

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in note 44 to the financial statements. During the period, the Group ceased the business of retailing operation.

During the period, the Company changed its financial year end date from August 31 to December 31 to conform with the financial year end date of one of its major shareholders. The financial statements for the current period cover the 16 months period ended December 31, 2000. The corresponding amounts shown for the consolidated income statement, consolidated statement of recognised gains and losses, consolidated cash flows and related notes cover a 12 months period from September 1, 1998 to August 31, 1999, and may not be comparable with amounts shown for the current period.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current period, the Group has adopted the following Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants for the first time:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 2 (Revised)	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 24	Accounting for investments in securities

SSAP 1 (Revised) and SSAP 2 (Revised) are concerned with the presentation and disclosure of financial information. The presentation in the current period's financial statements has been modified in order to conform with the requirements of those SSAPs. Comparative amounts have been restated in order to achieve a consistent presentation.

In particular:

- additional analyses of income and expenditure have been presented; and
- items of income and expense that were separately identified on the face of the income statement in the prior year as 'exceptional items' have been reclassified within an appropriate income or expense classification.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

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

In addition, the description of various components in the financial statements and the terminology used has been updated to reflect the terminology of these revised SSAPs.

None of the amendments outlined above has affected the results for the current or prior periods.

SSAP 24 has introduced a new framework for the classification of investments in securities. In adopting SSAP 24, the Group has selected the benchmark treatment for securities other than held-to-maturity securities.

Under SSAP 24, investments in securities are now classified as held-to-maturity (carried at amortised cost less provision for irrecoverable amounts), investment securities (carried at cost less impairment) and other investments (carried at fair value, with valuation movements dealt with in the income statement). In prior years, the Group's investments were classified as long-term investments and were carried at cost less provision for permanent diminution in value. The accounting treatment specified by SSAP 24 has been applied retrospectively, but the change in policy has no significant effect on the results for the current or prior periods.

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to December 31. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective dates of acquisition or up to the effective date of disposal, as appropriate.

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

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition or, where appropriate, capitalised and amortised on a straight-line basis over its estimated useful life of ten years. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill or negative goodwill.

On the disposal of investments in subsidiaries and associates, the attributable amount of unamortised goodwill, or goodwill previously eliminated against or credited to reserves, is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

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

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and net assets of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

Revenue recognition

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

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

Disposals of properties are recognised on the execution of a binding sales agreement.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of asset, expected future cash flows are not discounted to their present values.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is provided so as to write off the cost of property, plant and equipment other than construction in progress using the straight-line method over their estimated useful lives, as follows:

Leasehold land	Over the unexpired term of the lease
Buildings	50 years or over the unexpired term of the lease, whichever is shorter
Leasehold improvements	5 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

Construction in progress

Construction in progress is stated at cost which includes all development expenditure and other direct costs, including borrowing costs, attributable to such projects. Costs on completed contribution works are transferred to other categories of properties, plant and equipment.

Investment properties

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

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

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to the property disposed of is transferred to the income statement.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewal period, is 20 years or less.

Assets held under hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair value at the date of acquisition. The corresponding liability to the hirer is included in the balance sheet as a hire purchase obligation. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant contract so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Licence rights

Licence rights are stated at cost less amortisation and impairment losses recognised, if necessary. Amortisation is provided to write off the cost of the licence rights over the term of the relevant licence.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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

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

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities (Continued)

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

Borrowing costs

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

All other borrowing costs are expensed in the period in which they are incurred.

Taxation

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

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On consolidation, the financial statements of overseas operations maintained in foreign currencies are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

Retirement benefits scheme

The cost of the retirement benefits scheme charged in the income statement represents the amount of contributions paid and payable in respect of the current period to the Group's defined contribution scheme.

Certain of the Group's employees have been enrolled in a Mandatory Provident Fund Scheme. The contributions payable in respect of the current period to the fund are charged as an expense as they fall due.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

4. TURNOVER AND SEGMENTAL INFORMATION

The Group's turnover and contribution to loss before taxation for the period from September 1, 1999 to December 31, 2000, by principal activity and geographical market are as follows:

	1.9.1999 to 31.12.2000		1.9.1998 to 31.8.1999	
	Turnover	Contribution to loss before taxation	Turnover	Contribution to loss before taxation
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Continuing operations:				
Property leasing	1,992	(13,728)	7,025	(24,221)
Investment holdings	–	(34,218)	–	(9,691)
	<u>1,992</u>	<u>(47,946)</u>	<u>7,025</u>	<u>(33,912)</u>
Discontinued operations:				
Retailing business	105,393	(14,875)	49,147	(44,184)
Battery cells	–	–	–	(6,624)
	<u>107,385</u>	<u>(62,821)</u>	<u>56,172</u>	<u>(84,720)</u>
Finance costs				
– continuing operations		(7,563)		(6,245)
– discontinued operations		(2,068)		(1,117)
Interest income				
– continuing operations		9,782		83
– discontinued operations		–		71
Share of results of associates		(1,082)		–
Corporate expenses		(33,261)		(5,254)
Operating loss		<u>(97,013)</u>		<u>(97,182)</u>
By geographical market:				
The People's Republic of China				
excluding Hong Kong	20,165	(52,913)	32,066	(65,719)
Hong Kong	87,220	(37,083)	24,106	(24,255)
Korea	–	(7,168)	–	–
	<u>107,385</u>	<u>(97,164)</u>	<u>56,172</u>	<u>(89,974)</u>
Interest (net)		<u>151</u>		<u>(7,208)</u>
Operating loss		<u>(97,013)</u>		<u>(97,182)</u>

Turnover for the prior period has been restated to exclude proceeds from disposal of investment properties to better reflect the nature of operation of the Group.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

5. OTHER REVENUE

	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
Other revenue includes the following income:		
Bank interest income	5,109	154
Other interest income	4,673	–
Exchange gain	1,420	646

6. OTHER OPERATING EXPENSES

	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
Other operating expenses comprise:		
Amortisation of premium on acquisition of associates	3,529	–
Amortisation of goodwill	169	–
Impairment loss of club debenture	750	–
Loss on disposal of club debenture	350	–
Provision for bad and doubtful debts	–	5,017
Provision for impairment loss/surrender of licence rights	4,644	17,739
Severance payment	739	1,182
Sundry expenses	–	489
	10,181	24,427

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

7. LOSS FROM OPERATIONS

	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	875	657
Depreciation and amortisation:		
Owned assets	3,035	2,457
Asset held under a hire purchase contract	16	12
Licence rights	833	1,285
Loss on disposal of property, plant and equipment	687	2,102
Operating lease payments in respect of rented premises	35,534	17,468
Provision for obsolete inventories	-	4,427
Retirement benefits scheme contributions (1.9.1998 to 31.8.1999: net of forfeited contributions of HK\$156,000)	37	163
Staff costs (including Directors' remuneration)	15,838	19,054
	15,875	19,217
and after crediting:		
Net operating lease rental income from rented premises	-	4,832
Operating lease rental income in respect of investment properties, net of outgoings of HK\$42,000 (1.9.1998 to 31.8.1999: HK\$420,000)	3,662	1,773

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

8. FINANCE COSTS

	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	1,571	1,243
Loan from former ultimate/ultimate holding company	1,832	423
Hire purchase charges	4	3
Other borrowings	497	–
	3,904	1,669
Interest on bank borrowings not wholly repayable within five years	5,727	5,693
	9,631	7,362

9. LOSS ARISING FROM INVESTMENT PROPERTIES

	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
Deficit arising on revaluation	8,188	12,374
Loss on disposal of investment properties and investment properties holding company	7,836	2,928
	16,024	15,302

10. DISCONTINUED OPERATIONS

During the period, the Group discontinued its retailing business in Hong Kong and the People's Republic of China ("PRC") through disposal of the relevant subsidiaries in order to refocus the business of the Group to e-commerce and other investment opportunities. The two effective dates of disposal of the retailing business were May 15, 2000 and August 24, 2000.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

10. DISCONTINUED OPERATIONS (Continued)

A gain of approximately HK\$417,000 arose on the disposal of the relevant subsidiaries, being the proceeds of disposal less the carrying amounts of the subsidiaries' net assets, attributable translation reserve and goodwill (Note 35).

The books of account of the relevant subsidiaries were delivered to the purchasers subsequent to the respective dates of disposals and are now kept by the purchasers. Accordingly, the consolidated income statement includes the results of such discontinued operations for the period from September 1, 1999 to the date of discontinuance on unaudited management accounts as follows:

	1.9.1999 to date of discontinuance HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
Turnover	105,393	49,147
Cost of sales and direct operating expenses	(50,081)	(43,231)
	55,312	5,916
Other revenues	2,718	491
Selling and administrative expenses	(70,282)	(39,173)
Other expenses	(2,623)	(17,971)
Finance costs	(2,068)	(1,117)
Loss for the period/year	(16,943)	(51,854)

In addition, the Group had also ceased the operation of battery cells manufacturing and licensing during the period. There was no turnover attributable to such business since its inception and the loss attributable to such business for the current period were 4,644,000, which represented the provision for impairment loss of related licence rights (see note 20).

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

11. DIRECTORS' REMUNERATION

	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	159	160
	159	160
Other emoluments paid to executive directors:		
Salaries and other benefits	6,874	4,003
Contractual payments for loss of office of former directors	1,300	–
	8,333	4,163

Emoluments of the directors were within the following bands:

	1.9.1999 to 31.12.2000 Number of directors	1.9.1998 to 31.8.1999 Number of directors
HK\$ nil to HK\$1,000,000	9	14
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	3	1

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

12. EMPLOYEES' EMOLUMENTS

The five individuals with the highest emoluments in the Group included five executive directors (1.9.1998 to 31.8.1999: two executive directors), whose emoluments are included in the amounts disclosed in note 11. The emoluments of the remaining three individuals for the year ended August 31, 1999 are as follows:

	1.9.1998 to 31.8.1999 HK\$'000
Salaries and other benefits	1,581
Contributions to a retirement benefits scheme	68
Severance payments	393
	<hr/> 2,042

Their emoluments are within the following bands:

	1.9.1998 to 31.8.1999 Number of employees
HK\$ nil to HK\$1,000,000	<hr/> 3

13. TAXATION

The taxation charge for the year represented the share of taxation other than in Hong Kong attributable to associates calculated at rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements for the current period as the Group incurred losses for both periods.

The taxation charge for the year ended August 31, 1999 represented adjustment of underprovision of Hong Kong Profits Tax in prior years.

Details of potential deferred taxation are set out in note 32.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

14. NET LOSS FOR THE PERIOD/YEAR

Of the Group's net loss for the period/year of approximately HK\$98,188,000 (1.9.1998 to 31.8.1999: HK\$97,023,000), a loss of approximately HK\$71,545,000 (1.9.1998 to 31.8.1999: HK\$111,834,000) has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss of the period of HK\$98,188,000 (1.9.1998 to 31.8.1999: HK\$97,023,000) and on the weighted average of 2,411,105,266 (1.9.1998 to 31.8.1999: 985,729,871) ordinary shares in issue during the period.

No diluted loss per share has been calculated for the period/year as the exercise of the share options and convertible note would result in a decrease in the loss per share.

16. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
AT VALUATION	
At September 1, 1999	76,500
Additions	10,386
Disposals	(5,800)
On disposal of subsidiaries	(10,298)
Deficit on revaluation	(8,188)
At December 31, 2000	62,600

At December 31, 2000, the Group's investment properties were revalued on an open market value basis by Chung, Chan & Associates, a firm of independent valuers, at HK\$62,600,000. The net deficit arising on valuation of HK\$8,188,000 has been charged to the income statement.

Investment properties with a carrying value of HK\$2,050,000 (31.8.1999: HK\$48,500,000) were rented out under operating leases at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

16. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are all situated in Hong Kong. The investment properties are held under the following lease terms:

	31.12.2000	31.8.1999
	HK\$'000	HK\$'000
Long leases	52,050	55,200
Medium-term leases	10,550	21,300
	62,600	76,500

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP						
COST						
At September 1, 1999	10,769	17,055	18,518	730	–	47,072
Additions	–	704	1,398	247	17,545	19,894
Disposals	–	(1,371)	(4,627)	(190)	–	(6,188)
On disposal of subsidiaries	(10,769)	(15,910)	(14,360)	(787)	–	(41,826)
At December 31, 2000	–	478	929	–	17,545	18,952
DEPRECIATION						
At September 1, 1999	835	12,409	16,721	730	–	30,695
Provided for the period	151	1,904	945	51	–	3,051
Eliminated on disposals	–	(950)	(4,361)	(190)	–	(5,501)
Eliminated on disposal of subsidiaries	(986)	(13,277)	(13,140)	(591)	–	(27,994)
At December 31, 2000	–	86	165	–	–	251
NET BOOK VALUES						
At December 31, 2000	–	392	764	–	17,545	18,701
At August 31, 1999	9,934	4,646	1,797	–	–	16,377

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of the Group's leasehold land and buildings as at August 31, 1999 are situated in PRC, other than Hong Kong, and are held under the following lease terms:

	<i>HK\$'000</i>
Long leases	1,735
Medium leases	8,199
	<hr/> 9,934

The net book value of furniture, fixtures and equipment includes an amount of HK\$32,000 (31.8.1999: HK\$48,000) in respect of asset held under a hire purchase contract.

	Leasehold improvements HK\$'000
THE COMPANY	
COST	
Additions during the period and balance at December 31, 2000	478
DEPRECIATION	
Provided for the period and balance at December 31, 2000	(86)
NET BOOK VALUE	
At December 31, 2000	392

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	31.12.2000	31.8.1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	212,902	46,869
Less: Impairment losses recognised	(46,869)	(46,869)
	<hr/> 166,033	<hr/> -
Amounts due from subsidiaries	444,349	346,225
Provision for amounts due from subsidiaries	(361,111)	(336,659)
	<hr/> 83,238	<hr/> 9,566
	<hr/> 249,271	<hr/> 9,566

Details of the principal subsidiaries of the Company as at December 31, 2000 are set out in note 44.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

19. GOODWILL

	THE GROUP HK\$'000
COST	
Additions during the period and balance at December 31, 2000	3,371
AMORTISATION	
Provided for the period and balance at December 31, 2000	(169)
NET BOOK VALUE	
At December 31, 2000	3,202

The goodwill represents principally premium arising on acquisition of subsidiaries and is amortised over a period of ten years.

20. LICENCE RIGHTS

	THE GROUP HK\$'000
COST	
At September 1, 1999	19,299
On disposal of a subsidiary	(3,855)
At December 31, 2000	15,444
PROVISION AND AMORTISATION	
At September 1, 1999	10,800
Impairment losses recognised	4,644
Provided for amortisation for the period	833
Eliminated on disposal of a subsidiary	(833)
At December 31, 2000	15,444
NET BOOK VALUE	
At December 31, 2000	–
At August 31, 1999	8,499

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

20. LICENCE RIGHTS (continued)

The Group has the licence rights to develop, manufacture and sell certain types of cylindrical alkaline manganese battery cells and to grant sub-licence for the same purposes in the People's Republic of China including Hong Kong.

According to the licence agreement, since the Group was unable to conclude any sub-licence agreement, the licensor is entitled to commence negotiation with others for the granting of the master licence in the same territory. In opinion of the directors, the Group is not intended to develop any business relating to this licence agreement. Accordingly, the value of the licence rights had been fully provided.

At August 31, 1999, the Group also had the licence rights for the production, distribution and marketing of leather goods under the brandname "Giovanni Valentino" over the territories of the People's Republic of China, including Hong Kong and Macau which was stated at cost less amortisation of HK\$3,855,000. The subsidiary holding the licence lights was disposed of during the period as part of the cessation of the retailing business of the Group (see note 10).

21. INTERESTS IN ASSOCIATES

	THE GROUP	
	31.12.2000	31.8.1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	107,205	–
Premium on acquisition of associates	60,897	–
	168,102	–

Details of the Group's associates as at December 31, 2000 are set out in note 44.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

21. INTERESTS IN ASSOCIATES (Continued)

The following information relates to the Group's significant associates, namely IBR Inc. ("IBR") and Xin Hua Control Engineering Co. Ltd. ("Xin Hua") for the period ended December 31, 2000:

	IBR HK\$'000	Xin Hua HK\$'000
Operating results		
Turnover	2,729	226,970
Profit (loss) for the period	(33,323)	25,467
Profit (loss) for the period attributable to the Group	(5,493)	1,415
Financial position:		
Property, plant and equipment	159,477	27,698
Investments	15	2,434
Other assets	2,901	2,477
Current assets	126,064	228,352
Current liabilities	(16,035)	(150,657)
Non-current liabilities	(2,524)	-
Net assets	269,898	110,304
Net assets attributable to the Group	60,457	45,225

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

22. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	31.12.2000 HK\$'000	31.8.1999 HK\$'000	31.12.2000 HK\$'000	31.8.1999 HK\$'000
Investment securities, carried at cost less impairment:				
Unlisted shares	52,965	–	38,965	–
Club debentures	1,050	2,150	–	–
	54,015	2,150	38,965	–
Other investments, carried at market value:				
Convertible bonds listed overseas	7,722	–	7,722	–
	61,737	2,150	46,687	–
Carrying amount analysed for reporting purposes as:				
Non-current	61,737	2,150	46,687	–

The convertible bonds are issued by a subsidiary of a shareholder of the Company.

23. DEPOSITS FOR INVESTMENT PROJECTS**THE GROUP**

The amount represents deposits paid for investment projects. An amount of HK\$47,169,000 is related to two investment projects which have been completed subsequent to the balance sheet date (see note 43).

The amount also includes an amount of HK\$50,117,000 representing deposit paid to an associate of a shareholder of the Company in respect of investment in a potential project. The deposit was interest bearing at Hong Kong prime interest rate and interest income from the deposit for the period amounted to HK\$3,310,000. The deposit was fully refunded to the Company after the balance sheet date following the termination of the potential investment project.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

24. OTHER DEPOSIT

THE GROUP

Pursuant to a Call Option Agreement entered into between eGoChina Holdings Limited, a subsidiary of the Company and the shareholders of Beijing eGoChina eCommerce Co., Ltd. ("Beijing eGoChina"), which is a shareholder of eGoChina.com consultancy Services Co., Ltd., a subsidiary of eGoChina Holdings Limited, the shareholders of Beijing eGoChina granted a call option to eGoChina Holdings Limited or its nominee to purchase all their interest in Beijing eGoChina at a consideration of US\$2,000,000. At the balance sheet date, US\$2,000,000 was paid to the shareholders of Beijing eGoChina as deposit for call option.

25. DEBTORS AND CREDITORS

THE GROUP

The Group did not have any trade debtors and creditors as at December 31, 2000 as the Group's major business at December 31, 2000 is e-commerce and investment holding and the business of e-commerce has not yet commenced.

During the period, the Group disposed of the subsidiaries engaged in the business of retailing operations. As the books and records of the retailing operations had been delivered to and are now kept by the purchasers, and due to the change of Group's management, in opinion of the directors, the Group is unable to obtain sufficient information to present the aged analysis of trade debtors and creditors as at August 31, 1999.

26. AMOUNTS DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY, DUE TO A SHAREHOLDER AND LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

THE GROUP

The amounts are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

27. SECURED BANK BORROWINGS

	THE GROUP	
	31.12.2000	31.8.1999
	HK\$'000	HK\$'000
Bank borrowings comprise the following:		
Bank overdrafts	–	5,064
Trust receipt loans	–	11,635
Bank loans	32,375	50,410
	32,375	67,109
The bank borrowings are repayable as follows:		
Within one year	1,103	23,489
More than one year, but not exceeding two years	1,103	2,040
More than two years, but not exceeding five years	3,308	7,602
More than five years	26,861	33,978
	32,375	67,109
Less: Amount due within one year shown under current liabilities	(1,103)	(23,489)
	31,272	43,620

The bank borrowings are secured by the pledge of assets as detailed in note 38.

28. OBLIGATIONS UNDER A HIRE PURCHASE CONTRACT

	THE GROUP	
	31.12.2000	31.8.1999
	HK\$'000	HK\$'000
The maturity of obligations under a hire purchase contract is as follows:		
Within one year	10	13
More than one year, but not exceeding two years	–	14
	10	27
Less: Amount due within one year shown under current liabilities	(10)	(13)
Amount due after one year	–	14

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

29. SHARE CAPITAL

	Number of shares		Share capital	
	31.12.2000	31.8.1999	31.12.2000 HK\$'000	31.8.1999 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning of period/year	3,000,000,000	3,000,000,000	300,000	300,000
Increase on April 20, 2000	3,000,000,000	–	300,000	–
At end of period/year	6,000,000,000	3,000,000,000	600,000	300,000
Issued and fully paid:				
At beginning of period/year	1,044,636,470	983,727,380	104,464	98,373
Issued in consideration for the acquisition of investment properties (note a)	90,454,544	60,909,090	9,046	6,091
Issued to Fantasy Resources Limited (note b)	1,100,000,000	–	110,000	–
Placement to third parties (note b)	300,000,000	–	30,000	–
Issued to Atlantic Cay International Limited (note c)	500,000,000	–	50,000	–
Issued to ML IBK Position, Inc. (note c)	50,000,000	–	5,000	–
Conversion of convertible note (note d)	33,333,333	–	3,333	–
Issued in consideration for the acquisition of associates and investments (note e and f)	516,951,220	–	51,695	–
Shares repurchased and cancelled (note g)	(1,080,000)	–	(108)	–
At end of period/year	3,634,295,567	1,044,636,470	363,430	104,464

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

29. SHARE CAPITAL (Continued)

By a resolution passed at the special general meeting of the Company held on April 20, 2000, the authorised share capital of the Company was increased from HK\$300,000,000 to HK\$600,000,000 by the creation of an additional 3,000,000,000 ordinary shares of HK\$0.10 each. Such shares rank pari passu with the then existing issued and unissued shares in all respects.

Details of movements of the issued share capital during the period and as follows:

- (a) On August 3, 1999, the Group entered into four conditional sale and purchase agreements for the acquisition of leasehold properties for an aggregate consideration of HK\$16,650,000 which was to be satisfied by the allotment and issue of 151,363,634 shares of HK\$0.10 each in the capital of the Company at an issue price of HK\$0.11 per share.

Upon the completion of the acquisition of the properties in Hong Kong on August 20, 1999, the Company allotted and issued 50,000,000 and 10,909,090 shares of HK\$0.10 each in the Company to Kinlap International Investment Limited and Mr. Liang Wentao respectively, at a price of HK\$0.11 per share, credited as fully paid.

During the period, the Company allotted and issued 9,545,454 shares and 80,909,090 shares of HK\$0.10 each in the Company to Kinlap International Investment Limited and Upper Like Investments Limited, at a price of HK\$0.11 per share, credited as fully paid, upon the completion of the purchase of the other properties in Macau and the PRC respectively.

- (b) On January 5, 2000, the Company and Fantasy Resources Limited ("Fantasy"), a wholly-owned subsidiary of Silver Grant International Industries Limited, entered into a conditional subscription agreement pursuant to which the Company agreed to issue and Fantasy agreed to subscribe for 1,100,000,000 shares of HK\$0.10 each for cash at par.

On the same date, the Company entered into a conditional placing agreement to place 300,000,000 shares of HK\$0.10 each for cash at par to independent third parties.

- (c) On March 20, 2000, the Company entered into a conditional subscription agreement pursuant to which Atlantic Cay International Limited ("Atlantic Cay"), which is owned by several Capital Venture funds managed by E.M. Warburg, Pincus & Co. LLC and ML IBK Position, Inc., a wholly-owned subsidiary of Merrill Lynch & Co., have agreed to subscribe for 500,000,000 and 50,000,000 new shares of HK\$0.10 each of the Company respectively for cash at HK\$0.40 per share.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

29. SHARE CAPITAL (Continued)

- (d) On December 23, 1999, a sale and purchase agreement was entered into between the Group and Yuan Heng Electronics Co., Ltd., Ms. Du Ming Fen, Mr. Du Ming Kun and Mr. Wong Sing Wan for the sale and purchase of 35% interest in the share capital of Shenzhen Yuanheng Liquid Crystal Display Industry Development Co. Ltd., an associate of the Group, and for a consideration of HK\$7,000,000 which was satisfied by way of HK\$2,000,000 in cash and the issue of a convertible note by the Company in the principal amount of HK\$5,000,000.

The convertible note was fully converted into 33,333,333 shares of HK\$0.10 each in the Company at a conversion price of HK\$0.15 per share during the period.

- (e) On June 12, 2000, the Company entered into a conditional sale and purchase agreement with Warburg, Pincus Ventures, L. P. ("WPV") to acquire from WPV the entire equity interest in and shareholder's loan to New China Control Systems Limited at a consideration of US\$10,000,000 which was satisfied by the issue and allotment of 211,382,114 new shares of HK\$0.10 each in the Company. New China Control Systems Limited is an investment holding company which holds a 41% interest in Xin Hua Control Engineering Company Limited.

On the same date, the Company entered into a conditional sale and purchase agreement with Warburg, Pincus Venture International, L.P., Warburg, Pincus Equity Partners, L.P., Warburg, Pincus Netherlands Equity Partners I, C.V., Warburg, Pincus Netherlands Equity Partners II, C.V., and Warburg, Pincus Netherlands Equity Partners III, C.V. (collectively known as "WP Seoul I Vendors") to acquire from WP Seoul I Vendors the entire interest in WP Seoul I at a consideration of US\$12,800,000 which was satisfied by the issue and allotment of 270,569,106 new shares of HK\$0.10 each in the Company. WP Seoul I is an investment holding company which holds a 22.4% interest in IBR Inc. at the balance sheet date.

- (f) On September 11, 2000, the Group entered into a conditional agreement with Win Profits Investments Limited ("Win Profits") to acquire from Win Profits its entire equity interest in Great Choices International Limited ("Great Choices"), representing 15.29% of the entire issued share capital of Great Choices at a consideration of HK\$14,000,000 which was satisfied by the issue and allotment of 35,000,000 new shares of HK\$0.10 each in the Company at HK\$0.40 per share.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

29. SHARE CAPITAL (Continued)

- (g) During the period, the Company repurchased its own shares on the Hong Kong Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
October 2000	1,080,000	0.300	0.298	322,500

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

All the new ordinary shares issued by the Company during the period ranked pari passu with the then existing ordinary shares of the Company in all respects.

30. SHARE OPTION SCHEMES**(a) Company's share option scheme**

The Company has a share option scheme (the "Scheme") under which the Board of Directors of the Company may, at its discretion, grant options to any eligible employees of the Group including directors of the Company or its subsidiaries, to subscribe for shares in the share capital of the Company at any time within ten years from July 26, 1993, date of approval of the Scheme. The subscription price of the option granted under the Scheme is the higher of the nominal value of the shares and 80 per cent of the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the grant of the option.

During the period, options were granted under the Scheme to subscribe for 210,000,000 ordinary shares of the Company at any time from the date of grant to and including July 25, 2003 at exercise prices ranging from HK\$0.29 to HK\$0.52 per share. No option was exercised during the period.

No consideration was received by the Company or the Group for options granted during the period.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

30. SHARE OPTION SCHEMES (Continued)

(b) Subsidiary's share option scheme

The Company's subsidiary, eGoChina Holdings Limited ("eGoChina Holdings") operates a share option scheme pursuant to which the board of directors of eGoChina Holdings may, at its discretion, grant options to any employee of eGoChina Holdings and its subsidiaries at HK\$1 per option to subscribe for ordinary shares in the capital of eGoChina Holdings. The subscription price is determined by the board of eGoChina Holdings and notified to each grantee and shall not be less than 80 per cent of the latest subscription price of shares of eGoChina Holdings immediately preceding the date of offer of the option granted to a grantee or the nominal value of the share of eGoChina Holdings, whichever is the higher.

An option may be exercised in accordance with the terms of the scheme at any time during a period to be notified by the board of eGoChina Holdings to each grantee and in any event such period of time should not exceed 10 years commencing from the date of the option is accepted. No options were granted during the period.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

31. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP					
At September 1, 1998	81,620	-	(1,528)	(48,439)	31,653
Premium arising from issue of shares	609	-	-	-	609
Capital reserve arising on acquisition of subsidiaries	-	510	-	-	510
Net loss for the year	-	-	-	(97,023)	(97,023)
At September 1, 1999	82,229	510	(1,528)	(145,462)	(64,251)
Premium arising from issue of shares	306,273	-	-	-	306,273
Premium on repurchase of shares	(215)	-	-	-	(215)
Exchange difference arising on translation of overseas operations	-	-	(8,915)	-	(8,915)
Realised on disposal of subsidiaries	-	(510)	1,528	-	1,018
Net loss for the period	-	-	-	98,188	(98,188)
At December 31, 2000	388,287	-	(8,915)	(243,650)	135,722
Attributable to:					
The Company and subsidiaries	388,287	-	10	(240,243)	148,054
Associates	-	-	(8,925)	(3,407)	(12,332)
	388,287	-	(8,915)	(243,650)	135,722

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

31. RESERVES (Continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY				
At September 1, 1998	81,620	43,852	(109,691)	15,781
Premium arising from issue of shares	609	–	–	609
Net loss for the year	–	–	(111,834)	(111,834)
At September 1, 1999	82,229	43,852	(221,525)	(95,444)
Premium arising from issue of shares	306,273	–	–	306,273
Premium on repurchase of shares	(215)	–	–	(215)
Net loss for the period	–	–	(71,545)	(71,545)
At December 31, 2000	388,287	43,852	(293,070)	139,069

The contributed surplus represents the difference between the value of net assets of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries in 1991.

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

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

The Company did not have any distributable reserve as at December 31, 2000 and August 31, 1999.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

32. POTENTIAL DEFERRED TAXATION

The major components of the potential deferred taxation asset (liability) not recognised at the balance sheet date are as follows:

	THE GROUP		THE COMPANY	
	31.12.2000 HK\$'000	31.8.1999 HK\$'000	31.12.2000 HK\$'000	31.8.1999 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses carried forward	14,815	11,820	1,758	1,802
Excess of tax depreciation allowance over accounting depreciation	(109)	(3)	–	–
	14,706	11,817	1,758	1,802

The potential deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

Deferred taxation has not been provided on the revaluation difference of investment properties as profits arising from disposal of these assets will not be subject to taxation and accordingly the revaluation difference does not constitute a timing difference to taxation purpose.

The amount of unrecognised deferred tax credit (charge) for the period is as follows:

	THE GROUP		THE COMPANY	
	31.12.2000 HK\$'000	31.8.1999 HK\$'000	31.12.2000 HK\$'000	31.8.1999 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses arising (utilised)	2,995	3,322	(44)	44
Excess of tax depreciation allowance over accounting depreciation	(106)	(16)	–	–
	2,889	3,306	(44)	44

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

33. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
Loss before taxation	(97,013)	(97,182)
Share of results of associates	1,082	-
Amortisation of goodwill	169	-
Amortisation of premium on acquisition of associates	3,529	-
Gain on deemed disposal of subsidiaries	(11,513)	-
Loss on deemed disposal of an associate	422	-
Deficit arising on revaluation of investment properties	8,188	12,374
Provision for impairment loss/surrender of licence rights	4,644	17,739
Provision for bad and doubtful debts	-	5,017
Provision for inventories	-	4,427
Depreciation and amortisation	3,884	3,754
Loss on disposal of investment properties	72	2,928
Loss on disposal of property, plant and equipment	687	2,102
Loss on disposal of club debenture	350	-
Impairment loss of club debenture	750	-
Provision for impairment loss of investment in securities	38,965	-
Provision for inventories written back	(669)	-
Loss on disposal of subsidiaries	7,347	-
Interest expense	9,631	7,362
Interest income	(9,782)	(154)
Decrease in inventories	10,639	16,948
(Increase) decrease in debtors, deposits and prepayments	(16,586)	4,549
Increase (decrease) in creditors and accrued charges	5,987	(9,951)
Net cash outflow from operating activities	(39,217)	(30,087)

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

34. ACQUISITION OF SUBSIDIARIES

	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
Net assets acquired:		
Interests in associates	119,114	–
Property, plant and equipment	–	4,491
Licence rights	–	14,159
Inventories	–	4,117
Debtors, deposits and prepayments	1,151	8,370
Pledged bank deposit	–	10,440
Bank balances and cash	16,431	1,604
Creditors and accrued charges	(96)	(20,139)
Loan from a minority shareholder	–	(707)
Bank overdrafts	–	(5,389)
Trust receipt loans	–	(12,852)
Bank loans	–	(3,344)
Minority interests	(4,071)	(170)
	132,529	580
Premium arising on acquisition of associates and attributable goodwill (capital reserve arising on acquisition)	61,641	(510)
	194,170	70
Satisfied by:		
Shares allotted	177,358	–
Cash paid	16,812	70
	194,170	70
Net cash outflow arising on acquisition:		
Cash consideration	(16,812)	(70)
Bank balances and cash acquired	16,431	1,604
Bank overdrafts acquired	–	(5,389)
Trust receipts loan acquired	–	(12,852)
	(381)	(16,707)

During the period since acquisition, the acquired subsidiaries had no significant effect on the cash flows of the Group.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

35. DISPOSAL OF SUBSIDIARIES

	Disposal of discontinued operations HK\$'000	1.9.1999 to 31.12.2000 Other disposal HK\$'000	Total HK\$'000	1.9.1998 to 31.8.1999 Total HK\$'000
Net assets disposed of:				
Investment properties	–	10,298	10,298	–
Licence rights	3,022	–	3,022	–
Property, plant and equipment	4,046	9,786	13,832	–
Inventories	10,640	–	10,640	–
Debtors, deposits and prepayments	13,014	779	13,793	–
Bank balances and cash	6,769	–	6,769	–
Creditors and accrued charges	(25,248)	(335)	(25,583)	–
Bank overdrafts	(3,659)	–	(3,659)	–
Bills payable	(7,934)	–	(7,934)	–
Bank loan	(1,682)	–	(1,682)	–
	(1,032)	20,528	19,496	–
Attributable capital revenue	(510)	–	(510)	–
Translation reserve realised	1,528	–	1,528	–
	(14)	20,528	20,514	–
Gain/(Loss) on disposal	417	(7,764)	(7,347)	–
Total consideration	403	12,764	13,167	–
Net cash inflow arising on disposal:				
Cash consideration	403	12,945	13,348	–
Less: Legal and professional fee	–	(181)	(181)	–
Bank balances and cash disposed of	(6,769)	–	(6,769)	–
Bank overdrafts disposed of	3,659	–	3,659	–
Bills payable disposed of	7,934	–	7,934	–
	5,227	12,764	17,991	–

The subsidiaries disposed of during the period contributed HK\$21,708,000 to the Group's net operating cash flows, paid HK\$2,485,000 in respect of the net returns on investment and servicing of finance, utilised HK\$11,440,000 for investing activities and repaid HK\$3,274,000 in respect of financing activities.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

36. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions are detailed in note 29 to the financial statements.

37. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD

	Share capital HK\$'000	Share premium HK\$'000	Bank loans HK\$'000	Obligations under a hire purchase contract HK\$'000	Loan from former ultimate/ holding company HK\$'000	Loan from a minority shareholder to a subsidiary HK\$'000	Minority interests HK\$'000	Amount due to a shareholder HK\$'000
Balance as at September 1, 1998	98,373	81,620	-	-	-	-	-	-
Advances during the year	-	-	66,369	-	19,215	-	-	-
Repayments during the year	-	-	(19,303)	(8)	-	-	-	-
Other movements not involving cash flows:								
Issue of new shares for acquisition of investment properties	6,091	609	-	-	-	-	-	-
On acquisition of subsidiaries	-	-	3,344	-	-	707	170	-
Inception of obligations under a hire purchase contract	-	-	-	35	-	-	-	-
Loss for the year attributable to minority shareholders	-	-	-	-	-	-	(170)	-
Balance as at September 1, 1999	104,464	82,229	50,410	27	19,215	707	-	-
Advances during the period	-	-	-	-	-	46	-	4,892
Repayments during the period	-	-	(16,353)	(17)	(19,215)	-	-	-
Issue of shares for cash	195,000	164,038	-	-	-	-	-	-
Share repurchased and cancelled	(108)	(215)	-	-	-	-	-	-
Capital contributed by minority shareholders	-	-	-	-	-	-	27,839	-
Other movements not involving cash flows:								
Issue of new shares for acquisition of investment properties	9,046	905	-	-	-	-	-	-
On acquisition of subsidiaries	48,195	129,163	-	-	-	-	4,071	-
On acquisition of associate	3,333	1,667	-	-	-	-	-	-
On acquisition of investment	3,500	10,500	-	-	-	-	-	-
On disposal of subsidiaries	-	-	(1,682)	-	-	-	-	-
Exchange adjustments	-	-	-	-	-	-	(10)	-
Loss for the period	-	-	-	-	-	-	(1,150)	-
Gain on deemed disposal of subsidiaries	-	-	-	-	-	-	(11,513)	-
Balance as at December 31, 2000	363,430	388,287	32,375	10	-	753	19,237	4,892

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

38. PLEDGE OF ASSETS

	THE GROUP		THE COMPANY	
	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000	1.9.1999 to 31.12.2000 HK\$'000	1.9.1998 to 31.8.1999 HK\$'000
To secure the general banking facilities granted to the Group:				
Investment properties	45,300	61,300	-	-
Leasehold land and buildings	-	4,769	-	-
Bank deposits	-	10,440	-	-
	45,300	76,509	-	-

39. CONTINGENT LIABILITIES**THE GROUP AND THE COMPANY**

At December 31, 2000, the Group and the Company has given an unlimited corporate guarantee to a bank for general bank facilities granted to certain former subsidiaries engaged in retailing business. The banking facilities utilised by the former subsidiaries at December 31, 2000 were approximately HK\$9,637,000. Subsequent to the balance sheet date, the unlimited corporate guarantee was terminated.

THE COMPANY

At December 31, 2000, the Company has given an unlimited corporate guarantee to a bank for general banking facilities granted to a subsidiary. The banking facilities utilised by the subsidiary at December 31, 2000 were approximately HK\$32,375,000 (31.8.1999: HK\$45,454,000).

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

40. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments payable in the following period under non-cancellable operating leases in respect of rented properties as follows:

	THE GROUP	
	31.12.2000	31.8.1999
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	–	5,667
In the second to fifth year inclusive	1,413	27,333
	1,413	33,000

The Company did not have any lease commitments at the balance sheet date.

41. RETIREMENT BENEFITS SCHEME

In December 2000, the Group enrolled all eligible employees into a Mandatory Provident Fund ("MPF") Scheme. The assets of MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The Group operated a defined contribution retirement benefits scheme for all qualifying employees for the year ended August 31, 1999. The assets of the scheme are held separately from those of the Group under the control of independent trustees. The amount charged to the income statement represents contributions paid and payable to the scheme by the Group at rates specified in the rules of the scheme less forfeiture arising from employees leaving the Group prior to completion of qualifying service period, if any. At August 31, 1999, the Group had no significant amount of forfeited contributions which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable in future years.

The defined contribution retirement benefits scheme was terminated during the period.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

42. RELATED PARTY TRANSACTIONS

During the period, the Group had the following related party transactions:

- (a) An agreement dated June 12, 2000 was entered into between the Company and Warburg, Pincus Ventures, L.P. ("WPV"). WPV is an associate of a substantial shareholder of the Company, Atlantic Cay International Limited ("Atlantic Cay"). Pursuant to the terms and conditions set out therein, the Company agreed to acquire from WPV 1 share of US\$1.00 in the capital of New China Control System Limited ("New China") representing its entire issued share capital and the loan in principal amount of US\$3,375,000 due and owing by New China to WPV, at a consideration of US\$10,000,000. The consideration was satisfied by the issue and allotment of 211,382,114 shares of HK\$0.10 each of the Company to WPV.
- (b) An agreement dated June 12, 2000 was entered into between the Company and Warburg, Pincus Venture International, L.P., Warburg, Pincus Equity Partners, L.P., Warburg, Pincus Netherlands Equity Partner I, C. V., Warburg, Pincus Netherlands Equity Partners II, C.V., and Warburg, Pincus Netherlands Equity Partners III, C.V. (collectively known as "WP Seoul I Vendors"). WP Seoul I Vendors are the beneficial shareholders of the entire issued share capital of Atlantic Cay. Pursuant to the terms and conditions set out therein, the Company agreed to acquire the entire issued share capital of WP Seoul I, Inc. which is the registered owner of 133,940 common shares of IBR, Inc., representing 22.57% of its equity interest. The consideration payable by the Company is US\$12,800,000 which was satisfied by the issue and allotment of 270,569,106 shares of HK\$0.10 each of the Company to Atlantic Cay.
- (c) Rado International Limited ("Rado"), a wholly-owned subsidiary of the Company and Ms. Ni Lin and Mr. Li Zhi Qiang, the founders of eGoChina.com Consultancy Services Co., Ltd. (a subsidiary of eGoChina Holdings Limited), who respectively holds 83.33% and 16.67% interest in eGoChina Holdings Limited entered into an agreement with Atlantic Cay, iVentures I, L.P. and Comtech Development Co., Ltd. (collectively the "Investors") and eGoChina Holdings Limited on June 12, 2000 for the subscription of the Series A voting convertible preferred shares of US\$0.001 each in the capital of eGoChina Holdings Limited ("Preferred Shares") by the Investors. The subscription price of the Preferred Shares was an aggregate of US\$3,100,000. The subscription price payable by Atlantic Cay and iVentures I, L.P. were US\$2,000,000 and US\$1,000,000 respectively which were satisfied in cash while the amount of US\$100,000 payable by Comtech Development Co., Ltd. was satisfied by the provision of information technology services.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

42. RELATED PARTY TRANSACTIONS (Continued)

- (d) On September 11, 2000, Datalink Asia Limited, a wholly-owned subsidiary of the Company entered into an agreement with Win Profits Investments Limited ("Win Profits") to acquire from Win Profits its entire equity interest in Great Choices International Limited ("Great Choices"), representing 15.29% of the entire issued share capital of Great Choices at a consideration of HK\$14,000,000. The consideration was satisfied by the issue and allotment of 35,000,000 shares of HK\$0.10 each of the Company to Win Profits. The entire issued share capital of Win Profits is wholly and beneficially owned by Mr. Koo Fook Sun Louis, a director of the Company.
- (e) On December 11, 2000, eGoChina Holdings Limited entered into a subscription agreement with Rado and Atlantic Cay whereby Rado and Atlantic Cay agreed to subscribe for 1,000,000 and 2,000,000 Preferred Shares respectively at an aggregate consideration of US\$3,000,000. The consideration was satisfied in cash. The transaction was completed in January 2001 after approval at the Special General Meeting of the Company held on January 15, 2001.
- (f) Silver Grant International Industries Limited, a substantial shareholder of the Company, made an unsecured and interest free advance amounting to approximately HK\$4,892,000 at December 31, 2000 to the Group. The loan is repayable on demand.
- (g) Project China Holdings Limited, a former ultimate holding company of the Company, advanced an unsecured loan amounting to approximately HK\$19,215,000 at August 31, 1999 to the Company. The loan bore interest at 1% above Hong Kong Prime Rate per annum. The interest expenses paid to the Project China Holdings Limited during the period was approximately HK\$1,832,000 (1.9.1998 to 31.8.1999: HK\$423,000). The loan was fully repaid during the period.

43. POST BALANCE SHEET EVENTS

- (a) On June 20, 2000, Aceway International Limited, a wholly owned subsidiary of the Company, entered into an agreement for the subscription of and sale and purchase of, shares in 9xo9.com Limited. 9xo9.com Limited is engaged in the business of provision of application server. The acquisition of the investment was completed in March 2001. At the balance sheet date, a deposit of HK\$15,300,000 was paid for the investment project.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

43. POST BALANCE SHEET EVENTS (Continued)

- (b) On December 11, 2000, eGoChina Holdings Limited entered into a subscription agreement with Rado and Atlantic Cay whereby Rado and Atlantic Cay agreed to subscribe for 1,000,000 and 2,000,000 Preferred Shares in eGoChina Holdings respectively at an aggregate consideration of US\$3,000,000. The subscription was completed subsequent to the balance sheet date and the interest of the Group in eGoChina Holdings was diluted to 55.01% (on a fully diluted basis).
- (c) In April, 2001, Deco Investment Limited, a wholly owned subsidiary of the Company, acquired the entire issued share capital of Citystar Venture Limited ("Citystar") at a consideration of HK\$42,000,000. Citystar holds the entire issue capital of Beijing Starhood Digital Technology Co., Ltd. which is engaged in the business of provision of technical advisory services and production of digital products. At the balance sheet date, a deposit of HK\$31,869,000 was paid in relation to this investment project.
- (d) Subsequent to the balance sheet date, the Group disposed of an investment property with a carrying value of HK\$4,300,000 at a consideration of HK\$4,800,000.
- (e) Subsequent to the balance sheet date, the Group repurchased an aggregate of 2,050,000 shares of the Company for a total consideration of HK\$417,000. The price per share ranged from HK\$0.194 to HK\$0.209.

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) Details of the Company's principal subsidiaries as at December 31, 2000 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Alyo Limited	Hong Kong	HK\$2	-	100	Property investment
Eastern Pith Investment Limited	Hong Kong	HK\$100	-	100	Property investment
Hanka Limited	Hong Kong	HK\$2	-	100	Holding of club membership
Osebery Company Limited	Hong Kong	HK\$100	-	100	Investment holding and property investment
Peaceway Investment Limited	Hong Kong	HK\$100	-	100	Property investment
Righteous Investments Company Limited	Hong Kong	HK\$2,500,000	100	-	Provision of management services and property investment
Righteous Management Limited	Hong Kong	HK\$2	100	-	Provision of management services
Silvernet Resources Limited	Hong Kong	HK\$2	100	-	Provision of management services
Sinolike Investment Limited	Hong Kong	HK\$2	-	100	Property investment
Xedak International Limited	Hong Kong	HK\$2	-	100	Property investment
Xeno International Limited	Hong Kong	HK\$2	-	100	Property investment
北京意高神州資訊服務 有限公司 (Beijing eGoChina.com Consultancy Services Co., Ltd.)	People's Republic of China	US\$5,000,000	-	52	Provision of management and technical consultancy services
eGoChina Holdings Limited	Cayman Islands	Ordinary US\$39,050 Preferred US\$10,950	-	58	Investment holding

NOTES TO THE FINANCIAL STATEMENT

For the period from September 1, 1999 to December 31, 2000

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

- (a) Details of the Company's principal subsidiaries as at December 31, 2000 are as follows:
(Continued)

None of the subsidiaries had any loan capital outstanding at the end of the period, or at any time during the period.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the period 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.

- (b) Details of the Group's associates at December 31, 2000 are as follows:

Name of Company	Place of incorporation/ registration	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Principal activities
IBR Inc.	Korea	22.40%	Provision of internet connection infrastructure related services in Korea
Shenzhen Yuanheng Liquid Crystal Display Industry Development Co. Ltd.	PRC	35%	Production of the Indium Tin Oxide, electroluminescent little night lamps and electroluminescent
Xin Hua Control Engineering Company Limited	PRC	41%	Manufacture and sale of control systems for power plant and large scale manufacturing plants