

## 1 BASIS OF PREPARATION OF THE ACCOUNTS

The Group sustained a consolidated net loss attributable to the shareholders of HK\$101 million for the year ended 31 March 2002 and at that date its net liabilities were approximately HK\$50 million. The Group's liabilities, including accrued interest, at that date include convertible bonds of approximately HK\$20 million, secured borrowings of approximately HK\$15 million. In preparing these accounts, the directors have given careful consideration to the future liquidity of the Group.

The accounts have been prepared on the assumption that the Group will continue to operate as a going concern, after taking into consideration the followings:-

- (a) The Group is currently negotiating with its convertible preference shareholders, convertible bond holders and loan creditors to reschedule the terms on the convertible preference shares, convertible bonds and the loans that would be due for repayments in the coming year.
- (b) Subsequent to the balance sheet date, as detailed in note 39(a) & (c), the Company issued a series of convertible bonds in an aggregate principal amount of HK\$8 million (after taking into account the surrender of existing bond). Among these issues, net proceeds of approximately HK\$2 million together with a refundable deposit of HK\$3 million have been received up to the date of this report.
- (c) As detailed in note 39(d), on 22 July 2002, the Group had entered into an agreement to acquire an investment in the PRC (the "Acquisition"). The Acquisition, in the opinion of the directors, will strengthen the Company's overall capability in developing business in transport logistics in the PRC. This, together with a capital re-organisation which is currently being considered by the Company, could facilitate future fund raising exercises for the Company as and when such opportunity arise. The Acquisition will lead to an increase in the total assets and the net tangible assets of the Group, and thereby, increasing the asset backing of the Group.
- (d) As detailed in note 39(b), on 28 May 2002, the Group had entered into a sale and purchase agreement for the purchase of certain properties for investment purpose at a consideration of HK\$15,000,000 which will be satisfied by payment of HK\$4,000,000 in cash; issue of ordinary shares of the Company with an aggregate value of HK\$6,000,000 and the issue of convertible bond of the Company with an aggregate principal amount of HK\$5,000,000. In the opinion of the directors, such transaction will decrease the Group's net liabilities by HK\$6,000,000.

The accounts have not incorporated any adjustments for the possible incapability of the Group to implement the above financing measures. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the accounts.

## 2. PRIOR YEAR ADJUSTMENT

In the current year, the Group has adopted a number of new Statements of Standard Accounting Practice (“SSAPs”) which are set out in note 3. The new standards have introduced additional and revised disclosure requirements which have been adopted in these accounts. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

In accordance with the provisions of Interpretation 13, assessments of impairment of goodwill also apply to goodwill previously eliminated against reserves which will not be reinstated at the time of adoption of SSAP 30. Any impairment loss identified in respect of goodwill previously eliminated against reserves is to be recognised as an expense in the profit and loss account. The amendments to SSAP 30 and the provisions of Interpretation 13 are required to be reflected in accordance with the requirements of SSAP 2 and the transitional provision in SSAP 30.

The Group has performed an assessment of the fair value of its assets, including the related goodwill that has been previously eliminated against reserves and not restated. The adoption of the new SSAPs described above have resulted in a change in accounting policy and should be applied retrospectively. Accordingly, the Group has retrospectively restated and increased its accumulated losses brought forward at 1 April 2001 by HK\$41,543,000 for the impairment of goodwill arising from acquisition of subsidiaries and associates in prior years.

As a result, the basic loss per share for the year ended 31 March 2001 had also been restated.

## 3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). The accounts are prepared under the historical cost convention as modified by the revaluation of certain properties and investment securities.

In the current year, the HKSA issued a number of SSAPs and related interpretations which are effective for accounting periods commencing on or after 1 January 2001. The new SSAPs relevant to the Group are:

SSAP 14 (revised)	Lease (effective for period commencing on or after 1 July 2000)
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (a) Group accounting

##### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March each year. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

##### (ii) Associates

An associate is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

**3. PRINCIPAL ACCOUNTING POLICIES (continued)****(a) Group accounting (continued)***(iii) Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associates expressed in foreign currencies are translated at the rate of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserve.

**(b) Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of fixed assets is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are as follows:-

Leasehold improvements	20%
Furniture and equipment	10-20%
Motor vehicles	20-30%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information is considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised in the profit and loss account.

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

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (c) Assets under leases

##### (i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

##### (ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to profit and loss account on a straight-line basis over the lease term.

#### (d) Intangibles

##### (i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 whereas goodwill previously written off against reserves has not been restated. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31. In accordance with the transitional provisions of SSAP 30, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was no policy to recognise such impairment losses, this change in accounting policy has been applied retrospectively and the impairment losses have been recognised as a prior year adjustment to opening retained earnings in accordance with SSAP 2.

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

Goodwill on acquisition occurring on or after 1 April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over a maximum period of twenty years.

**3. PRINCIPAL ACCOUNTING POLICIES (continued)****(d) Intangibles (continued)***(i) Goodwill (continued)*

On disposal of a subsidiary/associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit and loss account.

*(ii) Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

**(e) Investment securities**

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

**(f) Inventories**

Inventories comprising goods for resale are stated at the lower of cost and net realisable value. Cost is calculated on the first in first out basis by reference to invoiced value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(g) Properties for sale**

Properties for sale are stated at the lower of cost and net realisable value which is determined by reference to prevailing market prices, on an individual property basis. No depreciation is provided for properties for sale.

**(h) Accounts receivable**

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

**3. PRINCIPAL ACCOUNTING POLICIES (continued)****(i) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

**(j) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

**(k) Post balance sheet date events**

Post balance sheet date events that provide additional information about financial position as at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the accounts. Post balance sheet date events that are not adjusting events are disclosed in the notes when material.

**(l) Convertible debts**

Convertible debts are stated at the aggregate of net proceeds from the issue plus finance costs allocated less payments made to the debts holders.

The net proceeds represent the amount received on the issue of the debts after deduction of direct issuing costs.

The finance costs and direct issuing costs are amortised to the profit and loss account on a straight line basis over the terms of the debts.

In the event that the debts are converted, the amount recognised in respect of the shares issued upon conversion is the principal amount at which the liability of the debts is stated as at the date of conversion.

**(m) Deferred taxation**

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

**3. PRINCIPAL ACCOUNTING POLICIES (continued)****(n) Revenue**

- (i) Revenue from the sale of properties is recognised when the relevant sale and purchase agreement becomes legally binding and unconditional.
- (ii) Revenue from the rendering of logistics and freight forwarding services is recognised when the service is rendered.
- (iii) Revenue from the rendering of consultancy, marketing, maintenance, web application and information technology related services is recognised when the service is rendered, or pro-rata over the life of the agreement, where appropriate and corresponding to notional delivery of the service.
- (iv) Revenue from property broking is recognised when the relevant agreement becomes unconditional or irrevocable.
- (v) Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership which generally coincides with the time when the goods are delivered to customers and the title has passed.
- (vi) Revenue from the provision of catering services is recognised when the relevant service is performed.
- (vii) Insurance agency income is recognised on accrual basis when the related insurance contract is accepted by the insurer.
- (viii) Rental income and interest income are recognised on a time proportion basis.

**(o) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.



**3. PRINCIPAL ACCOUNTING POLICIES (continued)****(p) Retirement benefit costs**

The Group's contribution to the retirement schemes is expensed as incurred.

**(q) Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude investments in associates. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets (note 15), including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales revenue is based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

**4. REVENUES AND TURNOVER**

The Group is principally engaged in property investment and the provision of logistics, freight forwarding and property agency services. Revenues recognised during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Sales and leasing of properties	14,072	11,961
Freight forwarding, shipping and logistics services	2,296	139,700
Property and household services	1,493	2,503
Information technology investments and related services	670	2,358
Sales of goods	2,985	4,614
Financial services	–	3,427
Consultancy, marketing and other services	1,328	780
	<u>22,844</u>	<u>165,343</u>
Other revenues		
Dividend income	–	344
Interest income	945	2,353
Others	316	1,979
	<u>1,261</u>	<u>4,676</u>
Total revenues	<u>24,105</u>	<u>170,019</u>

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into 6 operating divisions – sales and leasing of properties; logistics, freight forwarding and shipping services; property and household services; information technology investments and related services; sales of goods; and consultancy, marketing and other sundry services.

(a) Business segment information about these businesses is presented below:

	Turnover		Segment result	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Sales and leasing of properties	14,072	11,961	(14,693)	1,897
Logistics, freight forwarding, and shipping services	2,296	139,700	(25,111)	(34,110)
Property and household services	1,493	2,503	(10,688)	(14,695)
Information technology investments and related services	670	2,358	(23,175)	(124,767)
Financial services	–	3,427	–	1
Sales of goods	2,985	4,614	(2,260)	(883)
Consultancy, marketing and other services	1,328	780	(1,066)	(2,147)
	<u>22,844</u>	<u>165,343</u>	<u>(76,993)</u>	<u>(174,704)</u>
Interest income			945	2,353
Unallocated corporate expenses			(23,407)	(42,301)
Gain on disposal of subsidiaries			6,779	6,607
Impairment loss on goodwill arising on acquisition of subsidiaries and associates			–	(41,543)
Loss from operations			<u>(92,676)</u>	<u>(249,588)</u>
Finance costs			(3,228)	(4,876)
Share of profit/(loss) of associates			53	(973)
Loss before taxation			<u>(95,851)</u>	<u>(255,437)</u>
Taxation			(77)	(2,541)
Loss before minority interests			<u>(95,928)</u>	<u>(257,978)</u>



**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**

(b) Geographical segment information about these businesses is presented below:

	Turnover		Segment result	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical locations:				
North America	613	2,931	(5,140)	(512)
South America	23	82	(192)	(14)
Europe	496	1,598	(4,156)	(279)
The People's Republic of China				
– Hong Kong	19,984	104,456	(60,235)	(167,419)
– Mainland China	1,143	39,736	(2,369)	(3,589)
Asia Pacific	580	16,525	(4,859)	(2,888)
Others	5	15	(42)	(3)
	<u>22,844</u>	<u>165,343</u>	<u>(76,993)</u>	<u>(174,704)</u>
Unallocated expenses			<u>(15,683)</u>	<u>(74,884)</u>
Loss from operations			<u>(92,676)</u>	<u>(249,588)</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Segment assets		Capital expenditures	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
North America	67	–	–	–
The People's Republic of China				
– Mainland China	737	338	1,071	284
– Hong Kong	37,641	97,357	5	59,293
Asia Pacific	627	770	–	–
	<u>39,072</u>	<u>98,465</u>	<u>1,076</u>	<u>59,577</u>

**6. OTHER CHARGES**

	2002	2001
	HK\$'000	HK\$'000
Waiver of debts	201	8,928
Provision for bad and doubtful debts	(11,940)	(26,404)
Gain on disposal of subsidiaries	6,779	6,607
Loss on disposal and write off of fixed assets	(1,951)	(3,571)
Net realised loss on disposal of investment securities	–	(2,157)
Impairment loss on investment securities	(21,287)	(90,830)
Provision for diminution in value of inventories	(1,898)	–
Impairment loss on fixed assets	(125)	–
Provision for diminution in value of properties for sale	(3,449)	(780)
Impairment of goodwill recognised upon the adoption of SSAP 31	–	(41,543)
	<u>(33,670)</u>	<u>(149,750)</u>

**7. OPERATING LOSS**

The operating loss is stated after crediting and charging the following and other charges in note 6:–

	2002 HK\$'000	2001 HK\$'000
<b>Crediting</b>		
Interest income	945	2,353
Gross rental income from properties	3,114	934
Less : Outgoings	1,803	353
Net rental income from properties	1,311	581
Net exchange gain	–	191
<b>Charging</b>		
Auditors' remuneration		
– current year	361	798
– under provision in prior year	–	185
Depreciation of owned fixed assets	1,591	1,481
Depreciation of fixed assets held under finance leases	–	3,880
Net exchange loss	26	–
Operating lease rentals in respect of land and buildings	4,008	5,528
Operating lease rentals in respect of plant and machinery	305	387
Staff costs excluding directors' emoluments	16,005	42,243

**8. FINANCE COSTS**

	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts	587	1,102
Interest on other loans	1,411	2,155
Finance leases charges	73	1,021
Interest on convertible debts	1,157	598
	<u>3,228</u>	<u>4,876</u>

**9. TAXATION**

	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax		
– (Over)/under provision in previous years	(21)	2,521
Overseas taxation	98	18
Share of taxation attributable to associates	–	2
	<u>77</u>	<u>2,541</u>

No Hong Kong profits tax has been provided in the accounts as the Group has no assessable profit for the year (2001: Nil)

The under provision in prior year represented additional tax charged for AWT World Transport (Far East) Limited, a wholly-owned subsidiary of the Company, for additional assessment for previous years.

Overseas taxation was provided on the profits of the overseas subsidiaries and branches in accordance with the tax laws of the countries in which these subsidiaries and branches operate.

No provision for deferred taxation has been made in the accounts as the effect of timing differences is not material to the Group.

**10. LOSS ATTRIBUTABLE TO THE SHAREHOLDERS**

Of the Group's loss attributable to the shareholders of HK\$101,364,000 (2001: HK\$243,200,000), a loss of HK\$57,377,000 (2001: HK\$328,211,000) has been dealt with in the Company's own accounts.



**11. LOSS PER SHARE**

The calculation of basic loss per share is based on the following data:

	2002 HK\$'000	2001 HK\$'000 (Restated)
<b>Loss</b>		
Net loss for the year	101,364	243,200
Dividend for preference shares	636	776
Loss for the purpose of basic loss per share	<u>102,000</u>	<u>243,976</u>
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic loss per share	<u>14,528,227,063</u>	<u>10,872,009,615</u>
<b>Basic loss per share</b>		
Current year/prior year as previously reported	<u>0.70 cents</u>	<u>1.86 cents</u>
As retrospectively restated	<u>0.70 cents</u>	<u>2.24 cents</u>

Diluted loss per share for the year has not been presented as the effect of any dilution is anti-dilutive.

**12. DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 31 March 2002 (2001: Nil).

**13. RETIREMENT BENEFIT COST**

The Group operates Mandatory Provident Fund schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all eligible employees of the Company and its subsidiaries in Hong Kong. The Group's contributions are at 5% of the employee's relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF scheme if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF schemes are held separately from those of the Group in an independently administered fund.

The Group's contributions to the MPF schemes charged to the profit and loss account during the year amounted to HK\$512,000 (2001: HK\$527,000).

**14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**

- (a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:-

	2002 HK\$'000	2001 HK\$'000
Fees		
Executive	-	-
Non-executive	-	-
	<hr/>	<hr/>
	-	-
Other emoluments of executive directors:		
Basic salaries, housing allowances, other allowances and benefits in kind	14,734	19,153
Retirement scheme contributions	71	28
Compensation for loss of office as directors/employees of the Company – contractual payment	3,168	-
	<hr/>	<hr/>
	<b>17,973</b>	<b>19,181</b>
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In addition to the directors' emoluments disclosed above, 210,000,000 options were granted to the directors under the share option schemes adopted by the Company on 13 August 1998. Each of the options entitled the holders to subscribe for one ordinary share of HK\$0.01 each in the Company at an exercise price of HK\$0.01 per share at any time during the period from 9 September 2001 to 7 June 2004. During the year, no options were exercised by the directors.

**14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)**

(b) The number of directors whose emoluments fell within the following bands is as follows:-

HK\$	Number of directors	
	2002	2001
Nil – 1,000,000	5	7
1,000,001 – 1,500,000	3	–
1,500,001 – 2,000,000	–	2
2,000,001 – 2,500,000	1	–
3,000,001 – 3,500,000	1	–
3,500,001 – 4,000,000	1	–
4,500,001 – 5,000,000	1	–
6,000,001 – 6,500,000	–	2
	<u>12</u>	<u>11</u>

No directors have waived or agreed to waive any emolument in respect of the years ended 31 March 2002 and 2001.

The five individuals whose emoluments were the highest in the Group for the year and in prior year were all directors and their emoluments are reflected in the analysis presented above.

Except for those disclosed above, during the year, no emoluments have been paid by the Group to the directors as an inducement to join the Group, or as compensation for loss of office.

**15. FIXED ASSETS**

	Group			
	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>				
Brought forward	1,722	4,374	2,957	9,053
Additions at cost	545	531	–	1,076
Disposals/write off	(1,303)	(1,163)	(2,514)	(4,980)
Disposal of subsidiaries	–	(48)	–	(48)
Carried forward	<u>964</u>	<u>3,694</u>	<u>443</u>	<u>5,101</u>
<b>Aggregate depreciation</b>				
Brought forward	412	1,225	883	2,520
Charge for the year	338	777	476	1,591
Write back	(394)	(587)	(1,093)	(2,074)
Impairment loss	11	114	–	125
Disposal of subsidiaries	–	(10)	–	(10)
Carried forward	<u>367</u>	<u>1,519</u>	<u>266</u>	<u>2,152</u>
<b>Net book value</b>				
At 31 March 2002	<u>597</u>	<u>2,175</u>	<u>177</u>	<u>2,949</u>
At 31 March 2001	<u>1,310</u>	<u>3,149</u>	<u>2,074</u>	<u>6,533</u>

At 31 March 2002, no fixed assets held by the Group were under finance lease (2001: HK\$1,959,000 at net book value).

**15. FIXED ASSETS (continued)**

	Company			
	Office equipment HK\$'000	Leasehold improvements HK\$'000	Furniture & fixture & fixture HK\$'000	Total HK\$'000
<b>Cost</b>				
Brought forward	689	392	43	1,124
Additions at cost	5	–	–	5
Disposal/write off	(113)	(392)	(43)	(548)
Carried forward	581	–	–	581
<b>Aggregate depreciation</b>				
Brought forward	119	40	5	164
Charge for the year	131	46	6	183
Write back	(34)	(86)	(11)	(131)
Carried forward	216	–	–	216
<b>Net book value</b>				
At 31 March 2002	365	–	–	365
At 31 March 2001	570	352	38	960

**16. INVESTMENTS IN SUBSIDIARIES**

	Note	Company	
		2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	(a)	23,706	23,706
Amounts due from subsidiaries	(b)	839,601	864,809
		863,307	888,515
Less: Provision		(860,839)	(888,378)
		2,468	137
Note:			

(a) Details of the principal subsidiaries are set out in note 40.

(b) Amounts due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

## 17. INTERESTS IN ASSOCIATES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net assets	252	199	-	-
Amounts due (to)/from associates (note b)	(610)	411	(852)	157
	<u>(358)</u>	<u>610</u>	<u>(852)</u>	<u>157</u>

Note:

(a) The following is a list of the principal associates as at 31 March 2002:

<u>Name of associates</u>	<u>Place of incorporation and operation</u>	<u>Issued and fully paid up capital</u>	<u>Effective interest held</u>	<u>Nature of business</u>
401 Decca Limited	Hong Kong	Ordinary shares of HK\$2	50%	Dormant
Active Water Technology Company Limited	Hong Kong	Ordinary shares of HK\$2,010,000	24%	Exclusive distributor of water purifier
Kinwood Company Limited	Hong Kong	Ordinary shares of HK\$33,333	24%	Exclusive manufacturer, licensee and distributor of LA Gear products
L. A. Resources Limited	Hong Kong	Ordinary shares of HK\$10,000,000	24%	Dormant
DMK Project Consultancy Limited	Hong Kong	Ordinary shares of HK\$5	20%	Provision of consultancy service

(b) Amounts due (to)/from associates are unsecured, interest free and have no fixed term of repayment.

**18. INVESTMENT SECURITIES**

	Group	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments, at cost	129,453	129,453
Less: Impairment loss	(129,203)	(107,916)
	<u>250</u>	<u>21,537</u>

**19. PROPERTIES FOR SALE**

At 31 March 2002, properties for sale that were carried at net realisable value amounted to HK\$16,284,000 (2001: HK\$3,620,000).

**20. INVENTORIES**

At 31 March 2002, the inventories that are carried at net realisable value amounted to HK\$108,000 (2001: nil).

**21. ACCOUNTS RECEIVABLE**

The following is an aging analysis of accounts receivable at the balance sheet date:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0 – 3 months	765	1,763
4 – 6 months	123	307
7 – 9 months	87	177
Over 9 months	990	481
	<u>1,965</u>	<u>2,728</u>

The Group maintains defined credit policies for the respective businesses and trade debtors are closely monitored in order to control credit risk associated with trade receivables.

**22. ACCOUNTS PAYABLE**

The following is an aging analysis of accounts payable at the balance sheet date:

	Group	
	2002 HK\$'000	2001 HK\$'000
0 – 3 months	399	1,195
4 – 6 months	343	359
7 – 9 months	309	24
Over 9 months	8,756	6,232
	<u>9,807</u>	<u>7,810</u>

**23. OBLIGATIONS UNDER FINANCE LEASES**

	Group			
	Minimum lease payment		Present value of minimum lease payment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amount payable:				
Within one year	–	1,050	–	972
In the second to fifth year inclusive	–	646	–	590
	<u>–</u>	<u>1,696</u>	<u>–</u>	<u>1,562</u>
Future finance charges	–	(134)	–	–
Present value of lease obligations	<u>–</u>	<u>1,562</u>	<u>–</u>	<u>1,562</u>
Amount due within one year, included under current liabilities			<u>–</u>	<u>(972)</u>
			<u>–</u>	<u>590</u>



**24. BORROWINGS**

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans	6,112	–	–	–
Bank overdraft	11	4,947	–	–
Other loans	8,889	18,460	6,300	6,300
	<u>15,012</u>	<u>23,407</u>	<u>6,300</u>	<u>6,300</u>
Analysed as				
– secured (note)	15,001	19,407	6,300	6,300
– unsecured	11	4,000	–	–
	<u>15,012</u>	<u>23,407</u>	<u>6,300</u>	<u>6,300</u>
Amount repayable:				
Within one year or on demand	11,787	23,407	6,300	6,300
More than one year but not exceeding two years	284	–	–	–
More than two years but not exceeding five years	948	–	–	–
Over five years	1,993	–	–	–
	<u>15,012</u>	<u>23,407</u>	<u>6,300</u>	<u>6,300</u>
Less: Amount due within one year shown under current liabilities	<u>(11,787)</u>	<u>(23,407)</u>	<u>(6,300)</u>	<u>(6,300)</u>
	<u>3,225</u>	<u>–</u>	<u>–</u>	<u>–</u>

Note: The bank loans, bank overdraft and other loans were secured by properties for sale and fixed deposits of the Group (see note 34 for details).

**25. CONVERTIBLE DEBTS**

	Group and Company	
	2002 HK\$'000	2001 HK\$'000
Aggregate principal amount – convertible bonds		
Current portion	18,190	–
Long term portion	1,500	18,190
	<u>19,690</u>	<u>18,190</u>

The details of the Company's convertible bonds outstanding as at the year end date are set out below:-

	Convertible bonds					
	21 February 2000	23 March 2000	29 April 2000	29 December 2000	12 September 2001	14 March 2002
Aggregate principal amount (HK\$)	2,640,000	2,850,000	2,700,000	6,000,000	1,500,000	4,000,000
Coupon rate	4%	4%	4%	Prime rate+2%	4%	Prime rate+2%
Initial conversion price (HK\$)	0.022	0.022	0.022	0.016	0.01	0.01
Adjusted conversion price (HK\$)	0.0205	0.0205	0.0203	N/A	N/A	N/A
Conversion period	any time after issue	any time after issue	any time after issue	any time after issue	any time after issue	any time after issue
Collaterals	certain properties of the Group	Nil	certain properties of the Group	Nil	Nil	Nil
Maturity date	21 February 2003	23 March 2003	25 January 2003	29 December 2002	12 September 2003	14 March 2004
Note	(b)	(b)	(b)	(c)	(b)	(d)

Note:

- All the bond holders are entitled to convert all or part of the bond at their respective initial/adjusted conversion prices, subject to limits set out in the respective bond agreements, into ordinary shares which rank pari passu in all respects with the ordinary shares in issue on the relevant conversion dates.
- The Company has the right, having given notices to the bond holders, to redeem all or part of the outstanding principal amount of the bonds together with interest accrued to the date of redemption.
- The Company has the right, having given notices to each of the bond holders, to redeem all but not part of the respective bonds together with interest accrued to the date of redemption.

**25. CONVERTIBLE DEBTS (continued)**

- (d) The Company has the right, having given notices to the bond holder, to redeem all or part of the outstanding principal amount of the bonds together with interest accrued to the date of redemption and the bond holder has the right, having given notices to the Company, to require the Company to redeem all or any part (in a minimum amount of HK\$100,000 or integral multiple thereof) of the outstanding principal amount of the bonds at any time at the following redemption amount:
- (i) if the redemption notice is given to the Company within 12 months from the date of issue of the bonds, the Company may, instead of redeeming the bonds in cash, elect to satisfy the redemption by issue of new ordinary shares as shall equal to the quotient of the sum of (1) the principal amount of the bonds to be redeemed and (2) a redemption premium at 100% of such principal amount, divided by the conversion price in effect on the redemption date.
- (ii) if the redemption notice is given to the Company after the period of 12 months from the date of issue of the bonds, the Company shall only redeem the bonds in cash.

**26. SHARE CAPITAL**

	<u>Group and Company</u>	
	2002	2001
	HK\$'000	HK\$'000
<i>Authorised:</i>		
28,500,000,000 ordinary shares of HK\$0.01 each	285,000	285,000
1,500,000,000 convertible preference shares of HK\$0.01 each	15,000	15,000
	<u>300,000</u>	<u>300,000</u>
<i>Issued and fully paid:</i>		
16,169,693,317 (2001: 12,842,539,825) ordinary shares of HK\$0.01 each	161,697	128,425
708,908,975 (2001: 708,908,975) convertible preference shares of HK\$0.01 each (Note a)	7,089	7,089
	<u>168,786</u>	<u>135,514</u>

Note:

- (a) The terms of the convertible preference shares issued on 12 January 2000 are set out in the Company's circular dated 18 December 1999 to its shareholders. The main terms are as follows:
- (i) The convertible preference shareholders are entitled in priority to any distribution in respect of any other class of shares to a fixed cumulative preferential dividend at the rate of 6 per cent per annum on the notional value which is HK\$0.015 (the "Notional Value") per preference share. Such dividend shall be paid, if and so far as in the opinion of the directors of the Company, has retained earnings lawfully available for distribution and there is immediately available to the Company sufficient cash resources for making such distribution after taking into account the Company's then existing and expected liabilities on 31 March in each year and on the mandatory redemption date.
- (ii) Each convertible preference shareholder has the right to convert the preference shares into ordinary shares of the Company on a one for one basis, subject to adjustment, at nil conversion price at any time after the date of issue of the preference shares to the end of the three year period.

**26. SHARE CAPITAL (continued)**

- (iii) The Company has the right to redeem at any time on or after the first anniversary of the date of issue of the preference shares to redeem all or any number of the preference shares at a redemption price ranging from 106% to 125% of the Notional Value of each preference share. Upon the mandatory redemption date, which is 12 January 2003 (the third anniversary of the date of issue of the preference shares), the Company shall redeem all the preference shares then in issue at a redemption price of 120% of the Notional Value of each preference share. The Company is negotiating with the preference shareholders to reschedule the terms of these preference shares.

During the year, no convertible preference shares were converted into the Company's ordinary shares or were redeemed by the Company.

- (b) Details of the changes in the Company's share capital during the year ended 31 March 2002 are as follows:
- (i) On 7 May 2001, 800,000,000 new ordinary shares at a price of HK\$0.01 each were issued to satisfy the consideration pursuant to the sale and purchase agreement entered into between the Company, Lucky Regent International Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Silver Bound Capital Limited (the "Vendor") on 16 March 2001. Pursuant to the agreement, the Vendor agreed to sell and the Purchaser agreed to purchase certain properties for HK\$8,000,000.
- (ii) On 29 June 2001, 600,000,000 new ordinary shares at a price of HK\$0.011 each were issued to satisfy the consideration pursuant to the sales and purchase agreement entered into between the Company, Total Property Services Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Skibbereen Company Limited (the "Vendor") on 21 June 2001. Pursuant to the agreement, the Vendor agreed to sell and the Purchaser agreed to purchase certain properties for HK\$6,600,000.
- (iii) On 7 August 2001, 600,000,000 new ordinary shares at a price of HK\$0.01 each were issued to satisfy the consideration pursuant to the sales and purchase agreement entered into between the Company, Cyberhome Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and New Horizon Associates Limited (the "Vendor") on 23 July 2001. Pursuant to the agreement, the Vendor agreed to sell and the Purchaser agreed to purchase certain properties for HK\$6,000,000.
- (iv) On 12 September 2001, 150,000,000 new ordinary shares at a price of HK\$0.01 each were issued to satisfy the consideration pursuant to the sales and purchase agreement entered into between the Company, Citilink Investment Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and EP & Partners Limited (the "Vendor") on 27 August 2001. Pursuant to the agreement, the Vendor agreed to sell and the Purchaser agreed to purchase certain properties for HK\$3,000,000. The remaining consideration of HK\$1,500,000 was satisfied by issue of convertible bonds of the same principal amount by the Company.
- (v) On 20 March 2002, an aggregate of 1,177,153,492 new ordinary shares at an issued price of HK\$0.01 each were issued to:
- (1) 9 existing and former directors of the Company and/or certain of its subsidiaries (collectively "Director Creditors"). Pursuant to 9 settlement agreements all dated 23 November 2001 entered into between the Company and the Director Creditors, the Company agreed to issue an aggregate of 1,157,153,492 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.01 each in full and final satisfaction of a total of HK\$11,571,534.92 ("Director Creditors Debt") due to the Director Creditors by the Group. The Director Creditors Debt comprises salaries, double pay entitlements, reimbursement of expenses, payment in lieu of annual leave (for the period from October 2000 to November 2001) and cash advances of HK\$932,000 made to the Group; and
  - (2) Twinkle Sphere Company Limited (the "Consultant Creditor"), a company which is controlled by Mr. Chan Tin Fu, a director of 401 Associates Limited, a wholly-owned subsidiary of the Company. Pursuant to a consultancy settlement agreement dated 23 November 2001 entered into between the Company and the Consultant Creditor, the Company agreed to issue a total of 20,000,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.01 each in full and final satisfaction of the HK\$200,000 which represents the monthly retainer fee payable to the Consultant Creditor for the period from April 2001 to August 2001 by the Company.

**26. SHARE CAPITAL (continued)**

- (c) Details of share options granted, lapsed, cancelled and exercised during the year pursuant to the share option scheme and the share options outstanding as at 31 March 2002 were as follows:

Date of grant	Exercisable period	Exercise price HK\$	Options outstanding at 1 April 2001	Options granted	Options lapsed and cancelled	Options outstanding at 31 March 2002
21 January 2000	22 April 2000 to 20 January 2003	0.188	94,000,000	–	(7,200,000)	86,800,000
27 April 2000	28 July 2000 to 9 May 2003	0.054	162,000,000	–	(30,000,000)	132,000,000
3 May 2000	4 August 2000 to 2 May 2003	0.058	2,000,000	–	–	2,000,000
5 June 2000	6 September 2000 to 18 June 2003	0.046	554,000,000	–	(82,000,000)	472,000,000
17 August 2000	18 November 2000 to 20 August 2003	0.031	50,000,000	–	(24,000,000)	26,000,000
8 June 2001	9 September 2001 to 7 June 2004	0.01	–	350,000,000	–	350,000,000
			<u>862,000,000</u>	<u>350,000,000</u>	<u>(143,200,000)</u>	<u>1,068,800,000</u>

No options were exercised during the year.

## 27. RESERVES

	Group				
	Share premium account HK\$'000	Goodwill HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2000	580,767	–	743	(631,789)	(50,279)
Premium arising from issuing new shares, net of expenses	175,843	–	–	–	175,843
Goodwill arising on acquisition of subsidiaries	–	(40,898)	–	–	(40,898)
Goodwill arising on addition of interests in subsidiaries	–	(4,731)	–	–	(4,731)
Goodwill arising on acquisition of associates	–	(2,751)	–	–	(2,751)
Goodwill relating to disposal of subsidiaries	–	6,837	–	–	6,837
Disposal of subsidiaries	–	–	(612)	–	(612)
Exchange realignment	–	–	226	–	226
Loss for the year					
– as previously reported	–	–	–	(201,657)	(201,657)
– effect of adopting SSAP 31 (note 2)	–	41,543	–	(41,543)	–
– as restated	–	–	–	(243,200)	–
At 31 March 2001	756,610	–	357	(874,989)	(118,022)
At 1 April 2001					
– as previously reported	756,610	(41,543)	357	(833,446)	(118,022)
– effect on adopting SSAP 31 (note 2)	–	41,543	–	(41,543)	–
– as restated	756,610	–	357	(874,989)	(118,022)
Premium arising from issuing new shares, net of expenses	600	–	–	–	600
Exchange realignment	–	–	2	–	2
Loss for the year	–	–	–	(101,364)	(101,364)
At 31 March 2002	757,210	–	359	(976,353)	(218,784)

**27. RESERVES (continued)**

	Company				
	Share premium account	Contributed surplus	Capital reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2000	580,767	20,093	11,746	(616,090)	(3,484)
Premium arising from issuing new shares, net of expenses	175,843	–	–	–	175,843
Loss for the year	–	–	–	(328,211)	(328,211)
At 31 March 2001 and 1 April 2001	756,610	20,093	11,746	(944,301)	(155,852)
Premium arising from issuing new shares, net of expenses	600	–	–	–	600
Loss for the year	–	–	–	(57,377)	(57,377)
At 31 March 2002	<u>757,210</u>	<u>20,093</u>	<u>11,746</u>	<u>(1,001,678)</u>	<u>(212,629)</u>

Note:

- (a) The contributed surplus of the Company represents the excess of the net assets value of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisition. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (b) Consolidated loss for the year attributable to shareholders is retained by:

	Group	
	2002 HK\$'000	2001 HK\$'000
– The Company and its subsidiaries	(101,417)	(239,474)
– Associates	53	(3,726)
	<u>(101,364)</u>	<u>(243,200)</u>

**28. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2002 HK\$'000	2001 HK\$'000 (Restated)
Operating loss	(92,676)	(249,588)
Loss on disposal and write off of fixed assets	1,951	3,571
Waiver of debts	(201)	(8,928)
Provision for diminution in value of properties for sale	3,449	780
Provision for diminution in value of inventories	1,898	–
Net realised loss on disposal of investment securities	–	2,157
Impairment loss on investment securities	21,287	90,830
Impairment loss of fixed assets	125	–
Impairment loss of goodwill arising on acquisition of subsidiaries and associates	–	41,543
Gain on disposal of subsidiaries	(6,779)	(6,607)
Interest income	(945)	(2,353)
Dividend income	–	(344)
Depreciation	1,591	5,361
Decrease in properties for sale	18,800	10,114
Decrease/(increase) in inventories	263	(1,811)
Decrease/(increase) in accounts receivable, prepayment, deposit and other receivable	19,230	(5,368)
Increase in accounts payable and accruals, amounts due to related companies and directors	28,834	61,108
Net cash outflow from operating activities	<u>(3,173)</u>	<u>(59,535)</u>



**29. ACQUISITION OF SUBSIDIARIES**

	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	–	5,965
Fixed assets	–	3,368
Interest in associates	–	3,129
Inventories	–	517
Other loans	–	(10,667)
Obligation under finance leases	–	(688)
Other net current liabilities	–	(10,293)
Minority interests	–	4,871
	–	(3,798)
Goodwill	–	40,898
Total consideration	–	37,100
Satisfied by:		
Cash	–	1,100
Issue of shares	–	36,000
	–	37,100

The analysis of net inflow of cash and cash equivalents in respect of the acquisition is as follows:

	2002 HK\$'000	2001 HK\$'000
Cash consideration paid	–	(1,100)
Cash and bank balances acquired	–	5,965
Net inflow of cash and cash equivalents	–	4,865

**30. DISPOSAL OF SUBSIDIARIES**

	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	6	1,643
Fixed assets	38	47,472
Inventories	48	–
Interest in associates	–	13,416
Tax recoverable	–	29
Tax payable	–	(5)
Other loans	(4,000)	–
Obligation under finance lease	–	(25,080)
Other net current liabilities	(4,075)	(61,851)
	(7,983)	(24,376)
Minority interests	1,204	12,544
Exchange reserve	–	(612)
Attributable goodwill	–	6,837
	(6,779)	(5,607)
Gain on disposal	6,779	6,607
Total consideration	–	1,000
Satisfied by cash	–	1,000

The analysis of net outflow of cash and cash equivalents in respect of the disposal is as follows:

	2002 HK\$'000	2001 HK\$'000
Cash consideration received	–	1,000
Cash and bank balances disposed of	(6)	(1,643)
Net outflow of cash and cash equivalents	(6)	(643)

## 31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital including share premium HK\$'000	Bank loans, convertible debts and other borrowings HK\$'000	Obligations under finance leases HK\$'000
At 31 March 2000	673,940	59,192	1,128
Issue of settlement shares	44,561	(4,603)	–
Private placements of shares	48,000	–	–
Conversion of bonds to shares	5,550	(5,550)	–
Issue of shares as consideration for the acquisition of investment	118,291	–	–
Issue of shares for the acquisition of properties for sales	6,600	–	–
Share issue expenses	(4,818)	–	–
New bank loans and other loan raised	–	6,000	–
Convertible bonds issued	–	10,000	–
Repayment of bank loans and other loans	–	(34,699)	–
Bank loans and other loans waived	–	(4,357)	–
Inception of finance leases	–	–	50,366
Acquisition of subsidiaries	–	10,667	688
Disposal of subsidiaries	–	–	(25,080)
Repayment of finance leases	–	–	(25,540)
At 31 March 2001 and 1 April 2001	892,124	36,650	1,562
Issue of settlement shares (note 26)	11,772	–	–
Issue of shares for the acquisition of properties for sales (note 26)	22,100	–	–
New bank loans and other loan raised	–	14,400	–
Convertible bonds issued for cash	–	4,000	–
Convertible bonds issued for acquisition of properties for sales (note 26)	–	1,500	–
Convertible bonds redeemed	–	(4,000)	–
Repayment of bank loans and other loans	–	(13,859)	–
Disposal of subsidiaries	–	(4,000)	–
Repayment of finance leases	–	–	(1,224)
Transfer to other payable and accruals	–	–	(246)
Finance lease waived	–	–	(92)
At 31 March 2002	925,996	34,691	–

**32. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS**

	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	820	1,659
Bank overdrafts	<u>(11)</u>	<u>(4,947)</u>
	<u>809</u>	<u>(3,288)</u>

**33. MAJOR NON-CASH TRANSACTIONS**

Save as those disclosed under the heading of "Share Capital" in note 26, there were no major non-cash transactions during the year.

**34. PLEDGE OF ASSETS**

- (a) As at the balance sheet date, the following assets of the Group were pledged to secure convertible bonds, other loans, bank loans and overdrafts facilities granted to the Group:

	2002 HK\$'000	2001 HK\$'000
Properties for sale, carrying value	28,914	27,615
Fixed deposits	<u>-</u>	<u>5,134</u>
	<u>28,914</u>	<u>32,749</u>

- (b) As at 31 March 2002, a fixed deposit amounting to approximately HK\$480,000 (2001: HK\$5,980,000) was pledged to a bank as a security for guarantee granted by the bank on behalf of a disposed subsidiary to a leasing company.

**35. COMMITMENTS****(a) The Group as lessee**

As at the balance sheet date, the Group had commitment for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating leases expiring:-		
Within one year	<b>1,306</b>	3,498
In the second to fifth year inclusive	<b>2,016</b>	803
	<b><u>3,322</u></b>	<b><u>4,301</u></b>

The operating lease payments represent rentals payable by the Group for certain of its land and buildings. Leases are negotiated and rentals are fixed for an average of one to five years.

**(b) The Group as lessor**

As at the balance sheet date, the Group had minimum lease receipts which represent rentals receivable by the Group for their properties for sales under non-cancellable operating leases which fall due as follows:

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating leases receipts:-		
Within one year	<b>1,296</b>	433
In the second to fifth year inclusive	<b>34</b>	300
	<b><u>1,330</u></b>	<b><u>733</u></b>

**36. RELATED PARTY TRANSACTIONS**

Save as disclosed under “Connected Transaction” in the Report of the Directors, during the year, the Group entered into the following transactions with related parties in the ordinary course of business:–

	<i>Note</i>	<b>2002</b> HK\$'000	2001 HK\$'000
THL Management Company Limited	(a)		
Rental income from		<b>120</b>	240
Car rental expenses payable to		<b>92</b>	46
THL (Holdings) Company Limited	(a)		
Car rental expenses payable to		–	68
Finnex Development Limited	(b)		
Car rental expenses payable to		<b>124</b>	186
Active Water Technology Company Limited	(c)		
Logistics service income from		<b>1</b>	29
Rental income from		–	330
Kinwood Company Limited	(c)		
Logistics service income from		<b>32</b>	259
DMK Project Consultancy Limited	(c)		
Consultancy fee payable to		<b>1,200</b>	–
Po Kam Hi, John	(d)		
Car rental expenses payable to		–	27

(a) The companies in which Mr. Leung Tze Hang, David, the managing director of the Company, has a beneficial interest.

(b) The company in which Mr. Chan Sing Fai, the former chairman of the Company, has a beneficial interest.

(c) Associate of the Company

(d) An executive director of the Company

Except for the transactions disclosed above, the directors confirmed that there are no other related party transactions entered into by the Group for the year ended 31 March 2002.

**37. CONTINGENT LIABILITIES**

- (a) The Company has provided corporate guarantees to certain bankers and creditors to secure general finance facilities granted to its subsidiaries. Such facilities utilised by the subsidiaries as at 31 March 2002 amounted to approximately HK\$8,701,000 (2001:HK\$6,160,000) and the related liabilities have been fully recorded in the consolidated balance sheet.
- (b) As at 31 March 2002, a fixed deposit of the Company amounting to approximately HK\$480,000 (2001: HK\$5,980,000) was pledged to a bank as a security for guarantee granted by the bank on behalf of a disposed subsidiary to a leasing company. The contingent liabilities of the Company for such facility as at 31 March 2002 amounted to approximately HK\$480,000 (2001: HK\$Nil).
- (c) During the year, the Inland Revenue Department (the “IRD”) has raised enquiries on the tax deductibility of certain expenses paid to Tran-Starting Inc., a former wholly-owned subsidiary of the Company, by AWT World Transport (Far East) Limited (“AWT Far East”), a wholly-owned subsidiary of the Company. On 7 March 2002, the IRD issued an assessment for 1995/96 to AWT Far East to disallow such expenses. AWT Far East has lodged objections against this assessment. Up to the report date, no final conclusion has been reached with the IRD in respect of the assessment. No provision has been made in the accounts. Should the IRD disallow the expenses, an additional tax provision of approximately HK\$983,000 would have to be made.
- (d) As at 31 March 2002, 9 (2001:8) employees have completed the required number of years of service under the Hong Kong Employment Ordinance (the “Ordinance”) to be eligible for long service payments on termination of their employment. The Company is only liable to make such payments where the termination meets the circumstances specified in the Ordinance.

If the termination of all such employees meets the circumstances set out in the Ordinance, the Group’s liability as at 31 March 2002 would be approximately HK\$648,000 (2001 : HK\$502,000). No provision has been made for this amount in the accounts as it is not expected to be crystallised in the foreseeable future.

- (e) As stated in note 26, the convertible preference shareholders of the Company are entitled to a fixed cumulative preferential dividend at the rate of 6 per cent per annum on the notional value of each preference share held from the date of issue to the date the preference shares are converted into ordinary shares or are redeemed. As at 31 March 2002, the shareholders of the preference shares had the rights for an accumulate dividend of approximately HK\$1,412,000 (2001: HK\$776,000). Such dividend was not accrued in the accounts as the Company had no retained earnings lawfully available for distribution as at 31 March 2002.

**38. LITIGATION**

- (a) At the report date, certain landlords issued writs and some also obtained judgments against the Group to claim for the damages due to the early termination of tenancy agreements and the outstanding rental in arrears for a total amount of approximately HK\$4,053,000. Full provisions for these claims had been made in the accounts.
- (b) Certain employees of the Group have obtained Labour Tribunal's orders against the Group for outstanding salaries and compensations due to them. At the report date, the outstanding amount under Labour Tribunal's order was approximately HK\$1,046,000. Adequate provision with respect to these outstanding salaries had been made in the accounts.
- (c) At the report date, other sundry creditors issued writs and some also obtained judgments against the Group for total outstanding debts of HK\$936,000 in respect of miscellaneous services rendered. Full provisions had been made in the accounts.

**39. POST BALANCE SHEET DATE EVENTS**

The following events were occurred subsequent to the balance sheet date:

- (a) On 30 April 2002, the Company entered into a subscription agreement with Topsmart Investment Limited (the "Subscriber"). Pursuant to which the Company agreed to issue a convertible bond in an aggregate principal amount of HK\$4,000,000 to the Subscriber with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of the lower of (i) HK\$0.01 per ordinary share or (ii) 80% of the ten-day average closing price per ordinary share ending on the trading day immediately preceding the date of conversion, both subject to adjustment and provided that no ordinary shares shall be issued at a discount to their nominal value. The net proceeds from the subscription of the convertible bond (after taking into account the surrender of the existing bond) of approximately HK\$2 million calculated as at 30 April 2002 are being used for reducing certain debts of the Group of approximately HK\$500,000 and the remaining for working capital of the Group. The agreement completed on 30 May 2002. The Subscriber held an existing bond of the Company and did not hold any shares in the Company at the date of the subscription agreement. The Subscriber and its ultimate beneficial owners, Capital Strategic Investment Limited, are independent parties of the Group.



**39. POST BALANCE SHEET DATE EVENTS (continued)**

- (b) On 28 May 2002, Onelink Investment Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, the Company (as warrantor) and SIIC Finance Company Limited (the “Vendor”) entered into a sale and purchase agreement in which the Vendor agreed to sell and the Purchaser agreed to purchase the properties situate at Unit No. 42 on the ground floor of the building and all that portion forming the entrance hall and the nearby area of Hunghom Commercial Centre, Nos 37-39 Ma Tau Wai Road, Kowloon (the “Property”) for investment purpose at a consideration of HK\$15,000,000 (the “Agreement”). The consideration will be satisfied by the Company in the following manner:
- (i) by payment of HK\$4,000,000 in cash;
  - (ii) by the issue and allotment of such number of ordinary shares in the Company with an aggregate value of HK\$6,000,000 based on either the par value of the shares of the Company or the average closing price of the shares of the Company for the preceding twenty trading days prior to the date of the special general meeting arranged to obtain approval from the shareholders of the Company for the Agreement, whichever is higher, credited as fully paid; and
  - (iii) by the issue of the convertible bond of the Company with an aggregate principal amount of HK\$5,000,000

to the Vendor or as it may direct.

The Vendor and its beneficial owners are independent third parties of the Group. The Agreement constitutes a connected transaction of the Company as a mortgage was created by the legal owner of the Property, Pacific System Development Limited, to secure a loan advanced to a company in which Mr. Leung Tze Hang David, the managing director of the Company, is interested in 90% of its capital. The Agreement is therefore subject to approval by the shareholders of the Company and at the report date, the Agreement has not completed.

- (c) On 10 July 2002, the Company entered into 2 subscription agreements with Merchant Partners Limited (“MP”) and China Units Enterprises Limited (“CU”) (collectively the “Subscribers”) respectively, all on substantially the same terms. Pursuant to which the Company agreed to issue a convertible bond in an aggregate principal amount of HK\$3,000,000 to each of the Subscribers with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of the lower of (i) HK\$0.01 per ordinary share or (ii) 80% of the ten-day average closing price per ordinary share ending on the trading day immediately preceding the date of conversion, both subject to adjustment, and provided that no ordinary shares shall be issued at a discount to their nominal value. The net proceeds from the subscription of the convertible bonds of approximately HK\$5,900,000 will be used for repayment of debts of the Group in the sum of approximately HK\$2,400,000 and the remaining for working capital of the Group. Each of MP and CU did not hold any shares in the Company at the date of the subscription agreements. The Subscribers and their ultimate beneficial owners are independent parties of the Group. At the report date, the subscription agreements have not completed.

**39. POST BALANCE SHEET DATE EVENTS (continued)**

- (d) On 22 July 2002, Cybermall Limited (“the Purchaser”), a wholly-owned subsidiary of the Company, entered into an agreement with Precise Global Investments Limited (“the Vendor”) in which the Purchaser agreed to acquire the entire interest in Sino Top Technology Limited which will in turn hold 46.67% equity interest in Shanghai Liantongshihua Mobile Information and Network Co., Ltd. at completion of the said agreement at a total price of HK\$13,200,000 which is to be satisfied as to HK\$6,600,000 by the issue of 660,000,000 ordinary shares at HK\$0.01 each and as to HK\$6,600,000 by the issue of a convertible bond with conversion rights to convert into ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of the lower of (i) HK\$0.01 per ordinary share or (ii) 80% of the ten-day average closing price per ordinary share ending on the trading day immediately preceding the date of conversion, both subject to adjustment, and provided that no ordinary shares shall be issued at a discount to their nominal value (the “Acquisition”). The Acquisition constitutes a notifiable transaction and is subject to the approval by the shareholders of the Company. At the report date, the Agreement has not completed.
- (e) On 25 July 2002, AWT Cyber Investment Group Limited (the “Subscriber”), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the “Agreement”) with iShowFlat Limited (“ISF”). Pursuant to the Agreement, the Subscriber agreed to subscribe 2,300,000 ordinary shares of HK\$1.00 each in ISF (the “Consideration Shares”) at a consideration of HK\$2,300,000 in cash, payable on or before 31 December 2002. Upon signing of the Agreement, a refundable deposit of HK\$300,000 was paid to ISF. The completion of the Agreement is conditional on obtaining an ordinary resolution of the shareholders of ISF to approve the terms and conditions of the Agreement and the full payment of the consideration by the Subscriber and the allotment of shares by ISF. Upon completion of the Agreement, the Subscriber’s equity interest in ISF will be increased to 50.54% of the issued share capital of ISF as enlarged by the Consideration Shares (assuming that up to the date of the completion of the Agreement, there will be no change in the share capital of ISF).

**40. SUBSIDIARIES**

The following is a list of the principal subsidiaries of the Company as at 31 March 2002:–

<u>Name of subsidiaries</u>	<u>Place of incorporation/ operation</u>	<u>Issued and fully paid up capital</u>	<u>Effective interest held by the Company</u>	<u>Nature of business</u>
<b>Shares held directly:–</b>				
AWT Cyber Investment Group Limited	British Virgin Islands	US\$1	100	Investment holding
AWT Data Management Group Limited	British Virgin Islands	US\$1	100	Investment holding
AWT Investment Group Limited	British Virgin Islands	US\$1	100	Investment holding
AWT Logistics Group Limited	British Virgin Islands	US\$1	100	Investment holding
AWT Realty Group Limited	British Virgin Islands	US\$1	100	Investment holding
AWT World Transport Group Limited	British Virgin Islands	HK\$2,000	100	Investment holding
<b>Shares held indirectly:–</b>				
Asia Million Development Limited	Hong Kong	HK\$2	100	Property investment
AWT Investment Company Limited	Hong Kong	HK\$2	100	Property investment
AWT Ocean Transport Limited	Hong Kong	HK\$200,000	100	Freight forwarding
AWT Realty Limited	Hong Kong	HK\$2	100	Investment holding

**40. SUBSIDIARIES (continued)**

<u>Name of subsidiaries</u>	<u>Place of incorporation/ operation</u>	<u>Issued and fully paid up capital</u>	<u>Effective interest held by the Company</u>	<u>Nature of business</u>
<b>Shares held indirectly:- (continued)</b>				
AWT World Transport (Far East) Limited	Hong Kong	HK\$200 ordinary HK\$1,000,000 non-voting deferred HK\$200,000 redeemable preferred	100	Freight forwarding
AWT World Transport (North America) Limited	British Virgin Islands	US\$1	100	Investment holding
* AWT World Transport (Thailand) Limited	Thailand	Baht10,000,000	100	Freight forwarding
AWT World Transport (USA) Limited	British Virgin Islands	US\$1	100	Investment holding
Bright Ace International Development Limited	Hong Kong	HK\$2	100	Provision of secretarial services
# Chain Supplies Limited	Hong Kong	HK\$1,000	36	Sales of curtain and fabrics
Charmway Investments Limited	British Virgin Islands	US\$1	100	Investment holding
Citilink Investment Limited	Hong Kong	HK\$2	100	Property investment
Cyberhome Limited	Hong Kong	HK\$2	100	Property Investment
Financial Gain Incorporated	British Virgin Islands	US\$1	100	Investment holding

**40. SUBSIDIARIES (continued)**

<u>Name of subsidiaries</u>	<u>Place of incorporation/ operation</u>	<u>Issued and fully paid up capital</u>	<u>Effective interest held by the Company</u>	<u>Nature of business</u>
<b>Shares held indirectly:- (continued)</b>				
Flavourite International Limited	British Virgin Islands	US\$1	100	Investment holding
Hing Tung Limited	Hong Kong	HK\$2	100	Property investment
Hyper Motion Investments Limited	British Virgin Islands	US\$1	100	Property investment
Integrated Approach Limited	British Virgin Islands	US\$1	100	Investment holding
i-Motion Holdings Limited	British Virgin Islands	US\$1	100	Investment holding
i-Integrity Developments Limited	British Virgin Islands	US\$1	100	Investment holding
Konmore Limited	Hong Kong	HK\$100,000	100	Holding of vehicles
Long Glory Limited	British Virgin Islands	US\$1	100	Investment holding
Lucky Regent International Limited	Hong Kong	HK\$2	100	Property investment
Magic World Limited	Hong Kong	HK\$2	100	Letting and Sub-letting
Noble Warrior Limited	British Virgin Islands	US\$1	100	Investment holding
Onelink Investment Limited	Hong Kong	HK\$2	100	Property investment

**40. SUBSIDIARIES (continued)**

<u>Name of subsidiaries</u>	<u>Place of incorporation/ operation</u>	<u>Issued and fully paid up capital</u>	<u>Effective interest held by the Company</u>	<u>Nature of business</u>
<b>Shares held indirectly:- (continued)</b>				
Peak Diamond Limited	Hong Kong	HK\$2	100	Letting and sub-letting of properties
Trinity Wish Limited	British Virgin Islands	US\$2	100	Investment holding
Total Logistics Services Limited	Hong Kong	HK\$10,012,000	60	Investment holding and provision of logistics services
Total Property Services Limited	Hong Kong	HK\$10,000	100	Property investment
Urban Logistics Limited	Hong Kong	HK\$10,000	60	Provision of logistics services
Waterbeach Limited	British Virgin Islands	US\$1	100	Investment holding
401 Associates Limited	Hong Kong	HK\$2	100	Provision of total property services
401 (China) Limited (formerly known as 401.com (China) Limited)	Hong Kong	HK\$2	100	Property management and property agency
401 Finance Company Limited	Hong Kong	HK\$2	100	Provision of financial services

**40. SUBSIDIARIES (continued)**

<u>Name of subsidiaries</u>	<u>Place of incorporation/ operation</u>	<u>Issued and fully paid up capital</u>	<u>Effective interest held by the Company</u>	<u>Nature of business</u>
<b>Shares held indirectly:- (continued)</b>				
401 Food and Beverage Services Limited	Hong Kong	HK\$2	60	Provision of catering services
401 Insurance Agency Limited	Hong Kong	HK\$2	100	Insurance agency
401 Movers Limited	Hong Kong	HK\$2	100	Dormant
401 Realty Limited	Hong Kong	HK\$2	100	Property agency
401 Total Property Services Group Limited	British Virgin Islands	US\$1	100	Investment holding

# Chain Supplies Limited is 60% owned by Total Logistics Services Limited, a 60% owned subsidiary of the Company.

\* Subsidiary not audited by Graham H.Y. Chan & Co. The total net liabilities of this subsidiary amounted to approximately HK\$443,000.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.