



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

1. GENERAL

The Company was incorporated in Bermuda on 30th July, 1997 as an exempted company under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 48.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group. The Group incurred a loss of approximately HK\$98 million for the year ended 31st March, 2002 and had net current liabilities of HK\$9 million at that date.

The Group is currently in the process of disposing certain investment properties in order to provide additional working capital for the Group. The directors consider that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported and disclosures for the current or prior periods:

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

Leases

In the current year, the Group has adopted SSAP 14 (Revised) "Leases". Disclosures for the Group's obligations under finance leases and operating lease arrangements as set out in notes 29 and 42, respectively, have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative figures have been restated in order to achieve a consistent presentation.

Goodwill and negative goodwill

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, leasehold land and buildings and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal respectively.

All significant inter-company transactions and balances have been eliminated on consolidation.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Properties under development for sale

Income from properties under development for sale, where there are no pre-sale prior to completion of development, is recognised on the execution of a binding sales agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sales agreement to the completion of development on the basis of development costs to date as a proportion of estimated total development costs.

Properties acquired for resale

When completed properties are acquired for resale, revenue is recognised on the execution of a binding sales agreement.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

Other

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the term of the relevant lease.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property management and other fees are recognised when services are rendered.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On subsequent disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is included in the determination of the profit and loss on disposal.

No depreciation and amortisation is provided in respect of investment properties which are held under leases with unexpired terms, including the renewable period, of more than twenty years.

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less depreciation, amortisation and accumulated impairment losses.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of leasehold land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation and amortisation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	2%
Furniture, fixtures and equipment	20-30%
Motor vehicles	20-30%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Properties under development

Land and buildings in the course of development for sale, rental or administrative purposes or for purposes not yet determined are carried at cost less any provision for impairment loss considered necessary by the directors. Cost includes land cost, development cost, borrowing costs capitalised and other direct costs attributable to such properties. Depreciation and amortisation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

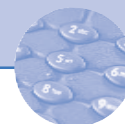
Properties under development which are due for completion more than one year from the balance sheet date are shown as non-current assets.

Properties under development which are due for completion within one year from the balance sheet date and are intended to be held for the long term for their investment potential are shown as non-current assets.

Properties under development which are due for completion within one year from the balance sheet date and are intended to be held for sale will be treated as properties under development for sale and are shown as current assets.

Properties under development for sale/properties held for sale

Properties under development for sale/properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, development cost, borrowing costs capitalised and other direct costs attributable to such properties until they reach a marketable state. Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

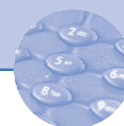
When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where the unrealised losses provide evidence of an impairment of the asset transferred.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interest in a jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entity less any identified impairment loss. The Group's share of post-acquisition results of the jointly controlled entity is included in the consolidated income statement.

When the Group transacts with its jointly controlled entity, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Negative goodwill *(Continued)*

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on acquisitions of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Inventories

Inventories represents trading merchandise and are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue recognised.

When the outcome of a construction contract cannot be estimated realisably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Amounts due from customers for contract work" (as an asset) or the "Amounts due to customers for contract work" (as a liability), as applicable. Amounts received before the related work is performed are included in the balance sheet, as a liability, under "Creditors and accrued charges". Amounts retented by the customers, but not yet paid, for work performed on a contract are included in the balance sheet under "Debtors, deposits and prepayments".



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

Assets held under finance leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risk and rewards of the ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as obligations under finance leases. Finance costs, which represent the difference between the total commitments and the original principal at the inception of the finance leases, are charged to the income statement so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

Convertible debentures

Convertible debentures are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost in respect of the convertible debenture is calculated and recognised in the income statement so as to produce a constant periodic rate of charge on the remaining balances of the convertible debentures for each accounting period.

The cost incurred in connection with the issue of convertible debentures are deferred and amortised on a straight line basis over the lives of the convertible debentures from the date of issue of the debentures to their final redemption date. If any of the debentures are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

5. TURNOVER AND SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into six operating divisions — sale of properties, leasing of properties, provision of property management service, provision of construction and decoration service, provision of property agency service and sale of goods. These divisions are the basis on which the Group reports its primary segment information.

On 10th July, 2001, the Group discontinued to provide property management service, construction and decoration service and property agency service by disposal of certain subsidiaries.

Segment information about these businesses is presented below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Income statement for the year ended 31st March, 2002

	Continuing operations			Discontinued operations			Elimination	Consolidated
	Sale of properties HK\$'000	Leasing of properties HK\$'000	Sale of goods HK\$'000	Provision of property management service HK\$'000	Provision of construction and decoration service HK\$'000	Provision of property agency service HK\$'000		
TURNOVER								
External sales	30,340	9,426	334	3,759	9,468	73	—	53,400
Inter-segment sales	—	—	20	163	—	59	(242)	—
Total turnover	30,340	9,426	354	3,922	9,468	132	(242)	53,400
RESULT								
Segment result	4,489	2,944	(2,476)	620	3,943	(358)		9,162
Interest income								266
Unallocated other income								346
Deficit arising on revaluation of investment properties		(8,207)						(8,207)
Surplus arising on revaluation of land and buildings								71
Impairment loss recognised in respect of properties under development								(15,000)
Impairment loss recognised in respect of investment in securities								(43,664)
Impairment loss recognised in respect of goodwill attributable to subsidiaries								(13,553)
Impairment loss recognised in respect of property, plant and equipment				(1,171)				(1,171)
Write down of slow-moving inventories				(1,274)				(1,274)
Deposits written off				(1,497)				(1,497)
Unallocated corporate expenses								(9,657)
Loss from operations								(84,178)
Loss on disposal of subsidiaries								(1,798)
Finance costs								(12,069)
Loss before taxation								(98,045)
Taxation								(129)
Loss before minority interests								(98,174)
Minority interests								352
Net loss for the year								(97,822)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Continuing operations			Discontinued operations			Elimination	Consolidated
Sale of properties	Leasing of properties	Sale of goods	Provision of property management service	Provision of construction and decoration service	Provision of property agency service		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

OTHER INFORMATION

Capital expenditure	—	—	1,068	209	—	—	—	1,277
Depreciation and amortisation	—	44	—	125	—	3	670	842

Balance sheet at 31st March, 2002

Continuing operations			Discontinued operations			Elimination	Consolidated
Sale of properties	Leasing of properties	Sale of goods	Provision of property management service	Provision of construction and decoration service	Provision of property agency service		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

ASSETS

Segment assets	37,713	172,608	1,513	—	—	—	211,834
Unallocated corporate assets							39,644
Consolidated total assets							251,478

LIABILITIES

Segment liabilities	213	123,791	608	—	—	—	124,612
Unallocated corporate liabilities							9,841
Consolidated total liabilities							134,453

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Income statement for the year ended 31st March, 2001

	Continuing operations		Discontinued operations			Elimination	Consolidated
	Sale of properties HK\$'000	Leasing of properties HK\$'000	Sale of goods HK\$'000	Provision of property management service HK\$'000	Provision of construction and decoration service HK\$'000	Provision of property agency service HK\$'000	
TURNOVER							
External sales	99,388	10,106	1,704	13,190	40,215	765	165,368
Inter-segment sales	—	1,320	—	298	31,532	2,131	—
Total turnover	99,388	11,426	1,704	13,488	71,747	2,896	165,368
RESULT							
Segment result	50,552	7,006	(800)	(1,142)	(20,409)	(2,315)	32,892
Interest income							1,766
Unallocated other income							709
Deficit arising on revaluation of investment properties		(12,430)					(12,430)
Deficit arising on revaluation of land and buildings							(886)
Impairment loss recognised in respect of properties under development							(45,194)
Impairment loss recognised in respect of investment in securities							(159,300)
Unallocated corporate expenses							(15,333)
Loss from operations							(197,776)
Impairment loss recognised in respect of goodwill attributable to an associate							(98,915)
Finance costs							(16,405)
Share of results of associates							(13,813)
Share of result of a jointly controlled entity				(5)			(5)
Loss before taxation							(326,914)
Taxation							(268)
Net loss for the year							(327,182)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Continuing operations			Discontinued operations			Elimination	Consolidated
Sale of properties HK\$'000	Leasing of properties HK\$'000	Sale of goods HK\$'000	Provision of property management service HK\$'000	Provision of construction and decoration service HK\$'000	Provision of property agency service HK\$'000		

OTHER INFORMATION

Capital expenditure	—	5	—	294	—	8	2,029	2,336
Depreciation and amortisation	—	44	455	314	19	10	165	1,007

Balance sheet at 31st March, 2001

Continuing operations			Discontinued operations			Elimination	Consolidated
Sale of properties HK\$'000	Leasing of properties HK\$'000	Sale of goods HK\$'000	Provision of property management service HK\$'000	Provision of construction and decoration service HK\$'000	Provision of property agency service HK\$'000		

ASSETS

Segment assets	246,723	205,295	4,790	16,961	16,424	138	490,331
Unallocated corporate assets							77,447
Consolidated total assets							567,778

LIABILITIES

Segment liabilities	189,430	36,041	721	23,227	40,576	1,298	291,293
Unallocated corporate liabilities							82,557
Consolidated total liabilities							373,850

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

5. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical segments

Most of the activities of the Group are based in Hong Kong and most of the Group's turnover and the loss before taxation are mainly derived from Hong Kong.

6. OTHER OPERATING INCOME

	2002 HK\$'000	2001 HK\$'000
Included in other operating income are:		
Gain on disposal of property, plant and equipment	2	—
Interest income	266	1,766
Sundry income	3,361	3,906
	3,629	5,672

7. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	550	700
Underprovision in prior year	—	20
Cost of properties sold	25,322	71,269
Cost of inventories sold	228	1,555
Depreciation and amortisation		
Own assets	794	956
Assets held under hire purchase contracts	48	51
Loss on disposal of property, plant and equipment	—	46
Operating lease charges in respect of rented premises	300	130
and after crediting:		
Rent income, net of outgoings	6,955	8,831

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

8. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Finance costs comprise:		
Interest on:		
Bank borrowings wholly repayable within five years	(3,090)	(23,756)
Bank borrowings not wholly repayable within five years	(6,952)	(3,530)
Other borrowing wholly repayable within five years	—	(406)
Convertible debentures	(289)	(962)
Finance leases	(6)	(15)
	(10,337)	(28,669)
Less: Amount capitalised to properties under development	169	18,367
	(10,168)	(10,302)
Amortisation of expenses incurred in connection with the issue of convertible debentures	(700)	(6,103)
Premium on redemption of convertible debentures	(1,201)	—
	(12,069)	(16,405)

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

Directors' emoluments

The directors' emoluments are analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive directors	—	—
Non-executive directors	300	125
Independent non-executive directors	720	720
Other emoluments to executive directors:		
Salaries and other benefits	4,320	4,320
Retirement benefit scheme contributions	48	16
Total directors' emoluments	5,388	5,181

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Continued)

Directors' emoluments (Continued)

The emoluments of the directors were within the following bands:

	2002	2001
	Number of	Number of
	directors	directors
Up to HK\$1,000,000	10	10
HK\$2,000,001 to HK\$2,500,000	1	1

Highest paid individuals

The five highest paid individuals of the Group included three (2001: three) executive directors, details of whose emoluments are set out above. The emoluments of the remaining two (2001: two) highest paid individuals, other than directors of the Company, are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	1,487	1,662

The emoluments of each of the highest paid individuals was within the band of nil to HK\$1,000,000 in both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

10. TAXATION

	2002 HK\$'000	2001 HK\$'000
The (charge) credit comprises:		
Profit for the year		
Hong Kong	(213)	(118)
Other regions in the PRC	(169)	(300)
	(382)	(418)
Overprovision in prior years		
Hong Kong	6	150
Other regions in the PRC	247	—
	(129)	(268)

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant regions in the PRC.

Details of deferred taxation of the Group are set out in note 35.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$97,822,000 (2001: HK\$327,182,000) and on the weighted average number of 1,478,939,922 shares (2001: 1,170,749,148 shares) in issue during the year.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options, warrants and convertible debentures as their exercise would result in a decrease in net loss per share in both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

12. INVESTMENT PROPERTIES

	2002 HK\$'000	2001 HK\$'000
THE GROUP		
VALUATION		
At beginning of the year	202,220	214,650
Transfer from properties under development	37,067	—
Disposals	(13,000)	—
Deficit arising on revaluation	(8,207)	(12,430)
Disposal of subsidiaries	(49,000)	—
At end of the year	<u>169,080</u>	<u>202,220</u>

The Group's investment properties as at 31st March, 2002 and 2001 are analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Properties situated in Hong Kong		
held under long leases	113,880	130,020
Properties situated in Hong Kong		
held under medium-term leases	—	17,000
Properties situated in other regions		
of the PRC held under long leases	55,200	55,200
	<u>169,080</u>	<u>202,220</u>

The investment properties were revalued as at 31st March, 2002 by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, on an open market value existing use basis. These valuations gave rise to the revaluation deficit of HK\$8,207,000 which has been charged to the income statement. The investment properties are leased out for rental purposes under operating leases.

At 31st March, 2002, the formal transfer of the title of the Group's investment properties situated in other regions of the PRC into the name of the subsidiary had not been completed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP				
COST OR VALUATION				
At 1st April, 2001	18,580	11,175	2,174	31,929
Acquired on acquisition of subsidiaries	—	218	—	218
Additions	—	1,277	—	1,277
Disposal of subsidiaries	(16,400)	(9,317)	(229)	(25,946)
Disposals	—	(11)	—	(11)
Surplus arising on revaluation	30	—	—	30
At 31st March, 2002	2,210	3,342	1,945	7,497
Comprising:				
At cost	—	3,342	1,945	5,287
At valuation—2002	2,210	—	—	2,210
	2,210	3,342	1,945	7,497
DEPRECIATION AND AMORTISATION				
At 1st April, 2001	—	8,611	2,108	10,719
Provided for the year	182	630	30	842
Disposal of subsidiaries	(105)	(8,498)	(193)	(8,796)
Impairment loss recognised	—	1,171	—	1,171
Eliminated on disposals	—	(1)	—	(1)
Eliminated on revaluation	(77)	—	—	(77)
At 31st March, 2002	—	1,913	1,945	3,858
NET BOOK VALUES				
At 31st March, 2002	2,210	1,429	—	3,639
At 31st March, 2001	18,580	2,564	66	21,210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's leasehold land and buildings as at 31st March, 2002 and 2001 are analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Properties situated in Hong Kong held under long leases	430	16,800
Properties situated in Hong Kong held under medium-term leases	1,780	1,780
	2,210	18,580

The leasehold land and buildings were revalued as at 31st March, 2002 by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, on an open market value existing use basis. These valuations gave rise to the revaluation surplus of HK\$107,000, of which HK\$36,000 has been credited to the other property revaluation reserve and HK\$71,000 has been credited to the income statement.

At 31st March, 2002, had the leasehold land and buildings of the Group not been revalued and carried at historical cost less accumulated depreciation and amortisation, their carrying value would have been approximately HK\$3,375,000 (2001: HK\$22,384,000).

The net book value of property, plant and equipment at 31st March, 2001 included an amount of HK\$325,000 in respect of assets held under finance leases. There were no assets held under finance leases at 31st March, 2002.

14. INTEREST IN SUBSIDIARIES

	THE COMPANY 2002 HK\$'000	2001 HK\$'000
Unlisted shares	610,354	610,354
Amounts due from subsidiaries	421,830	437,824
	1,032,184	1,048,178
Impairment loss recognised	(910,378)	(855,803)
	121,806	192,375

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

14. INTEREST IN SUBSIDIARIES (Continued)

The amount of the unlisted shares is based on the underlying net tangible assets of the subsidiaries at the time when they became members of the Group pursuant to the group reorganisation in 1997.

The impairment loss recognised at 31st March, 2002 is determined by the directors with reference to the carrying amount of the properties held by the subsidiaries.

Particulars of the subsidiaries as at 31st March, 2002 are set out in note 48.

15. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Land cost	81,774	267,264
Development cost	6,697	18,281
Interest capitalised	—	33,518
	<u>88,471</u>	<u>319,063</u>
Impairment loss recognised	<u>(50,800)</u>	<u>(206,451)</u>
	<u>37,671</u>	<u>112,612</u>

The properties under development are situated in Hong Kong and are held under long leases and medium-term leases with a carrying value of approximately HK\$37,671,000 (2001: HK\$101,612,000) and HK\$Nil (2001: HK\$11,000,000), respectively.

The impairment loss recognised at 31st March, 2002 is determined by the directors with reference to the professional valuation of the properties under development.

16. INTEREST IN ASSOCIATES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	<u>—</u>	<u>—</u>

Particulars of the associates as at 31st March, 2002 are set out in note 49.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	—	—

Particulars of the jointly controlled entity as at 31st March, 2001 are as follows:

Name of company	Place of incorporation	Proportion of nominal value of issued capital held by the Group %	Principal activity
Fortune Trump Management Limited	Hong Kong	50	Provision of property management service

The Group disposed of its interest in the jointly controlled entity during the year ended 31st March, 2002.

18. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	Investment securities		Investment securities	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares	55,559	217,114	—	161,610
Impairment loss recognised	(39,354)	(159,300)	—	(124,000)
	16,205	57,814	—	37,610
Listed shares in Hong Kong	161,610	—	161,610	—
Impairment loss recognised	(161,610)	—	(161,610)	—
	—	—	—	—
	16,205	57,814	—	37,610
Market value of listed shares	4,026	—	4,026	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

18. INVESTMENTS IN SECURITIES (Continued)

Particulars of the principal investments in securities of the Group as at 31st March, 2002 are as follows:

Name of company	Place of incorporation	Type of securities	Proportion of nominal value of issued share capital held
Codebank Limited *	Hong Kong	Ordinary shares	10%
Cyberliving Holdings Limited	British Virgin Islands	Ordinary shares	15%

* directly held by the Company

The impairment loss recognised at 31st March, 2002 is mainly attributable to the investment in Codebank Limited ("Codebank"), a company with its shares listed on the Growth Enterprise Market of the Stock Exchange on 21st December, 2001. Since then, a number of its directors and senior management have resigned. The trading of the shares in Codebank have been suspended since 14th May, 2002. On 28th May, 2002, the existing directors of Codebank informed its shareholders that certain recent events took place in Codebank were being investigated by them and trading of the shares in Codebank will remain suspended pending the completion of the investigation. Accordingly, the directors of the Company have determined that the investments in Codebank amounting to HK\$161,610,000 and the amount due from Codebank included in debtors, deposits and prepayments amounting to HK\$2,000,000 (note 46(a)(II)(v)) to be fully impaired as at 31st March, 2002.

Subsequent to 31st March, 2002, Cyberliving Holdings Limited and its holding company, Inno-Tech Holdings Limited ("Inno-Tech"), underwent a reorganisation to rationalise the group structure for the listing of the shares of Inno-Tech on the Growth Enterprise Market of the Stock Exchange. The impairment loss recognised at 31st March, 2002 is made with reference to the estimated offer price and the Group's attributable interest in Inno-Tech.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

19. GOODWILL

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
COST		
Acquisition of subsidiaries	13,553	—
Impairment loss recognised	(13,553)	—
	<u>—</u>	<u>—</u>
At 31st March, 2002	<u>—</u>	<u>—</u>

The goodwill arose on the Group's acquisition of Mobidog Inc. and its subsidiary in December 2001. The operating subsidiary of Mobidog Inc. registered in Taiwan had applied for liquidation subsequent to 31st March, 2002 and the application was subsequently approved by relevant authorities in Taiwan. Accordingly, the directors have determined that the relevant goodwill to be fully impaired as at 31st March, 2002.

20. PROPERTIES HELD FOR SALE

The Group's properties held for sale at 31st March, 2002 are analysed as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Properties situated in Hong Kong held under long leases	—	30,243
Properties situated in Hong Kong held under medium term leases	—	23,025
	<u>—</u>	<u>53,268</u>

The properties held for sale are stated at estimated net realisable value at 31st March, 2001. There were no properties held for sale at 31st March, 2002.

21. PROPERTIES UNDER DEVELOPMENT FOR SALE

THE GROUP

The Group's properties under development for sale, which are held under medium-term leases in Hong Kong, are stated at their estimated net realisable value at 31st March, 2001. There were no properties under development for sale at 31st March, 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

22. INVENTORIES

THE GROUP

The Group's inventories at 31st March, 2001 represented trading merchandise of communication products and were carried at cost.

23. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Contract costs incurred to date plus recognised profits less recognised losses	—	23,757
Less: Progress billings	—	(27,810)
	<u>—</u>	<u>(4,053)</u>
	<u>—</u>	<u>(4,053)</u>
Represented by:		
Due from customers included in current assets	—	1,290
Due to customers included in current liabilities	—	(5,343)
	<u>—</u>	<u>(4,053)</u>
	<u>—</u>	<u>(4,053)</u>

At 31st March, 2001, retentions held by customers for contract work included in the amount of debtors, deposits and prepayments amounted to approximately HK\$2,863,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

24. DEBTORS, DEPOSITS AND PREPAYMENTS

- (a) Included in debtors, deposits and prepayments at 31st March, 2002 are amounts due from Mr. Lai Yiu Keung ("Mr. Lai"), a director of the Company, amounting to HK\$19,616,000. Of which, an amount of HK\$14,949,000 which represents the balance of consideration receivable from Mr. Lai in connection with the disposal of certain subsidiaries to Mr. Lai (see notes 38 and 46(c)). Particulars of the amounts due from Mr. Lai, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinances, are as follows:

Name of director	Balance at 31st March, 2002 HK\$'000	Balance at 1st April, 2001 HK\$'000	Maximum amount outstanding during the year HK\$'000
Lai Yiu Keung	19,616	—	39,691

Details of the terms of the amounts due from Mr. Lai are set out in note 46(c).

- (b) Included in debtors, deposits and prepayments is amount due from a related company. Particulars of which disclosed pursuant to Section 161B of the Hong Kong Companies Ordinances are as follows:

Name of related company	Balance at 31st March, 2002 HK\$'000	Balance at 1st April, 2001 HK\$'000	Maximum amount outstanding during the year HK\$'000
Plotio Investment (HK) Limited	3,336	—	5,536

Plotio Investment (HK) Limited is a former subsidiary of the Company. During the year, the Company disposed of its entire interest in Plotio Investment (HK) Limited, together with the interest in other subsidiaries, to Mr. Lai pursuant to an agreement dated 2nd June, 2000 as set out in note 46(c).

The amount is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

24. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

- (c) The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. Included in debtors, deposits and prepayments are trade debtors totaling HK\$64,000 (2001: HK\$25,124,000), the aging analysis of which is stated as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one month	54	19,621
Over 1 month but less than 3 months	10	3,942
Over 3 months	—	1,561
	64	25,124

25. PLEDGED BANK DEPOSITS

THE GROUP

The pledged bank deposits at 31st March, 2001 were placed in designated bank accounts in favour of the banks as part of the security for the banking facilities granted to the Group. There were no pledged bank deposits at 31st March, 2002.

26. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK\$Nil (2001: HK\$34,466,000), the aging analysis of which is stated as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one month	—	11,160
Over 1 month but less than 3 months	—	5,556
Over 3 months	—	17,750
	—	34,466

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

27. DEPOSITS RECEIVED ON DISPOSAL OF SUBSIDIARIES

The amount represented deposits received during the year ended 31st March, 2001 from Mr. Lai in connection with the disposal of certain subsidiaries to Mr. Lai. Details of this transaction are set out in note 46(c).

28. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Borrowings comprise:				
Bank loans	104,245	203,908	—	—
Bank overdrafts	9,980	58,527	—	207
	<u>114,225</u>	<u>262,435</u>	<u>—</u>	<u>207</u>
Analysed as:				
Secured	114,225	262,228	—	—
Unsecured	—	207	—	207
	<u>114,225</u>	<u>262,435</u>	<u>—</u>	<u>207</u>
The borrowings are repayable as follows:				
Within one year or on demand	16,955	210,297	—	207
More than one year, but not exceeding two years	7,259	42,425	—	—
More than two years, but not exceeding five years	29,960	4,446	—	—
More than five years	60,051	5,267	—	—
	<u>114,225</u>	<u>262,435</u>	<u>—</u>	<u>207</u>
Less: Amount due within one year or on demand included in current liabilities	<u>(16,955)</u>	<u>(210,297)</u>	<u>—</u>	<u>(207)</u>
Amount due after one year	<u>97,270</u>	<u>52,138</u>	<u>—</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

29. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum payments		Present value of minimum payments	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases				
Within one year	—	155	—	137
More than one year, but not exceeding two years	—	49	—	38
More than two years, but not exceeding five year	—	33	—	26
	<u>—</u>	<u>237</u>	<u>—</u>	<u>201</u>
Less: future finance charges	—	(36)	—	—
Present value of finance leases	<u>—</u>	<u>201</u>	<u>—</u>	<u>201</u>
Less: Amount due within one year included current liabilities			<u>—</u>	<u>(137)</u>
Amount due after one year			<u>—</u>	<u>64</u>

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average term is 2.5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

30. SHARE CAPITAL

	Number of shares		Amount	
	2002	2001	2002	2001
			HK\$'000	HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At beginning of the year				
and at end of the year	3,000,000,000	3,000,000,000	300,000	300,000
Issued and fully paid:				
At beginning of the year	1,333,926,215	993,310,715	133,393	99,331
Issue of shares for cash	150,000,000	—	15,000	—
Issued as consideration for the				
acquisition of subsidiaries	140,212,800	—	14,021	—
Conversion of debentures	—	197,645,981	—	19,765
Issued as consideration for				
the acquisition of				
investments in securities	—	139,300,000	—	13,930
Exercise of warrants	—	3,669,519	—	367
At end of the year	1,624,139,015	1,333,926,215	162,414	133,393

During the year, the following changes in the issued share capital of the Company took place:

- On 10th July, 2001, 150,000,000 new shares of HK\$0.10 each in the Company were allotted and issued to Mr. Lai at par pursuant to a subscription agreement entered into between the Company and Mr. Lai on 18th May, 2001 (note 46(b)).
- During the year, 140,212,800 shares of HK\$0.10 each in the Company were issued at par as consideration for the acquisition of certain subsidiaries (note 37).

All the shares issued during the year rank pari passu in all respects with the then existing shares.

Changes in the issued share capital of the Company subsequent to 31st March, 2002 are set out in note 47(a) and (b).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

31. SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted on 15th September, 1997 for the primary purpose of providing incentives to the employees of the Group. Under the Scheme, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company.

There were no outstanding options granted under the Scheme at the beginning and at the end of the year. In addition, there were no options granted to, or exercised by, any eligible employees during the year.

Pursuant to a resolution passed at a special general meeting of the shareholders held on 15th July, 2002, the Company terminated the existing share option scheme and adopted the new share option scheme.

32. WARRANTS

	2000 Warrants			
	Number		Value	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Balance in issue at beginning				
of the year	—	108,497,801	—	80,288
Exercised during the year	—	(3,669,519)	—	(2,715)
Expired during the year	—	(104,828,282)	—	(77,573)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance in issue				
at end of the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

On 12th October, 1998, a bonus issue of warrants ("2000 Warrants") was made on the basis of one 2000 Warrant for every five existing shares then held on 23rd September, 1998. Each 2000 Warrant entitle the registered holder to subscribe in cash at an initial subscription price of HK\$0.75, subject to adjustment, for one share of HK\$0.10 each in the Company, at any time from the date of issue up to and including 12th October, 2000.

On 2nd June, 1999, adjustment was made to the subscription price of the 2000 Warrants from HK\$0.75 per share to HK\$0.74 per share in accordance with the terms of the instruments constituting the 2000 Warrants following the issue of shares upon the exercise in part of the conversion rights attaching to the convertible debentures of the Company.

The 2000 Warrants expired on 12th October, 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

33. SHARE PREMIUM AND RESERVES

	Share premium	Other property revaluation reserve	Surplus account	Capital reserve	Goodwill reserve	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
At 1st April, 2000	224,761	309	255,025	7,773	(98,915)	(374,237)	14,716
Premium arising on issue of shares	273,666	—	—	—	—	—	273,666
Surplus arising on revaluation	—	420	—	—	—	—	420
Impairment loss recognised in respect of goodwill attributable to an associate	—	—	—	—	98,915	—	98,915
Net loss for the year	—	—	—	—	—	(327,182)	(327,182)
At 31st March, 2001	498,427	729	255,025	7,773	—	(701,419)	60,535
Expenses incurred in connection with the new issue of shares	(365)	—	—	—	—	—	(365)
Surplus arising on revaluation	—	36	—	—	—	—	36
Released upon disposal of subsidiaries	—	(584)	—	(7,773)	—	584	(7,773)
Net loss for the year	—	—	—	—	—	(97,822)	(97,822)
At 31st March, 2002	498,062	181	255,025	—	—	(798,657)	(45,389)
Attributable to:							
The Company and its subsidiaries	498,062	181	255,025	—	—	(752,643)	625
Associates	—	—	—	—	—	(46,014)	(46,014)
	498,062	181	255,025	—	—	(798,657)	(45,389)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

33. SHARE PREMIUM AND RESERVES (Continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 2000	224,761	555,303	(666,433)	113,631
Premium arising on issue of shares	273,666	—	—	273,666
Net loss for the year	—	—	(326,762)	(326,762)
At 31st March, 2001	498,427	555,303	(993,195)	60,535
Expenses incurred in connection with the new issue of shares	(365)	—	—	(365)
Net loss for the year	—	—	(105,559)	(105,559)
At 31st March, 2002	498,062	555,303	(1,098,754)	(45,389)

Surplus account represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve accounts of Plotio Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation in 1997.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Plotio Limited at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation in 1997.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, as at 31st March, 2001 and 31st March, 2002, the Company did not have any reserve available for distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

34. CONVERTIBLE DEBENTURES

THE GROUP AND THE COMPANY 2% Debentures

HK\$'000

Principal amount:

At 1st April, 2001	11,312
Amortisation of issue expenses	700
Redemption by cash	(12,012)
	<hr/>
At 31st March, 2002	—
	<hr/>

On 3rd April, 2000, agreements were entered into between the Company and two independent institutional investors relating to the subscription and issue of the 2% Debentures with principal amount of up to US\$10,000,000.

The subscription and issue of the 2% Debentures took place on 24th May, 2000 and the Company received in cash the sum of US\$10,000,000 (equivalent to HK\$77,500,000).

The principal terms of the 2% Debentures include the following:

- (i) The 2% Debentures may be converted into new shares in the Company from 24th May, 2001 to 23rd May, 2003.
- (ii) The conversion price for the 2% Debentures is the lesser of:
 - (1) 120% of the average closing bid price per share on the Stock Exchange over the fifteen trading days prior to the completion date; or
 - (2) the higher of 90% of the average closing price per share on the Stock Exchange over the ten trading days immediately prior to the date of the conversion notice; and the stipulated price applicable on the conversion date. The stipulated price is initially fixed at HK\$0.25 but subject to adjustments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

34. CONVERTIBLE DEBENTURES *(Continued)*

- (iii) The 2% Debentures bear interest at 2% per annum payable quarterly in arrears on 31st March, 30th June, 30th September and 30th December in each year.
- (iv) The maturity date of the 2% Debentures is 23rd May, 2003.
- (v) The Company has the right at any time before the maturity date to redeem the whole or part of the outstanding 2% Debentures at 116% of the principal amount together with all accrued interest.
- (vi) The shares in the Company allotted and issued upon the exercise of the conversion rights attaching to 2% Debentures are rank pari passu in all respects with all other existing shares in issue on the date of conversion.

During the year ended 31st March, 2002, the Company redeemed the outstanding 2% Debentures amounting to HK\$12,012,000.

35. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Balance at beginning and end of the year	3,000	3,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

35. DEFERRED TAXATION (Continued)

At the balance sheet date, the components of deferred taxation liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
PRC land appreciation tax attributable to the revaluation surplus of the investment properties situated in the PRC	3,000	3,000	—	—
Tax losses	—	—	(6,560)	(56,757)
	3,000	3,000	(6,560)	(56,757)

The deferred tax asset in respect of tax losses available to set off against future taxable profits has not been recognised in the financial statements as it is not certain that the benefit will crystallise in the foreseeable future.

The Group and the Company did not have any other significant deferred taxation at the balance sheet date or during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

36. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(98,045)	(326,914)
Deficit arising on revaluation of investment properties	8,207	12,430
(Surplus) deficit arising on revaluation of land and buildings	(71)	886
Impairment loss recognised in respect of properties under development	15,000	45,194
Impairment loss recognised in respect of investments in securities	43,664	159,300
Impairment loss recognised in respect of goodwill attributable to subsidiaries	13,553	—
Impairment loss recognised in respect of property, plant and equipment	1,171	—
Write down for slow-moving inventories	1,274	—
Deposits written off	1,497	—
Loss on disposal of subsidiaries	1,798	—
Impairment loss recognised in respect of goodwill attributable to an associate	—	98,915
Interest expenses	10,168	10,302
Interest income	(266)	(1,766)
Amortisation of expenses incurred in connection with the issue of convertible debentures	700	6,103
Premium on redemption of debenture	1,201	—
(Gain) loss on disposal of property, plant and equipment	(2)	46
Share of results of associates	—	13,813
Share of result of a jointly controlled entity	—	5
Depreciation and amortisation	842	1,007
Profit on disposal of investment properties	(800)	—
Increase in amount due from a jointly controlled entity	(110)	—
Decrease in properties held for sale	12,023	71,269
Increase in properties under development for sales	(6,252)	—
Decrease (increase) in inventories	33	(1,307)
Decrease in amounts due from customers for contract work	358	1,393
(Increase) decrease in debtors, deposits and prepayments	(12,279)	5,737
Decrease in amounts due to customers for contract work	(5,343)	(10,348)
Increase in creditors and accrued charges	29,655	8,083
Decrease in deposits received in respect of pre-sold properties	—	(43,295)
Net cash inflow from operating activities	17,976	50,853

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

37. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired a 57% of the issued share capital of Mobidog Inc. and its subsidiary for a consideration of HK\$14,021,000. This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was HK\$13,553,000. The loss after taxation of Mobidog Inc. and its subsidiary included in the consolidated income statement for the year ended 31st March, 2002 amounted to HK\$1,070,000.

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	218	—
Debtors, deposits and prepayments	261	—
Bank balances and cash	1,185	—
Creditors and accrued charges	(844)	—
Minority interests	(352)	—
	<hr/>	<hr/>
Net assets acquired	468	—
Goodwill arising on acquisition	13,553	—
	<hr/>	<hr/>
Consideration	14,021	—
	<hr/>	<hr/>
Satisfied by:		
Shares allotted	14,021	—
	<hr/>	<hr/>
Cash inflow arising on acquisition:		
Bank balances and cash acquired	1,185	—
	<hr/>	<hr/>

The subsidiary acquired during the year had no significant impact on the results and cash flows of the Group for the year.

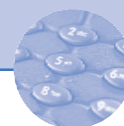
The operating subsidiary of Mobidog Inc. registered in Taiwan had applied for liquidation subsequent to 31st March, 2002 and the application was subsequently approved by relevant authorities in Taiwan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

38. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Investment properties	49,000	—
Property, plant and equipment	17,150	—
Properties under development	23,362	—
Interest in a jointly controlled entity	110	—
Properties held for sales	41,245	—
Properties under development for sale	56,252	—
Amounts due from customers for contract work	932	—
Debtors, deposits and prepayments	35,853	—
Pledged bank deposits	9,073	—
Bank balances and cash	2,908	—
Creditors and accrued charges	(73,223)	—
Taxation	(10,864)	—
Bank overdrafts	(33,992)	—
Bank borrowings	(73,650)	—
Obligations under finance leases	(136)	—
Net assets disposed of	44,020	—
Capital reserve released	(7,773)	—
Loss on disposal of subsidiaries	(1,798)	—
Consideration	34,449	—
Satisfied by:		
Deposits received on disposal of subsidiaries	19,500	—
Debtors, deposits and prepayments	14,949	—
	34,449	—
Net cash inflow arising on disposal:		
Bank balances and cash disposed of	(2,908)	—
Bank overdrafts disposal of	33,992	—
	31,084	—



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

The business sold during the year contributed HK\$33,283,000 to the Group's net operating cash flows, paid HK\$1,607,000 in respect of the net returns on investment and servicing of finance, paid HK\$679,000 in respect of taxation, returned HK\$442,000 for investing activities and repaid HK\$38,134,000 in respect of financing activities.

The subsidiary disposed of during the year contributed HK\$30,121,000 to the Group's turnover and HK\$7,568,000 to the Group's profit from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

39. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium	Convertible debentures	Bank loans	Other loan	Obligations under finance leases
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st April, 2000	324,092	21,739	260,273	18,000	168
Proceeds from issue of convertible debentures	—	77,500	—	—	—
Expenses incurred in connection with the issue of convertible debentures	—	(4,517)	—	—	—
Issue of shares upon conversion of convertible debentures	89,513	(89,513)	—	—	—
Amortisation of issue expenses	—	6,103	—	—	—
Issue of shares as consideration for the acquisition of investments in securities	215,500	—	—	—	—
Proceeds from issue of shares	2,715	—	—	—	—
New loans raised	—	—	56,400	—	—
Inception of finance leases	—	—	—	—	207
Repayment during the year	—	—	(112,765)	(18,000)	(174)
Balance at 31st March, 2001	631,820	11,312	203,908	—	201
Proceeds from issue of shares	15,000	—	—	—	—
Issue of shares as consideration for the acquisition of subsidiaries	14,021	—	—	—	—
Expenses incurred in connection with the issue of new shares	(365)	—	—	—	—
Amortisation of issue expenses	—	700	—	—	—
Redemption of convertible debentures	—	(12,012)	—	—	—
New loans raised	—	—	48,000	—	—
Repayment during the year	—	—	(74,013)	—	(65)
Disposal of subsidiaries	—	—	(73,650)	—	(136)
Balance at 31st March, 2002	660,476	—	104,245	—	—



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

40. MAJOR NON-CASH TRANSACTION

During the year, 140,212,800 shares of HK\$0.10 each in the Company were issued at par as consideration for the acquisition of certain subsidiaries (note 37).

41. RETIREMENT BENEFIT SCHEME

Prior to 1st December, 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of independent trustees. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1st December, 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees.

Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contribution arising from the Defined Contribution Scheme and the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the retirement benefit schemes contribution, net of forfeited contributions utilised of approximately HK\$19,000 (2001: HK\$77,000), amounted to approximately HK\$346,000 (2001: HK\$669,000).

At the balance sheet date, the Group had no significant forfeited contributions available to reduce the contributions payable by the Group in the future years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31st March, 2002, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases amounting to HK\$600,000 (2001: nil) in respect of rented premises which fall due within one year.

Operating lease payments represent rentals payable by the Group for office premises of a subsidiary. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Group as lessor

Property rental income earned during the year was HK\$9,426,000 (2001: HK\$10,106,000). Certain of the properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	7,790	7,477
In the second to fifth year inclusive	3,491	5,505
	11,281	12,982

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

43. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
The Group had the following commitments in respect of:		
Contracted development expenditure for properties under development	—	18,533
Contracted capital expenditure for the acquisition of property, plant and equipment	—	3,493
	<u>—</u>	<u>22,026</u>

The Company did not have any capital commitments as at 31st March, 2002.

44. CONTINGENT LIABILITIES

At 31st March, 2002, the Company had outstanding unlimited guarantees and a corporate guarantee given in favour of banks amounting to approximately HK\$69,722,000 (2001: HK\$122,000,000) to secure general banking facilities granted to a subsidiary. The total amount of facilities utilised by the subsidiary as at 31st March, 2002 amounted to approximately HK\$69,722,000 (2001: HK\$137,789,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

45. PLEDGE OF ASSETS

THE GROUP

- (a) At 31st March, 2002, the Group's borrowings were secured by the following:
- (i) first legal charges over the following property interests:
 - investment properties of HK\$108,900,000 (2001: HK\$146,600,000);
 - leasehold land and buildings of HK\$Nil (2001: HK\$16,000,000);
 - properties under development of HK\$Nil (2001: HK\$92,970,000);
 - properties held for sale of HK\$Nil (2001: HK\$53,268,000); and
 - properties under development for sale of HK\$Nil (2001: HK\$50,000,000);
 - (ii) bank deposits of HK\$Nil (2001: HK\$16,169,000);
 - (iii) the interest in share capital of a subsidiary;
 - (iv) assignment of rental income generated from certain investment properties;
 - (v) floating charges on all the existing and future assets undertakings of a subsidiary;
 - (vi) assignments of the right, title, interest and benefits in and under all the existing and future building contracts in respect of properties under development;
 - (vii) the benefit under all insurance policies of properties under development;
 - (viii) assignment of sales proceeds from sales of properties; and
 - (ix) subordination of shareholders' loans of a subsidiary of the Company.
- (b) At 31st March, 2002, the Group had pledged certain of its properties under development amounting to approximately HK\$22,335,000 to banks to secure general banking facilities and credit facilities granted to certain former subsidiaries in which Mr. Lai has beneficial interests. The total amount of facilities utilised by these former subsidiaries amounted to approximately HK\$10,381,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

46. RELATED PARTY TRANSACTIONS

- (a) The Group entered into the following significant transactions with related parties during the year and has the following significant balances with related parties as at 31st March, 2002:

(I) Transactions

	Notes	Sales of goods		Rental income received (paid)		Service fee received (paid)		Architectural, structural, material and electrical service fee received		Insurance premium paid	
		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
HyComm Technology Incorporated	(i)	-	257	-	-	-	-	-	670	-	-
King Alliance Limited	(i)	-	-	160	-	-	-	-	-	-	-
T. K. Tsui & Associates	(ii)	-	-	-	-	453	383	-	-	-	-
John Ho & Tsui	(ii)	-	-	-	-	4	(21)	-	-	-	-
Pop Sales Company Limited	(iii)	-	-	-	-	20	157	-	-	-	-
Plotio Property and Management Company Limited	(iv)	140	-	-	-	(89)	-	-	-	-	-
Plotio Investment (HK) Limited	(iv)	-	-	(180)	-	-	-	-	-	-	-
Rammon Construction Limited	(iv)	-	-	-	-	(1,069)	-	-	-	-	-
Plotio Property Consultants Limited	(iv)	-	-	-	-	(134)	-	-	-	-	-
Lee Wai Engineering Company Limited	(iv)	-	-	-	-	(50)	-	-	-	-	-
Keung Kee Cleaning Services Company Limited	(iv)	-	-	-	-	(68)	-	-	-	-	-
Monchase Underwriters Limited	(iv)	-	-	-	-	-	-	-	-	(63)	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

46. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

(II) Balances

	Notes	Amounts due from (to) related parties	
		2002 HK\$'000	2001 HK\$'000
HyComm Technology Incorporated	(i)	—	(1,165)
T.K. Tsui & Associates	(ii)	—	578
Pop Sales Company Limited	(iii)	—	(421)
Plotio (China) Limited	(iii)	—	(90)
Plotio Investment (HK) Limited	(iv)	3,336	—
Codebank	(v)	—	2,000
Mr. Lai	(vi)	19,616	(19,500)

Notes:

- (i) HyComm Technology Incorporated and King Alliance Limited are associates of the Group.
 - (ii) T. K. Tsui & Associates and John Ho & Tsui are companies directly held by Messrs. Tsui Tack Kong and Ho John, respectively, non-executive directors of the Company.
 - (iii) Mr. Lai has beneficial interests in these companies.
 - (iv) Plotio Property and Management Company Limited, Plotio Investments (HK) Limited, Rammon Constructions Limited, Plotio Property Consultants Limited, Lee Wai Engineering Company Limited, Keung Kee Cleaning Services Company Limited and Monchase Underwriters Limited are former subsidiaries of the Group in which Mr. Lai has beneficial interests.
- Details of the amount due from Plotio Investment (HK) Limited at 31st March, 2002 are set out in note 24(b).
- (v) The Group has advanced certain funds to Codebank, a company in which the Company has an equity interest, for working capital purposes during the year ended 31st March, 2001. The directors of the Company have determined that the amount to be fully impaired as at 31st March, 2002 (see note 18).
 - (vi) The amount of HK\$19,500,000 due to Mr. Lai at 31st March, 2001 represents deposits received from Mr. Lai on disposal of certain subsidiaries to him. Details of the transaction are set out in note 46(c).

Details of the amounts due from Mr. Lai at 31st March, 2002 are set out in note 24(a).



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

46. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

The above transactions were carried out at prevailing market price or, where no market price was available, at terms agreed by both parties.

The amounts due from/to related parties are unsecured, interest-free and have no fixed terms of repayments. Except for the deposit received from Mr. Lai, which is shown under "Deposits received on disposal of subsidiaries" in the balance sheet, the amount due from and amounts due to other related parties are included in the balances of "Debtors, deposits and prepayments" and "Creditors and accrued charges" respectively in the balance sheet.

- (b) Pursuant to a subscription agreement entered into between the Company and Mr. Lai on 18th May, 2001, Mr. Lai agreed to subscribe for 150,000,000 new shares of HK\$0.10 each in the Company at par. The subscription price represents a discount of approximately 27.5% to the closing price of HK\$0.138 per share of the Company as quoted on the Stock Exchange on 17th May, 2001, the latest trading day prior to entering into the subscription agreement.

The net proceeds of the subscription of shares amounted to approximately HK\$14,635,000. The Company used the net proceeds as to approximately HK\$13,213,000 for redeeming the outstanding Debentures and to the remaining HK\$1,422,000 for general working capital.

150,000,000 new shares of HK\$0.10 each in the Company were allotted and issued on 10th July, 2001 pursuant to the subscription agreement.

- (c) On 2nd June, 2000, the Company and Mr. Lai entered into an agreement for the disposal of the entire issued share capital of five wholly-owned subsidiaries, namely, Plotio Assets Limited, Plotio Investment Limited, Plotio Development Limited, Plotio Services Limited and Plotio Finance Limited (the "Disposal Agreement"). These subsidiaries and their respective subsidiaries, but excluding certain subsidiaries and associates of these subsidiaries that would be transferred to other parts of the Group and would thereupon cease to be subsidiaries and associates of these subsidiaries (the "Sale Group"), are principally engaged in property development and property related services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

46. RELATED PARTY TRANSACTIONS (Continued)

(c) (Continued)

The total consideration of the disposal of the Sale Group would be the higher of (i) HK\$34,449,000, being the aggregate adjusted net asset value of the Sales Group and (ii) the audited consolidated pro-forma net asset value of the Sale Group at 30th June, 2000. The consideration was arrived at after arm's length negotiations with reference to the consolidated net asset value of the Sale Group and the valuation of the properties of the Sale Group at 31st March, 2000.

Details of this transaction have been set out in a circular regarding "Major and Connected Transaction" dated 30th June, 2000 issued to the shareholders of the Company (the "Circular").

Deposits of HK\$1,500,000 and HK\$18,000,000 were received from Mr. Lai on 2nd June, 2000 and 30th June, 2000, respectively, in accordance with the terms of the Disposal Agreement.

On 10th July, 2001, the Disposal Agreement was completed and total consideration of the disposal of the Sale Group was determined at HK\$34,449,000, being the aggregate adjusted net asset value of the Sale Group as defined in the Circular.

Pursuant to the Disposal Agreement, the remaining balance of consideration receivable from Mr. Lai of HK\$14,949,000, which is non-interest bearing and secured by 120,000,000 shares in the Company beneficially owned by Mr. Lai, should have been settled within one year after the completion of the Disposal Agreement, i.e. 9th July, 2002.

In addition, an amount of HK\$4,667,000 was also outstanding from Mr. Lai at 31st March, 2002. Since 31st March, 2002, settlement of HK\$2,190,000 has been received by the Group from Mr. Lai and the date of settlement of the remaining balance of HK\$17,426,000 is proposed to be extended to 21st February, 2003, subject to the approval by the shareholders of the Company other than Mr. Lai and his associates in a forthcoming special general meeting.

On 22nd August, 2002, Plotio Investment (HK) Limited, a former subsidiary which was disposed of to Mr. Lai during the year, issued a guarantee to the Group in respect of the remaining outstanding balance of HK\$17,426,000 due from Mr. Lai.

(d) At 31st March, 2002, the Group had certain assets pledged, in favour of certain banks to secure general banking facilities granted to certain former subsidiaries which were disposed of to Mr. Lai during the year. Details of the assets pledged are set out in note 45(b).



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

46. RELATED PARTY TRANSACTIONS *(Continued)*

- (e) At 31st March, 2002, Mr. Lai had outstanding personal guarantee given in favour of a bank to secure general banking facilities granted to the Group amounting to HK\$48,000,000. The facilities utilised at 31st March, 2002 amounting to HK\$45,000,000.
- (f) The Group occupied certain of its office premises on properties owned by Plotio Investment (HK) Limited, a subsidiary disposed of to Mr. Lai during the year ended 31st March, 2002, without any cost.

47. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2002, the following post balance sheet events took place:

- (a) Pursuant to an agreement entered into between Remy Investment Limited ("Remy"), an indirect wholly owned subsidiary of the Company, and an independent third parties (the "Vendors") on 20th March, 2002 (the "Acquisition Agreement"), Remy agreed to purchase from the Vendor a 20% interest in the issued share capital of Megacom Holdings Limited ("Megacom") for a consideration of HK\$20,000,000. The consideration would be satisfied by the allotment and issue of 200,000,000 new shares of HK\$0.10 each in the Company at par.

The Vendors have in the Acquisition Agreement warranted and guaranteed to the Company that the audited consolidated net profits attributable to the shareholders of Megacom for the financial year ending 31st December, 2002 (the "2002 Net Profit") would not be less than HK\$12,000,000. Pursuant to the terms of the Acquisition Agreement, to the extent that the 2002 Net Profit is less than the guaranteed amount of HK\$12,000,000, the Vendors shall collectively pay Remy the amount of the shortfall multiplied by the agreed price-earning ratio of 8.33 times and 20%, which represents the percentage of shareholding in Megacom acquired by Remy.

Pursuant to an agreement entered into between the Company and Hani Securities (H.K.) Limited (the "Agent"), the Company is required to pay the Agent the sum of HK\$1,000,000 to be satisfied by the allotment and issue of 10,000,000 new shares of HK\$0.10 each in the Company at par upon the completion of the Acquisition Agreement as an introduction fee.

The above transaction was completed on 9th July, 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

47. POST BALANCE SHEET EVENTS (Continued)

- (b) Pursuant to an agreement entered into between the Company and independent third parties (the "Vendors") on 28th May, 2002 (the "Acquisition Agreement"), the Company conditionally agreed to purchase from the Vendors a 37.04% of the issued share capital of Tekson International Telecom Limited for a consideration of HK\$40,000,000. The consideration would be satisfied by the allotment and issue of 400,000,000 new shares of HK\$0.10 each in the Company at par.

Pursuant to an agreement entered into between the Company and Citiwide (H.K.) Limited (the "Agent"), the Company is required to pay the Agent the sum of HK\$2,000,000 to be satisfied by the allotment and issue of 20,000,000 new shares of HK\$0.10 each in the Company at par upon the completion of the Acquisition Agreement as an introduction fee.

The above transaction was not yet completed up to the date of approval of this financial statements.

48. SUBSIDIARIES

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

Wholly owned subsidiaries

Name of subsidiary	Issued and paid up share capital		Principal activities
	Ordinary shares	Deferred shares*	

Wholly owned subsidiaries incorporated and operated in Hong Kong:

Billtech Limited	HK\$100	HK\$10,000	Property development
Campoent Development Limited	HK\$10,000	—	Property investment
Cheerwise Development Limited	HK\$2	—	Investment holding
City Friend Development Limited	HK\$2	—	Property investment
Goldfair Properties Limited	HK\$10,000	—	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

48. SUBSIDIARIES (Continued)

Name of subsidiary	Issued and paid up share capital		Principal activities
	Ordinary shares	Deferred shares*	
Jet Nice Investments Limited	HK\$10,000	—	Property development
Joyful Interest Limited	HK\$10,000	—	Property investment
M499.com Limited	HK\$2	—	Trading of communication products
Ocean Tower Development Limited	HK\$10,000	—	Inactive
Oriental Gain Properties Limited	HK\$100	HK\$5,300	Property investment
Plotio Holdings (HK) Limited	HK\$10,000	—	Provision of treasury services
Turbo Speed Investment Limited	HK\$10,000	—	Property development
Win's Properties Limited	HK\$100,000	—	Property investment

Wholly owned subsidiaries incorporated in the British Virgin Islands and operated in Hong Kong:

Name of subsidiary	Issued and paid up share capital		Principal activities
	Ordinary shares	Deferred shares*	
Election International Limited	US\$1	—	Investment holding
Immediate Effect Limited	US\$1	—	Investment holding
MobiData Incorporated	US\$1	—	Investment holding
Plotio Limited	US\$1,000,000	—	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

48. SUBSIDIARIES (Continued)

Name of subsidiary	Issued and paid up share capital		Principal activities
	Ordinary shares	Deferred shares*	
Rexy Investment Limited	US\$1	—	Investment holding
Uni-tech Properties Limited	US\$1	—	Investment holding

* The deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution or winding up.

Non wholly owned subsidiaries

Name of subsidiary	Place of incorporation	Issued and paid up ordinary share capital	Proportion of nominal value of issued capital held	Principal activities
			the Company	
Mobidog Inc.	Cayman Islands	US\$1,010,000	57%	Investment holding
InphoMatch Asia, Inc. (also known as Yingfu Telecom Company Limited)	Taiwan	NTW\$6,000,060	57%	Development and marketing of wireless data service products

InphoMatch Asia, Inc. had applied for liquidation subsequent to 31st March, 2002 and the application was subsequently approved by relevant authorities in Taiwan.

Other than Plotio Limited, which is held directly by the Company, all subsidiaries are held by the Company indirectly.

None of the subsidiaries had any debt securities subsisting at 31st March, 2002 or at any time during the year.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

49. ASSOCIATES

Particulars of the associates as at 31st March, 2002 are as follows:

Name of company	Place of incorporation	Proportion of nominal value of issued capital held by the Group	Principal activity
HyComm Technology Incorporated	British Virgin Islands	26%	Investment holding
King Alliance Limited	Hong Kong	50%	Wine trading
World Victory Limited	Hong Kong	50%	Inactive