

31 December 2000

1. CORPORATE INFORMATION

The principal activities of the Group are the manufacturing, sourcing and sale of baby care products and the provision of multimedia contents and services.

In the opinion of the directors, the ultimate holding company of the Company is CCT Telecom Holdings Limited ("CCT Telecom"), which is incorporated in the Cayman Islands with limited liability and listed on The Stock Exchange of Hong Kong Limited.

2. CHANGE OF FINANCIAL YEAR END DATE

In order to be coterminous with the financial year end date of the Company's ultimate holding company, the financial year end date of the Company was changed from 31 March to 31 December with effect from 1 April 2000. These financial statements cover a period of nine months from 1 April 2000 to 31 December 2000. Accordingly, the comparative amounts presented for the profit and loss account, statement of recognised gains and losses, cash flows and related notes are not for a comparable time period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period ended 31 December 2000. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess of the purchase consideration paid for subsidiaries over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year/period of acquisition.

On disposal of subsidiaries, the relevant portion of attributable goodwill or capital reserve previously eliminated against reserves on consolidation is released and accounted for in determining the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fixed assets and depreciation (continued)**

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

Leasehold land	Over the lease terms
Buildings	2.5%
Leasehold improvements	50%
Tools, moulds and equipment	20% - 50%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Plant and machinery	25%

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year/period. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of the previous valuations is released to the profit and loss account.

Club memberships

Club memberships are intended to be held for long term purposes. They are stated at cost less any provisions for impairments in values, other than temporary in nature, deemed necessary by the directors, on an individual membership basis.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their estimated fair values on an individual investment basis, as determined by the directors having regard to, such as, the prices of the most recent reported sale or purchases of the securities. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

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

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Leased assets (continued)**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Retirement benefits scheme

The Group operates a defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss accounts as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect of the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. Any resulting translation differences are included in the exchange fluctuation reserve.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) income from the provision of multimedia contents and services, when the services are rendered;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

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4. TURNOVER

Turnover principally represents the net invoiced value of goods sold, after allowances for returns and trade discounts and income from the provision of multimedia contents and services.

Revenue from the following activities has been included in turnover:

	Period from 1 April 2000 to 31 December 2000 HK\$'000	Year ended 31 March 2000 HK\$'000
Manufacturing, sourcing and sale of baby care products	109,254	174,826
Provision of multimedia contents and services	6,483	–
	115,737	174,826

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5. PROFIT FROM OPERATING ACTIVITIES

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

	Period from 1 April 2000 to 31 December 2000 HK\$'000	Year ended 31 March 2000 HK\$'000
Depreciation		
- owned assets	3,672	4,166
- leased assets	88	-
Auditors' remuneration	950	300
Staff costs (including directors' remuneration - note 7):		
Wages, salaries, bonuses and other emoluments	19,777	32,158
Pension contributions	374	343
Less: Forfeited contributions	(63)	(55)
Net pension contributions*	311	288
	20,088	32,446
Operating lease rentals in respect of land and buildings	3,538	3,860
Loss on disposal of fixed assets, net	11	29
Provisions for bad and doubtful debts		
- trade receivables	2,293	-
- other receivables	125	-
Provisions for obsolete and slowing-moving inventories	147	-
and after crediting:		
Net profit on trading of securities and futures contracts	-	15,876
Foreign exchange gains, net	383	220
Gross rental income	221	73
Less: Outgoings	-	(17)
Net rental income	221	56
Interest income	3,524	4,401
Income from the provision of internet and network consultancy services	-	1,001
Revaluation (surplus)/deficit of an investment property	(500)	500
Unrealised holding gain on short term investment	20,000	-

* At 31 December 2000, there were no forfeited contributions (Year ended 31 March 2000: Nil) available to the Group to reduce its contributions to the pension scheme in future years.

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6. FINANCE COSTS

	GROUP	
	Period from 1 April 2000 to 31 December 2000 HK\$'000	Year ended 31 March 2000 HK\$'000
Interest on bank overdraft	2	–
Interest on finance leases	20	–
	22	–

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, is as follows:

	GROUP	
	Period from 1 April 2000 to 31 December 2000 HK\$'000	Year ended 31 March 2000 HK\$'000
Executive directors:		
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	6,262	8,837
Performance related bonuses	2,270	13,000
Pension scheme contributions	86	85
	8,618	21,922
Independent non-executive directors:		
Fees	176	200

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7. DIRECTORS' REMUNERATION (continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	Period from 1 April 2000 to 31 December 2000	Year ended 31 March 2000
Nil - HK\$1,000,000	13	8
HK\$1,000,001 - HK\$1,500,000	1	–
HK\$1,500,001 - HK\$2,000,000	1	–
HK\$2,500,001 - HK\$3,000,000	2	–
HK\$3,500,001 - HK\$4,000,000	–	1
HK\$4,000,001 - HK\$4,500,000	–	1
HK\$6,500,001 - HK\$7,000,000	–	2

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

No value is included in directors' remuneration in respect of share options granted during the period because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors during the period are set out in the section "Directors' rights to acquire shares" in the Report of the Directors on page 20.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the period included four (Year ended 31 March 2000: four) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining one (Year ended 31 March 2000: one) non-director, highest paid employee are as follows:

	GROUP	
	Period from 1 April 2000 to 31 December 2000	Year ended 31 March 2000
Salaries, allowances and benefits in kind	520	487
Performance related bonuses	–	30
Pension scheme contributions	24	23
	544	540

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9. TAX

	GROUP	
	Period from 1 April 2000 to 31 December 2000 HK\$'000	Year ended 31 March 2000 HK\$'000
Hong Kong profits tax	590	1,520
Prior years' underprovision/(overprovision):		
Hong Kong	119	(51)
Elsewhere	–	(1,532)
Deferred tax (note 22)	(230)	220
Tax charge for the period/year	479	157

Hong Kong profits tax has been provided at the rate of 16% (Year ended 31 March 2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is approximately HK\$2,513,000 (Year ended 31 March 2000: HK\$1,984,000).

11. DIVIDEND

	Period from 1 April 2000 to 31 December 2000 HK\$'000	Year ended 31 March 2000 HK\$'000
Interim - Nil (Year ended 31 March 2000: HK2 cents) per share	–	4,059

The directors do not recommend payment of a dividend for the period ended 31 December 2000.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of approximately HK\$10,663,000 (Year ended 31 March 2000: net profit of HK\$20,098,000) and the weighted average of 635,973,455 (Year ended 31 March 2000: 204,410,148) shares in issue during the period.

The diluted earnings per share for the period ended 31 December 2000 has not been shown as the potential ordinary shares outstanding during the period had no dilutive effect on the basic earnings per share for the period.

The calculation of diluted earnings per share for the year ended 31 March 2000 was based on the net profit attributable to shareholders for that year of approximately HK\$20,098,000. The weighted average number of shares used in the calculation is 204,410,148 shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average of 12,832,359 shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during that year.

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13. FIXED ASSETS

GROUP

	Leasehold land and building HK\$'000	Leasehold improve- ments HK\$'000	Tools, moulds and equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
Cost:							
At 1 April 2000	3,494	4,309	3,510	4,628	4,160	2,345	22,446
Additions	–	840	195	199	830	479	2,543
Acquisition of subsidiaries	–	4,230	8,299	1,881	263	8,555	23,228
Disposals	–	–	(77)	–	(630)	–	(707)
At 31 December 2000	3,494	9,379	11,927	6,708	4,623	11,379	47,510
Accumulated depreciation:							
At 1 April 2000	529	2,563	3,169	2,634	1,728	586	11,209
Provided during the period	58	1,404	500	571	585	642	3,760
Acquisition of subsidiaries	–	167	1,005	267	55	1,792	3,286
Disposals	–	–	(6)	–	(630)	–	(636)
At 31 December 2000	587	4,134	4,668	3,472	1,738	3,020	17,619
Net book value:							
At 31 December 2000	2,907	5,245	7,259	3,236	2,885	8,359	29,891
At 31 March 2000	2,965	1,746	341	1,994	2,432	1,759	11,237

COMPANY

	Leasehold improvements HK\$'000
Cost:	
Additions and at 31 December 2000	806
Accumulated depreciation:	
Provided during the period and at 31 December 2000	(13)
Net book value:	
At 31 December 2000	793

The net book value of fixed assets of the Group held under finance leases included in the total amount of fixed assets at 31 December 2000 amounted to approximately HK\$3,770,000 (Year ended 31 March 2000: Nil).

The land and building is situated in Hong Kong and is held under a medium term lease.

Certain of the Group's fixed assets were pledged to secure general banking facilities granted to the Group, as detailed in note 28.

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14. INVESTMENT PROPERTY

	GROUP	
	31 December	31 March
	2000	2000
	HK\$'000	HK\$'000
At valuation:		
Balance at beginning of period	4,500	5,000
Revaluation surplus/(deficit)	700	(500)
Balance at end of period	5,200	4,500

The investment property is situated in Hong Kong and is held under a long term lease.

The investment property was revalued on 31 December 2000 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, on an open market, existing use basis.

15. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

The balance represented a deposit paid for the acquisition of a 100% interest in City Howwhy Limited. Further details of this transaction are set out in note 29(ii).

16. SHORT TERM INVESTMENT

	GROUP	
	31 December	31 March
	2000	2000
	HK\$'000	HK\$'000
Unlisted equity investment, at fair value	120,000	-

As at 31 December 2000, the amount of the Group's holding in the following company exceeded 10% of total assets of the Group:

Name	Place of incorporation	Description of share held	Percentage of holding
Mingpao.com Holdings Limited	Cayman Islands	Ordinary HK\$7,798	9.8%

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17. INTERESTS IN SUBSIDIARIES

	COMPANY	
	31 December	31 March
	2000	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	1,405,310	68,915
Due from subsidiaries	89,558	94,736
Due to subsidiaries	(42,959)	(42,687)
	1,451,909	120,964

The amounts due from/(to) subsidiaries are unsecured, interest-free and are repayable on demand.

Particulars of the principal subsidiaries, all of which are wholly-owned, are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wilttec Industries Limited	Hong Kong	Ordinary HK\$100 Deferred HK\$1,000,000#	–	100%	Manufacturing, sourcing and sale of baby care products
e-club International Limited*	Hong Kong	Ordinary HK\$100,000	–	100%	Investment holding
Chuang Min Industrial (Shenzhen) Co., Ltd.^	People's Republic of China	HK\$3,000,400	–	100%	Manufacturing of plastic products
Natural Winner Investment Limited*	British Virgin Islands/ Hong Kong	US\$2	100%	–	Investment holding
ecEASY.com Limited*	Hong Kong	Ordinary HK\$2	–	100%	Provision of Internet portal development services
Wellfit Multi Media Group Limited*	British Virgin Islands/ Hong Kong	US\$100	–	100%	Investment holding
Wellfit Productions Limited*	Hong Kong	Ordinary HK\$1,200	–	100%	Provision of media production services

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17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wellfit Content Development Limited*	Hong Kong	Ordinary HK\$2	–	100%	Provision of media content development services

The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding-up.

* Acquired during the period.

^ Registered under the laws of the People's Republic of China as a wholly-foreign-owned enterprise.

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

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18. INVENTORIES

	GROUP	
	31 December	31 March
	2000	2000
	HK\$'000	HK\$'000
Component parts	1,763	1,597
Merchandise	–	1,242
Finished goods	1,639	353
At cost	3,402	3,192

19. TRADE RECEIVABLES

The Group normally allows an average credit period of 60 to 90 days to its trade customers. The aged analysis of trade receivables was as follows:

	GROUP			
	31 December		31 March	
	2000		2000	
	HK\$'000	Percentage	HK\$'000	Percentage
0-1 month	19,946	48	14,233	70
1-2 months	11,762	28	3,481	17
2-3 months	8,297	20	1,608	8
Over 3 months	1,759	4	985	5
Total	41,764	100	20,307	100

20. TRADE PAYABLES

The aged analysis of trade payables was as follows:

	GROUP			
	31 December		31 March	
	2000		2000	
	HK\$'000	Percentage	HK\$'000	Percentage
0-1 month	8,554	60	4,835	84
1-2 months	3,242	23	693	12
2-3 months	939	7	8	–
Over 3 months	1,570	10	208	4
Total	14,305	100	5,744	100

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21. FINANCE LEASE PAYABLES

There were obligations under finance leases at the balance sheet date as follows:

	GROUP	
	31 December 2000 HK\$'000	31 March 2000 HK\$'000
Amounts payable:		
Within one year	1,299	–
In the second year	956	–
In the third to fifth years, inclusive	505	–
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Total minimum finance lease payments	2,760	–
Future finance charges	(432)	–
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Total net finance lease payables	2,328	–
Portion classified as current liabilities	(1,080)	–
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Long term portion	1,248	–
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22. DEFERRED TAX

	GROUP	
	31 December 2000 HK\$'000	31 March 2000 HK\$'000
At beginning of period/year	470	250
Charge/(credit) for the period/year - note 9	(230)	220
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At end of period/year	240	470
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The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not Provided	
	31 December 2000 HK\$'000	31 March 2000 HK\$'000	31 December 2000 HK\$'000	31 March 2000 HK\$'000
Accelerated depreciation allowances	240	470	1,007	–
Tax losses	–	–	(11,011)	–
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	240	470	(10,004)	–
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The provision for deferred tax relates wholly to timing differences arising from accelerated depreciation allowances. The revaluation of the Group's investment property does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

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22. DEFERRED TAX (continued)

The benefit of any future tax relief has not been included as an asset in the balance sheet because the directors consider it not to recognise the benefit until it is assured beyond reasonable doubt.

23. SHARE CAPITAL**Shares**

	COMPANY	
	31 December	31 March
	2000	2000
	HK\$'000	HK\$'000
Authorised:		
3,000,000,000 (Year ended 31 March 2000: 800,000,000) shares of HK\$0.10 each	300,000	80,000
Issued and fully paid:		
1,548,916,000 (Year ended 31 March 2000: 214,516,000) shares of HK\$0.10 each	154,891	21,451

Pursuant to an ordinary resolution passed on 15 September 2000, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$300,000,000 by the creation of 2,200,000,000 additional ordinary shares of HK\$0.10 each ranking pari passu in all respect with the existing share capital of the Company.

Movements in the issued and fully paid ordinary shares during the period were as follows:

	Note	Carrying amount HK\$'000	Number of shares
At 1 April 2000		21,451	214,516,000
Issue of consideration shares	(a)	133,440	1,334,400,000
At 31 December 2000		154,891	1,548,916,000

- (a) Pursuant to two sale and purchase agreements dated 21 July 2000 and 5 October 2000, the Company issued 1,200,000,000 and 134,400,000 ordinary shares of HK\$0.10 each of the Company on 29 September 2000 and 29 November 2000, respectively, as consideration for the acquisitions of certain subsidiaries. Further details of these transactions are set out in note 30.

Share options

On 24 November 1997, the Company adopted a share option scheme (the "Scheme"), under which the directors may, at their discretion, invite any employees or executive directors of the Group to take up options at HK\$1 per option to subscribe for ordinary shares of the Company. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued share capital of the Company. The Scheme will remain in force for a period of ten years commencing on 24 November 1997.

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23. SHARE CAPITAL (continued)**Share options (continued)**

Exercise price per share	Exercise period	Number of ordinary shares granted during the period and as at 31 December 2000 (in thousand)
HK\$0.167	31 January 2001 to 30 January 2003	20,000
HK\$0.167	9 May 2001 to 8 November 2002	50,000
		70,000

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 70,000,000 additional shares for an aggregate cash consideration of approximately HK\$12 million.

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24. RESERVES**Group**

	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	20,040	–	890	82,225	103,155
Issue of shares	9,821	–	–	–	9,821
Profit for the year	–	–	–	16,039	16,039
At 31 March 2000 and beginning of period	29,861	–	890	98,264	129,015
Issue of shares	–	–	1,200,960	–	1,200,960
Goodwill on acquisition	–	–	(1,200,960)	(57,321)	(1,258,281)
Surplus on revaluation	–	200	–	–	200
Profit for the period	–	–	–	10,663	10,663
At 31 December 2000	29,861	200	890	51,606	82,557

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 1999	20,040	68,727	6,064	94,831
Issue of shares	9,821	–	–	9,821
Loss for the year	–	–	(1,984)	(1,984)
Dividend	–	–	(4,059)	(4,059)
At 31 March 2000 and beginning of period	29,861	68,727	21	98,609
Issue of shares	–	1,200,960	–	1,200,960
Loss for the period	–	–	(2,513)	(2,513)
At 31 December 2000	29,861	1,269,687	(2,492)	1,297,056

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

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25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow/(outflow) from operating activities

	Period from 1 April 2000 to 31 December 2000 HK\$'000	Year ended 31 March 2000 HK\$'000
Profit from operating activities	11,164	20,255
Interest income	(3,524)	(4,401)
Depreciation	3,760	4,166
Provisions for obsolete and slow-moving inventories	147	-
Provisions for bad and doubtful debts		
-trade receivables	2,293	-
-other receivables	125	-
Revaluation deficit/(surplus) of an investment property	(500)	500
Net profit on trading of securities and futures contracts	-	(15,876)
Loss on disposal of fixed assets	11	29
Increase in inventories	(159)	(578)
Unrealised holding gain on short term investment	(20,000)	-
Decrease/(increase) in trade receivables	(15,003)	2,521
Decrease/(increase) in prepayments, deposits and other receivables	(826)	1,164
Decrease in trade payables	(1,577)	(940)
Increase/(decrease) in other payables and accruals	(12,304)	8,686
Net cash inflow/(outflow) from operating activities	(36,393)	15,526

(b) Analysis of changes in financing during the period

	Share capital (including share premium) HK\$'000	Finance lease obligations HK\$'000	Other loan HK\$'000
Balance at 1 April 1999	40,333	-	-
Cash inflow from financing activities	10,979	-	-
Balance at 31 March 2000 and beginning of period	51,312	-	-
Par value of shares issued for non-cash consideration	133,440	-	-
Inception of finance lease contracts	-	306	-
Subsidiaries acquired during the period	-	2,189	40,249
Cash outflow from financing activities	-	(167)	(40,249)
Balance at 31 December 2000	184,752	2,328	-

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

(c) Acquisition of subsidiaries

	Period from 1 April 2000 to 31 December 2000 HK\$'000
Net assets acquired:	
Fixed assets	19,942
Short term investment	100,000
Cash and bank balances	5,865
Inventories	198
Trade receivables	8,747
Prepayments, deposits and other receivables	8,033
Trade payables	(10,138)
Other payables and accruals	(11,898)
Finance lease payables	(2,189)
Tax payable	(196)
Other loan	(40,249)
	78,115
Goodwill on acquisition	1,258,281
	1,336,396
Satisfied by:	
Cash paid for incidental acquisition costs	1,996
Shares issued	1,334,400
	1,336,396

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	Period from 1 April 2000 to 31 December 2000 HK\$'000
Cash paid	(1,996)
Cash and bank balances acquired	5,865
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	3,869

The subsidiaries acquired during the period utilised approximately HK\$16,852,000 of the Group's net operating cash flows and contributed approximately HK\$13,908,000 for financing activities.

The subsidiaries acquired during the period contributed approximately HK\$6,483,000 to the Group's turnover and post-acquisition profit of approximately HK\$7,096,000 to the Group's profit after tax for the period.

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

(d) Major non-cash transactions

During the period, the Group had the following major non-cash transactions:

- (i) The Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the finance leases of approximately HK\$306,000 (Year ended 31 March 2000: Nil).
- (ii) The Company allotted and issued in total of 1,334,400,000 ordinary shares of HK\$0.10 each, credited as fully paid, at HK\$1 per ordinary share as full consideration for the acquisitions of certain subsidiaries.

26. CONTINGENT LIABILITIES

At 31 December 2000, the Company had executed bank guarantees of HK\$42,000,000 (Year ended 31 March 2000: HK\$66,600,000) for banking facilities granted to a subsidiary, which were not utilised at the balance sheet date. In addition, the Company had executed unlimited guarantees to financial institutions for foreign exchange, securities and futures trading facilities granted to a subsidiary, which were not utilised at the balance sheet date.

27. COMMITMENTS

- (a) At 31 December 2000, the Group had commitments under non-cancellable operating leases in respect of land and buildings to make payments in the following year as follows:

	GROUP	
	31 December 2000 HK\$'000	31 March 2000 HK\$'000
Leases expiring:		
Within one year	35	864
In the second to fifth years, inclusive	4,528	3,480
	4,563	4,344

- (b) At 31 December 2000, the Group had the following capital commitments contracted, but not provided for:

	GROUP	
	31 December 2000 HK\$'000	31 March 2000 HK\$'000
Capital contributions to a subsidiary	–	103
Acquisition of a subsidiary	5,000	–
	5,000	103

At the balance sheet date, the Company did not have any significant commitments.

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28. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's fixed assets with a net book value of HK\$8,107,000 (Year ended 31 March 2000: HK\$2,965,000) and time deposits of HK\$2,539,000 (Year ended 31 March 2000: HK\$7,407,000), respectively, were pledged to secure general banking facilities granted to the Group.

29. POST BALANCE SHEET EVENTS

- (a) On 11 December 2000, the Group entered into an agreement with two independent third parties for the sale and purchase of the entire issued share capital of Sheen Culture Program Investment Limited ("Sheen Culture") for a consideration of HK\$40,000,000, subject to certain adjustments which will be based on the operating results of Sheen Culture for the year ending 31 December 2001. The consideration will be satisfied by the issue of new shares of the Company. The transaction became unconditional on 10 January 2001.

Sheen Culture is principally engaged in the development and distribution of TV programs mainly in the PRC market.

Further details of this transaction are set out in the Company's press announcement dated 11 December 2000.

- (b) On 2 March 2001, the Group entered into an agreement with an independent third party for the sale and purchase of the entire issued share capital of City Howwhy Limited for a cash consideration of HK\$15 million of which HK\$10 million has been paid as of 31 December 2000. The transaction was completed on 2 March 2001.

30. RELATED PARTY TRANSACTIONS

- (a) On 21 July 2000, the Company and CCT Telecom entered into an acquisition agreement relating to purchase of Natural Winner Investment Limited ("Natural Winner"), an indirect wholly-owned subsidiary of CCT Telecom, which holds the entire interest in e-club International Limited ("E-club") pursuant to which the Company agreed to acquire the entire equity interest of E-club from CCT Telecom. The aggregate consideration for the E-club acquisition was HK\$1,200,000,000 and the Company agreed to issue 1,200,000,000 new shares of HK\$0.10 each in the capital of the Company to CCT Telecom in lieu of cash. The transaction was completed on 29 September 2000.

CCT Telecom is the ultimate holding company of the Company.

- (b) On 5 October 2000, the Company acquired the entire issued share capital of Wellfit Multi Media Group Limited from Super Control Investments Limited and Lucky Club Management Limited for a consideration of HK\$134,400,000 which was determined after what the directors considered to be arms' length negotiations between the relevant parties. The consideration was satisfied by the issue of 134,400,000 ordinary shares at HK\$1.00 each of the Company. The transaction was completed on 29 November 2000.

Super Control Investments Limited is an indirect wholly-owned subsidiary of CCT Telecom.

The above transactions are also disclosed under the "Connected transactions" section in the Report of the Directors.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 April 2001.