

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

35. Acquisitions of Subsidiaries

	2000	1999
	HK\$'000	HK\$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	8,168	_
Investments in securities - other investments	64,514	_
Other non-current assets	4,125	_
Inventories	433	_
Trade debtors	104,855	_
Other receivables, prepayments and deposits	27,723	_
Bank balances and cash	149,318	_
Amounts due from fellow subsidiaries	3,769	_
Trade creditors	(125,208)	_
Other payables, deposits received and accruals	(83,916)	_
Taxation	(1,217)	_
Bank overdrafts	(4,031)	_
Amount due to a fellow subsidiary	(7,100)	_
Minority interests	(14,828)	_
	126,605	_
Interests in associates	(34,763)	_
Goodwill	410,225	
	502,067	_
SATISFIED BY		
Shares allotted	376,500	_
Cash	125,567	
	502,067	
Net cash outflow arising on acquisition:		
	2000	1999
	HK\$'000	HK\$'000
Code and denotion	MOT EXT	
Cash consideration	(125,567)	_
Bank balances and cash acquired	149,318	_
Bank overdrafts acquired	(4,031)	
Net inflow of cash and cash equivalents in respect		
of acquisitions of subsidiaries	19,720	

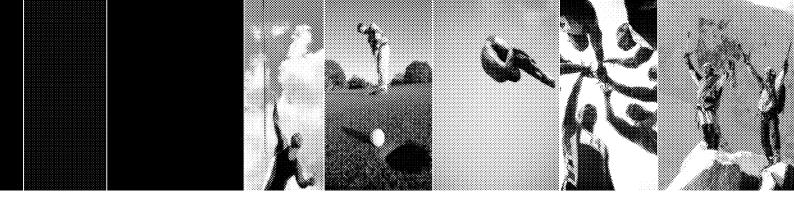
The subsidiaries acquired during the year contributed approximately HK\$60,258,000 to the Group's net operating cash flows, paid approximately HK\$911,000 in respect of taxation and utilised approximately HK\$3,694,000 for investing activities.

The subsidiaries acquired during the year contributed approximately HK\$124,661,000 and HK\$59,647,000 of turnover and profit before taxation respectively for the period between the date of acquisition and the balance sheet date.

For the year ended 31st December, 2000

36. Analysis of Changes in Financing During the Year

	Share capital, share premium and other reserve HK\$'000	Bank loans, other loan and loan from a minority shareholder of a subsidiary HK\$'000	Obligations under finance leases and hire purchase contracts HK\$'000	Minority interests HK\$'000
Balance at 1st January, 1999	1,283,798	241,039	_	8,680
New loans raised	_	39,883	_	_
Repayment during the year	_	(126,412)	_	_
Shares repurchased and cancelled	(1,409)	_	_	_
Dividends to minority shareholders Profit attributable to minority	-	-	-	(2,760)
shareholders				3,347
Balance at 31st December, 1999	1,282,389	154,510	_	9,267
Issue of shares for cash, net of expenses of HK\$7,003,000	277,954	_	_	_
New loans raised	_	76,780	_	_
Increase in minority interests upon acquisitions of subsidiaries Loss attributable to minority	_	_	-	14,828
shareholders	_	_	_	(1,722)
Inception of finance leases and				
hire purchase contracts	_	_	229	_
Repayment during the year	_	(7,717)	(113)	_
Shares repurchased and cancelled Other movements not involving cash flows:	(4,408)	_	_	_
Issue of shares for acquisitions of subsidiaries and associates	376,500	_	_	_
Issue of shares for purchase of				
investment securities Transfer from share premium to deficit account resulting from	35,004	_	_	_
capital reduction	(301,559)			
Balance at 31st December, 2000	1,665,880	223,573	<u>116</u>	22,373



For the year ended 31st December, 2000

37. Major Non-Cash Transactions

- (a) During the year, the Group acquired 100% interest in e2-Capital Limited (now renamed as OpenIBN (HK) Limited) at a consideration of HK\$348,000,000. The consideration was satisfied by the issue and allotment of 290,000,000 shares of the Company at HK\$1.20 each.
- (b) During the year, the Group acquired the remaining 60% interest in e2-Capital Securities at a consideration of HK\$57,000,000. Part of the consideration was satisfied by the issue and allotment of 23,750,000 shares of the Company at HK\$1.20 each.
- (c) During the year, the Company acquired a 20% interest in PCL at a consideration of HK\$35,004,000. The consideration was satisfied by the issue and allotment of 29,170,000 shares of the Company at HK\$1.20 each.

38. Call Options

As at 31st December, 2000, included in trade creditors is an amount of approximately HK\$76,237,000 represented premium received for the outstanding call options written to an independent third party which was used to hedge against the listed warrants mentioned in note 18.

39. Commitments

(a)	Commitments payable in the following year in
	respect of land and buildings under
	non-cancellable operating leases which expire:

- Within one year
- In the second to fifth year inclusive
- (b) Commitments contracted for but not provided in the financial statements with respect to
 - purchase of an investment in subsidiary from the former ultimate holding company
 - property, plant and equipment
 - investment projects

THE	GROUP
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2000	1999
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HKS'000	HK\$'000
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For the year ended 31st December, 2000

40. Contingent Liabilities

Guarantees given to financial institutions for loan facilities utilised by:

- subsidiaries
- an investee company

OUP	THE COMPANY		
1999	2000	1999	
HK\$'000	HK5'000	HK\$'000	
_	154,827	134,444	
150,000	150,000	150,000	
150,000	304,827	284,444	
	1999 HK\$'000	1999 2000 HK\$'000 HK\$'000 - 154,827 150,000 150,000 150,000 304,827	

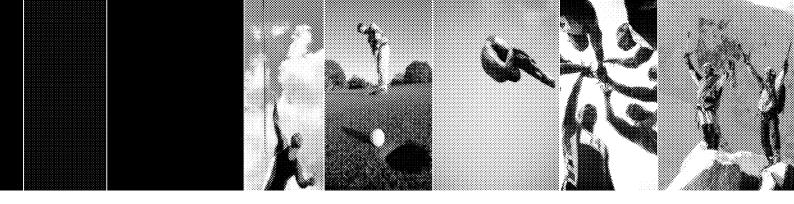
41. Pledge of Assets

At 31st December, 2000, leasehold land and buildings with an aggregate net book value of approximately HK\$4,586,000 (1999: HK\$4,874,000), a bank deposit of HK\$5,000,000 (1999: Nil) and properties under development, properties under development for sale and shares of a non-consolidated subsidiary with an aggregate value of approximately HK\$474,245,000 (1999: HK\$363,276,000) were pledged to secure general banking facilities granted to the Group.

In addition, the other loan as disclosed in note 29 was secured by the mortgage loans receivable of a subsidiary amounting to approximately HK\$4,323,000 (1999: HK\$6,563,000).

42. Retirement Benefits Scheme

The Group has a defined contribution retirement benefits scheme ("Benefits Scheme") for all qualifying employees. The assets of the Benefits Scheme are held separately under a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the Benefits Scheme. Where there are employees who leave the Benefits Scheme prior to vesting fully in the contributions, in accordance with the rules of the Benefits Scheme, the forfeited contributions shall be credited thereto to offset against the future contributions of the Group to the Benefits Scheme. As at both 31st December, 2000 and 31st December, 1999, the total amount of forfeited contributions, which arose upon employees leaving the Benefits Scheme, and which are available to reduce the contributions payable in the future years was not significant.



For the year ended 31st December, 2000

42. Retirement Benefits Scheme (Continued)

In December 2000, the Group had joined the Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the Mandatory Provident Fund Authority. All the previous retirement benefits scheme contributions were transferred to the MPF Scheme.

The staff costs as disclosed in note 5 include Benefits Scheme contributions of HK\$1,498,000 (1999: HK\$454,000), net of forfeited contributions of HK\$69,000 (1999: HK\$236,000).

43. Post Balance Sheet Events

- (a) Pursuant to a conditional share purchase agreement dated 31st January, 2001 entered into between the Group, SBIIS Capital Holdings Limited ("SBIIS") and Softbank Investment International (Strategic) Limited, the Group disposed certain interests of its financial services business to SBIIS for a consideration of HK\$318.5 million. The transaction was completed on 2nd April, 2001 and realised a profit of approximately HK\$243.7 million.
- (b) Subsequent to 31st December, 2000, the Group disposed of 1,006,500 shares in Hong Kong Exchanges and Clearing Limited for an aggregate consideration of approximately HK\$18.2 million and realised a profit of approximately HK\$17.8 million.
- (c) Pursuant to a conditional sale and purchase agreement dated 30th March, 2001 entered into between Eternal Rich Investments Limited ("Eternal Rich"), an indirect whollyowned subsidiary of the Company and an independent third party, Eternal Rich agreed to sell and that independent third party agreed to purchase the entire issued share capital of China Flourmills (Holdings) Limited for a consideration of HK\$20,000,000.
- (d) On 26th February, 2000, Goodwill International (BVI) Limited and Crebox Limited (both are indirectly wholly-owned subsidiary of the Company) together (with the Company as warrantor) granted to Goodwill International (Holdings) Limited an option to acquire up to an aggregate of 6,502,672 shares in the issued share capital of Boxmore Limited ("Boxmore"), an indirectly owned subsidiary of the Company, representing 88% of Boxmore's issued share capital ("Boxmore Option"). The Boxmore Option was from 17th April, 2000 to 16th April, 2001 at the total price of HK\$88,000,000 for the 88% interest in Boxmore (or part thereof on a pro rata basis) to be settled in cash.
 - On 19th March, 2001, the Group entered into an extention agreement (the "Extension Agreement") with Goodwill International, pursuant to which the exercise period of the Boxmore Option is extended for 3 months to 16th July, 2001 (the "Extention"). No consideration was involved in the Extension. The Extension Agreement was approved by shareholders on 12th April, 2001.
- (e) Pursuant to an agreement dated 19th January, 2001 entered into between Alfa Com Technology Limited, ("Alfa Com Technology"), Alfa Com Cyber Base Limited ("Alfa Com Cyber"), e-Applications Group Limited ("e-Applications") and ebizal Limited, Alfa Com Technology and Alfa Com Cyber agreed to sell and e-Applications agreed to purchase 49% of entire issued share capital of Alfacom Web Development Limited for a consideration of HK\$19,110,000. The transaction was completed on 20th February, 2001.

For the year ended 31st December, 2000

44. Related Party Transactions

On 14th May, 1999, Ever Lead Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the spouse and the daughter of Mr. Fung Ka Pun to sell a property together with a car park for a consideration of HK\$3,440,000.

On 14th May, 1999, Goodwill International (Holdings) Limited, the Company's then controlling shareholder, entered into an agreement with Cory Developments Limited ("Cory"), an indirectly wholly-owned subsidiary of the Company, whereby Cory acquired a 100% interest (2 shares) in Sunyork and a shareholder's loan in sum of HK\$8,870,225 (the "Acquisitions") for HK\$3,000,000. The Acquisitions were completed on 19th May, 2000.

The Group also entered into the following transactions during the year and had balances at year end with related parties:

			Former ultimate		An	
	Associates		holding company		affiliated company	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HKS'000	HK\$'000	HK\$'000	HK\$'000
Interest income		20				
Management fees	1,841	6,944	_	_		
Rental income		108				
Amounts owed by						
related parties		<u>811</u>		<u>2,000</u>		
Amounts owed to						
related parties		1		=====	<u>17</u>	

The amounts owed by and owed to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

The amount owed by former ultimate holding company in 1999, represented deposit paid for the acquisition of Sunyork, is unsecured and non-interest bearing.

Interest income was calculated at Hong Kong prime rate plus 3.5% per annum.

The Group performed certain administrative services for the associates, for which a management fee was charged, being calculated on pre-agreed terms.

Rental income received from an associate in 1999 was transacted with reference to the rental rate prevailing in the market.