1. BASIS OF PRESENTATION AND PREPARATION

On 11 October 2001 and 10 January 2002, the Group entered into sale and purchase agreements with two related companies (the "Purchasers"), of which the sole director and shareholder is also a director of certain subsidiaries of the Group, to dispose of the interests in all the subsidiaries which are engaged in the construction and sale of building products (collectively known as the "Disposed Entities") for a total cash consideration of HK$50 million.

Upon the disposal of the Disposed Entities completed on 30 October 2001 and 28 February 2002, respectively, all books and records related to the Disposed Entities were retained and kept by the Purchasers and the existing management of the Group has not been able to gain access to such financial information of the Disposed Entities.

Due to the restriction in access to the books and records of the Disposed Entities, certain financial information necessary for the preparation of these consolidated financial statements is not available. Accordingly, (i) the current management has only been able to consolidate the results of the Disposed Entities based on the unaudited management accounts for the six months period ended 30 September 2001, being the latest available information; and (ii) the financial information of the Disposed Entities was not consolidated in the financial statements in notes 7, 11, 12 and 15, which, as presented, represent only the amounts recorded in the books of accounts of the companies comprising the Group after the completion of the disposal of the Disposed Entities.

Save as mentioned above, these financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, of certain fixed assets and debt and equity investments, as further explained below.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. CORPORATE INFORMATION

The registered office of the Company is located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

During the year, the Group was involved in investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. During the year, the Group disposed of and discontinued its construction and sale of building products businesses, further details of which are included in note 8 to the financial statements.

In the opinion of the directors, the ultimate holding company is KG NextVision Corporation, which is incorporated in the British Virgin Islands.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations–subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill–continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretations are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. The SSAP has had no significant impact on the preparation of these financial statements.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 27 and 32 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The SSAP has had no significant impact on the preparation of these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment. The required new disclosures are included in note 30 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002
(Amounts expressed in Hong Kong dollars unless otherwise stated)

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. Save as detailed in note 1 above, the results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entity

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in the jointly-controlled entity are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to the current financial year, to remain eliminated against consolidated reserves.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets, other than investment properties are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2%
Plant and machinery	15% to 25%
Furniture, fixtures and office equipment	15% to 33-1/3 %
Motor vehicles	25%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing.

Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short term investments

Short term investments are investments in equity and debts securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories, mainly comprising raw materials and finished goods, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts (continued)

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date, plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

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. Related parties may be individuals or corporate entities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” above;

(c) from the rendering of services, based on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” above;

(d) rental income, on a time proportion basis over the lease terms; and

(e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002
(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account 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 the employees when contributed into the MPF Scheme.

In addition, retirement benefits are paid by the overseas subsidiaries to the overseas employees who, at their own discretion, contribute to the retirement benefit plans managed by the relevant authorities of the countries in which they operate. The retirement benefits paid by the overseas subsidiaries are based on certain percentages of the overseas employees' basic salaries in accordance with the relevant regulations in the countries and are charged to the profit and loss account as incurred. The Group discharges its retirement obligations upon payment of the retirement benefits to the overseas employees.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as further detailed in note 3 to the financial statements.

During the year, more than 90% of the Group's principal businesses was involved in construction with significant business involvement in Hong Kong. Subsequent to the disposal during the year ended 31 March 2002 of all the subsidiaries involved in construction and sales of building products, the Group was principally engaged in investment holding. Accordingly, no analysis of segment information by principal activity and geographical area is presented.

6. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and rental income received and receivable from investment properties; and interest income received and receivable during the year.

An analysis of turnover, other revenue and gains is as follows:

	Group	
	2002	2001
	'000	'000
Turnover		
Continuing operations:		
Business-to-business e-commerce activities	**–**	2,467
Interest income	**5,230**	11,035
	5,230	13,502
Discontinued operations:		
Construction, maintenance and demolition works	**94,515**	473,418
Supply of building products	**3,102**	19,459
Others	**646**	1,278
	98,263	494,155
	103,493	507,657

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. TURNOVER, OTHER REVENUE AND GAINS (continued)

	2002	2001
	’000	’000
Other revenue and gains		
Rental income from operating leases	**1,445**	2,078
Gain on disposal of fixed assets	**25,230**	690
Unrealised holding gain on short term investments	**–**	455
Consultancy service fee income	**1,664**	–
Others	**3,178**	2,785
	31,517	6,008

7. LOSS FROM OPERATING ACTIVITIES

The Group’s loss from operating activities before tax is arrived after charging/(crediting):

	2002	2001
	’000	’000
Depreciation	**965**	8,063
Less: Amount capitalised and included in amounts due from/(to) contract customers	**–**	(2,310)
	965	5,753
Auditors’ remuneration	**264**	500
Exchange loss	**–**	484
Impairment of fixed assets	**–**	1,831
Minimum lease payments under operating leases of land and buildings	**4,501**	3,806
Provision for doubtful debts	**–**	4,797
Provision for obsolescence	**–**	339
Staff costs (including directors’ remuneration (note 10))	**7,297**	36,620
Write off of amounts due from contract customers	**–**	18,186
Write-off of exchange fluctuation reserve	**1,722**	–
Unrealised loss on revaluation of short term investments	**1,616**	–

8. DISCONTINUED OPERATIONS

On 11 October 2001 and 10 January 2002, in view of the strategic plan to concentrate business on the Group's core activities, the Company disposed of certain subsidiaries, the principal activities of which were construction and sale of building products in Hong Kong. The disposals were completed on 31 October 2001 and 28 February 2002, respectively. These businesses were accounted for until 30 September 2001, being the latest available information and at which time the unaudited assets and liabilities of the businesses were determined for the purposes of calculating the gain on disposal of discontinued operations.

9. FINANCE COSTS

	Group	
	2002	2001
	'000	'000
Interest on bank overdrafts and loans	**5,309**	14,519
Interest on finance leases	**87**	1,168
	5,396	15,687

10. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance are as follows:

	Group	
	2002	2001
	'000	'000
Fees	**–**	–
Other emoluments	**1,560**	2,186
	1,560	2,186

There were no emoluments payable to the independent non-executives directors during the year (2001: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

(Amounts expressed in Hong Kong dollars unless otherwise stated)

10. DIRECTORS' REMUNERATION (continued)

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

	Number of directors	
	2002	2001
Nil to HK$1,000,000	**4**	12
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	5	13

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

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2001: one) director, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four (2001: four) non-director, highest paid employees are as follows:

	2002	2001
	'000	'000
Basic salaries and allowances	**5,125**	5,330
Contributions to provident fund	**24**	–
	5,149	5,330

(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follow:

	Number of employees	
	2002	2001
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2 ,000,001 to HK$2,500,000	**1**	–
	4	4

12. TAX

No Hong Kong profits tax has been provided as there were no assessable profits arising in Hong Kong during the year (2001: Nil).

The principal component of the unprovided deferred tax assets of HK$4,365,000 (2001: HK$2,960,000) calculated at 16% (2001: 16%) on the cumulative timing differences at the balance sheet date is tax losses.

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company is HK$53,532,000 (2001: HK$54,829,000).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$30,446,000 (2001: HK$49,247,000) and on the weighted average number of 2,400,002,000 (2001: 2,016,440,356) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2002 and 2001 have not been disclosed as the options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002
(Amounts expressed in Hong Kong dollars unless otherwise stated)

15. FIXED ASSETS

	Investment properties '000	Leasehold land and buildings '000	Plant and machinery '000	Furniture, fixtures and office equipment '000	Motor vehicles '000	Total '000
Cost or valuation:						
At beginning of year	12,691	90,134	64,876	28,498	12,714	208,913
Additions	–	–	–	50	–	50
Disposals including disposal of subsidiaries	(12,691)	(90,134)	(64,876)	(25,713)	(12,714)	(206,128)
At 31 March 2002	–	–	–	2,835	–	2,835
Accumulated depreciation and impairment:						
At beginning of year	–	25,413	52,184	20,097	11,979	109,673
Provided during the year	–	–	–	965	–	965
Disposals including disposal of subsidiaries	–	(25,413)	(52,184)	(19,634)	(11,979)	(109,210)
At 31 March 2002	–	–	–	1,428	–	1,428
Net book value:						
At 31 March 2002	–	–	–	1,407	–	1,407
At 31 March 2001	12,691	64,721	12,692	8,401	735	99,240

The net book value of the Group's fixed assets held under finance leases included in the total amount of plant and machinery and motor vehicles at 31 March 2001 amounted to HK$2,533,000 and HK$627,000, respectively.

At 31 March 2001, certain of the Group's investment properties with a net book value of HK$12,691,000, certain of the Group's land and buildings with a net book value of HK$49,709,000 and certain of the Group's plant and machinery with a net book value of HK$1,200,000, were pledged to secure general banking facilities granted to the Group (note 26). In the current year, the pledge was released upon the disposal of subsidiaries.

15. FIXED ASSETS (continued)

The Group's investment properties, which were situated in Hong Kong and held under long term leases, were revalued on 31 March 2001 by LCH (Asia Pacific) Surveyors Ltd., independent professionally qualified valuers, at HK$12,691,000 on an open market, existing use basis.

Certain of the Group's leasehold land and buildings were revalued in prior years by independent professional valuers. The land and buildings were revalued at an open market value, based on their existing use. No further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions of SSAP 17, from the requirement to carry out future revaluations of its fixed assets which were stated at valuation at that time.

The Group's land and buildings as at 31 March 2001 included above are held under the following lease terms:

	Hong Kong	**Elsewhere**	**Total**
	'000	**'000**	**'000**
At cost or valuation:			
Long term leases	64,645	–	64,645
Medium term leases	–	25,489	25,489
	64,645	25,489	90,134

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

(Amounts expressed in Hong Kong dollars unless otherwise stated)

16. INTERESTS IN SUBSIDIARIES

	Company 2002 '000	Company 2001 '000
Unlisted shares, at cost	**10,150**	61,411
Due from subsidiaries	**8,310**	182,197
	18,460	243,608
Provision for impairment	**(8,310)**	(173,453)
	10,150	70,155

The amounts due from subsidiaries were unsecured, interest-free and were fully repaid during the year.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sung Teh Investment Company Limited	Taiwan	NTD50,000,000	99.99	–	Investment holding
KGNV Management Limited	Hong Kong	HK$2	100	–	Provision of management services
VAR Management (C.I.) Limited	Cayman Islands	US$2,000,000	100	–	Investment holding
KG NextVision Frontiers Limited	British Virgin Islands	US$1	100	–	Investment holding

(Amounts expressed in Hong Kong dollars unless otherwise stated)

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
VAR Management (Taiwan) Limited	Taiwan	NTD17,000,000	–	99.65	Software development
Brightime International Limited	British Virgin Islands	US$1	–	100	Investment holding

Particulars of the principal subsidiaries disposed of during the year are as follows:

Fung Cheung Kee International Limited	British Virgin Islands	US$990	100	–	Investment holding
Cheung Kee Fung Cheung Construction Company Limited	Hong Kong	HK$60,000,200 ordinary HK$30,000,000 non-voting deferred#	–	100	Building construction
Lee Lin Construction & Engineering Company Limited	Hong Kong	HK$500,000	–	100	Provision of transportation services
Brilliant Vast Company Limited	Hong Kong	HK$100,000	–	90	Manufacturing of concrete drywall
Fung Li Engineering Company Limited	Hong Kong	HK$10,000	–	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Main Kind Industrial Limited	Hong Kong	HK$2,000,000	–	100	Manufacturing of cooking benches and sink units
Victory Door Limited	Hong Kong	HK$4,000,000	–	100	Trading of wooden door sets
Fung Cheung Kee Development Limited	Hong Kong	HK$2	–	100	Investment holding
Fung Cheung Kee (China) Limited	Hong Kong	HK$2	–	100	Investment holding
Zi Jin Prefecture Zhugang Hotel	The People's Republic of China	RMB10,000,000	–	60	Hotel operation
Sino Glory Engineering Limited	Hong Kong	HK$2,000,000	–	100	Trading of aluminium window sets
Secure Guarding Services Limited	Hong Kong	HK$10,000	–	100	Provision of security services
Homecare.com.hk Limited	Hong Kong	HK$2	–	70	Provision of renovation and maintenance services

16. INTERESTS IN SUBSIDIARIES (continued)

The non-voting deferred shares are not owned by the Group. These shares have no voting rights, are not entitled to dividends unless the net profit of the relevant company exceeds $100,000 trillion, and are not entitled to any distribution upon winding-up unless a sum of $100,000 trillion has been distributed by that subsidiary to the holders of the ordinary shares.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of 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.

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2002	2001	**2002**	2001
	’000	’000	**’000**	’000
Unlisted shares, at cost	**–**	–	**36,621**	36,621
Share of net assets other than goodwill	**9,544**	23,857	**–**	–
Due from an associate	**–**	7,803	**–**	–
Less: Provision for impairment	**(4,059)**	–	**(31,136)**	–
	5,485	31,660	**5,485**	36,621

Due to the continuing non-performance of the associates, the directors considered that the carrying amounts of the interests in associates exceed their recoverable amounts, and provisions for impairments of HK$4,059,000 and HK$31,136,000 were made for the Group and the Company, respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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17. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Business Structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activities
			Direct	Indirect	
BeXcom Greater China Co. Ltd. ("BeXcom GC")	Corporate	Taiwan	28.26^	6.76	Electronic commerce service provider
HiOffice.net Pte Ltd. ("HiOffice")#	Corporate	Singapore	25^	4.71	Electronic commerce service provider
Metro World Engineering Company Limited*	Corporate	Hong Kong	–	20	Provision of subcontracting services

^ only direct interests in the associates were equity accounted for, as the indirect interests in associates are held through an investee company included in long term investments.

\# under the process of liquidation as at balance sheet date.

* disposed of during the year.

The amount due from the associate was unsecured, interest-free and was fully repaid during the year.

The financial statements of BeXcom GC and HiOffice are not coterminous with those of the Group and have a financial year ending 31 December. The consolidated financial statements are adjusted for material transactions between the 31 December and 31 March.

17. INTERESTS IN ASSOCIATES (continued)

A summary of the financial information of BeXcom GC and HiOffice is as follows:

	2002 '000
Turnover	20,628
Net loss from ordinary activities attributable to shareholders	(48,404)
Non-current assets	7,442
Current assets	42,002
Current liabilities	(12,396)
Net assets attributable to shareholders	37,048

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2002 '000	Group 2001 '000
Due from a jointly-controlled entity	–	3,122
Share of net liabilities	–	(1,291)
	–	1,831

The amount due from the jointly-controlled entity was unsecured, bore interest at prime rate and was transferred out upon disposal of subsidiaries during the year.

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18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (continued)

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest, voting power and profit-sharing of the Company 2002	2001	Principal activity
Infolink Management Limited*	Corporate	Hong Kong	–	50	Property management

* Disposed of during the year

19. LONG TERM INVESTMENTS

	Group 2002 '000	Group 2001 '000	Company 2002 '000	Company 2001 '000
Overseas unlisted equity investments, at cost	**46,164**	46,164	**12,235**	12,235
Less: Provision for impairment	**(46,164)**	–	**(12,235)**	–
	–	46,164	**–**	12,235

Due to the continuing non-performance of the long term investments, the directors considered that the carrying amounts of the long term investments exceed their recoverable amounts, and a total provision for impairments of HK$46,164,000 and HK$12,235,000 were made for the Group and the Company, respectively.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

19. LONG TERM INVESTMENTS (continued)

Details of the long term investments are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
BeXcom Pte Ltd.	Singapore	S$354,469 ordinary S$559,130 preference*	1.82	10.28	Licensor and franchisor of electronic commerce platforms, consultants in software customisation and system integration
BeXcom Japan	Japan	¥499,750,000	8.99	7.99	Electronic commerce service provider

* The preference shares of S$0.02 carry a non-cumulative dividend rate of 7% per annum based on their respective issue prices ranging from S$0.24 to S$16.46. Each preference share has a voting right equal to one ordinary share of S$0.02 each and is convertible into an ordinary share upon the occurrence of certain events.

20. OTHER ASSETS

The Group's other assets mainly represented retention monies held by customers for contract work.

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21. DUE FROM/(TO) RELATED COMPANIES

The balances due from a related company, arising from the provision of consultancy fee as detailed in note 34, are unsecured, interest-free and have no fixed terms of repayment.

The balances due to related companies were unsecured, interest-free and were transferred out upon disposal of subsidiaries during the year.

22. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the progress billings and trade receivables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	'000	'000
Within 2 months	**–**	6,101
2 to 3 months	**–**	636
Over 3 months	**–**	18,475
Retention monies	**–**	8,503
		33,715
Less: Provision for doubtful debts	**–**	(14,022)
	–	19,693

23. DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2002	2001
	'000	'000
Gross amount due from contract customers	**–**	139,609
Gross amount due to contract customers	**–**	(1,453)
	–	138,156
Contract costs incurred plus recognised profits less recognised losses to date	**–**	2,351,505
Less: Progress billings	**–**	(2,213,349)
	–	138,156

24. SHORT TERM INVESTMENTS

	Group		Company	
	2002	2001	**2002**	2001
	'000	'000	**'000**	'000
Overseas listed equity investment, at market value	**–**	1,675	**–**	–
Overseas unlisted equity investments, at fair value	**3,830**	–	**–**	–
Overseas unlisted debt investment, at fair value	**39,000**	–	**39,000**	–
	42,830	1,675	**39,000**	–

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25. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	'000	'000
Within 1 month	–	3,541
1 to 2 months	–	869
2 to 3 months	–	124
Over 3 months	–	7,230
	–	11,764

26. INTEREST-BEARING BANK BORROWINGS

	Group	
	2002	2001
	'000	'000
Bank overdrafts and short term bank loans, secured	–	130,922
Current portion of long term bank loans, secured	–	4,486
	–	135,408

As at 31 March 2002, no banking facilities were obtained by the Group and the Company.

26. INTEREST-BEARING BANK BORROWINGS (continued)

As at 31 March 2001, the Group's overdrafts, loans and trade financing facilities amounting to HK$157,000,000 of which HK$135,408,000 had been utilised at the balance sheet date were secured by:

(i) the pledge of the Group's bank deposits amounting to HK$89,000,000 as at 31 March 2001;

(ii) mortgage over certain of the Group's leasehold land and buildings and investment properties, which had an aggregate carrying value at 31 March 2001 of approximately HK$62.4 million (note 15);

(iii) the pledge of the Group's machinery with a total net book value of approximately HK$1.2 million (note 15);

(iv) the pledge of certain of the bank deposits amounting to approximately HK$17 million provided by certain of the Company's former directors and parties related to them; and

(v) the personal guarantees given by certain of the Company's former directors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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27. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Present value of minimum lease payments
	2002	2001	**2002**	2001
	'000	HK$'000	**'000**	HK$'000
Within one year	–	1,608	–	1,452
In the second year	–	216	–	194
In the third to fifth years, inclusive	–	26	–	24
Total minimum finance lease payments	–	1,850	–	1,670
Future finance charges	–	(180)		
Total finance lease payables	–	1,670		
Portion classified as current liabilities	–	(1,452)		
Long term portion	–	218		

SSAP 14 was revised and implemented during the year, as detailed in note 3 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

28. OTHER LOANS

As at 31 March 2001, the Group's other loans comprised balances due to certain of the Company's former directors and parties related to them. The balances were unsecured, interest-free and were transferred out upon disposal of subsidiaries during the year.

29. SHARE CAPITAL

	2002	2001
	'000	'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
2,400,002,000 ordinary shares of HK$0.1 each	**240,000**	240,000

Share options

The Company operates a share option scheme ("the Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 16 to 17.

Pursuant to the Scheme adopted on 28 July 1992, the Company may grant options to the directors and employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Company's directors, and will not be less than the higher of (i) The Stock Exchange of Hong Kong Limited (the "SEHK") closing price of the Company's shares on the date of the offer of the share options; and (ii) a maximum of 20% discount over the average of the closing price of the shares quoted on the SEHK on the five trading days immediately preceding the date of offer of the option.

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29. SHARE CAPITAL (continued)

Share options (continued)

The movements in the share options during the year were as follows:

	Number of share options granted on	
	20 June 2000	**26 March 2001**
At beginning of year	**44,250,020**	**111,500,000**
Lapsed during the year	**(10,000,020)**	**–**
At end of year	**34,250,000**	**111,500,000**
Exercise price per share	**HK$1.17**	**HK$0.32**

The exercise period of the above share options is three years commencing on the expiry of six months after the date on which the share options are granted.

30. RESERVES

	Share premium '000	Contributed surplus '000	Revaluation reserve '000	Exchange fluctuation reserve '000	Accumulated losses '000	Total '000
Group						
At 1 April 2000	79,503	29,800	26,961	–	(121,889)	14,375
Issue of new shares	40,000	–	–	–	–	40,000
Share issuance costs	(6,953)	–	–	–	–	(6,953)
Goodwill arising on acquisitions of subsidiaries	–	–	–	–	(1,022)	(1,022)
Goodwill arising on acquisitions of associates	–	–	–	–	(21,676)	(21,676)
Realisation of goodwill on disposal of certain equity interests in an associate	–	–	–	–	3,654	3,654
Realisation of goodwill on deemed disposal of certain equity interests in an associate	–	–	–	–	2,512	2,512
Exchange realignment	–	–	–	(1,303)	–	(1,303)
Loss for the year	–	–	–	–	(49,247)	(49,247)
Revaluation deficit	–	–	(632)	–	–	(632)
At 31 March 2001 and at 1 April 2001	112,550	29,800	26,329	(1,303)	(187,668)	(20,292)
Release on disposal of subsidiaries	–	–	(26,329)	–	–	(26,329)
Exchange realignment	–	–	–	(1,565)	–	(1,565)
Realisation of goodwill on disposal of subsidiaries	–	–	–	–	1,022	1,022
Impairment of goodwill	–	–	–	–	15,510	15,510
Write-off of exchange fluctuation reserve	–	–	–	1,722	–	1,722
Loss for the year	–	–	–	–	(30,446)	(30,446)
At 31 March 2002	112,550	29,800	–	(1,146)	(201,582)	(60,378)
Reserves retained by:						
Company and subsidiaries	112,550	29,800	–	(1,146)	(192,133)	(50,929)
Associates	–	–	–	–	(9,449)	(9,449)
At 31 March 2002	112,550	29,800	–	(1,146)	(201,582)	(60,378)
Company and subsidiaries	112,550	29,800	26,329	(1,303)	(190,411)	(23,035)
Associates	–	–	–	–	4,039	4,039
Jointly controlled entities	–	–	–	–	(1,296)	(1,296)
At 31 March 2001	112,550	29,800	26,329	(1,303)	(187,668)	(20,292)
Company						
At 1 April 2000	79,503	51,061	–	–	(116,189)	14,375
Issue of new shares	40,000	–	–	–	–	40,000
Share issuance costs	(6,953)	–	–	–	–	(6,953)
Loss for the year	–	–	–	–	(54,829)	(54,829)
At 31 March 2001 and at 1 April 2001	112,550	51,061	–	–	(171,018)	(7,407)
Loss for the year	–	–	–	–	(53,532)	(53,532)
At 31 March 2002	112,550	51,061	–	–	(224,550)	(60,939)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2002

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30. RESERVES (continued)

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against reserves, of HK$15,510,000, during the year.

The contributed surplus the of Group represents (i) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof, and (ii) the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Act 1981 of Bermuda (as amended), a company may make distribution to its members out of the contributed surplus in certain circumstances.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 '000	2001 '000
Loss from operating activities	**(12,879)**	(36,779)
Interest income	**(5,230)**	(11,035)
Depreciation	**965**	8,063
Gain on disposal of fixed assets	**(25,230)**	(690)
Gain on disposal of discontinued operations	**(59,549)**	–
Impairment of goodwill	**15,510**	–
Impairment in long term investments	**46,164**	–
Impairment in value of interests in associates	**4,059**	–
Impairment of fixed assets	**–**	1,831
Unrealised loss/(gain) on revaluation of short term investments	**1,616**	(455)
Write-off of exchange fluctuation reserve of overseas subsidiaries	**1,722**	–
Decrease/(increase) in balance with an associate	**7,803**	(9,330)
Decrease in other assets	**20,615**	2,682
(Increase)/decrease in amounts due from related companies	**(1,712)**	534
Decrease in inventories	**300**	1,676
(Increase)/decrease in trade receivables	**(38,841)**	98,396
Decrease/(increase) in amounts due from contract customers	**8,151**	(39,058)
Decrease in prepayments, deposits and other receivables	**457**	4,909
Increase in amounts due to related companies	**70**	19,006
Decrease in amounts due to contract customers	**(1,185)**	(28,720)
Decrease in trade payables and accruals	**(7,077)**	(59,576)
Net cash outflow from operating activities	**(44,271)**	(48,546)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

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

	Minority interests '000	Bank loans '000	Other loans '000	Finance lease obligations '000	Share capital (including share premium '000
At 31 March 2000	465	9,331	39,804	5,986	119,503
Cash inflow/(outflow) from financing activities	–	(4,845)	103,802	(4,316)	232,997
Share of loss for the year of subsidiaries	(476)	–	–	–	–
Capital contributions by minority shareholders	252	–	–	–	–
At 31 March 2001 and 1 April 2001	241	4,486	143,606	1,670	352,500
Cash inflow/(outflow) from financing activities	(209)	(4,486)	17,332	(723)	–
Subsidiaries disposed of during the year	–	–	(160,938)	(947)	–
Share of loss for the year of subsidiaries	(17)	–	–	–	–
At 31 March 2002	**15**	**–**	**–**	**–**	**352,500**

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of subsidiaries

	2002	2001
	'000	'000
Net assets acquired:		
Cash and bank balances	–	1,235
Accounts receivable, prepayments and other receivables	–	7,441
Investments	–	34,867
Accounts payable and other accrued liabilities	–	(765)
Loan from the Company	–	(33,647)
	–	9,131
Goodwill on acquisition	–	1,022
	–	10,153
Satisfied by:		
Cash	–	10,153

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2002	2001
	'000	'000
Cash consideration	–	(10,153)
Cash and bank balances acquired	–	1,235
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	(8,918)

During the prior year, the Group acquired 100% interests in certain subsidiaries which are engaged in the business and business e-commerce activities. The purchase consideration for the acquisitions was in the form of cash of HK$10,153,000 which had been paid at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of subsidiaries

	2002	2001
	'000	'000
Net assets disposed of:		
Fixed assets	69,364	–
Investment in a jointly-controlled entity	3,131	–
Due from related companies	705	–
Inventories	1,534	–
Trade receivables	58,534	–
Due from contract customers	131,458	–
Prepayments, deposits and other receivables	3,992	–
Bank balances	98,598	–
Due to related companies	(20,517)	–
Trade payables and accruals	(61,862)	–
Due to contract customers	(268)	–
Tax payable	(117)	–
Bank overdrafts	(106,909)	–
Finance lease payables	(947)	–
Other loans	(160,938)	–
	15,758	–
Revaluation reserve released on disposal	(26,329)	–
Goodwill released on disposal	1,022	–
Gain on disposal of discontinued operations	59,549	–
	50,000	–
Satisfied by cash	50,000	–

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of subsidiaries (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2002	2001
	’000	’000
Cash consideration	50,000	–
Bank overdrafts disposed of	106,909	–
Bank balances disposed of	(98,598)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	58,311	–

In respect of the cash flows for the year ended 31 March 2002, the subsidiaries disposed of in that year contributed HK$11 million to the Group’s net operating cash flows, but had no significant impact in respect of the cash flows for investing activities, financing activities, net returns on investments and servicing of finance and tax.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group sub-leases its office premise under an operating lease arrangement, with the lease negotiated for a term of 34 months. The term of the lease also requires the tenant to pay security deposits.

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32. OPERATING LEASE ARRANGEMENTS (continued)

(a) As lessor (continued)

As at 31 March 2002, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	Group and Company	
	2002	2001
	'000	'000
Within one year	**1,445**	1,445
In the second to fifth years, inclusive	**241**	1,686
	1,686	3,131

(b) As lessee

The Group leases certain of its office properties and equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years, and those for office equipment for terms ranging between one and three years.

At 31 March 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002	2001	**2002**	2001
	'000	'000	**'000**	'000
		(Restated)		(Restated)
Within one year	**4,247**	4,306	**2,956**	2,956
In the second to fifth years, inclusive	**597**	3,622	**493**	3,449
	4,844	7,928	**3,449**	6,405

32. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee (continued)

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

33. COMMITMENTS

As at 31 March 2002, the Group had no significant commitments.

As at 31 March 2001, the Group had the following significant commitments:

(a) Commitments under various contract entered into in the normal course of business to complete construction and maintenance contracts. These outstanding contracts had a total value (including work completed up to 31 March 2001) of approximately HK$1,738 million.

(b) Commitments for capital injections in respect of subsidiaries in the PRC amounting to approximately HK$56 million.

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34. RELATED PARTY TRANSACTIONS

In addition to the transactions set out elsewhere in these financial statements, the Group had the following significant related party transactions during the year.

	Notes	2002 '000	2001 '000
Proceeds on disposal of discontinued operations	(i)	**50,000**	–
Consultancy fee income from a related company	(ii)	**1,664**	–
Rental income from an associate	(iii)	**1,445**	361
Management fee income from a jointly-controlled entity	(iv)	**–**	1,598
Sales of customised computer software to a related company	(v)	**–**	2,467
Sub-contracting fees paid to an associate	(vi)	**–**	(27,864)

Notes:

(i) In accordance with the terms of sale and purchase agreements dated 11 October 2001 and 10 January 2002, two related companies, of which the sole director and shareholder is also a director of certain subsidiaries of the Group, acquired from the Company the interests in all the subsidiaries which are engaged in the construction and sale of building products for a total cash consideration of HK$50 million resulting a gain on disposal of discontinued operations of HK$59 million. The particulars of these subsidiaries being disposed of are detailed in note 16.

(ii) The consultancy fee received in respect of management advisory services from a related company, of which a chief operating officer of the Group is the president, was charged on mutually agreed terms with reference to actual time and staff costs incurred.

(iii) The rental income from an associate was charged based on open market rental.

(iv) The management fee income was related to the provision of accounting and secretarial services to a jointly-controlled entity and was charged with reference to actual time and staff costs incurred.

(v) The sales of customised computer software to a related company were based on mutually agreed terms.

(vi) The sub-contracting fees paid to an associate in respect of construction services provided to the Group were charged based on mutually agreed terms.

35. POST BALANCE SHEET EVENT

On 9 May 2002, the Group swapped the interests in an associate, BeXcom GC, for 2,781,076 Preference B shares of an existing investee company, BeXcom Pte. Ltd., which was included in long term investments.

36. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2002.