

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

### (b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the marking to market of certain trading securities and non-trading securities as explained in the accounting policies set out below.

### (c) Basis of consolidation

- (i) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.
- (ii) Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investment in these companies over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight-line basis to the profit and loss account over its estimated useful economic life. The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost is credited to capital reserve.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

### (d) Investments in subsidiaries

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

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

### (e) Investments in jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Investments in jointly controlled entities (continued)

Unless the interest in the jointly controlled entity is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in a jointly controlled entity is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the jointly controlled entity and amortisation of goodwill.

The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the jointly controlled entities for the year. Goodwill arising on the acquisition of a jointly controlled entity, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight-line basis to the consolidated profit and loss account over its estimated useful economic life. The excess of the Group's share of the fair value of the separable net assets of the jointly controlled entity acquired over the cost of investment is credited directly to reserves.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

On disposal of a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

### (f) Investments in securities

- (i) Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.
- (ii) Non-trading investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.
- (iii) Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairments cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iv) Profits or losses on disposal of investments in securities are accounted for in the profit and loss account as they arise. In the case of non-trading securities, the profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Convertible loan

Convertible loan represents loan principal outstanding together with accrued interest less any provisions considered necessary by the directors.

### (h) Revenue recognition

Interest income from bank deposits, debt securities and convertible loan is accrued on a time-apportioned basis on the principal outstanding and at the applicable rates of interest.

### (i) Legal and establishment fees

Legal and establishment fees relating to the convertible loan granted are amortised to the profit and loss account over a period of three years.

### (j) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The accounts of subsidiaries and jointly controlled entities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising thereon are dealt with as movements in reserves.

### (k) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

### (l) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### (m) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 2 TURNOVER

The principal activity of the Company and of its subsidiaries is the holding of equity investments and convertible loan primarily in companies or entities with significant business interests or involvement in the People's Republic of China ("the PRC"). In particular, the Group focused on investing in Sino-foreign joint ventures in the PRC and companies with substantial operations or investments in the PRC including Hong Kong.

Share of jointly controlled entities' turnover represents the Group's share of jointly controlled entities' invoiced value of goods sold.

Group turnover represents interest income earned on fixed deposits, debt securities and convertible loan and is analysed as follows:

	2000	1999
Interest income from deposits with banks and other financial institutions	\$ 1,898,488	\$ 3,732,253
Interest income from listed securities	397,715	1,043,974
Interest income from convertible loan	<u>10,120,497</u>	<u>11,029,175</u>
	<u>\$ 12,416,700</u>	<u>\$ 15,805,402</u>

No segmental information is disclosed as all of the Group's turnover and loss was attributable to its principal activity of investment holding primarily in companies or entities in the PRC including Hong Kong.

## 3 OPERATING LOSS

	2000	1999
(a) Other net income:		
Net realised and unrealised gains on listed trading securities carried at fair value	\$ 422,010	\$ 1,659,748
Net exchange gain	367,831	59,182
Sundry income	—	146,816
	<u>\$ 789,841</u>	<u>\$ 1,865,746</u>
(b) Operating expenses:		
Administrative fee	\$ 690,000	\$ 690,000
Amortisation of legal and establishment fees	207,124	497,352
Auditors' remuneration	592,000	650,004
Consultancy fee	461,143	528,817
Custodian fee	240,000	255,109
Legal and secretarial fees	639,393	733,739
Management fee	9,222,858	10,576,337
Project fee	735,657	823,601
Other operating expenses	<u>3,393,032</u>	<u>3,377,481</u>
	<u>\$ 16,181,207</u>	<u>\$ 18,132,440</u>

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 4 TAXATION

### (a) Taxation in the consolidated profit and loss account represents:

	2000	1999
Provision for Hong Kong profits tax for the year	\$ 5,000,000	\$ —
Share of jointly controlled entities' taxation	<u>64,010</u>	<u>96,411</u>
	<u>\$ 5,064,010</u>	<u>\$ 96,411</u>

The provision for Hong Kong profits tax is calculated at 16% of the estimated assessable profits for the year ended 31 December 2000.

### (b) Taxation in the balance sheets represents:

	The Group		The Company	
	2000	1999	2000	1999
Provision for the Hong Kong profits tax for the year	\$ 5,000,000	\$ —	\$ —	\$ —
Balance of provision for Hong Kong profits tax relating to prior years	<u>216,137</u>	<u>216,137</u>	<u>216,137</u>	<u>216,137</u>
	<u>\$ 5,216,137</u>	<u>\$ 216,137</u>	<u>216,137</u>	<u>216,137</u>

(c) No provision for deferred tax has been made as the net effect of all timing differences is immaterial.

## 5 DIRECTORS' REMUNERATION

### (a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2000	1999
Fees	\$ 150,000	\$ 173,918
Salaries and other emoluments	<u>660,000</u>	<u>660,000</u>
	<u>\$ 810,000</u>	<u>\$ 833,918</u>

No remuneration was paid to the non-executive directors of the Company.

The remuneration of each of the directors is within the band of \$Nil - \$1,000,000.

### (b) Individuals with highest emoluments

The five highest paid individuals are all executive directors of the Group whose emoluments have been disclosed in note (a) above.

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 6 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes loss of 38,525,953 (1999: loss of \$87,962,724) which has been dealt with in the accounts of the Company.

## 7 BASIC LOSS PER SHARE

The calculation of basic loss per share is based on loss attributable to shareholders of 43,306,021 (1999: loss of \$116,257,137) and the weighted average number of 518,834,740 (1999: 500,000,000) ordinary shares in issue during the year.

There were no potential ordinary shares in existence during 1999 and 2000.

## 8 INTEREST IN SUBSIDIARIES

	The Company	
	2000	1999
Unlisted shares, at cost	\$ 61	\$ 38
Amounts due from subsidiaries, net of provisions	398,823,677	405,621,587
Amounts due to subsidiaries	(4)	(4)
	<u>\$ 398,823,734</u>	<u>\$ 405,621,621</u>

The amounts due from subsidiaries comprise mainly advances to subsidiaries for onward investment in joint ventures in the PRC.

The following wholly owned subsidiaries are all private limited companies, incorporated in the British Virgin Islands and are intermediate investment holding companies:

Name of company	Issued and paid up capital held by the Company
Ever Talent Investments Ltd.	1 share of US\$1
Kencheers Investments Ltd.	1 share of US\$1
Joint Cheer Investment Ltd.	1 share of US\$1
Pacific Advance Medical Instruments Inc.	1 share of HK\$1
Pacific Electronics Development Inc.	1 share of HK\$1
Pacific Equity Venture Inc.	1 share of HK\$1
Pacific Food & Beverages Inc.	1 share of HK\$1
Pacific Investment Project Inc.	1 share of HK\$1
Pacific Venture Development Inc.	1 share of HK\$1
Simonson International Development Ltd.	1 share of US\$1
Motion Technology Ltd.	1 share of US\$1
Hidden Advantage Investments Ltd.	1 share of US\$1
Mobile Office Investments Ltd.	1 share of US\$1

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 9 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2000	1999
Share of net assets other than goodwill	\$ 24,947,633	\$ 29,490,211
Amounts due from jointly controlled entities	<u>20,133,499</u>	<u>20,133,499</u>
	<u>\$ 45,081,132</u>	<u>\$ 49,623,710</u>

Amounts due from jointly controlled entities are interest free and have no fixed terms of repayment.

Additional information in respect of the Group's jointly controlled entities ("JCE"), excluding that relating to Beijing North Star Hyundai Pipe Company Limited which has been fully provided in the 1998 accounts, is given as follows:

	2000	1999
Current assets	\$ 334,938,000	\$ 393,451,000
Long-term assets	351,730,000	373,934,000
Current liabilities	612,697,000	602,655,000
Long-term liabilities	6,904,000	66,831,000
Total turnover	525,139,000	681,326,000
Total losses before taxation	(22,313,000)	(477,752,000)
Group's share of such losses before taxation	(4,519,000)	(115,699,000)
Group's share of JCE's contingent liabilities	12,361,000	18,359,000
Group's share of JCE's capital commitments	<u>731,000</u>	<u>1,890,000</u>

Details of the indirectly held jointly controlled entities, all of which are sino-foreign joint venture companies incorporated and operating in the PRC, are as follows:

Name of joint venture	Proportion of ownership interest attributable to the Group	Registered capital	Principal activities
Beijing Far East Instrument Company Limited	35%	RMB151,926,184	Electronic and electrical instrument manufacturing
Beijing North Star Hyundai Pipe Company Limited	28%	US\$11,300,000	Pipe manufacturing
Everbright Timber Industry (Shenzhen) Company Limited	22.87%	US\$45,525,860	Production and sale of plywood products and other timber boards

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 10 NON-TRADING INVESTMENTS

	Note	The Group	
		2000	1999
Investment in an unlisted joint venture	(a)	\$ 30,747,825	\$ 61,495,650
Investment in unlisted companies	(b)	86,215,823	—
Listed investment	(c)	31,925,300	92,464,632
		<u>\$ 148,888,948</u>	<u>\$ 153,960,282</u>

Details of the Group's non-trading investments are as follows:

Name of the company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest attributable to the Group	Principal activity
Beijing Asia Pacific First Star Communications Technology Co. Ltd.	PRC	PRC	Registered capital of US\$29,800,000	18%	Provision of paging services
Skynet Limited	Hong Kong	Hong Kong	20,476,233 ordinary shares of \$1 each  671,651 preference shares of \$0.10 each	5.33%  —	Internet content provider
ChinaGo Limited (formerly known as ChinaGo.com Limited)	Cayman Islands	PRC	5,611,110 ordinary shares of US\$0.01 each	5.94%	Offline magazine publishing, software and solutions, and paid email-services
Skyworth Digital Holdings Limited	Hong Kong	PRC	2,050,000,000 ordinary shares of \$0.20 each	5.016%	Manufacture and sale of audio-visual products



# Notes on the accounts

(Expressed in Hong Kong dollars)

## 10 NON-TRADING INVESTMENTS (continued)

- (a) This represents the Group's investment in an unlisted joint venture, Beijing Asia Pacific First Star Communications Technology Co. Ltd. ("APFS"). The cost of investment is approximately \$60.8 million (being the equivalent of US\$7.8 million) representing capital contribution for an 18 per cent. equity interest in APFS and consideration for a technology co-operation agreement with one of the joint venture partners, together with the capitalised acquisition costs. The other joint venture partners are Singapore Telecom International Pte. Ltd., Beijing Jingfang Economy Development Company and Beijing Asia Pacific Group. This joint venture is being accounted for as a non-trading investment as the Group does not have significant influence or joint control over its operations. A provision of \$30.7 million against this investment has been recognised in the consolidated profit and loss account during the year.
- (b) This represents the Group's investments of approximately \$23 million (being equivalent of US\$2.9 million) and \$62 million (being equivalent of US\$8 million) in ChinaGo Limited and Skynet Limited ("Skynet"), in which the Group holds equity interests of 5.94% and 5.33% respectively, together with the capitalised acquisition costs. ChinaGo Limited is an e-business development company with its main operations in the PRC. Skynet Limited is an established internet content provider operating in Hong Kong.

On 3 April 2001, the Group subscribed for additional 333,333 shares in ChinaGo Limited at a total consideration of US\$3,333 (equivalent to \$26,000). Following the subscription, the Group effectively holds 10.44% interest in ChinaGo Limited.

In respect of the 1,091,545 shares in Skynet held by the Group, the options granted to the Group include the following:

- (i) A conversion option granted by Skynet International (Group Holdings) Limited ("Skynet International"), which is a company listed on The Stock Exchange of Hong Kong Limited ("HKSE") and a substantial shareholder of Skynet, to require Skynet International to acquire from the Group all the shares of Skynet held by the Group in exchange for such number of new shares of Skynet International calculated in accordance with a pre-determined formula. The option is exercisable during a 12 month period commencing on 5 July 2001.

A put option granted by Skynet International to require Skynet International to purchase 466,233 shares of Skynet held by the Group for a consideration of US\$5 million. The consideration will be satisfied in part by cash in the amount of US\$1 million and in part by the issue of Skynet International shares in such number as determined by a formula. The option is exercisable during a 24 month period commencing on 5 July 2001.

- (ii) A put option granted by Companion Building Material International Holdings Limited ("CBM"), a substantial shareholder of Skynet International, to require CBM to purchase 625,312 shares of Skynet held by the Group for a cash consideration of US\$3 million. The option is exercisable during a 24 month period commencing on 5 July 2001.

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 10 NON-TRADING INVESTMENTS (continued)

- (c) In May 1999, the Group invested approximately \$92 million (being the equivalent of US\$11 million) in 2,577,502 convertible redeemable shares of an unlisted company, Skyworth (Group) Company Limited (“Skyworth Group”), including capitalised acquisition costs. For the purpose of seeking a listing on the HKSE, Skyworth Group underwent a reorganisation on 27 March 2000 and Skyworth Digital Holdings Limited (“Skyworth Digital”) became the holding company of Skyworth Group. The convertible redeemable shares held by the Group were converted to 102,819,000 ordinary shares of Skyworth Digital, representing approximately 5.016% of its issued share capital following the listing of its shares on the HKSE on 7 April 2000. As at 31 December 2000, the investment was stated at a discount to its market value, which in the opinion of the directors, represents the fair market value after taking into account the size of the shareholding. A revaluation deficit of \$60,539,332 has been transferred to investment revaluation reserve.

## 11 CONVERTIBLE LOAN

	<b>The Group</b>	
	2000	1999
Convertible loan	\$ 92,399,277	\$ 92,977,976
Interest receivable	4,482,970	24,853,208
Unamortised legal and establishment fees	—	207,124
	<u>\$ 96,882,247</u>	<u>\$ 118,038,308</u>

The convertible loan is repayable as follows:

	2000	1999
Within one year	\$ 54,011,776	\$ —
After one year but within two years	42,870,471	118,038,308
	<u>\$ 96,882,247</u>	<u>\$ 118,038,308</u>

The convertible loan represents a loan of US\$12 million (approximately \$93 million) advanced to Companion-China Limited (“CC”), a subsidiary of CBM, a company listed on the HKSE in 1997, less repayment to date.

The loan bears interest at 9.8 per cent per annum, compounded annually, and is repayable on the sixth anniversary of the date on which the loan was advanced to CC (“effective date”), subject to certain rights of the Group to demand part repayment after the third anniversary of the effective date.

Out of the principal amount of US\$12 million, US\$74,671 (equivalent to \$578,699) was repaid during the year. The Group has issued a repayment notice to CC in January 2001 to demand for full settlement. According to the notice, the first instalment in the amount of US\$6,924,853 is to be repaid on 1 May 2001 and the remaining portion and accrued interest are to be repaid on or before 1 May 2002.

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 12 TRADING SECURITIES

	The Group and the Company	
	2000	1999
Listed securities, at market value		
— in Hong Kong	\$ —	\$ 4,889,902
— outside Hong Kong	—	15,495,276
	<u>\$ —</u>	<u>\$ 20,385,178</u>

## 13 SHARE CAPITAL

	2000		1999	
	No. of shares	Amount	No. of shares	Amount
<i>Authorised:</i>				
Ordinary shares of \$0.10 each	<u>800,000,000</u>	<u>\$ 80,000,000</u>	<u>800,000,000</u>	<u>\$ 80,000,000</u>
<i>Issued and fully paid:</i>				
At 1 January	500,000,000	\$ 50,000,000	500,000,000	\$ 50,000,000
New shares issued	<u>38,840,000</u>	<u>3,884,000</u>	—	—
At 31 December	<u>538,840,000</u>	<u>\$ 53,884,000</u>	<u>500,000,000</u>	<u>\$ 50,000,000</u>

On 15 May 2000, 38,840,000 ordinary shares of \$0.10 each were issued at a price of \$0.80 per share as partial consideration for the acquisition of 5.33% equity interest in Skynet Limited. All shares issued during the year rank pari passu with the existing shares.

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 14 RESERVES

### (a) The Group

	Share premium	Exchange reserves	Investment revaluation reserve	Accumulated losses	Total
At 1 January 2000	\$ 470,853,006	\$ 3,008,558	\$ —	\$ (133,482,641)	\$ 340,378,923
Loss for the year	—	—	—	(43,306,021)	(43,306,021)
Exchange differences on translation of accounts of PRC jointly controlled entities	—	40,952	—	—	40,952
Premium arising from issue of shares, net of expenses	27,160,812	—	—	—	27,160,812
Deficit on revaluation of non-trading investment	—	—	(60,539,332)	—	(60,539,332)
At 31 December 2000	<u>\$ 498,013,818</u>	<u>\$ 3,049,510</u>	<u>\$ (60,539,332)</u>	<u>\$ (176,788,662)</u>	<u>\$ 263,735,334</u>
At 1 January 1999	\$ 470,853,006	\$ 2,594,263	\$ —	\$ (17,225,504)	\$ 456,221,765
Loss for the year	—	—	—	(116,257,137)	(116,257,137)
Exchange differences on translation of accounts of PRC jointly controlled entities	—	414,295	—	—	414,295
At 31 December 1999	<u>\$ 470,853,006</u>	<u>\$ 3,008,558</u>	<u>\$ —</u>	<u>\$ (133,482,641)</u>	<u>\$ 340,378,923</u>

The Group's accumulated losses include losses of \$165,094,004 (1999: losses of \$160,510,474) attributable to jointly controlled entities of which losses of \$4,583,530 (1999: losses of \$115,795,845) represent the amount retained for the year.

## Notes on the accounts

(Expressed in Hong Kong dollars)

### 14 RESERVES (continued)

#### (b) The Company

	Share premium	Retained profits/ (accumulated losses)	Total
At 1 January 2000	\$ 470,853,006	\$ (82,768,218)	\$ 388,084,788
Loss for the year	—	(38,525,953)	(38,525,953)
Premium arising from issue of shares, net of expenses	<u>27,160,812</u>	<u>—</u>	<u>27,160,812</u>
At 31 December 2000	<u>\$ 498,013,818</u>	<u>\$ (121,294,171)</u>	<u>\$ 376,719,647</u>
At 1 January 1999	\$ 470,853,006	\$ 5,194,506	\$ 476,047,512
Loss for the year	<u>—</u>	<u>(87,962,724)</u>	<u>(87,962,724)</u>
At 31 December 1999	<u>\$ 470,853,006</u>	<u>\$ (82,768,218)</u>	<u>\$ 388,084,788</u>

The application of the share premium is governed by Section 48B of the Hong Kong Companies Ordinance.

The exchange reserves and investment revaluation reserve have been set up and dealt with in accordance with the accounting policies adopted for the translation of foreign currencies and revaluation of investments in securities respectively.

The aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2000 was \$Nil (1999: \$Nil).

# Notes on the accounts

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## 15 NET ASSET VALUE PER SHARE

The net asset value per share is computed based on the consolidated net assets of \$317,619,334 (1999: \$390,378,923) and 538,840,000 shares (1999: 500,000,000 shares) in issue as at 31 December 2000.

## 16 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2000	1999
Operating loss	\$ (33,722,491)	\$ (461,292)
Interest income	(12,416,700)	(15,805,402)
Amortisation of legal and establishment fees	207,124	497,352
Provision for non-trading investment	30,747,825	—
Decrease in trading securities	20,385,178	8,353,984
(Increase)/decrease in other receivables, prepayments and interest receivable	(204,325)	26,901
Increase/(decrease) in other payables and accruals	383,903	(574,012)
Exchange difference	—	(25,070)
	<u>                    </u>	<u>                    </u>
Net cash inflow/(outflow) from operating activities	<u>\$ 5,380,514</u>	<u>\$ (7,987,539)</u>

### (b) Analysis of the balances of cash and cash equivalents

	2000	1999
Fixed deposits with banks and other financial institutions maturing within three months of the balance sheet date	\$ 33,319,348	\$ 49,413,293
Cash at bank	381,797	272,320
Bank overdrafts	(243,215)	(53,887)
	<u>                    </u>	<u>                    </u>
	<u>\$ 33,457,930</u>	<u>\$ 49,631,726</u>

# Notes on the accounts

(Expressed in Hong Kong dollars)

## 16 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Analysis of changes in financing during the year

	<b>Share capital and premium</b>
At 1 January and 31 December 1999	<u>\$ 520,853,006</u>
At 1 January 2000	520,853,006
New shares issued ( <i>note (d)</i> )	31,072,000
Expenses on issue of shares	<u>(27,188)</u>
At 31 December 2000	<u>\$ 551,897,818</u>

### (d) Material non-cash item

The consideration for the acquisition of 5.33% equity interest in Skynet Limited was partially satisfied by the issue of 38,840,000 shares of \$0.10 each of the Company at a price of \$0.80.