1 BACKGROUND

The company is incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The group primarily operates in the telecommunications infrastructure sector in Hong Kong and other regions in the People's Republic of China ("PRC") and is subject to special risks due to the development cost and time involved and fast-changing environment of the sector. As a development stage enterprise, the sustainability of the group is dependent on its ability to successfully implement its business development plans, which are dependent on, among things, adequate financing being continuously available to the group to fund the developing operations, before sufficient cash flows are generated from such operations. The directors of the company have evaluated all the relevant facts available to them, including credit facilities currently available to the group, and are of the opinion that there do not exist any material adverse conditions precluding the group from implementing its business development plans. Accordingly the accounts have been prepared on a going concern basis.

The accounts do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might be necessary should the going concern basis not be applicable.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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 revaluation of investment properties as explained in accounting policy set out below.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Basis of consolidation

(i) The consolidated accounts include the accounts of the company and all its subsidiaries made up to 31 March each year except for those subsidiaries where the directors consider that their consolidation would be misleading.

The results of the 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 over the fair value of the group's share of the separable net assets acquired, is eliminated against reserves in the year of acquisition. The excess of the group's share of the fair value of the separable net assets of subsidiaries acquired over the cost of investments in these companies is credited to the capital reserve.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the 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.

(iii) Losses attributable to minority shareholders of partly owned subsidiaries are accounted for based on the respective equity owned by the minority shareholders up to the amount of the capital contributed by and other reserves attributable to the minority shareholders. Thereafter, all further losses are assumed by the company.

(d) Investments in subsidiaries

A subsidiary is a company 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 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 permanent diminution in value as determined by the directors.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Associates

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate 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 the associate's net assets. The consolidated profit and loss account reflects the group's share of the post-acquisition results of the associates for the year. Goodwill arising on the acquisition of an associate, being the excess of the cost over the fair value of the group's share of the separable net assets acquired, is eliminated against reserves in the year of acquisition. The excess of the group's share of the fair value of the separable net assets acquired over the cost of the investment is credited to the capital reserve.

Unrealised profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the group's interest in the associate, 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 an associate during the year, any attributable amount of purchased goodwill which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

The results of the associates are included in the company's profit and loss account to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the company and the company's right to receive the dividend is established before the accounts of the company are approved by the directors. In the company's balance sheet, its investments in associates are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each associate individually. Any such provisions are recognised as an expense in the profit and loss account.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Other investments in securities

The group's and the company's policies for investments in securities other than investments in subsidiaries and associate are as follows:

(i) Investments held on a continuing basis for an identified long-term purpose are classified as "investment securities". Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Fixed assets

(i) Investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers. Surpluses arising on revaluation are credited on a portfolio basis to the profit and loss account to the extent of any deficit arising on revaluation previously charged to the profit and loss account and are thereafter taken to the investment properties revaluation reserve; deficits arising on revaluation are firstly set off against any previous revaluation surpluses and are charged to the profit and loss account.

On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is transferred to the profit and loss account for the year.

Investment properties with an unexpired lease term of 20 years or less are stated at valuation less accumulated depreciation.

(ii) Fixed assets in use other than investment properties are stated in the balance sheet at cost less accumulated depreciation.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Fixed assets (cont'd)

(iii) The carrying amount of fixed assets in use other than investment properties is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are discounted to their present values.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(h) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years since the valuation takes into account the state of each property at the date of valuation. The carrying amount of investment properties with an unexpired lease term of 20 years or less is depreciated on a straight line basis over the remaining terms of the lease.

(ii) Depreciation is calculated to write off the cost of fixed assets in use other than investment properties on a straight-line basis over their estimated useful lives as follows:

Leasehold improvement	4 to 10 years or over the remaining term of the respective leases, whichever is shorter
Fibre-optic network	20 years
Plant and machinery	7 years
Satellite equipment	5 years
Furniture, fixtures and equipment	4 to 5 years or over the remaining term of the respective leases, whichever is shorter
Motor vehicles	4 to 5 years

(i) Leased assets

Where assets are acquired under finance leases, the amounts representing the outright purchase price, which approximate the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the shorter of the period of the leases or the estimated useful lives of the assets as set out in note 2(h) above. Finance charges implicit in the lease payments are charged to the profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is computed using the FIFO formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of stocks, arising from an increase in net realisable value, is recognised as a reduction in the amount of stocks recognised as an expense in the period in which the reversal occurs.

(k) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Rental income of fibre-optic network

Rental income receivable under operating leases in respect of fibre-optic network is recognised on a straight line basis over the periods of the respective leases.

(ii) Servicing fees income

Servicing fees income receivable in respect of telecommunications and Internet network engineering and related services is recognised upon the rendering of the services.

(iii) Sales of goods

Revenue arising from sales of goods is recognised on delivery of goods to customers.

(iv) Property rental income

Rental income receivable in respect of properties is recognised on an accrual basis evenly over the periods of the respective tenancies.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Revenue recognition (cont'd)

(v) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the interest rate applicable.

(vi) Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Dividend income from unlisted investments is recognised when the right to receive the dividend is established. This is taken to be, for interim dividends, when the directors of such investments declare the dividends and for final dividends, when the shareholders of such investments at the general meeting approve the dividends proposed by the directors.

(l) Retirement costs

Contributions to the group's retirement benefit schemes are charged to the profit and loss account as incurred. Particulars of the retirement benefit schemes are set out in note 31 on the accounts.

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates 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 arising on foreign currency translation are dealt with in the profit and loss account.

The results and balance sheet items of subsidiaries and associate outside Hong Kong denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.

(n) Operating leases

Rentals payable and receivable under operating leases are accounted for in the profit and loss account on a straight line basis over the periods of the respective leases.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material 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.

(p) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(q) 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.

(r) 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.

3 TURNOVER AND SEGMENTAL INFORMATION

The principal activity of the company is investment holding. The principal activities of the subsidiaries are set out in note 33.

Turnover represents the aggregate of income receivable from leasing of fibre-optic network and servicing fees receivable from the provision of telecommunications and Internet network engineering and related services for the year. Analyses of the turnover by operating and geographical segment and contribution to operating results by operating segment are as follows:

	2001	2000
	$'000	*$'000*
Turnover by operating segment		
Continuing operations		
Leasing of fibre-optic network	**12,139**	—
Provision of telecommunications and Internet network engineering and related services	**12,931**	—
	25,070	—
Discontinued operations		
Sales of goods	**—**	35,669
Property leasing	**—**	2,838
	—	38,507
	25,070	38,507
Turnover by geographical segment		
Hong Kong	**12,889**	2,838
Other areas of the PRC	**12,181**	35,669
	25,070	38,507

3 TURNOVER AND SEGMENTAL INFORMATION (cont'd)

	2001	2000
	$'000	*$'000*
Contribution to operating loss by operating segment		
Continuing operations		
Leasing of fibre-optic network	**(22,974)**	—
Provision of telecommunications and Internet network engineering and related services	**(21,591)**	—
	(44,565)	—
Discontinued operations		
Sales of goods	—	(12,392)
Property leasing	**(403)**	(53)
	(403)	(12,445)
	(44,968)	(12,445)
Corporate and other overheads, net of unallocated income	**(35,662)**	(18,036)
	(80,630)	(30,481)

Discontinued operations represent disposals of the group's merchandise distributing operations and investment properties in the PRC, including Hong Kong, during the year. Net loss from ordinary activities for the year attributable to the discontinued operations amounted to $403,000 (2000: $12,566,000).

4 INCOME

	2001	2000
	$'000	*$'000*
Other revenue		
Bank interest income	**1,186**	1,980
Other net income/(loss)		
Net gain/(loss) on disposal of fixed assets	**934**	(8,892)
Exchange (loss)/gain	**(1,276)**	265
Net gain on debt waiver	**3,487**	156
Others	**105**	368
	3,250	(8,103)

5 NON-OPERATING EXPENSES, NET

	Note	**2001**	2000
		$'000	*$'000*
(Loss)/gain on disposal of subsidiaries	(i)	**(13,640)**	3,991
Write down of carrying value of fixed assets	(ii)	**(232,051)**	—
Provision for diminution in value of investment securities *(note 15)*		**(76,050)**	—
Loss on termination of new data centres construction	(iii)	**(14,779)**	—
Legal and professional fees in connection with assets acquisitions		**(3,900)**	(3,642)
Deficit arising from revaluation of investment properties		**—**	(30,711)
Write back of provision for liquidation cost		**—**	671
Provision for assets impairment		**—**	(4,802)
		(340,420)	(34,493)

5 NON-OPERATING EXPENSES, NET (cont'd)

Notes:

(i) In order to rationalise its business structure and performance, the group disposed of several subsidiaries, Maggert Management Limited, Win Link Limited, Pan Asia Telecom Limited, Pan Asia Taili Networking (Beijing) Company Limited, Harvest Year Investment & Development Limited, 上海浦東新區華基泰國際貿易有限公司 and Smart Engineering Company Limited to independent third parties. The group recorded a loss of $13,640,000 on disposal of the subsidiaries. Aggregate turnover and loss from ordinary activities after taxation of the disposed subsidiaries for the period from 1 April 2000 to the dates of disposals amounted to $6,128,000 and $3,741,000 respectively.

(ii) In March 2001, the group carried out a review of the carrying value of the fibre-optic network. Due to operational deficiencies identified by in-house qualified engineers, the directors of the company determined that the recoverable value of certain fibre-optic cables has been impaired. The carrying value of such assets has therefore been written down to their estimated recoverable value determined after taking into account the expected future cashflows of such assets. *(note 12)*

(iii) During the year, the group terminated the construction projects for certain new data centres. The costs incurred by the group in respect of the relevant projects have therefore been written off.

6 (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2001	2000
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans and overdrafts and other loans repayable within five years	**14,646**	3,642
Loans arrangement fee	**2,250**	—
Finance charges on obligations under finance leases	**36**	17
	16,932	3,659
(b) Other items:		
Cost of goods sold	**251**	22,628
Staff costs	**19,702**	5,905
Auditors' remuneration	**786**	536
Depreciation		
— owned fixed assets	**32,515**	3,542
— assets held under finance leases	**133**	33
Operating leases charges in respect of properties	**5,298**	10,843
Rental income, net of direct outgoings (2000: $550,000)	**—**	(2,288)
Retirement benefit scheme contributions	**308**	—

7 TAXATION

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

	2001	2000
	$'000	*$'000*
Taxation outside Hong Kong	**2,272**	121
Share of associate's taxation	**248**	46,521
	2,520	46,642

No provision for Hong Kong Profits Tax has been made as the group sustained a loss for Hong Kong Profits Tax purposes during the year.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries in which the subsidiaries operate. Taxation for PRC operations in respect of the associate is charged at the appropriate current rates of taxation ruling in the PRC.

(b) Taxation in the balance sheets represents:

	The group		**The company**	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Taxation of subsidiaries acquired during the year	—	38	—	—
Taxation outside Hong Kong	—	203	—	—
	—	241	—	—

(c) No deferred tax asset in respect of unutilised tax losses carried forward, which are available to set off against future assessable profits, has been recognised as it is uncertain that these tax losses will be utilised in the foreseeable future.

8 DIRECTORS' REMUNERATION

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

	2001	2000
	$'000	*$'000*
Fees	**360**	812
Salaries and other emoluments	**2,478**	1,800
Discretionary bonuses	**42**	—
Retirement benefit scheme contributions	**38**	—
	2,918	2,612

The directors' remuneration is within the following bands:

	Number of directors	
	2001	2000
$Nil - $1,000,000	**4**	9
$1,000,001 - $1,500,000	**—**	1
$1,500,001 - $2,000,000	**1**	—

Included in directors' remuneration are fees of $360,000 (2000: $150,000) payable to independent non-executive directors for the year.

9 FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals, one (2000: two) is a director of the company and his remuneration has been included in note 8 above. The remuneration of the remaining four (2000: three) highest paid individuals is as follows:

	2001	2000
	$'000	*$'000*
Salaries and other emoluments	**3,462**	1,585
Discretionary bonuses	**101**	—
Retirement benefit scheme contributions	**56**	—
	3,619	1,585

(Expressed in Hong Kong dollars)

9 FIVE HIGHEST PAID INDIVIDUALS (cont'd)

The remuneration is within the following bands:

	Number of individuals	
	2001	2000
$Nil - $1,000,000	**3**	3
$1,000,001 - $1,500,000	**1**	—

10 LOSS ATTRIBUTABLE TO THE MEMBERS

The loss attributable to the members for the year includes a loss of $368,521,000 (2000: $43,119,000) which has been dealt with in the accounts of the company.

11 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the group's loss for the year of $433,402,000 (2000: profit of $25,475,000) and on the weighted average number of 4,664,156,319 (2000: 2,182,391,698) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted loss per share for the year ended 31 March 2001 is not shown as the potential ordinary shares are anti-dilutive.

The calculation of the diluted earnings per share for the year ended 31 March 2000 is based on the group's adjusted profit for the year of $26,466,000 and the weighted average number of 2,469,797,839 shares after adjusting for the effects of all dilutive potential ordinary shares.

11 (LOSS)/EARNINGS PER SHARE (cont'd)

(c) Reconciliation for 2000 diluted earnings per share

	2000
	$'000
Net profit for the year used in calculating basic earnings per share	25,475
Deemed increase in earnings as a result of the conversion of the dilutive potential ordinary shares	991
Net profit for the year used in calculating diluted earnings per share	26,466

	2000
	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	2,182,391,698
Deemed issue of ordinary shares for no consideration	287,406,141
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,469,797,839

12 FIXED ASSETS

(a) The group

	Leasehold improvement $'000	Fibre-optic network $'000	Plant and machinery $'000	Satellite equipment $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:									
At 1 April 2000	132	—	12,983	2,698	1,445	745	18,003	24,289	42,292
Through acquisition of subsidiaries	—	679,916	—	—	295	1,319	681,530	—	681,530
Additions	3,358	503,549	26,358	—	2,208	140	535,613	—	535,613
Through disposal of subsidiaries	(357)	—	(276)	(2,698)	(1,014)	(342)	(4,687)	—	(4,687)
Through the Reorganisation (note 13)	—	(235,742)	—	—	(725)	(1,179)	(237,646)	—	(237,646)
Disposals	(49)	—	(21,028)	—	(121)	(288)	(21,486)	(24,289)	(45,775)
Write down (note 5)	—	(247,723)	—	—	—	—	(247,723)	—	(247,723)
At 31 March 2001	3,084	700,000	18,037	—	2,088	395	723,604	—	723,604
Representing:									
At cost	3,084	700,000	18,037	—	2,088	395	723,604	—	723,604
Valuation	—	—	—	—	—	—	—	—	—
At 31 March 2001	3,084	700,000	18,037	—	2,088	395	723,604	—	723,604
Accumulated depreciation:									
At 1 April 2000	81	—	101	852	598	257	1,889	—	1,889
Charge for the year	1,073	27,860	2,469	308	635	303	32,648	—	32,648
Written back on disposal	(36)	—	(838)	—	(49)	(164)	(1,087)	—	(1,087)
Through disposal of subsidiaries	(147)	—	(23)	(1,160)	(637)	(264)	(2,231)	—	(2,231)
Through the Reorganisation (note 13)	—	(12,188)	—	—	(462)	—	(12,650)	—	(12,650)
Write down (note 5)	—	(15,672)	—	—	—	—	(15,672)	—	(15,672)
At 31 March 2001	971	—	1,709	—	85	132	2,897	—	2,897
Net book value:									
At 31 March 2001	2,113	700,000	16,328	—	2,003	263	720,707	—	720,707
At 31 March 2000	51	—	12,882	1,846	847	488	16,114	24,289	40,403

12 FIXED ASSETS (cont'd)

(b) The analysis of net book value of investment properties is as follows:

	Investment properties	
	2001	2000
	$'000	*$'000*
Medium leases in Hong Kong	**—**	24,289

Pursuant to the sales and purchases agreements dated 29 February 2000, Priceway Development Limited, a wholly owned subsidiary of the company, disposed of its investment properties to independent third parties at a total consideration of $24,289,000. The disposals were completed in April 2000.

(c) The net book value of fixed assets includes an amount of $299,000 (2000: $442,000) in respect of assets held under finance leases.

(d) At 31 March 2001 or for the year then ended, the company did not have any fixed assets.

13 INTERESTS IN SUBSIDIARIES

	The company	
	2001	2000
	$'000	*$'000*
Unlisted shares, at cost	**289,285**	289,285
Less: Provision	**(289,285)**	(289,285)
	—	—
Amounts due from subsidiaries	**3,457,558**	2,800,013
Less: Provision	**(2,426,585)**	(2,311,247)
	1,030,973	488,766
Amounts due to subsidiaries	**(6,458)**	(885)
	1,024,515	487,881

Balances with subsidiaries are unsecured, interest free and have no fixed terms of repayment.

13 INTERESTS IN SUBSIDIARIES (cont'd)

On 25 May 2000, the group acquired a further 56% interest in Plain Gold Holdings Limited ("Plain Gold") and the entire interest in Opulent Deal Limited ("Opulent Deal"), each of which indirectly holds a 33% interest in Guangzhou South China Fiber-optic Cable Network Engineering Co Ltd ("SCFC"), at a consideration of $350,000,000. Following the completion of the acquisition on 25 May 2000, Plain Gold and Opulent Deal became wholly owned subsidiaries of the company, which together have an aggregate 66% interest in SCFC. The principal operations of SCFC were the construction and leasing of fibre-optic network in the PRC.

On 28 February 2001, the group undertook a business reorganisation (the "Reorganisation") of its investment in fibre-optic network via SCFC. Pursuant to the Reorganisation, the entire fibre-optic network of SCFC was divided between the group and the minority shareholder of SCFC, based on their respective equity percentages. As part of the Reorganisation, the group disposed of its interests in SCFC, Plain Gold and Opulent Deal to the minority shareholder of SCFC following the completion of division of the fibre-optic network. No material gain or loss was incurred by the group as a result of the Reorganisation.

Details of the principal subsidiaries are set out in note 33(a) on the accounts.

14 INTEREST IN ASSOCIATE

	The group	
	2001	2000
	$'000	*$'000*
Share of net assets other than goodwill	**—**	202,770

Interest in associate at 31 March 2000 represented the group's share of net assets other than goodwill in Plain Gold, a company incorporated in the British Virgin Islands and engaged in investment holding. As at 31 March 2000, the group held an equity interest of 44% in Plain Gold . Movements in the group's interest in Plain Gold for the year are set out in note 13.

15 INVESTMENT SECURITIES

	The group	
	2001	2000
	$'000	*$'000*
Unlisted equity securities, at cost	**151,200**	42,000
Less: Provision for diminution in value of investment securities	**(76,050)**	—
	75,150	42,000

15 INVESTMENT SECURITIES (cont'd)

As at 31 March 2001, the group's holding of investment securities included an investment of a 21.8% equity interest in Kanssen Limited ("Kanssen"), a company incorporated in the British Virgin Islands. Such investment was stated at cost of $42,000,000 (2000: $42,000,000). The investment in Kanssen has not been equity accounted for in the consolidated accounts of the group as the directors of the company consider that the group does not have any significant influence on Kanssen. The board of directors of Kanssen is controlled by its majority shareholder, which owns a 78.2% equity interest in Kanssen. In addition, Kanssen is engaged in activities substantially different from the business of the group.

On the basis of a review of the recoverable amounts of individual investment securities performed by the directors of the company, other than the provision stated above, no provision for diminution in value is necessary in respect of the carrying value of the investment securities as at 31 March 2001.

16 STOCKS

	The group	
	2001	2000
	$'000	*$'000*
Finished goods	—	3,605

None of the stocks at 31 March 2000 was carried at net realisable value.

17 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Deposits for investments	—	325,000	—	325,000
Debtors, deposits and prepayments	**4,175**	5,784	—	20
	4,175	330,784	—	325,020

Deposits for investments at 31 March 2000 were fully utilised during the year toward investment acquisitions.

The credit terms granted to customers by the group range from 14 days to 90 days.

17 TRADE AND OTHER RECEIVABLES (cont'd)

Included in trade and other receivables are trade receivables (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	The group	
	2001	2000
	$'000	*$'000*
Within 3 months	**1,959**	935
More than 3 months but less than 12 months	**23**	943
	1,982	1,878

All of the trade and other receivables are expected to be recovered within one year.

18 CASH AND CASH EQUIVALENTS

	The group		The company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks and other financial institutions	**—**	58,297	**—**	56,220
Cash at bank and in hand	**1,500**	210,341	**40**	209,655
	1,500	268,638	**40**	265,875

19 BANK LOANS, OVERDRAFTS AND OTHER LOANS

(a) Bank loans and overdrafts are repayable as follows:

	The group		**The company**	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year or on demand	**11,130**	18,773	—	18,773
After 1 year but within 2 years	**2,891**	—	—	—
	14,021	18,773	—	18,773
Representing:				
Unsecured bank loans and overdrafts	**14,021**	—	—	—
Secured bank loans and overdrafts	—	18,773	—	18,773
	14,021	18,773	—	18,773

(b) Other loans are unsecured, interest bearing at the prevailing commercial lending rates and not repayable prior to 31 December 2002.

20 OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2001, the group had obligations under finance leases repayable as follows:

	The group	
	2001	2000
	$'000	*$'000*
Within 1 year	**109**	156
After 1 year but within 2 years	**109**	124
After 2 years but within 5 years	**61**	130
	279	410
Finance charges relating to future periods	**(34)**	(61)
	245	349
Amount due within 1 year	**(90)**	(122)
	155	227

21 CONVERTIBLE BONDS

The convertible bonds ("Bonds") bear interest at a fixed rate of 4% per annum to be paid half yearly. Part of the Bonds of $23,614,000 are convertible after 15 March 2001 up to and including 15 March 2002 and the remaining of $631,000 are convertible after 14 April 2002 up to and including 14 April 2003 into ordinary shares of the company at the conversion price, subject to adjustment in certain events, of $0.10 per share (the "Conversion Price"). In the event of full conversion of the Bonds at the Conversion Price, 242,449,730 new ordinary shares of the company would be issued. Any Bonds not converted into ordinary shares by the end of the above mentioned exercise period will be repaid to bondholders.

22 TRADE AND OTHER PAYABLES

	The group		**The company**	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Trade payables	**1,260**	5,668	**—**	—
Other payables and accrued charges	**29,002**	6,929	**7,698**	4,075
	30,262	12,597	**7,698**	4,075

The above trade payables were due for payment within one month or on demand.

23 LONG TERM PAYABLE

The balance is unsecured, interest bearing at the prevailing commercial lending rate and not repayable prior to 31 December 2002.

24 SHARE CAPITAL

	Note	**2001**		2000	
		Number of shares		Number of shares	
		('000)	***$'000***	*('000)*	*$'000*
Authorised:					
Ordinary shares of $0.10 each	(a)	**10,000,000**	**1,000,000**	6,000,000	600,000
Issued and fully paid:					
At 1 April		**4,431,222**	**443,122**	1,044,068	104,407
Issue of shares	(b)	**6,309**	**631**	698,000	69,800
Share issued for the acquisition of Equity Smart Limited	(c)	**600,000**	**60,000**	—	—
Shares issued under warrant subscription rights	(d)	**1**	—	1,052	105
Shares issued for the acquisition of Kanssen Limited	(e)	—	—	200,000	20,000
Shares issued for the acquisition of DigiNet Group Limited	(f)	—	—	250,000	25,000
Rights issue	(g)	—	—	2,238,102	223,810
At 31 March		**5,037,532**	**503,753**	4,431,222	443,122

Notes:

(a) Authorised share capital

By an ordinary resolution passed at a special general meeting held on 9 March 2001, the authorised share capital of the company was increased to $1,000,000,000 by the creation of an additional 4,000,000,000 ordinary shares of $0.10 each, ranking pari passu with the existing shares of the company.

(b) Issue of shares

Pursuant to the compromise agreement dated 16 January 1999 between the company and certain creditors (the "Compromise Agreement"), the group disposed of its investment properties in April 2000 in order to raise funds to repay certain secured bank indebtedness due from the group. Following the application of proceeds from the property disposals, the shortfall in secured indebtedness amounted to $6,309,000. Pursuant to the Compromise Agreement, 55% of the shortfall was waived, 25% of the shortfall was repaid in cash, 10% was satisfied by the issue of shares at a subscription price of $0.10 each, and 10% was satisfied by the issue of convertible bonds. Accordingly, 6,308,958 shares of $0.10 each was allotted and issued at par.

24 SHARE CAPITAL (cont'd)

Notes: (cont'd)

(c) Shares issued for the acquisition of Equity Smart Limited

Pursuant to a conditional sale and purchase agreement dated 25 October 2000, the company issued a total of 600,000,000 shares of $0.10 each at a price of $0.182 each for an aggregate consideration of $109,200,000 to independent third parties for the acquisition of the entire issued share capital of Equity Smart Limited, which in turn holds 11.11% of the issued share capital of iTec World Limited.

(d) Shares issued under warrant subscription rights

Pursuant to an ordinary resolution passed on 10 January 2000, a bonus issue of warrants was issued to the company's shareholders at 31 January 2000, in the proportion of one warrant for every five shares of $0.10 each, entitling the holders thereof to subscribe in cash for new shares at an initial subscription price of $0.38 per share up to 3 February 2003.

During the year, warrants with subscription rights for 795 shares in the company were exercised. Exercise of remaining warrants in full would result in the issue of an additional 744,980,895 shares for $283,093,000.

(e) Shares issued for the acquisition of Kanssen Limited

Pursuant to a conditional sale and purchase agreement dated 23 June 1999, the company issued a total of 200,000,000 shares of $0.10 each at a price of $0.12 each for an aggregate consideration of $24,000,000 to an independent third party as partial consideration for the acquisition of a 21.8% equity interest in Kanssen Limited.

(f) Shares issued for the acquisition of DigiNet Group Limited

Pursuant to a conditional sale and purchase agreement dated 23 February 2000, the company issued a total of 250,000,000 shares of $0.10 each at a price of $0.60 each for an aggregate consideration of $150,000,000 to an independent third party as partial consideration for the acquisition of the entire issued share capital of DigiNet Group Limited.

(g) Rights issue

Pursuant to an ordinary resolution passed on 10 January 2000, a rights issue of 2,238,101,914 new shares of $0.10 each was made to the company's shareholders at 10 January 2000, at the issue price of $0.20 per share and on the basis of three rights shares for every two existing shares of $0.10 each, for an aggregate consideration before expenses of $447,620,000. The proceeds were used as the general working capital of the company.

Pursuant to a share option scheme passed by a resolution of the members of the company at a special general meeting held on 30 June 2000, options to subscribe ordinary shares in the company ("Options") will be granted at a nominal consideration to eligible employees of the group, including executive directors. The exercise price is a price to be determined by the directors, being the higher of a price not less than 80% for the average of the closing prices of the shares on the Stock Exchange on the five business days immediately preceding the date on which the Options is offered to the employees; or the nominal value of the ordinary shares of the company.

Pursuant to a board resolution dated 12 July 2000, the company granted Options to certain of its employees, at an aggregate consideration of $37, for subscribing a total of 29,550,000 ordinary shares of the company at a price of $0.25 per share during the period from 12 July 2001 to 11 July 2005, both dates inclusive. None of these Options have been exercised during the year.

25 RESERVE

(a) The group

	Revaluation reserve	Share premium	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*
At 1 April 1999	—	1,220,689	(1,245,447)	(24,758)
Issue of shares	—	704,073	—	704,073
Attributable share of revaluation surplus of associate	92,556	—	—	92,556
Goodwill arising on acquisition of subsidiaries and associate	—	—	(410,087)	(410,087)
Profit for the year	—	—	25,475	25,475
At 31 March 2000	92,556	1,924,762	(1,630,059)	387,259
At 1 April 2000	92,556	1,924,762	(1,630,059)	387,259
Issue of shares	—	49,200	—	49,200
Transfer of realised revaluation reserve	(771)	—	771	—
Goodwill arising on acquisition of subsidiaries	(91,785)	—	83,245	(8,540)
Adjustments to goodwill arising on acquisition of subsidiaries in prior year	—	—	1,660	1,660
Goodwill realised on disposal of subsidiaries taken to the profit and loss account	—	—	12,284	12,284
Loss for the year	—	—	(433,402)	(433,402)
At 31 March 2001	—	1,973,962	(1,965,501)	8,461

25 RESERVE (cont'd)

(b) The company

	Share premium $'000	Contributed surplus $'000	Accumulated losses $'000	Total $'000
At 1 April 1999	1,220,689	15,538	(1,278,718)	(42,491)
Issue of shares	704,073	—	—	704,073
Loss for the year	—	—	(43,119)	(43,119)
At 31 March 2000	1,924,762	15,538	(1,321,837)	618,463
At 1 April 2000	1,924,762	15,538	(1,321,837)	618,463
Issue of shares	49,200	—	—	49,200
Loss for the year	—	—	(368,521)	(368,521)
At 31 March 2001	1,973,962	15,538	(1,690,358)	299,142

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

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium accounts.

In the opinion of the directors, as at 31 March 2001, the company had no reserves available for distribution to its shareholders (2000: $Nil).

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operations after charging finance costs and non-operating expenses before taxation to net cash outflow from operating activities

	2001	2000
	$'000	*$'000*
Loss from operations after charging finance costs and non-operating expenses before taxation	**(437,982)**	(68,633)
Interest expense	**14,646**	3,642
Interest element of finance lease rentals	**36**	17
Interest income	**(1,186)**	(1,980)
Depreciation	**32,648**	3,575
Net (gain)/loss on disposal of fixed assets	**(934)**	8,892
Net gain on debt waiver	**(3,487)**	(156)
Forfeiture of dividends by shareholders	**(17)**	(181)
Loss/(gain) on disposal of subsidiaries	**13,640**	(3,991)
Write down of carrying value of fixed assets	**232,051**	—
Provision for diminution in value of investment securities	**76,050**	—
Provision for amounts due from de-consolidated subsidiaries	**—**	946
Deficit arising from revaluation of investment properties	**—**	30,711
Decrease in stocks	**543**	1,320
(Increase)/decrease in trade and other receivables	**(3,302)**	1,735
Decrease in amounts due from de-consolidated subsidiaries	**289**	23,754
Increase/(decrease) in trade and other payables	**23,599**	(10,157)
Increase in sales tax payable	**29**	—
Net cash outflow from operating activities	**(53,377)**	(10,506)

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing activities during the year

	Share capital and premium *$'000*	Bank and other borrowings *$'000*	Convertible bonds *$'000*
At 1 April 1999	1,325,096	19,034	23,614
Proceeds from issue of shares after deducting issuance expenses	868,788	—	—
Repayments of bank loans and other borrowings	—	(261)	—
Shares issued for the acquisition of Kanssen Limited	24,000	—	—
Shares issued for the acquisition of DigiNet Group Limited	150,000	—	—
At 31 March 2000	2,367,884	18,773	23,614
At 1 April 2000	2,367,884	18,773	23,614
Proceeds from bank and other loans	—	213,600	—
Repayments of bank loans and other borrowings	—	(14,024)	—
Shares issued for the acquisition of Equity Smart Limited	109,200	—	—
Shares and convertible bonds issued for repayment of bank borrowings	631	(1,262)	631
Bank loans waived	—	(3,487)	—
At 31 March 2001	2,477,715	213,600	24,245

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(c) Acquisitions of subsidiaries

	$'000
Net assets acquired:	
Fixed assets	681,530
Investment securities	109,200
Trade and other receivables	2,372
Cash and cash equivalents	2,798
Trade and other payables	(5,183)
Tax payable	(5,808)
Minority interests	(227,332)
Equity share attributable to the group prior to acquisitions	(106,917)
	450,660
Goodwill	8,540
	459,200
Satisfied by: Cash paid during the year	75,000
Deposit paid in prior year	275,000
Issue of shares	109,200
	459,200

(d) Analysis of net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries

	$'000
Cash consideration	75,000
Cash at bank and in hand acquired	(2,798)
Net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries	72,202

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(e) Disposal of subsidiaries

	$'000
Net assets disposed of:	
Fixed assets	2,456
Stocks	3,062
Trade and other receivables	3,375
Cash and cash equivalents	15
Bank overdrafts	(94)
Trade and other payables	(6,054)
Tax payable	(203)
Obligations under finance leases	(28)
Minority interests	(973)
	1,556
Goodwill realised upon disposal	12,284
	13,840
Loss on disposal	(13,640)
Disposal proceeds	200
Cash and cash equivalents (including bank overdrafts) of subsidiaries disposed of	79
Net cash inflow from disposal of subsidiaries	279

27 COMMITMENTS

(a) Commitments under operating leases

At 31 March 2001, the group had commitments under operating leases relating to properties and equipment to make payments in the next year as follows:

	The group	
	2001	2000
	$'000	*$'000*
Leases expiring:		
Within 1 year	**159**	1,148
After 1 year but within 5 years	**8,207**	2,076
	8,366	3,224

(b) Capital commitments

Capital commitments outstanding at 31 March 2001 not provided for in the accounts were as follows:

	The group	
	2001	2000
	$'000	*$'000*
Contracted for	**139**	—

(c) Investing commitments

As at 31 March 2001, the group was committed to make capital contributions totalling $182,000,000 toward certain subsidiaries in the PRC.

28 CONTINGENCIES

(a) Contingent gain

Pursuant to a conditional sale and purchase agreement in connection with the acquisition of Kanssen (Note 15), the vendors of Kanssen guarantee and undertake to the group that the consolidated net profit attributable to shareholders of Kanssen and its subsidiaries (the "Kanssen Group") for each of the financial years ended/ending 30 June 2000, 30 June 2001 and 30 June 2002 as shown in the audited consolidated accounts of the Kanssen Group, shall not be less than $45,000,000, $60,000,000 and $80,000,000, respectively (the "Guarantee Profits"). The vendors will indemnify the group's share of the shortfall between the actual profits and the Guarantee Profits in cash. The share of Guarantee Profits attributable to the group has not been reflected in the group's consolidated profit and loss account for the year ended 31 March 2001 as the audited accounts of the Kanssen Group for the financial year ended 30 June 2000 are not yet available up to the date of these accounts.

(b) Bank guarantees

As at 31 March 2001, corporate guarantees given by the company to banks in respect of banking facilities granted to certain subsidiaries amounted to $14,021,000 (2000: $Nil).

29 OUTSTANDING LITIGATIONS

Significant litigations outstanding as at 31 March 2001 and up to the date of these accounts are summarised as follows:

(a) The group

On 21 September 1999, a former director of the company, Mr Wong Chong Shan, commenced proceedings in the High Court against the company claiming a sum of $5,000,000. Mr Wong Chong Shan alleged that he paid the said sum on the company's behalf in August 1997 to a third party as deposit and that the company failed to make repayment to him. The company has filed a defence against these legal proceedings. The company has also commenced third party proceedings against the third party who has allegedly received the said sum. The third party has filed a notice of intention to defend the third party proceedings. The directors have considered the matter and take the view that since no positive steps have been taken by Mr Wong Chong Shan to prosecute the action since 10 December 1999 and third party proceedings have been instituted by the company against the third party, it is not necessary at this stage to make a provision in the accounts for these proceedings.

29 OUTSTANDING LITIGATIONS (cont'd)

(b) De-consolidated subsidiaries

Litigation was commenced in January and May 1998 by Winsworld Properties Limited ("Winsworld") against two of the then wholly owned subsidiaries of the company, Hon Hin Investment Company Limited ("Hon Hin") (as tenant) and Hwa Kay Thai Marketing Services Limited ("HKTMS") (as guarantor), for the arrears of rental and service charges allegedly due from them. The amount claimed in each action was approximately $4,000,000 plus interest and costs. These subsidiaries have filed their defences with or without counterclaim in each action. As a winding-up order was made against Hon Hin on 5 May 1999, all proceedings against Hon Hin are stayed. Hon Hin was subsequently liquidated on 8 September 2000.

No corporate guarantee has been provided by the company to Hon Hin and HKTMS. In the opinion of the directors, all material contingent liabilities in respect of these legal proceedings have been reflected in the accounts.

30 MATERIAL RELATED PARTY TRANSACTIONS

In the opinion of the directors, no material transactions with related parties were carried out by the group during the two years ended 31 March 2001.

31 RETIREMENT BENEFIT SCHEMES

With effect from 1 December 2000, the group participates in two Mandatory Provident Fund schemes ("MPF Schemes") for all its employees and executive directors in Hong Kong. The MPF Schemes are registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Schemes are held separately from those of the group in funds under the control of an independent third party trustee. Pursuant to the rules of the MPF Schemes, the group and its employees are each required to make contributions to the schemes at specific rates. Contributions of the group to the MPF Schemes are charged to profit and loss account as incurred. For the year, the retirement benefit scheme contributions borne by the group amounted to $308,000 (2000: $Nil).

The group has no obligations for payments of employee retirement benefits beyond the contributions described above.

32 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 March 2001 to be Shine United International Inc, which is incorporated in the British Virgin Islands.

(Expressed in Hong Kong dollars)

33 PRINCIPAL SUBSIDIARIES

(a) Particulars of the principal subsidiaries consolidated at 31 March 2001 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid capital/ registered capital	Percentage of equity attributable to the group %	Principal activities
Hwa Kay Thai Investments Limited @	Hong Kong	176,000,000 $0.5 shares	100	Investment holding
Hwa Kay Thai International Limited @	Cook Islands	1,000 $1 shares	100	Investment holding
Max Benefits Development Limited	Hong Kong	2 $1 shares	100	Provision of management services
Maxgrace International Limited	Hong Kong	2 $1 shares	100	Provision of management services
Good Sign (HK) Limited	Hong Kong	2 $1 shares	100	Arrangement of leases
HiNet Infrastructure (GD) Limited @	British Virgin Islands	1 US$1 share	100	Investment holding
Corp2000 Limited	Hong Kong	2 $1 shares	100	Operation of data centre
DigiNet Network Limited	Hong Kong	2,000,000 $1 shares	100	Provision of professional system design and engineering

(Expressed in Hong Kong dollars)

33 PRINCIPAL SUBSIDIARIES (cont'd)

(a) Particulars of the principal subsidiaries consolidated at 31 March 2001 are as follows (cont'd)**:**

Name	Place of incorporation/ operation	Issued and fully paid capital/ registered capital	Percentage of equity attributable to the group %	Principal activities
Silver Lake Assets Limited	British Virgin Islands	1 US$1 share	100	Investing in fibre-optic network
廣州宏永利通信工程有限公司*	PRC	$30,000,000	100	Investing in fibre-optic network
廣州恒盛昌通信工程有限公司*	PRC	$30,000,000	100	Investing in fibre-optic network
廣州宜信達通信工程有限公司*	PRC	US$15,000,000	100	Not yet commence business
意念科技(深圳)有限公司**	PRC	$20,000,000	100	Not yet commence business

@ Subsidiaries held directly by the company.

* These three entities were Sino-foreign cooperative joint venture (the "Joint Ventures") established by the group jointly with companies controlled by an independent third party. The group is responsible for paying up the registered capital of the Joint Ventures and providing further funding to the Joint Ventures in form of shareholders' loan, if required. Any distributable profits of the Joint Ventures are required to be firstly paid to the group up to an aggregate amount of the registered capital and shareholder's loan provided by the group and may then be distributed between the group and the joint venture partner in the ratio of 92:8. Based on the terms of joint venture agreements and articles of association of the Joint Ventures, the company's directors are of the opinion that the Joint Ventures are controlled by the group. Accordingly, the Joint Ventures have been accounted for as subsidiaries and included in the consolidated accounts for the year.

** This is a wholly-owned foreign investment enterprise registered under the laws of the PRC.

(Expressed in Hong Kong dollars)

33 PRINCIPAL SUBSIDIARIES (cont'd)

(b) Particulars of the principal subsidiaries de-consolidated at 31 March 2001 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid capital	Percentage of equity attributable to the group %	Principal activities
Hwa Kay Thai Marketing Services Limited#	Hong Kong	50,000,000 $1 shares	100	Ceased trading
Hwa Kay Thai Treasurers Limited#	Hong Kong	2 $1 shares	100	Ceased trading
Hwa Kay Thai (Singapore) Pte Ltd#	Singapore	100,000 S$1 shares	100	In liquidation
Hwa Kay Thai (M) Sdn Bhd#	Malaysia	200,000 M$1 shares	100	In liquidation
Lion Hill (Taiwan) Limited#	Taiwan	2,000,000 NT$10 shares	100	In liquidation
Hwa Kay Thai (North Asia) Limited#	British Virgin Islands	10,000 US$1 shares	100	Ceased trading

\# Subsidiaries not audited by KPMG.

Note: The above table lists the subsidiaries of the group which, in the opinion of the directors, principally affected the results of the year 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. None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.