

NOTES TO FINANCIAL STATEMENTS

31 March 2002



1. CORPORATE INFORMATION

During the year, the principal activities of the Group consisted of investment holding, securities dealing and broking, financing, general import and export trading and property development and investment.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"

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, are summarised as follows:

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, and 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 28 and 34 to the financial statements, respectively.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The revised SSAP requirements have not had an effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required.

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 4 to the financial statements.



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2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

In addition to the above new and revised SSAPs, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"

The above revisions to SSAPs have not had a material effect on the amounts previously recorded in the financial statements.

In the prior year, the following SSAPs were early adopted before their effective dates in the preparation of the consolidated financial statements for the year ended 31 March 2001:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with SSAPs, 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, long term investments and short term investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. 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 have been eliminated in full on consolidation.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over whose financial and operating policy decisions the Group 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.

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.

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.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of five years.

On disposal of subsidiaries or 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.

The carrying amount of goodwill 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.



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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Negative goodwill

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

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost 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 assets.

Depreciation is provided so as to write off the cost of each asset over its estimated useful life. The principal annual rates and bases used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2.5% on the straight-line basis
Leasehold improvements	25% on the reducing balance basis
Furniture, fixtures and equipment	15% on the reducing balance basis
Motor vehicles	20% on the reducing balance basis

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. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations. 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.

Upon the 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.

Properties under development/held for redevelopment

These are stated at cost less impairment losses. Cost includes the acquisition cost of the properties and all costs attributable to such development/redevelopment.



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3. 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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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.

Joint venture arrangement

Where an investment is made by means of joint venture structures which do not result in the Group having joint control with the other venturer, or any control nor significant influence over the joint venture, the investment in such joint venture is accounted for as a long term investment which is stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided to write off the cost in proportion to the expected return over the life of the joint venture.

Long term investments

Long term non-trading investments in equity securities intended to be held for an identified long term purpose are stated at cost less impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline has occurred, the carrying amount of each investment is reduced to fair value unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the profit and loss account.

Other long term investments are investments in listed equity securities 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 for the period in which they arise.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Short term investments

Short term investments are investments in equity 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 for the period in which they arise.

Inventories

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

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. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Deferred tax

Deferred tax is provided, under 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 the rendering of services, in the period in which the services are rendered;
- (c) from the sale of properties, on the exchange of legally binding sale and purchase agreements;



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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

- (d) from securities dealing and trading, on the transaction dates when the relevant contract notes are exchanged;
- (e) commission and brokerage income on securities dealing, on the trade date basis;
- (f) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;
- (g) rental income, on the straight-line basis over the lease terms; and
- (h) dividends, when the shareholders' right to receive payment has been established.

Foreign currencies

Foreign currency transactions during the year 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 denominated in foreign currencies are translated into Hong Kong dollars for inclusion in the Group's financial statements using the closing rate method. The resulting translation differences arising on consolidation are dealt with in the exchange fluctuation reserve.

Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The 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 Scheme. The assets of the 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 Scheme.

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4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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:

- (a) the general import and export trading segment mainly engages in the trading of garment and garment-related goods;
- (b) the securities dealing and broking segment provides underwriting, trading and broking services mainly on marketable securities;
- (c) the financing segment engages in money lending;
- (d) the property development and investment segment engages in property development and sales and letting of properties; and
- (e) the corporate and other segment comprises the Group's corporate income and expense items and other segment's income and segment expense items.

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



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4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

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

Group	General import and		Securities dealing and broking		Financing		Property development and investment		Corporate and other		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	101,450	109,935	9,445	17,145	11,624	27,377	265	151	—	—	—	—	122,784	154,608
Other revenue	2,344	2,184	5,551	7,951	55	228	—	5,400	5,737	3,556	—	—	13,687	19,319
Intersegment sales	—	—	2,077	1,100	579	—	720	720	24,033	28,308	(27,409)	(30,128)	—	—
Total revenue	103,794	112,119	17,073	26,196	12,258	27,605	985	6,271	29,770	31,864	(27,409)	(30,128)	136,471	173,927
Segment results	(8,717)	(11,371)	7,770	8,547	(228)	6,705	(882)	(11,951)	(13,132)	(7,187)	—	—	(15,189)	(15,257)
Interest and dividend income and unallocated gains													70,616	65,364
Unallocated expenses													(206,088)	(357,428)
Loss from operating activities													(150,661)	(307,321)
Finance costs													(13,088)	(15,992)
Share of profits and losses of associates													(2,760)	(9,741)
Loss before tax													(166,509)	(333,054)
Tax													(5,782)	(5,705)
Loss before minority interests													(172,291)	(338,759)
Minority interests													21,708	21,587
Net loss attributable to shareholders													(150,583)	(317,172)

NOTES TO FINANCIAL STATEMENTS

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4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group	General import and		Securities dealing and broking		Financing		Property development and investment		Corporate and other		Eliminations		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment assets	15,082	15,415	37,999	31,707	106,064	91,614	85,379	86,371	18,280	15,129	—	—	262,804	240,236
Interests in associates													—	47,868
Unallocated assets													727,680	854,086
Total assets													990,484	1,142,190
Segment liabilities	89,513	87,868	33,779	22,328	49,041	78,897	53,181	41,739	7,183	3,435	(161,273)	(175,456)	71,424	58,811
Unallocated liabilities													357,771	404,912
Total liabilities													429,195	463,723
Other segment information:														
Depreciation	2,073	1,133	718	686	—	—	—	—	—	—	—	—	2,791	1,819
Impairment loss recognised in the profit and loss account	—	—	—	—	—	—	—	10,000	—	—	—	—	—	10,000
Unallocated impairment loss													90,664	223,937
Other non-cash expenses/(income)	(220)	255	—	—	400	6,626	300	300	—	1,060	—	—	480	8,241
Capital expenditure	135	53	135	2,152	—	—	—	—	931	3,599	—	—	1,201	5,804



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4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

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

Group	Hong Kong		Elsewhere in the PRC		Europe		North America		Corporate and other		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:												
Sales to external customers	60,225	95,493	—	—	70,015	74,081	5,989	4,198	242	155	136,471	173,927
Segment results	(8,785)	(7,310)	—	—	(5,880)	(7,513)	(503)	(426)	(21)	(8)	(15,189)	(15,257)
Other segment information:												
Segment assets	524,111	605,155	464,774	535,766	1,599	1,269	—	—	—	—	990,484	1,142,190
Capital expenditure	1,142	5,796	—	—	59	8	—	—	—	—	1,201	5,804

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5. TURNOVER, OTHER REVENUE AND GAINS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Invoiced value of goods sold, net of returns and allowances	101,450	109,935
Gross rental income	265	151
Commission and brokerage income from securities dealing	9,445	17,145
Interest income from the financing business	11,624	27,377
	122,784	154,608
Other revenue		
Interest income	2,363	13,565
Dividend income from listed investments	163	—
Dividend income from an unlisted investment	40,466	18,337
Other income	15,890	20,534
	58,882	52,436
Gains		
Negative goodwill recognised as income	2,164	2,164
Gain on partial disposal of a subsidiary	13,000	—
Gain on deemed disposal of an associate	6,816	—
Gain on partial disposal of an associate	3,441	—
Gain on disposal of long term investments	—	30,083
	25,421	32,247
	207,087	239,291



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6. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Group	
	2002	2001
	HK\$'000	HK\$'000
Depreciation	2,791	1,819
Staff costs (including directors' remuneration, note (8)):		
Wages and salaries	19,651	20,665
Pension scheme contributions	566	461
Less: Forfeited contributions*	(361)	(91)
Net pension contributions	205	370
	19,856	21,035
Auditors' remuneration	980	936
Minimum lease payments under operating leases		
for land and buildings	2,174	2,281
Loss on disposal of fixed assets	—	714
Exchange losses, net	763	179
Other expenses:		
Provisions against accounts and loans receivable	11,100	20,387
Revaluation deficit of investment properties	300	300
Loss on disposal of investment properties	—	2,588
Others	—	1,500
	11,400	24,775
Gross and net rental income	(265)	(151)
Interest income from:		
Bank deposits	(2,363)	(13,565)
Financing business	(11,624)	(27,377)

* There were no forfeited contributions available at the balance sheet date to reduce contributions in future years.

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7. FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts and other borrowings wholly repayable within five years	13,044	15,923
Interest charges for hire purchase contracts	44	69
	<u>13,088</u>	<u>15,992</u>

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	100	115
Salaries, allowances and benefits in kind		
- executive directors	4,074	3,627
Pension scheme contributions - executive directors	168	118
	<u>4,342</u>	<u>3,860</u>



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8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(Continued)

(a) Directors' remuneration (Continued)

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

	Number of directors	
	2002	2001
Nil - HK\$1,000,000	5	8
HK\$1,000,001 - HK\$1,500,000	1	1
	<u>6</u>	<u>9</u>

Other than the fees disclosed above, there were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

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

(b) Five highest paid employees

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

	2002	2001
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	975	607
Pension scheme contributions	25	9
	<u>1,000</u>	<u>616</u>

The remuneration of the non-director, highest paid employee during each of the current and prior years fell within the band Nil - HK\$1,000,000.

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9. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

At the balance sheet date, the Group had an unrecognised deferred tax asset of approximately HK\$47,757,000 (2001: HK\$42,746,000) principally in respect of tax losses carried forward.

There were no unprovided deferred tax liabilities at the balance sheet date (2001: Nil).

10. 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 was HK\$139,673,000 (2001: HK\$300,012,000).

11. LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders of HK\$150,583,000 (2001: HK\$317,172,000) and the weighted average of 1,020,829,578 (2001: 766,544,435 as restated) shares in issue during the year.

Diluted loss per share has not been presented as the outstanding options and warrants had an anti-dilutive effect on the basic loss per share for the year.

The comparative amount for loss per share has been adjusted for the bonus issue and rights issue during the year as further detailed in note 31.



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12. FIXED ASSETS

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Cost:					
At beginning of year	9,277	2,831	7,823	3,826	23,757
Additions	476	48	356	1,413	2,293
Disposals	—	—	(28)	(1,069)	(1,097)
Exchange adjustments	1	—	—	—	1
At 31 March 2002	9,754	2,879	8,151	4,170	24,954
Accumulated depreciation:					
At beginning of year	775	2,151	2,180	1,851	6,957
Provided for the year	226	302	1,867	396	2,791
Disposals	—	—	(16)	(762)	(778)
At 31 March 2002	1,001	2,453	4,031	1,485	8,970
Net book value:					
At 31 March 2002	8,753	426	4,120	2,685	15,984
At 31 March 2001	8,502	680	5,643	1,975	16,800

The leasehold land and buildings are held under the following lease terms:

	Hong Kong	Outside Hong Kong	Total
	HK\$'000	HK\$'000	HK\$'000
Long term leases	—	3,938	3,938
Medium term leases	3,757	2,059	5,816
	<u>3,757</u>	<u>5,997</u>	<u>9,754</u>

Certain leasehold land and buildings were pledged to secure bank loans granted to the Group, as further detailed in note 29 to the financial statements.

The aggregate net book value of assets held under hire purchase contracts included in the total amount of motor vehicles at 31 March 2002, amounted to HK\$1,789,000 (2001: HK\$871,000).

NOTES TO FINANCIAL STATEMENTS

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13. GOODWILL

	Group	
	Goodwill <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>
Cost:		
At beginning of year	246,614	(10,821)
Partial disposal of a subsidiary	(40,245)	—
Deemed and partial disposal of an associate	(29,155)	—
Transfer to long term investments	(87,451)	—
At 31 March 2002	89,763	(10,821)
Accumulated amortisation and impairment/ (accumulated amount recognised as income):		
At beginning of year	214,614	(2,164)
Amortisation provided during the year	6,175	—
Impairment provided during the year	4,000	—
Amount recognised as income during the year	—	(2,164)
Partial disposal of a subsidiary	(32,912)	—
Deemed and partial disposal of an associate	(27,530)	—
Transfer to long term investments	(82,576)	—
At 31 March 2002	81,771	(4,328)
Net book value:		
At 31 March 2002	7,992	(6,493)
At 31 March 2001	32,000	(8,657)



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14. INVESTMENT PROPERTIES

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of year	30,600	37,800
Disposals	—	(6,900)
Revaluation deficit	(300)	(300)
At end of year	30,300	30,600
Analysis by lease term and geographical location:		
Leasehold properties situated in Hong Kong held under:		
- Long term leases	12,700	13,000
- Medium term leases	13,000	13,000
Leasehold properties situated outside Hong Kong held under long term leases		
	4,600	4,600
	30,300	30,600

The investment properties were valued by Chesterton Petty Limited, independent professional property valuers, on an open market, existing use basis at 31 March 2002. Certain of the above properties were pledged to secure banking facilities and other borrowings granted to the Group, as detailed in note 29 to the financial statements.

15. PROPERTIES UNDER DEVELOPMENT

The properties under development represent costs incurred by the Group, net of provisions, in relation to the development of the City-in-City Project which involves the development of bungalows, a commercial complex and other residential buildings in Zhongshan, the People's Republic of China ("PRC").

In September 1992, the Group, through its agent, entered into a co-operative agreement with Zhongshan Shi Huancheng Construction Development Corporation ("Zhongshan Corporation") for the purpose of jointly developing the land where the City-in-City Project is located (the "Land"). Pursuant to the terms of the co-operative agreement, Zhongshan Corporation was to contribute the Land and the Group would finance the costs of construction in respect of the Land and pay Zhongshan Corporation a fee of RMB10,000,000 (approximately HK\$9,346,000).

The costs of the properties under development include the above-mentioned fee of RMB10,000,000 (approximately HK\$9,346,000) payable to Zhongshan Corporation, 50% of which was paid in 1994. The balance of RMB5,000,000 (approximately HK\$4,673,000) has been included in the financial statements as accounts payable under current liabilities.

The bungalows were all sold in previous years. The amount at the balance sheet date represents the cost in relation to the development of a commercial complex and other residential buildings, net of a provision for impairment in value at the amount of HK\$5,447,000.

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16. PROPERTIES HELD FOR REDEVELOPMENT

	Group	
	2002	2001
	HK\$'000	HK\$'000
Cost	94,643	94,643
Less: Provision for impairment	(54,643)	(54,643)
	40,000	40,000

The properties held for redevelopment are situated in Hong Kong, held under medium term leases and are pledged to secure the other borrowings granted to the Group, as further detailed in note 29 to the financial statements.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	54,936	54,936
Less: Provision for impairment	(54,936)	(44,936)
	—	10,000
Due from a subsidiary	1,255,526	1,200,743
Less: Provision against amount due from a subsidiary	(698,401)	(567,391)
	557,125	633,352
	557,125	643,352

The balance with the subsidiary is unsecured, interest-free and has no fixed terms of repayment, except for an outstanding balance of approximately HK\$291,521,000 as at 31 March 2002 which bears interest at 1% per annum (2001: interest-free).



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17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 March 2002 are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Styland (Hong Kong) Limited	Hong Kong	HK\$2	100	—	Investment holding
Styland (International) Limited	Hong Kong	HK\$100,000	—	100	Securities trading
Kalomex (International) Limited	Hong Kong	HK\$2,000,000	—	100	General trading
Crosby Design (Far East) Company Limited	Hong Kong	HK\$90,000	—	100	General trading
Thunderbolt Property Corp.	British Virgin Islands	HK\$8	100	—	Investment holding
Devonia Development Limited	Hong Kong	HK\$10,000	—	100	Property development
Styland (Development) Limited	Hong Kong	HK\$4	—	100	Property development
Ever-Long Securities Company Limited	Hong Kong	HK\$100,000,000	—	100	Securities broking and provision of financing services
Ever-Long Finance Limited	Hong Kong	HK\$22,500,000	—	100	Provision of financing services

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17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 March 2002 are as follows *(continued)*:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kipton Limited ("Kipton")	Hong Kong	HK\$10,000	—	80	Investment holding
Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da")	Hong Kong	HK\$204,082	—	45*	Investment holding
West Marton Group Limited	British Virgin Islands	HK\$468	—	60	Investment holding

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 directors, result in particulars of excessive length.

* Sheng Da is a subsidiary of Kipton, a 80% indirectly owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of control.

18. INTERESTS IN ASSOCIATES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	—	2,077
Due from associates	—	45,791
	—	47,868

The amounts due from associates were unsecured, interest-free and were disposed of during the year.



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19. INVESTMENT IN A JOINT VENTURE

	Group	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments, at cost	551,837	551,837
Less: Accumulated amortisation	(108,474)	(39,964)
	443,363	511,873
Due to the joint venture	(3,810)	(851)
	439,553	511,022

Investment in a joint venture represents the investment in a Sino-foreign co-operative joint venture, Wuhan Dongseng Highway Building Development Company Limited ("Dong Seng"). The principal activity of Dong Seng is the development and operations of a section of National Highway 318 as a toll expressway in the PRC for a tenure of 19.5 years commencing from 10 November 1995, including 1.5 years of construction and development period and an operational period of 18 years.

Pursuant to the joint venture agreement, the Group cannot control or exercise significant influence over Dong Seng and is only entitled to profit distribution throughout the operational period of 18 years. Upon expiry of the joint venture, the toll expressway will be returned to the joint venture partner. Accordingly, the investment in Dong Seng is stated at cost and amortised over the operational period of 18 years.

The investment in Dong Seng is pledged to secure a bank loan granted to the Group, as further detailed in note 29 to the financial statements.

The amount due to Dong Seng is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

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20. LONG TERM INVESTMENTS AND RELATED ADVANCE

	Group	
	2002 HK\$'000	2001 HK\$'000
Listed equity investments in Hong Kong, at market value	9,255	20,252
Listed equity investments, at cost	156,269	—
Less: Provision for impairment	(91,762)	—
	64,507	—
Unlisted equity investments, at cost	61,562	132,992
Less: Provision for impairment	(21,500)	(26,598)
	40,062	106,394
Advance to an investee company	2,800	16,384
	116,624	143,030

Particulars of the principal investment are as follows:

Company	Place of incorporation	Class of shares held	Percentage of equity attributable to the Group
Riverhill Holdings Limited	Cayman Islands	Ordinary	28
Inworld Group Limited	Cayman Islands	Ordinary	32
Well Pacific Investments Limited	British Virgin Islands	Ordinary	22

In the opinion of the directors, the Group is not in a position to exercise significant influence over the above companies and, accordingly, such investments are treated as long term investments and not as associates.

The advance to an investee company is unsecured, interest-bearing at the prevailing market rates and is repayable within one year.

The market value of the listed equity investments which are stated at cost less impairment loss at the balance sheet date are approximately HK\$136,170,000.



NOTES TO FINANCIAL STATEMENTS

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21. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	3,776	8,891
Finished goods	5,320	624
	9,096	9,515

No inventories were carried at net realisable value as at 31 March 2002 (2001: Nil).

22. LOANS RECEIVABLE

An aged analysis of loans receivable is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within 6 months	53,425	67,810
Between 6 to 12 months	54,065	40,224
Over 1 year	41,897	30,700
	149,387	138,734
Provision for doubtful debts	(43,385)	(43,124)
	106,002	95,610

Loans receivable arise from the Group's financing businesses and bear interest at the prevailing market rates.

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23. ACCOUNTS RECEIVABLE

	Group	
	2002	2001
	HK\$'000	HK\$'000
Balances in relation to:		
Securities dealing and broking	7,853	12,440
General trading and others	5,817	4,491
	13,670	16,931

An aged analysis of accounts receivable is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within 6 months	13,715	16,477
Between 6 to 12 months	683	4,772
Over 1 year	3,625	630
	18,023	21,879
Provision for doubtful debts	(4,353)	(4,948)
	13,670	16,931

Trading terms with general trading customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 to 60 days of issuance, except for certain well-established customers, where the terms are extended to 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

24. SHORT TERM INVESTMENTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Listed equity investments in Hong Kong, at market value	12,579	6,148



NOTES TO FINANCIAL STATEMENTS

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25. CLIENT TRUST BANK ACCOUNTS

Client trust bank accounts represent clients' trust monies kept in the trust bank accounts of a subsidiary engaged in the securities dealing business. The application of amounts maintained in such trust bank accounts is prescribed in the Securities Ordinance.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
General accounts:				
Cash and bank balances	31,382	21,775	56	366
Time deposits	48,049	111,437	—	20,108
	79,431	133,212	56	20,474

27. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED EXPENSES

	Group	
	2002 HK\$'000	2001 HK\$'000
Balances in relation to:		
Securities dealing and broking	22,418	17,070
General trading and others	40,737	33,117
	63,155	50,187

An aged analysis of the Group's trade payables is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within 6 months	22,847	19,483
Between 6 to 12 months	5,493	843
Over 1 year	1,487	4,505
Trade payables	29,827	24,831
Other payables and accrued expenses	33,328	25,356
	63,155	50,187

NOTES TO FINANCIAL STATEMENTS

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28. HIRE PURCHASE PAYABLES

The Group leases certain of its motor vehicles for business use. These leases are classified as hire purchase contracts and have remaining lease terms ranging from one to five years.

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

Group	Minimum lease payments 2002 HK\$'000	Minimum lease payments 2001 HK\$'000	Present value of minimum lease payments 2002 HK\$'000	Present value of minimum lease payments 2001 HK\$'000
Amounts payable:				
Within one year	418	334	334	297
In the second year	288	219	255	178
In the third to fifth years, inclusive	582	68	541	49
Total minimum hire purchase payments	1,288	621	1,130	524
Less: Future hire purchase charges	(158)	(97)		
Hire purchase payables	1,130	524		
Portion classified as current liabilities	(334)	(297)		
Long term portion	796	227		

SSAP 14 was revised and implemented during the year, as detailed in note 2 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.



NOTES TO FINANCIAL STATEMENTS

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29. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Bank loans, secured	136,545	147,590
Bank overdrafts, secured	—	1,077
	136,545	148,667
Other borrowings, secured	21,193	41,147
Total bank loans and other borrowings	157,738	189,814
Portion classified as current liabilities	(59,648)	(61,632)
Long term portion	98,090	128,182
Bank loans and overdrafts are repayable:		
Within one year	38,455	20,485
In the second year	29,065	28,883
In the third to fifth years, inclusive	59,234	58,776
Beyond five years	9,791	40,523
	136,545	148,667
Other borrowings are repayable:		
Within one year	21,193	41,147

The bank loans and overdrafts are secured by the Group's time deposits of approximately HK\$20,360,000 (2001: HK\$23,643,000), certain of the Group's leasehold land and buildings, investment properties and investment in a joint venture.

Other borrowings are due to financial institutions, bear interest at rates ranging from 7.125% to 10% per annum and are secured by the properties held for redevelopment and certain investment properties of the Group.

NOTES TO FINANCIAL STATEMENTS

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30. DEPOSITS RECEIVED

The balance represents deposits received on the pre-sale of a commercial complex in the City-in-City Project (note 15).

31. SHARE CAPITAL

Shares

	2002	2001
	HK\$'000	HK\$'000
<i>Authorised:</i>		
200,000,000,000 (2001: 200,000,000,000) ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>2,000,000</u>
<i>Issued and fully paid:</i>		
1,496,398,618 (2001: 359,365,368) ordinary shares of HK\$0.01 each	<u>14,964</u>	<u>3,594</u>

During the year, there were the following movements in the share capital:

- (a) On 24 August 2001, 124,696,447 ordinary shares of HK\$0.01 each were issued by way of a bonus issue on the basis of one bonus share for every three existing shares held by shareholders on the register of members on 23 August 2001.
- (b) 14,723,975 and 41,248 ordinary shares of HK\$0.01 each were issued at a subscription price of HK\$0.38 and HK\$0.12 per share, respectively, pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$5,600,061.
- (c) On 28 November 2001, 997,571,580 shares of HK\$0.01 each were issued for cash at HK\$0.03 per share by way of rights issue on the basis of two rights shares for every existing shares held. The net proceeds from the issue of rights shares amounted to approximately HK\$27 million of which approximately HK\$10 million was used to reduce the Group's other borrowings and the remaining approximately HK\$17 million was retained as general working capital of the Group.



NOTES TO FINANCIAL STATEMENTS

31 March 2002

31. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

The movements in the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Amount HK\$'000
At beginning of year	359,365,368	3,594
Bonus issue <i>(note (a))</i>	124,696,447	1,247
Warrants exercised <i>(note (b))</i>	14,765,223	147
Rights issue <i>(note (c))</i>	997,571,580	9,976
At 31 March 2002	<u>1,496,398,618</u>	<u>14,964</u>

Warrants

Warrants expired on 31 December 2001

At the beginning of the year, the holders of warrants were entitled to subscribe for up to 71,158,533 ordinary shares of HK\$0.01 each at a subscription price of HK\$0.38 per share, the maximum gross issue proceeds from which would amount to HK\$27,040,243, at any time on or before 31 December 2001.

Pursuant to the bonus issue of the Company in August 2001, the exercise price of the warrants was adjusted from HK\$0.38 to HK\$0.29 per share. Pursuant to the rights issue in November 2001, the exercise price of the warrants was further adjusted from HK\$0.29 to HK\$0.12 per share. During the year, 14,723,975 and 41,248 warrants were exercised to subscribe for an aggregate of 14,765,223 shares of HK\$0.01 each at HK\$0.38 and HK\$0.12 per share, respectively. The then outstanding warrants expired on 31 December 2001.



31. SHARE CAPITAL *(Continued)*

Share options

The Company operates a share option scheme, further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

Share options expired on 20 April 2002

On 21 April 1999, the Company granted certain share options in favour of its executives and directors. The options entitle the holders to subscribe for ordinary shares of the Company at HK\$0.01 each at any time within three years from the date of grant.

At the beginning of the year, the outstanding number of shares under option was 7,875,000 and the adjusted exercise price of the share options was HK\$1 per share.

In July 2001, 1,150,000 share options were cancelled and the then outstanding number of share options was 6,725,000.

Pursuant to the bonus issue of the Company in August 2001, the total number of shares under the option was adjusted from 6,725,000 to 8,966,666, and the exercise price of the share options was adjusted from HK\$1.00 to HK\$0.75 per share.

In October 2001, 2,241,666 share options were cancelled and the then outstanding number of share options was 6,725,000.

Pursuant to the rights issue of the Company in November 2001, the total number of shares under the option was further adjusted from 6,725,000 to 20,175,000 and the exercise price of the share options was adjusted from HK\$0.75 to HK\$0.25 per share.

No options were exercised during the year. At the balance sheet date, the Company had 20,175,000 outstanding share options, the exercise in full of which would, under the present capital structure of the Company, result in the issue of 20,175,000 additional shares of HK\$0.01 each.

No options were exercised subsequent to the balance sheet date and the then outstanding options expired on 20 April 2002.



NOTES TO FINANCIAL STATEMENTS

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32. RESERVES

Group	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000
At beginning of year	675,663	—	215,965	10,200	(191,816)	(718)	709,294
Bonus issue of new shares	(72,962)	—	—	—	—	—	(72,962)
Arising from adjustment in nominal value of the Company's shares	—	—	355,182	—	—	—	355,182
Reduction of share premium	(600,000)	—	—	600,000	—	—	—
Issue of shares upon exercise of warrants	220	—	—	—	—	—	220
Share issue expenses	(816)	—	—	—	—	—	(816)
Arising from repurchases of shares	—	6,040	—	(5,627)	—	—	413
Exchange realignment	—	—	—	—	—	714	714
Loss for the year	—	—	—	—	(317,172)	—	(317,172)
At 31 March 2001 and beginning of year	2,105	6,040	571,147	604,573	(508,988)	(4)	674,873
Issue of shares upon exercise of warrants	5,453	—	—	—	—	—	5,453
Bonus issue of new shares	—	—	—	(1,247)	—	—	(1,247)
Issue of shares upon rights issue	19,951	—	—	—	—	—	19,951
Share issue expenses	(2,126)	—	—	—	—	—	(2,126)
Exchange realignment	—	—	—	—	—	4	4
Loss for the year	—	—	—	—	(150,583)	—	(150,583)
At 31 March 2002	25,383	6,040	571,147	603,326	(659,571)	—	546,325

Losses are accumulated in the Group as follows:

	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries	(659,571)	(505,415)
Associates	—	(3,573)
	(659,571)	(508,988)

The Group's contributed surplus represents the excess value of the shares acquired over the nominal value of the Company's shares issued in exchange during the Group reorganisation in November 1991 and the transfer from share premium account of HK\$600,000,000 in December 2000, less the transfer to capital redemption reserve of HK\$6,040,000 in November 2000.

NOTES TO FINANCIAL STATEMENTS

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32. RESERVES (Continued)

Company	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At beginning of year	675,663	—	215,965	28,436	(242,460)	677,604
Bonus issue of new shares	(72,962)	—	—	—	—	(72,962)
Arising from adjustment in nominal value of the the Company's shares	—	—	355,182	—	—	355,182
Reduction of share premium	(600,000)	—	—	600,000	—	—
Issue of shares upon exercise of warrants	220	—	—	—	—	220
Share issue expenses	(816)	—	—	—	—	(816)
Arising from repurchase of shares	—	6,040	—	(5,627)	—	413
Loss for the year	—	—	—	—	(300,012)	(300,012)
At 31 March 2001 and beginning of year	2,105	6,040	571,147	622,809	(542,472)	659,629
Issue of shares upon exercise of warrants	5,452	—	—	—	—	5,452
Bonus issue of new shares	—	—	—	(1,247)	—	(1,247)
Issue of shares upon rights issue	19,951	—	—	—	—	19,951
Share issue expenses	(2,125)	—	—	—	—	(2,125)
Loss for the year	—	—	—	—	(139,673)	(139,673)
At 31 March 2002	25,383	6,040	571,147	621,562	(682,145)	541,987

The Company's contributed surplus represents the difference between the fair value of the subsidiaries acquired pursuant to the Group reorganisation in November 1991 and the nominal value of the shares issued by the Company and the transfer from share premium account of HK\$600,000,000 in December 2000, less the transfer to capital redemption reserve of HK\$6,040,000 in November 2000. Under the Companies Act 1981 of Bermuda (as amended) (the "Act"), the Company's contributed surplus is distributable to shareholders under certain circumstances.

Under the Act, the special capital reserve is distributable to shareholders under certain circumstances.



NOTES TO FINANCIAL STATEMENTS

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33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK\$'000	HK\$'000
Loss from operating activities	(150,661)	(307,321)
Interest income	(2,363)	(13,565)
Dividend income	(40,629)	(18,337)
Gain on disposal of long term investments	—	(30,083)
Reversal of provision for doubtful debts	(10,920)	(12,446)
Negative goodwill recognised as income	(2,164)	(2,164)
Depreciation	2,791	1,819
Loss on disposal of fixed assets	—	714
Loss on disposal of investment properties	—	2,588
Gain on partial disposal of a subsidiary	(13,000)	—
Gain on deemed disposal of an associate	(6,816)	—
Gain on partial disposal of an associate	(3,441)	—
Provisions against accounts and loans receivable	11,100	20,387
Amortisation of goodwill	6,175	9,855
Amortisation of investment in a joint venture	68,510	39,964
Impairment loss of goodwill	4,000	197,339
Impairment loss of long term investments	86,664	26,598
Impairment loss of properties held for redevelopment	—	10,000
Unrealised holding losses on investments	37,403	33,869
Revaluation deficit of investment properties	300	300
Decrease in inventories	419	136
Decrease/(increase) in prepayments, deposits and other receivables	(44,509)	9,849
Decrease/(increase) in accounts and loans receivable	(7,311)	77,993
Decrease/(increase) in short term investments	(28,958)	1,205
Decrease/(increase) in client trust bank accounts	(16,492)	965
Increase/(decrease) in accounts payable, other payables and accrued expenses	12,968	(197,487)
Increase in amount due to a joint venture	2,959	851
Net cash outflow from operating activities	(93,975)	(146,971)

NOTES TO FINANCIAL STATEMENTS

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33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) HK\$'000	Loans and hire purchase payables HK\$'000	Minority interests HK\$'000	Pledged deposits HK\$'000
At 1 April 2000	967,511	272,805	—	(150,931)
Net cash inflow/(outflow) from financing	(6,217)	(205,544)	—	127,288
Arising from capital reorganisation	(355,182)	—	—	—
Arising from acquisition of subsidiaries	—	122,000	244,549	—
Arising from additional investment in a subsidiary	—	—	(19,639)	—
Reduction of share premium	(600,000)	—	—	—
Repurchase of shares	(413)	—	—	—
Share of loss for the year	—	—	(21,587)	—
At 31 March 2001 and beginning of year	5,699	189,261	203,323	(23,643)
Net cash inflow/(outflow) from financing	33,401	(31,485)	—	3,283
Bonus issue of shares out of contributed surplus	1,247	—	—	—
Inception of hire purchase contracts	—	1,092	—	—
Share of loss for the year	—	—	(21,708)	—
At 31 March 2002	40,347	158,868	181,615	(20,360)



NOTES TO FINANCIAL STATEMENTS

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33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of subsidiaries

	2002	2001
	HK\$'000	HK\$'000
Net assets acquired:		
Investment in a joint venture	—	551,837
Cash and bank balances	—	386
Other payables and accrued expenses	—	(40,451)
Bank loans	—	(122,000)
Minority interests	—	(244,549)
	—	145,223
Goodwill on acquisition	—	120,733
Negative goodwill on acquisition	—	(9,826)
	—	256,130
Satisfied by:		
Cash	—	166,731
Reclassification of interest in an associate	—	89,399
	—	256,130

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

	2002	2001
	HK\$'000	HK\$'000
Balance of consideration paid	—	(166,731)
Cash and bank balances acquired	—	386
Net cash outflow in respect of the acquisition of subsidiaries	—	(166,345)

NOTES TO FINANCIAL STATEMENTS

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33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Major non-cash transactions

- (i) During the year, the Group entered into hire purchase contracts in respect of fixed assets with a total capital value at the inception of the leases of HK\$1,092,000.
- (ii) During the year, an amount due to an associate of HK\$5,278,000 was capitalised as investment in such associate.
- (iii) During the year, interest in an associate of HK\$11,245,000 and the corresponding unamortised goodwill of HK\$4,875,000 were reclassified as long term investments.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 31 March 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2002	2001
	HK\$'000	HK\$'000
Within one year	238	172
In the second to fifth years, inclusive	148	86
	386	258

No contingent rental receivable is recognised by the Group during the year (2001: Nil).



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34. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

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

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

	2002	2001
	HK\$'000	HK\$'000
		(Restated)
Within one year	738	1,912
In the second to fifth years, inclusive	6	721
	744	2,633

The Company had no commitments under operating leases at the balance sheet date (2001: Nil).

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.

35. CAPITAL COMMITMENTS

The capital commitments of the Group at the balance sheet date were as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Authorised, but not contracted for:		
Properties held for redevelopment	9,000	9,000

The Company had no capital commitments at the balance sheet date (2001: Nil).

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36. CONTINGENT LIABILITIES

As at 31 March 2002, the Company had contingent liabilities in respect of corporate guarantees of approximately HK\$207,000,000 (2001: HK\$193,205,000) given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK\$4,267,000 (2001: HK\$6,656,000) had been utilised as at 31 March 2002.

37. POST BALANCE SHEET EVENTS

- (a) On 3 May 2002, the Group entered into a sale and purchase agreement with an independent third party to acquire a long term investment which principally engages in the provision of environment-related engineering services, at a consideration of HK\$41 million. The consideration was satisfied as to approximately HK\$9 million by cash and as to approximately HK\$32 million by offsetting against another receivable at 31 March 2002.
- (b) On 6 June 2002, the Group entered into a sales and purchase agreement with an independent third party to acquire a long term investment which principally engages in the development of intelligent transport systems and the provision of traffic information via global positioning system in the PRC at a cash consideration of HK\$31 million.
- (c) On 17 June 2002, the directors proposed a capital reduction to reduce the nominal value of the Company's issued shares from HK\$0.01 to HK\$0.0025 each. As a result, an amount of HK\$11,222,989 will be credited to the contributed surplus account of the Company. Immediately after the capital reduction, four shares of HK\$0.0025 will be consolidated into one new share of HK\$0.01 each.

At the same time, the directors also proposed a rights issue on the basis of three rights shares for every new share at HK\$0.098 per rights share. The rights share will be issued with (i) bonus warrants in the proportion of one bonus warrant (to be subscribed at an initial price of HK\$0.08 per bonus warrant) for every five rights shares taken up; and (ii) four bonus shares for every five rights shares taken up.

The above proposals are subject to the approval of shareholders at a special general meeting to be held on 30 July 2002.

38. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 July 2002.