the rights issue (note 21(c)) during the year 2002).

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

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

## 11. PROPERTY, PLANT AND EQUIPMENT

## Group

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 May 2002	34,329	630	4,641	2,641	1,189	43,430
Additions	–	–	1,389	88	–	1,477
Disposals	(2,285)	–	(4,122)	–	–	(6,407)
Disposal of subsidiaries	(32,044)	–	(61)	(85)	–	(32,190)
<b>At 30 April 2003</b>	<b>–</b>	<b>630</b>	<b>1,847</b>	<b>2,644</b>	<b>1,189</b>	<b>6,310</b>
<b>Accumulated depreciation/ impairment losses</b>						
At 1 May 2002	16,287	414	3,096	1,718	54	21,569
Charge for the year	21	180	889	822	148	2,060
Disposals	(950)	–	(3,226)	–	–	(4,176)
Disposal of subsidiaries	(15,358)	–	(61)	(85)	–	(15,504)
<b>At 30 April 2003</b>	<b>–</b>	<b>594</b>	<b>698</b>	<b>2,455</b>	<b>202</b>	<b>3,949</b>
<b>Net book value</b>						
<b>At 30 April 2003</b>	<b>–</b>	<b>36</b>	<b>1,149</b>	<b>189</b>	<b>987</b>	<b>2,361</b>
At 30 April 2002	18,042	216	1,545	923	1,135	21,861

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

	2003 HK\$'000	2002 HK\$'000
Held outside Hong Kong		
– Medium-term leasehold, held in the PRC	–	11,015
– Freehold, held in Canada	–	7,027
	<b>–</b>	<b>18,042</b>

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

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

#### 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 2002	4,449	2,161	1,189	7,799
Additions	1,390	88	–	1,478
Disposals	(4,122)	–	–	(4,122)
<b>At 30 April 2003</b>	<b>1,717</b>	<b>2,249</b>	<b>1,189</b>	<b>5,155</b>
<b>Accumulated depreciation</b>				
At 1 May 2002	2,962	1,413	54	4,429
Charge for the year	867	738	148	1,753
Disposals	(3,226)	–	–	(3,226)
<b>At 30 April 2003</b>	<b>603</b>	<b>2,151</b>	<b>202</b>	<b>2,956</b>
<b>Net book value</b>				
<b>At 30 April 2003</b>	<b>1,114</b>	<b>98</b>	<b>987</b>	<b>2,199</b>
At 30 April 2002	1,487	748	1,135	3,370

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 12. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	255,753	255,753
Less: Provision for impairment	(186,885)	(186,885)
	<b>68,868</b>	68,868
Amounts due from subsidiaries	241,783	243,113
Less: Provision for doubtful debts	(14,354)	(8,200)
	<b>227,429</b>	234,913
	<b>296,297</b>	303,781

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 2003 are set out below:

Name	Place of incorporation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held		Principal activities
			2003	2002	
<i>Directly held by the Company:</i>					
Active Power Development Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment holding
Glorious Star Development Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Inactive
Graceful Sun Investment Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment holding

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

## 12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held		Principal activities
			2003	2002	
<i>Directly held by the Company: (continued)</i>					
Noble Time Development Inc.	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment holding
Spot On Assets Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment holding
WebVideoShop.com Limited (note 4)	Hong Kong	100 ordinary shares of HK\$1 each	85%	85%	Provision of internet technologies and trading of e-commerce
Sunkit Development Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Dormant
Gain On Development Limited**	British Virgin Islands	1 ordinary share of US\$1	–	100%	Investment holding
Grandeur Concord Limited**	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
<i>Indirectly held by the Company:</i>					
Best Modern Properties Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment holding

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

## 12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held		Principal activities
			2003	2002	
<i>Indirectly held by the Company: (continued)</i>					
Newshine Development Limited	Hong Kong	100 ordinary shares of HK\$1 each	42%	42%	Investment holding
Ray Gold Development Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	100%	Property holding
Wellink Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Dormant
Shanghai Xing Ye Property Management Company Limited*	PRC	US\$180,000	90%	–	Property investment
Vin-Shinyei (China) Limited**	Hong Kong	120,000 ordinary shares of HK\$10 each	–	100%	Property holding
Vincent Investment Limited**	Canada	360 ordinary shares of CAD\$1 each	–	100%	Property holding
Vincent Shipping (Holdings) Limited**	Hong Kong	600,000 ordinary shares of HK\$10 each	–	100%	Property and investment holding



## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 12. INTERESTS IN SUBSIDIARIES (continued)

The provision for impairment was made against a subsidiary, WebVideoShop.com Limited which is principally engaged in the provision of internet technologies and trading of e-commerce. 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 was made in the year ended 30 April 2002. On 7 January 2003, the Company entered into a sale and purchase agreement to dispose of a 45% equity interest in this company to a third party. Further details are set out in note 4.

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

\* *This subsidiary is a Sino-foreign equity joint venture.*

\*\* *These subsidiaries were disposed of during the year. Details of the disposal are set out in note 24(b) to the financial statements.*

### 13. DEPOSITS FOR PROPERTIES

The deposits were for the acquisition of certain properties in the PRC which were originally intended to be held for resale. In the current year, the Directors changed the intention of holding these properties from resale to letting purpose. Included in the deposits was an amount of HK\$35,852,000 which was paid in the year ended 30 April 2002 and included in trade and other receivables under current assets in the last year (note 17). As a result of the change of intention, the amount has been reclassified as non-current assets in the current year.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 14. INTERESTS IN ASSOCIATES

	2003 HK\$'000	Group 2002 HK\$'000
Share of net assets	136,388	147,885
Goodwill (note)	57,565	73,909
	193,953	221,794

note:

	Goodwill HK\$'000
<b>Gross amount</b>	
At 1 May 2002 and 30 April 2003	81,720
<b>Accumulated amortisation</b>	
At 1 May 2002	7,811
Amortisation during the year	16,344
<b>At 30 April 2003</b>	24,155
<b>Carrying amount</b>	
At 30 April 2003	57,565
At 30 April 2002	73,909

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

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 14. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates as at 30 April 2003 are as follows:

Name	Place of incorporation and operations	Particulars of registered capital	Percentage of registered capital held by the Group		Principal activities
			2003	2002	
Shanghai Xin Yao Development Company Limited ("Shanghai Xin Yao")	PRC	RMB20,000,000	39%	39%	Development and sale of properties in Shanghai
Beijing New Shine Garden Property Development Company Limited ("Beijing New Shine")	PRC	US\$6,000,000	14.7%	14.7%	Development and sale of properties in Beijing

The Group's entitlement to shares in profits of its associates is in proportion to its ownership interest, except in Beijing New Shine where the Group is entitled to 12.6% (2002: 12.6%) of the profits earned by Beijing New Shine.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 14. INTERESTS IN ASSOCIATES (continued)

Information in respect of the operating results of the Group's significant associates for the year ended 30 April 2003 and of their net assets as at that date based on the unaudited financial statements of the associates, as adjusted to conform with SSAPs issued by the HKSA, are summarised as follows:

	Shanghai Xin Yao HK\$'000	Beijing New Shine HK\$'000
Results for the year:		
Turnover	629,794	–
Loss for the year	(45,973)	(13,475)
Financial position:		
Non-current assets	504	390
Current assets	579,124	628,923
Current liabilities	(378,222)	(377,566)
Non-current liabilities	(20,755)	(32,075)
Net assets	180,651	219,672

The principal accounting policies adopted in arriving at the above financial positions as of 30 April 2003 and results for the year then ended are as follows:

#### (a) Properties for sale

Properties under development held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditures, borrowing costs capitalised and other attributable expenses. Net realisable value is the estimated selling price less the estimated costs of completion and the costs to be incurred in selling the properties.

#### (b) Revenue recognition

Revenue from sale of properties is recognised either when the sale agreement is completed or when the development is completed which is determined by the issuance of an occupation permit by the relevant authority, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included as current liabilities.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 15. GOODWILL

	Group HK\$'000
<b>Gross amount</b>	
At 1 May 2002 and at 30 April 2003	255,100
<b>Accumulated amortisation/impairment losses</b>	
At 1 May 2002	186,885
Amortisation for the year	7,722
<b>At 30 April 2003</b>	<b>194,607</b>
<b>Carrying amount</b>	
At 30 April 2003	60,493
At 30 April 2002	68,215

Goodwill is amortised on a straight-line basis over the estimated useful life of ten years.

The goodwill arose from the acquisition in the prior year of WebVideoShop.com Limited which is principally engaged in the provision of internet technologies and trading of e-commerce. 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 was made in the year ended 30 April 2002.

### 16. INVENTORIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Goods purchased for resale	6,197	197
Less: Provision for slow moving inventories	(6,197)	–
	–	197

During the year, the Group purchased certain computer software at a cost of HK\$6,000,000 for resale purposes. As at 30 April 2003, the Group was unable to identify any potential buyers for such software and the Directors have therefore decided to make a full provision against the inventories in the current year.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 17. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Trade receivables	–	1,000
Other receivables	23,636	608
Deposits and prepayments	1,036	40,685
	<b>24,672</b>	<b>42,293</b>
Less: Amounts receivable within one year included under current assets	<b>(9,219)</b>	<b>(42,293)</b>
Amounts receivable after one year included under non-current assets	<b>15,453</b>	–

Included in other receivables is a loan to a third party of HK\$23,000,000. The loan is unsecured, interest-bearing at 6.039% per annum and repayable by three instalments of approximately HK\$7,547,000, HK\$7,547,000 and HK\$7,906,000 on 28 November 2003, 29 November 2004 and 25 November 2005 respectively.

The following is an aging analysis of trade receivables as at the balance sheet date :

	2003 HK\$'000	2002 HK\$'000
0 – 90 days	–	1,000
Over 90 days	1,500	–
	<b>1,500</b>	<b>1,000</b>
Less: Provision for doubtful debts	<b>(1,500)</b>	–
	<b>–</b>	<b>1,000</b>

Deposits and prepayments as at 30 April 2002 included a deposit of HK\$35,852,000 paid for the acquisition of certain properties in the PRC. Further details are set out in note 13.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 18. AMOUNT DUE TO A SHAREHOLDER

The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

### 19. BANK LOANS (SECURED)

	Group	
	2003 HK\$'000	2002 HK\$'000
The bank loans are repayable as follows:		
– within one year	7,547	170
– more than one year, but not exceeding two years	7,547	197
– more than two years, but not exceeding five years	8,491	591
– after five years	–	2,052
	<b>23,585</b>	<b>3,010</b>
Less: Portion repayable within one year included under current liabilities	<b>(7,547)</b>	<b>(170)</b>
Portion repayable after one year included under non-current liabilities	<b>16,038</b>	<b>2,840</b>

The bank loans are secured by the properties located in the PRC which the Group has agreed to purchase. Deposits for acquisition of these properties of HK\$35,863,000 have been paid by the Group as at 30 April 2003 and included under non-current assets in the consolidated financial statements (note 13).

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 20. DEFERRED TAXATION

The movements in the deferred tax account are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Balance at 1 May 2002	–	5
Disposal of subsidiaries	–	(5)
<b>Balance at 30 April 2003</b>	<b>–</b>	<b>–</b>

As at 30 April 2003, the amount of the unprovided deferred tax assets/(liabilities) is analysed as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses	16,163	14,892	15,088	12,437
Accelerated depreciation allowances	82	(84)	51	(126)
	<b>16,245</b>	<b>14,808</b>	<b>15,139</b>	<b>12,311</b>

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 credit/(charge) for the year is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:		
Tax losses	1,271	(3,208)
Accelerated depreciation allowances	166	(56)
	<b>1,437</b>	<b>(3,264)</b>



## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

## 21. 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 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 and 30 April 2003</b>		<b>20,000,000,000</b>	<b>–</b>	<b>2,000,000</b>
<hr/>				
Issued and fully paid:				
At 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 and 30 April 2003</b>		<b>875,940,643</b>	<b>–</b>	<b>87,594</b>
<hr/>				

Details of the changes in the share capital of the Company during the year ended 30 April 2002 were as follows:

- (a) Pursuant to a share exchange agreement dated 23 March 2001, 171,061,000 new ordinary shares of the Company at a price of HK\$0.30 each were allotted and issued to B-Tech (Holdings) Limited ("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 2003

### 21. 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.

(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.

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2003*

### 22. SHARE OPTIONS

Pursuant to a special general meeting of the Company held on 12 December 2002, the share option scheme adopted by the Company on 19 August 1993 and amended on 24 October 2000 (the "Old Scheme") was terminated and a new scheme (the "New Scheme") was adopted by the Company. As a result, the Company can no longer grant any further options under the Old Scheme. However, all options granted prior to the termination of the Old Scheme will remain in full force and effect. The purpose of the New Scheme is to enable the Company to grant options to eligible participants, thereby as incentive or rewards for their contribution to the Group. Eligible participants of the New Scheme include the directors, employees, suppliers, customers and shareholders of the Group. Unless otherwise terminated or amended, the New Scheme will remain in force for ten years from date of adoption to 12 December 2012.

Pursuant to the New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK\$1.00 received by the Company. The exercise period of the share options granted is determinable by the Directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the Directors, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. As at 30 April 2003, no option has been issued under the New Scheme.

On 30 October 2000, the Company granted 26,000,000 share options under the Old Scheme to certain employees of the Company at a consideration of HK\$1.00 for each grantee to subscribe for 26,000,000 new shares of the Company at an initial exercise price of HK\$0.10 per share. Upon the capital reorganisation (note 21 (b)) and rights issues (note 21 (c)) of the Company on 31 December 2001 and 22 January 2002 respectively, the exercise price was adjusted to HK\$1.00 per share. The adjusted number of share options outstanding at 1 May 2002 as a result of the consolidation of shares and movements during the year are set out in the table below. These options will expire on 30 October 2005.

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2003*

### 22. SHARE OPTIONS (continued)

In accordance with the placing agreement dated 31 March 2000 as announced on 3 April 2000 and pursuant to resolutions passed at a special general meeting of the Company held on 9 May 2000, the Company has granted 1,124,000,000 share 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 at an initial exercise price of HK\$0.10 per share, subject to adjustments. Upon the capital reorganisation and rights issues of the Company on 31 December 2001 and 22 January 2002 respectively, the exercise price of the outstanding share options was adjusted to HK\$0.84 per share. These options are exercisable at any time within two years from the date of issue of such options. Details of movements in the share options outstanding during the year are set out in the table below.

At 30 April 2003, the number of shares in respect of which options had been granted under the Old Scheme was 50,000 representing 0.006% of the shares of the Company in issue at that date.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 22. SHARE OPTIONS (continued)

The following table summarises movements in the Company's share options during the year and options outstanding at the beginning and the end of the year.

Name of category of participant	Number of share options outstanding at 1 May 2002 '000	Lapsed during the year '000	Number of share options outstanding at 30 April 2003 '000	Date of grant	Exercise period of share options
Employees, in aggregate	360	** (310)	50	30 October 2000	* 1 August 2001 to 29 October 2005
<b>Independent investors</b>					
- Samsung and Samsung Consortium*	224,800	(224,800)	-		
- GE Technology Fund and GE Technology Fund Managers**	224,800	(224,800)	-		
- Polylink Investment Holdings Limited	449,600	(449,600)	-		
- Yu Ming Investments Limited	224,800	(224,800)	-		
	1,124,000	(1,124,000)	-	15 May 2000	15 May 2000 to 14 May 2002
<b>Total</b>	<b>1,124,360</b>	<b>(1,124,310)</b>	<b>50</b>		

\* A consortium ("Samsung Consortium") led by Samsung Securities Co., Ltd ("Samsung").

\*\* The fund managers of GE Asia Pacific Capital Technology Fund ("GE Technology Fund Managers"), acting on their own behalf and on behalf of GE Asia Pacific Capital Technology Fund ("GE Technology Fund"), a fund sponsored by General Electric Capital Corporation and Acer Inc.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 22. SHARE OPTIONS (continued)

\* The total number of shares subject to the option for each employee shall be divided into five equal lots. The commencement date for exercise of each lot of share options shall be as follows:

	<i>Commencement date for exercise of the option</i>
Lot 1	1 August 2001
Lot 2	1 February 2002
Lot 3	1 August 2002
Lot 4	1 February 2003
Lot 5	1 August 2003

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

### 23. RESERVES

#### Group

	Other reserve HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 30 April 2003	-	131,286	368,234	10,475	-	(350,271)	159,724
At 30 April 2002	11,240	131,286	368,234	-	(3)	(326,857)	183,900
Reserves retained by/(accumulated in):							
Company and subsidiaries	-	131,286	368,234	-	-	(326,757)	172,763
Associates	-	-	-	10,475	-	(23,514)	(13,039)
	-	131,286	368,234	10,475	-	(350,271)	159,724

Details of movements in the Group's reserves are set out in the consolidated statement of changes in equity on page 20 of the financial statements.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 23. RESERVES (continued)

#### Company

	Other reserve	Share premium	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2001	11,240	89,951	–	(157,330)	(56,139)
Share issue expenses	–	(1,637)	–	–	(1,637)
Share premium on share exchange (note 21(a))	–	34,212	–	–	34,212
Reduction of capital (note 21(b)(i))	–	–	368,234	157,330	525,564
Share premium on rights issue (note 21(c))	–	8,760	–	–	8,760
Net loss for the year	–	–	–	(305,153)	(305,153)
At 30 April 2002 and 1 May 2002	11,240	131,286	368,234	(305,153)	205,607
Released upon expiry of share options (note 23(a))	(11,240)	–	–	11,240	–
Net loss for the year	–	–	–	(581)	(581)
<b>At 30 April 2003</b>	<b>–</b>	<b>131,286</b>	<b>368,234</b>	<b>(294,494)</b>	<b>205,026</b>

- (a) 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. During the year, the relevant share options expired and the reserve was released to accumulated losses.
- (b) Capital reserve represents the Group's share of capital reserve of an associate in respect of incentives given to the associate by the local government authority in the PRC. Such reserve is non-distributable and can be used for working capital purposes only.
- (c) 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.

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

### 23. RESERVES (continued)

- (d) 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.
- (e) In the opinion of the Directors, the Company has no reserve available for distribution to shareholders as at 30 April 2003 and 2002.

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

#### (a) Purchase of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Interests in associates	–	231,147
Other receivables and deposits	–	35,852
Minority interests	–	(40,586)
	–	226,413
Consideration	–	226,413
Satisfied by:		
Cash	–	155,186
Assignment of loan from an investee company	–	33,000
Proceeds from disposal of other subsidiaries	–	38,227
	–	226,413
Analysis of net outflow of cash and cash equivalents in respect of the purchase of subsidiaries:		
Cash consideration paid	–	(155,186)

The subsidiaries acquired in the year ended 30 April 2002 had no significant impact on the Group's cash flows.



## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

**24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)****(b) Disposal of subsidiaries**

	2003 HK\$'000	2002 HK\$'000
Net (liabilities)/assets disposed of:		
Property, plant and equipment	16,686	89
Other investments	–	14,002
Investment securities	–	40,666
Inventories	–	5,200
Receivables, deposits and prepayments	574	946
Amounts due from group companies	1,320	38,776
Cash at banks and in hand	153	514
Trade and other payables	(32,301)	(5,343)
Bank loans	(3,010)	–
Deferred taxation	–	(5)
	<b>(16,578)</b>	<b>94,845</b>
Release of reserves upon disposal:		
Negative goodwill	–	(51)
Exchange reserve	3	581
Capital reserve on acquisition	–	(9,389)
Special reserve	–	98
	<b>(16,575)</b>	<b>86,084</b>
Gain/(loss) on disposal	<b>30,895</b>	<b>(47,732)</b>
Consideration	<b>14,320</b>	<b>38,352</b>
Satisfied by:		
Cash consideration*	13,000	–
Waiver of amounts due by the Company to the subsidiaries	1,320	–
Consideration for acquisition of other subsidiaries	–	38,352
	<b>14,320</b>	<b>38,352</b>
Analysis of net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries:		
Cash consideration received*	10,000	–
Cash at banks and in hand disposed of	(153)	(514)
	<b>9,847</b>	<b>(514)</b>

## Notes to the Financial Statements (continued)

For the year ended 30 April 2003

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

#### (b) Disposal of subsidiaries (continued)

\* Pursuant to an agreement dated 17 July 2002 and a supplemental agreement dated 15 August 2002 entered into between the Company and an independent third party, the Company has agreed to dispose of certain subsidiaries to the independent third party for a cash consideration of HK\$13,000,000 together with waiver of amounts payable by the Company to the disposed subsidiaries of HK\$1,320,000. As at 30 April 2003, the Company has only received cash consideration of HK\$10,000,000. The Directors are of the opinion that the remaining balance of HK\$3,000,000 is unlikely to be recoverable and full provision has been made against this balance in the current year.

During the year, the Company disposed of its equity interests in its wholly-owned subsidiaries, Gain On Development Limited, Grandeur Concord Limited, Poly Yield Development Limited, Vin-Shinyei (China) Limited, Vincent Investment Limited and Vincent Shipping (Holdings) Limited which were principally engaged in property and investment holdings. In the prior year, the Company also disposed of a number of subsidiaries which were engaged in investment holding, including the holding of investment securities and other investments. The directors are of the opinion that the disposals in the current and prior year did not constitute discontinuing operations.

The disposed subsidiaries did not contribute any significant cash flows during the year.

The disposed subsidiaries incurred a net loss of HK\$77,000 included in the Group's loss before taxation for the year.

### 25. 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 2003

### 26. OPERATING LEASE COMMITMENTS

At 30 April 2003, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Payable within one year	1,548	3,271	1,445	2,859
Payable in the second to fifth years	336	387	336	284
	<b>1,884</b>	<b>3,658</b>	<b>1,781</b>	<b>3,143</b>

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

### 27. POST BALANCE SHEET EVENTS

- (a) On 7 January 2003, the Company has entered into a sale and purchase agreement with an independent third party relating to the disposal by the Company of 45% equity interests in WebVideoShop.com Limited for a total consideration of HK\$72 million. A deposit of HK\$3.6 million has been received by the Company as at 30 April 2003.

The transaction was subsequently completed in August 2003 after the payment by the independent third party to the Company of the remaining balance of HK\$68.4 million.

- (b) Pursuant to special resolutions passed at the special general meeting of the Company held on 19 June 2003, the capital of the Company was reorganised as follows:
- (i) The nominal value of the issued share capital of the Company was reduced from HK\$0.10 per share to HK\$0.01 per share ("New Share") by way of cancellation of HK\$0.09 of the paid up capital on each share of the Company;
  - (ii) All of the existing authorised but unissued share capital of the Company (including the authorised but unissued share capital arising from the capital reduction per (i) above) was cancelled and subsequently the authorised capital was increased to HK\$400,000,000 comprising 40,000,000,000 New Shares; and

## Notes to the Financial Statements (continued)

*For the year ended 30 April 2003*

### 27. POST BALANCE SHEET EVENTS (continued)

- (iii) The amount of approximately HK\$131,286,000 standing to the credit of the share premium account of the Company as at 30 April 2002 was cancelled.

The credit of approximately HK\$210,121,000 comprising HK\$78,835,000 arising from the capital reduction per (i) above and HK\$131,286,000 arising from the cancellation of share premium per (iii) above was wholly used in or towards reduction of the accumulated losses of the Company of HK\$305,153,000 as at 30 April 2002.

- (c) On 23 June 2003, the Company issued 1,200,000,000 New Shares to an investor under a subscription agreement dated 8 April 2003, which represented approximately 57.81% of the issued share capital of the Company as enlarged by the New Shares issued and after the completion of the capital reorganisation per note 27(b) above.

### 28. COMPARATIVE FIGURES

Comparative figures in respect of other operating expenses and loss on disposal of subsidiaries in the consolidated income statement have been reclassified to conform with the current year's presentation.

In addition, certain comparative figures have been adjusted as a result of changes in accounting policies for presentation of financial statements, cash flow statements and discontinuing operations in order to comply with SSAP 1 (revised), SSAP 15 (revised) and SSAP 33 as detailed in note 2(a) to the financial statements.

### 29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 15 to 64 were approved by the Board of Directors on 26 August 2003.