1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

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

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

During the year, the Group was involved in investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. During the year ended 31 March 2002, the Group disposed of and discontinued its construction and building products businesses, further details of which are included below and in note 8 to the financial statements.

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

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

Due to the restriction in access to the books and records of the Disposed Entities, certain financial information necessary for the preparation of the consolidated financial statements for the year ended 31 March 2002 was not available. Accordingly, (i) the current management was only been able to consolidate the results of the Disposed Entities based on the unaudited management accounts for the six months period ended 30 September 2001, being the latest available information; and (ii) the financial information of the Disposed Entities was not consolidated in the comparative amounts presented in these financial statements in notes 6, 10 and 11, which, as presented, represent only the amounts recorded in the books of accounts of the companies comprising the Group after the completion of the disposal of the Disposed Entities.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

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

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 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 21 to the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. Also, the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting polices". The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinued operations are now included in the consolidated profit and loss account, consolidated cash flow statement and note 8 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. Disclosures are now required in respect of the Company's share option scheme, as detailed in note 21 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

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

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

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

Goodwill

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

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Fixed assets and depreciation

Fixed assets 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 asset.

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

Furniture, fixtures and office equipment	15% to 33-1/3%

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

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, rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

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

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair values, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amounts previously charged.

Short term investments

Short term investments in unlisted equity and debt securities are stated at their fair values at the balance sheet date, on an individual investment basis. The fair values of such listed securities are their quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Construction contracts

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts (continued)

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

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

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

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

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

Contracts for services

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

Deferred tax

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

Revenue recognition

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) from the rendering of services, as the underlying services are provided;

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

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

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

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension scheme and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SEGMENT INFORMATION

During the year, the Group was solely engaged in investment holding. During the year ended 31 March 2002, more than 90% of the Group's principal business was attributable to its discontinued operations which were involved in construction and the sale of building products, primarily in Hong Kong. Accordingly, no analysis of segment information by business segment and geographical segment is presented.

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover during the year represents interest income received and receivable. Turnover for the year ended 31 March 2002 represented the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and interest income received and receivable.

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

	Group	
	2003	2002
	HK$'000	HK$'000
Turnover		
Continuing operation:		
Interest income	**2,363**	5,230
Discontinued operations:		
Construction, maintenance and demolition works	**–**	94,515
Supply of building products	**–**	3,102
Others	**–**	646
	–	98,263
	2,363	103,493
Other revenue and gains		
Consultancy service fee income	**1,660**	1,664
Rental income from operating leases	**1,445**	1,445
Gain on disposal of an associate (note 16)	**78**	–
Gain on disposal of fixed assets	**–**	25,230
Management service fee income	**468**	–
Others	**661**	3,178
	4,312	31,517

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived after charging:

	2003 HK$'000	2002 HK$'000
Depreciation	**971**	965
Auditors' remuneration	**225**	264
Minimum lease payments under operating leases of land and buildings	**3,845**	4,501
Staff costs (including directors' remuneration (note 9)):		
Salaries and other benefits	**3,402**	7,273
Pension scheme contributions	**24**	24
	3,426	7,297
Write-off of exchange fluctuation reserve of overseas subsidiaries	**1,634**	1,722
Unrealised loss on revaluation of short term equity investments, net	**6,047**	1,616
Loss on disposal of short term equity investments	**346**	–

At 31 March 2003, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2002: Nil).

7. FINANCE COSTS

	Group	
	2003 HK$'000	2002 HK$'000
Interest on bank overdrafts and loans	**–**	5,309
Interest on finance leases	**–**	87
	–	5,396

8. DISCONTINUED OPERATIONS

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

The turnover, other revenue and gains, expenses and results of the discontinued operations for the year ended 31 March 2002 are as follows:

	HK$'000
TURNOVER	98,263
Cost of sales	(105,075)
Gross loss	(6,812)
Other revenue and gains	28,394
Gain on disposal of discontinued operations	59,549
Administrative expenses	(22,732)
PROFIT FROM OPERATING ACTIVITIES	58,399
Finance costs	(5,396)
Share of profit of a jointly-controlled entity	1,300
PROFIT BEFORE TAX	54,303
Tax	–
PROFIT BEFORE MINORITY INTERESTS	54,303
Minority interests	17
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	54,320

There are no assets and liabilities relating to the discontinued operations at the balance sheet date (2002: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

9. DIRECTORS' REMUNERATION

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

	Group	
	2003	2002
	HK$'000	HK$'000
Fees	**–**	–
Other emoluments	**1,560**	1,560
	1,560	1,560

There were no emoluments payable to the independent non-executive directors during the year (2002: Nil).

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

	Number of directors	
	2003	2002
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	4	5

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2002: one) director, details of whose remuneration is set out in note 9 above. Details of the remuneration of the remaining four (2002: four) non-director, highest paid employees are as follows:

	2003	2002
	HK$'000	HK$'000
Basic salaries and allowances	**1,842**	5,125
Pension scheme contributions	**24**	24
	1,866	5,149

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

	Number of employees	
	2003	2002
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	1
	4	4

11. TAX

No Hong Kong profits tax has been provided as there were no assessable profits arising in Hong Kong during the year (2002: Nil).

The principal component of the unprovided deferred tax assets of HK$5,659,000 (2002: HK$4,365,000) calculated at 17.5% (2002: 16%) on the cumulative timing differences at the balance sheet date is tax losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company was HK$11,661,000 (2002: HK$53,532,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$10,004,000 (2002: HK$30,446,000) and on the weighted average number of 2,400,002,000 (2002: 2,400,002,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2003 and 2002 have not been disclosed, as the options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

14. FIXED ASSETS

	Furniture, fixtures and office equipment HK$'000
Cost:	
At beginning of year and at 31 March 2003	2,835
Accumulated depreciation:	
At beginning of year	1,428
Provided during the year	971
At 31 March 2003	2,399
Net book value:	
At 31 March 2003	436
At 31 March 2002	1,407

15. INTERESTS IN SUBSIDIARIES

	Company 2003 HK$'000	Company 2002 HK$'000
Unlisted shares, at cost	**10,150**	10,150
Due from subsidiaries	**21,603**	8,310
	31,753	18,460
Provision for impairment	**(14,000)**	(8,310)
	17,753	10,150

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months from the balance sheet date.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Affinity Marketing Group, Inc. (formerly "VAR Management (C.I.) Limited")	Cayman Islands	US$2,000,000	–	100	Investment holding
Affinity Marketing Group, Inc. (formerly "VAR Management (Taiwan) Limited")	Taiwan	NTD17,000,000	–	99.65	Investment holding
KGNV Management Limited	Hong Kong	HK$2	–	100	Provision of management services

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
KG NextVision Frontiers Limited	British Virgin Islands	US$1	100	–	Investment holding
Sung Teh Investment Company Limited	Taiwan	NTD50,000,000	99.99	–	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 the directors, result in particulars of excessive length.

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**–**	–	**–**	36,621
Share of net assets other than goodwill	**–**	9,544	**–**	–
Less: Provision for impairment	**–**	(4,059)	**–**	(31,136)
	–	5,485	**–**	5,485

Due to the continuing non-performance of the associates, the directors considered that the recoverable amounts of the interests in associates exceeded their carrying amounts, and provisions for impairments of HK$4,059,000 and HK$31,136,000 were made for the Group and the Company, respectively, during the year ended 31 March 2002. As further detailed below, the associate were diposed of during the current year.

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

16. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates disposed of during the year are as follows:

Name	Business Structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activities
			Direct	Indirect	
BeXcom Greater China Co. Ltd. ("BeXcom GC")*	Corporate	Taiwan	28.26	6.76	Electronic commerce service provider
HiOffice.net Pte. Ltd. ("HiOffice")**	Corporate	Singapore	25	4.71	Electronic commerce service provider

* On 9 May 2002, the Group swapped its entire interests in BeXcom GC, with nil carrying value after the provision for impairment, for 2,781,076 preference B shares of an investee company, BeXcom Pte. Ltd., which were included in long term investments (note 17).

** During the year, HiOffice was liquidated and a cash distribution on realisation of HiOffice's net assets of approximately HK$5,563,000 was received by the Company, resulting in a gain on disposal of HK$78,000 (note 5).

17. LONG TERM INVESTMENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Overseas unlisted equity investments, at cost	**6,449**	46,164	**6,449**	12,235
Less: Provision for impairment	**(6,449)**	(46,164)	**(6,449)**	(12,235)
	–	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

17. LONG TERM INVESTMENTS (continued)

Due to the continuing non-performance of the long term investments, the directors considered that the carrying amounts of the long term investments exceeded their carrying amounts, and a total provision for impairments of HK$46,164,000 and HK$12,235,000 were made against the long term investments of the Group and the Company, respectively, during the year ended 31 March 2002.

Details of the long term investments are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of ownership interest attributable to the Group				Principal activities
			Direct 2003	**Indirect 2003**	Direct 2002	Indirect 2002	
BeXcom Pte. Ltd.^	Singapore	S$361,691 ordinary shares S$633,120 preference shares*	**–**	**–**	1.82	10.28	Licensor and franchisor of electronic commerce platforms, consultants in software customisation and system integration
BeXcom Japan #	Japan	¥499,750,000	**8.99**	**7.99**	8.99	7.99	Electronic commerce service provider

^ On 9 May 2002, the Group swapped the entire interest in BeXcom GC for 2,781,076 preference B shares of BeXcom Pte. Ltd. (note 16). On 4 December 2002, BeXcom Pte. Ltd. undertook a capital reduction exercise under which the entire interest in BeXcom Pte, Ltd held by the Group (including its interest in preference shares) was cancelled in return of cash distribution of approximately HK$2,898,000, resulting in a gain on write-back of provision for impairment of HK$2,898,000.

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

Undergoing liquidation as at the balance sheet date.

18. DUE FROM A RELATED COMPANY

The amount due from a related company as at 31 March 2002, arising from the provision of consultancy fee as detailed in note 25, was unsecured, interest-free and was fully repaid during the year.

19. SHORT TERM INVESTMENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Overseas unlisted equity investments, at fair value	**17,106**	3,830	**–**	–
Overseas unlisted debt investment, at fair value	**38,922**	39,000	**38,922**	39,000
	56,028	42,830	**38,922**	39,000

20. SHARE CAPITAL

	2003	2002
	HK$'000	HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**	500,000
Issued and fully paid:		
2,400,002,000 ordinary shares of HK$0.1 each	**240,000**	240,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

21. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included the Company's directors and employees of the Group. The Scheme became effective on 28 July 1992 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 March 2003, the number of shares issuable under share options granted under the scheme was 145,250,000, which represented approximately 6% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme in any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in exceed of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options is three years commencing on the expiry of six months after the date on which the share options are granted.

21. SHARE OPTION SCHEME (continued)

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) a maximum of 20% discount over the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Number of share options						
Name or category of participant	At 1 April 2002	Lapsed during the year	At 31 March 2003	Date of grant of share options*	Exercise period of share options	Exercie prices of share options** HK$	Price of Company's Share at grant date of options*** HK$
Director:							
Jeffrey John Leon KOO, Jr.	30,000,000	–	30,000,000	20-06-2000	21-12-2000 to 20-12-2003	1.17	1.55
Other employees:							
In aggregate	4,250,000	(500,000)	3,750,000	20-06-2000	21-12-2000 to 20-12-2003	1.17	1.55
	111,500,000	–	111,500,000	26-03-2001	27-09-2001 to 26-09-2004	0.32	0.395
	115,750,000	(500,000)	115,250,000				
	145,750,000	(500,000)	145,250,000				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Hong Kong Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

21. SHARE OPTION SCHEME (continued)

At the balance sheet date, the Company had 145,250,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 145,250,000 additional ordinary shares of the Company and additional share capital of HK$14,525,000 and share premium of HK$60,642,500 (before issue expenses).

Since there was no share option granted under the Company's share option scheme during the year, no value of share options granted has been disclosed accordingly.

22. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 21 of the financial statements.

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor.

22. RESERVES (continued)

(b) Company

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2001	112,550	51,061	(171,018)	(7,407)
Loss for the year	–	–	(53,532)	(53,532)
At 31 March 2002 and at 1 April 2002	112,550	51,061	(224,550)	(60,939)
Loss for the year	–	–	(11,661)	(11,661)
At 31 March 2003	**112,550**	**51,061**	**(236,211)**	**(72,600)**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor.

Under the Company Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2003	2002
	HK$'000	HK$'000
Net assets disposed of:		
Fixed assets	–	69,364
Investment in a jointly-controlled entity	–	3,131
Due from related companies	–	705
Inventories	–	1,534
Trade receivables	–	58,534
Due from contract customers	–	131,458
Prepayments, deposits and other receivables	–	3,992
Bank balances	–	98,598
Due to related companies	–	(20,517)
Trade payables and accruals	–	(61,862)
Due to contract customers	–	(268)
Tax payable	–	(117)
Bank overdrafts	–	(106,909)
Finance lease payables	–	(947)
Other loans	–	(160,938)
	–	15,758
Revaluation reserve released on disposal	–	(26,329)
Goodwill released on disposal	–	1,022
Gain on disposal of discontinued operations	–	59,549
	–	50,000
Satisfied by cash	–	50,000

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

(a) Disposal of subsidiaries (continued)

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

	2003 HK$'000	2002 HK$'000
Cash consideration	–	50,000
Bank overdrafts disposed of	–	106,909
Bank balances disposed of	–	(98,598)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	58,311

The subsidiaries disposed of in the year ended 31 March 2002 contributed HK$98,263,000 to the Group's turnover and HK$54,303,000 to the consolidated profit after tax and before minority interests for that year.

(b) Major non-cash transaction

During the year, a long term investment distributed a capital return of HK$2,898,000 (note 17), which is included in prepayments, deposits and other receivables under current assets as at 31 March 2003.

24. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

24. OPERATING LEASE ARRANGEMENTS (continued)

(a) As lessor (continued)

As at 31 March 2003, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	Group and Company	
	2003	2002
	HK$'000	HK$'000
Within one year	**–**	1,445
In the second to fifth years, inclusive	**–**	241
	–	1,686

(b) As lessee

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

At 31 March 2003, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,571**	4,247	**493**	2,956
In the second to fifth years, inclusive	**12**	597	**–**	493
	1,583	4,844	**493**	3,449

25. RELATED PARTY TRANSACTIONS

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

	Notes	**2003**	2002
		HK$'000	HK$'000
Consultancy fee income from a related company	(i)	**1,660**	1,664
Management service fee income from an associate	(ii)	**468**	–
Rental income from an associate	(iii)	**155**	1,445
Proceeds on disposal of discontinued operations	(iv)	**–**	50,000

Notes:

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

(ii) The management service fee income was related to the provision of administrative services for the liquidation process of an associate and was charged at a lump sum of US$60,000.

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

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

26. 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 balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform to the current year's presentation.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2003.