1. ORGANISATION AND OPERATIONS

Telecom Plus Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 26 to the financial statement.

During the year, the Company underwent debt-restructuring arrangements with the Group's banks, other financial and trade creditors to restructure its debt repayment obligations. As at 31 March 2001, the Group's creditors have waived payment of debts amounting to approximately HK$114,798,000.

2. BASIS OF PRESENTATION AND CORPORATE UPDATE

The Group's financial statements for the year ended 31 March 2001 have been prepared on the following bases:

(a) The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, all of the Group's production facilities located in Mainland China were seized under court orders as security for the unsettled claims found against the Group and, as a result, the directors have not been able to obtain access to the books and records of the Company's subsidiaries in Mainland China.

No representation as to the completeness of the books and records of the Company's subsidiaries in Mainland China can be given by the directors. Although care has been taken in the preparation of these financial statements to mitigate the effect of the incomplete records, the directors are unable to represent that all transactions entered into in the name of these subsidiaries have been included in these financial statements. To the extent possible, the directors have taken such steps as they considered practicable to ascertain the accuracy of the account balances and have made provisions, adjustments and disclosures as they considered appropriate in the preparation of these financial statements.

(b) The Group had a consolidated net profit attributable to shareholders of approximately HK$237 million for the year ended 31 March 2001. As at the balance sheet date, the Group had net current liabilities of approximately HK$42 million and minimal cash resources.

During the year, the Group discontinued its production operation due to the seizure of its production line in Zhongshan, the PRC. In January 2001, the Group acquired a subsidiary, Holy (Hong Kong) Universal Limited ("Holy (HK)"). Since then, the Group has strengthened its business operation.

2. BASIS OF PRESENTATION AND CORPORATE UPDATE (CONT'D)

Against this background, to strengthen the capital base of the Group and to improve its financial position, liquidity, cash flows, profitability and operations, the directors adopted the following measures:

(i) Equity financing

On 30 May 2001, the Company announced the placing of 160 million new shares of the Company of HK$0.10 each at a price of HK$0.18 per share. The placing was completed on 5 June 2001 and the cash proceeds therefrom was approximately HK$28.8 million.

(ii) Restructuring of the Group's indebtedness

On 30 May 2001, the Company entered into a debt-equity conversion agreement with a creditor for the conversion of the indebtedness owing to this creditor into 1,600,000 new shares of the Company of HK$0.10 each at a price of approximately HK$0.305 per share to settle a debt of approximately HK$488,000. This conversion was completed on 11 June 2001.

Furthermore, on 12 June 2001, the Company entered into a debt-equity conversion agreement with a creditor for the conversion of the indebtedness owing to this creditor into 427,000 new shares of the Company of HK$0.10 each at a price of approximately HK$1.00 per share to settle a debt of approximately HK$427,000. This conversion was completed on 29 June 2001.

(iii) New business

On 12 February 2001, Holy (HK) entered into an acquisition agreement with the shareholders of Beijing HollyBridge System Integration Company Limited ("Beijing HollyBridge") to acquire a 51% interest in Beijing HollyBridge at a consideration of HK$16 million. This acquisition was completed on 12 June 2001. Beijing HollyBridge is a company incorporated in the PRC. It is principally engaged in the sales and distribution, design as well as technical consultation and maintenance of communication equipment and information products, intelligent building system and communication system and is also a solutions provider.

In view of the above measures taken by the Company's directors to secure new equity funding, to restructure the Group's borrowings, and to reactivate the Group's business operations, the directors are of the opinion that these financial statements should be prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings, and in accordance with accounting principles generally accepted in Hong Kong, Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, the disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. For subsidiaries acquired or disposed of during the year, their results are consolidated from or to their effective dates of acquisition or disposal. All significant intra-group transactions and balances have been eliminated on consolidation.

(c) Subsidiaries

A company is a subsidiary company if more than 50% of the issued voting capital is held long-term, directly or indirectly. Investment in subsidiaries is carried at cost less provision for impairment in value where considered necessary by the directors. The results of the subsidiaries are included in the income statement to the extent of dividends declared by the subsidiaries.

(d) Goodwill

Goodwill represents the difference between the fair value of the consideration given and the Group's share of the aggregate fair values of the identifiable net assets acquired. Positive goodwill arises where the consideration given exceeds the Group's share of the aggregate fair values of the identifiable net assets acquired. Positive goodwill is capitalised as assets and amortised over 20 years.

Negative goodwill arises where the consideration given does not exceed the Group's share of the aggregate fair values of the identifiable net assets acquired. Negative goodwill is presented as a deduction from positive goodwill. It should then be recognised as income as follows:

(i) to the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquirer's plan for the acquisition and that can be measured reliably, negative goodwill is recognised as income when the identified future losses and expenses occur; and

(ii) to the extent that it does not relate to future losses and expenses, negative goodwill not exceeding the fair values of the non-monetary assets acquired is recognised as income over the remaining average useful life of the depreciable or amortisable non-monetary assets acquired. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised as income immediately

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Fixed assets and depreciation

Fixed assets are stated at cost or valuation 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 the fixed assets have been put into operation, such as repairs and maintenance, and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

Any increase in fixed assets valuation is credited to the fixed asset revaluation reserve; any decrease is first offset against an increase on earlier valuation in respect of the same asset and is thereafter charged to income statement.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost or valuation of each asset over its expected useful life. The annual rates are as follows:

Medium term leasehold land and buildings	2% – 4%
Leasehold improvements	20%, or over the terms of the leases, whichever is shorter
Plant and machinery	10% – 50%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives or, where shorter, the terms of the lease on the same basis as owned assets.

When assets are sold or retired, their cost or valuation and accumulated depreciation and amortisation are eliminated from the financial statements and any gain or loss resulting from their disposals is included in the income statement.

The carrying amount of assets is assessed annually and when factors indicating an impairment are present. The Group determines the recoverable amount of assets by measuring discounted future cash flows. If an impairment is present, the assets are reported at the lower of carrying amount or recoverable amount.

(f) Foreign currencies

Companies within the Group maintain their books and records in the primary currencies of their respective countries (the "functional currencies").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Foreign currencies (Cont'd)

In the financial statements of the individual companies, monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into the respective functional currencies at rates of exchange in effect at the balance sheet date. Transactions in other currencies during the year are translated into the respective functional currencies at rates of exchange in effect at the time of the transactions. Exchange differences are dealt with in the income statement of the individual companies.

For the purpose of consolidation, all of the financial statements of the subsidiaries are translated into Hong Kong dollars at rates of exchange in effect at the balance sheet date. Exchange differences arising on such translation are credited or charged to the cumulative translation reserve.

(g) Deferred tax

Deferred tax is provided under the liability method, at the current tax rate, in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except where it is considered that no liability will arise in the foreseeable future.

A deferred tax asset is not recognised unless the related benefits are expected to crystallise in the foreseeable future.

(h) Leases

(i) Finance leases

Leases that transfer to the company substantially all the rewards and risks of ownership of the assets, other than legal title, are accounted for as finance leases.

Fixed assets held under finance leases are initially recorded at the present value of the minimum lease payments at the inception of the leases, with the equivalent liabilities recorded as appropriate under current or non-current liabilities.

Finance charges, which represent the difference between the minimum lease payments at the inception of the leases and the fair value of the assets, are allocated to accounting periods over the period of the relevant leases so as to produce a constant periodic rate of charge on the outstanding balances.

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership remain with the leasing company are accounted for as operating leases. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Turnover and revenue recognition

Turnover represents net invoiced value of goods sold after allowances for returns and discount.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably. Turnover and other revenue are recognised on the following bases:

(i) Sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.

(ii) Rental income is recognised when rentals become due and receivable.

(iii) Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

(j) Borrowing costs

Interest is expensed as incurred.

Other borrowing costs, including amortisation of discounts on premiums relating to borrowings, amortization of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regard as an adjustment to interest costs, are considered immaterial and are recognised as an expense in the year incurred.

(k) Convertible bonds

Convertible bonds are recorded as liabilities at its face value until conversion occurs. The finance cost, including the premium payable upon the final redemption of convertible bonds, is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds of each accounting period.

(l) Employee retirement benefits

Costs of employee retirement benefits are charged to the income statement in the relevant period in which they are incurred.

4. TURNOVER AND REVENUE

The amounts of each significant category of revenue recognised during the year are as follows:

	2001 HK$'000	2000 HK$'000 (Note 30)
Sale of goods:		
Continuing operations		
– communication products	**30,375**	–
– electronic products	**253**	–
	30,628	–
Discontinued operations		
– communication products	**–**	1,117
– toy products	**472**	87,843
– audio products	**–**	68,569
– gift products	**–**	969
– others	**–**	778
	472	159,276
Total turnover	**31,100**	159,276
Interest income	**126**	130
Rental income	**125**	458
Gain on disposal of subsidiaries	**149,060**	4,771
Gain on waiver of bank overdraft, bank loans and other loans	**101,442**	–
Gain on waiver of obligations under finance lease	**13,356**	–
Write-back of over accrued interest	**5,231**	–
Write-back of revaluation deficit previously charged to the income statement	**–**	6,037
Others	**13,857**	4,221
Total other revenue	**283,197**	15,617
Total revenue	**314,297**	174,893

5. PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

	2001		2000	
	Turnover HK$'000	**Results HK$'000**	Turnover HK$'000 (Note 30)	Results HK$'000 (Note 30)
(a) By principal activities				
Continuing operations				
– communication products	**30,375**	**5,839**	–	–
– electronic products	**253**	**–**	–	–
Discontinuing operations				
– communication products	**–**	**–**	1,117	(722)
– toy products	**472**	**240,329**	87,843	(56,803)
– audio products	**–**	**–**	68,569	(44,339)
– gift products	**–**	**–**	969	(627)
– others	**–**	**–**	778	(504)
	31,100	**246,168**	159,276	(102,995)
Finance costs		**(8,741)**		(47,278)
		237,427		(150,273)
(b) By geographical regions				
The PRC (excluding Hong Kong)	**30,628**	**5,839**	1,161	(751)
Hong Kong	**10**	**263,586**	10,712	(6,927)
Europe	**34**	**(1,717)**	2,644	(1,710)
United States of America	**336**	**(16,905)**	81,101	(52,443)
Japan	**–**	**–**	56,956	(36,830)
Others	**92**	**(4,635)**	6,702	(4,334)
	31,100	**246,168**	159,276	(102,995)
Finance costs		**(8,741)**		(47,278)
		237,427		(150,273)

6. PROFIT (LOSS) BEFORE TAXATION

Profit (Loss) before taxation is determined after charging and crediting the following:

	Group	
	2001	2000
	HK$'000	HK$'000
		(Note 30)
Charging:		
Interest on:		
– bank loans and overdrafts wholly repayable within one year	**2,937**	18,287
– convertible bonds wholly repayable within five years	**4,931**	4,286
– other loans	**667**	19,585
– obligations under finance leases	**206**	5,120
	8,741	47,278
Auditors' remuneration:		
– current year provision	**900**	1,300
– prior year overprovision	**–**	(500)
	900	800
Operating lease rentals in respect of land and buildings	**921**	974
Staff costs (excluding directors' emoluments)	**4,045**	15,912
Exchange losses, net	**17**	367
Depreciation of fixed assets	**8,954**	30,594
Amortisation of goodwill	**256**	–
Write-off of bad and doubtful debts	**691**	12,095
Provision for inventory obsolescence	**–**	16,285
Loss on disposal of fixed assets	**495**	2,242
Loss on write-off of net assets of a subsidiary	**386**	–
Loss on revaluation of fixed assets	**–**	2,228
Write-off of other miscellaneous items	**–**	1,152
Write-off of unsubstantiated payments and receipts, net	**–**	46,056
Provision for guarantee	**–**	350
Write-off of obsolete fixed assets, net	**43**	–
Crediting:		
Interest income on bank deposits	**126**	130
Write-back of loss on revaluation of fixed assets	**–**	6,037
Write-back of provision against unsubstantiated and idle fixed assets, net	**–**	3,722
Write-back of provision against an amount due from an associate	**–**	386
Write-back of provision for guarantee	**5,904**	–

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Section 161 of the Companies Ordinance are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
		(Note 30)
Fees		
Executive directors	**1,477**	–
Non-executive director	**770**	–
Independent non-executive directors	**150**	20
	2,397	20
Basic salaries, allowances and benefits in kind		
Executive directors	**2,483**	4,168
Mandatory provident fund		
Executive directors	**6**	–
	4,886	4,188

No director waived any emoluments during the year.

Analysis of the emoluments of the directors by number of directors and emolument ranges was as follows:

	2001	2000
Nil to $1,000,000	8	10
$1,000,001 to $1,500,000	1	1
	9	11

The five highest paid individuals included five (2000: two) directors, details are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
		(Note 30)
Fees	**2,247**	–
Basic salaries, allowances and benefits in kind	**2,051**	3,697
Mandatory provident fund	**6**	–
	4,304	3,697

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONT'D)

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as inducement to join or as compensation for loss of office.

Analysis of the emoluments earned by the five highest paid individuals (including directors and employees) by number of individuals and emolument ranges is as follows:

	2001	2000 (Note 30)
Nil to $1,000,000	**4**	3
$1,000,001 to $1,500,000	**1**	1
$2,500,001 to $3,000,000	**–**	1
	5	5

8. DISCONTINUED OPERATIONS

On 2 November 2000, the Group's production facilities in Mainland China were seized under court orders and the Group has not carried out any production activities thereafter.

9. TAXATION

Hong Kong profits tax and overseas taxation were not provided as the Group had no assessable profits for the year in Hong Kong and in other countries in which the Group operated.

There was no significant unprovided deferred taxation as at 31 March 2001.

10. PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit (loss) attributable to shareholders included a loss of approximately HK$128,992,000 (2000: HK$113,265,000) dealt with in the financial statements of the Company.

11. EARNINGS (LOSS) PER SHARE

Basic earnings per share was calculated based on the consolidated profit (loss) attributable to shareholders for the year of approximately HK$237,427,000 (2000: Loss of HK$150,273,000) and the weighted average number of ordinary shares of approximately 592,407,000 (2000: 438,900,000) in issue during the year.

The diluted loss per share for the years ended 31 March 2001 and 2000 is not shown because the Company's convertible bonds were anti-dilutive during these years.

12. FIXED ASSETS

GROUP

	2001						2000
	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000	Total HK$'000 (Note 30)
Cost or valuation:							
Beginning of year	54,177	56,492	55,113	4,671	568	171,021	233,085
Additions	–	384	–	355	–	739	249
Disposals	(1,400)	–	(2,240)	–	–	(3,640)	(8,556)
Written off (i)	–	(1,159)	(5,300)	(408)	–	(6,867)	(43,192)
Written down to revaluation reserve	–	–	(1,121)	–	–	(1,121)	(3,934)
Disposal of subsidiaries	(52,777)	(55,333)	(46,452)	(4,171)	(474)	(159,207)	(6,631)
End of year	–	384	–	447	94	925	171,021
Comprising:							
At cost	–	384	–	447	94	925	61,731
At 2000 professional valuation	–	–	–	–	–	–	109,290
	–	384	–	447	94	925	171,021
Accumulated depreciation:							
Beginning of year	–	47,747	–	2,024	316	50,087	83,252
Charge for the year	586	1,777	6,014	514	63	8,954	30,594
Disposals	–	–	–	–	–	–	(1,073)
Written off (i)	–	(831)	(1,060)	(326)	–	(2,217)	(45,762)
Written back on revaluation	–	–	–	–	–	–	(15,484)
Written back on disposal of subsidiaries	(586)	(48,608)	(4,954)	(2,143)	(285)	(56,576)	(1,440)
End of year	–	85	–	69	94	248	50,087
Net book value:							
End of year	–	299	–	378	–	677	120,934
Beginning of year	54,177	8,745	55,113	2,647	252	120,934	149,833

12. FIXED ASSETS (CONT'D)

All of the Group's leasehold land and buildings and plant and machinery were revalued on 31 March 2000 by Chesterton Petty Limited, an independent firm of professional valuers. The land and buildings were valued based on depreciated replacement cost basis and open market value existing use basis, and the plant and machinery were valued based on depreciated replacement cost basis.

(i) As stated in Note 2(a), all fixed assets in Zhongshan, the PRC, were seized under court orders, and were written-off accordingly.

As at 31 March 2001, the net book value of fixed assets held under finance leases was HK$nil (2000: approximately HK$29,499,000).

COMPANY

	2001	2000
	Furniture, fixtures and equipment	Total
	HK$'000	HK$'000
		(Note 30)
Cost or valuation:		
Beginning of year	**–**	–
Intercompany transfer-in	**71**	–
End of year	**71**	–
Accumulated depreciation:		
Beginning of year	**–**	–
Depreciation transfer-in	**6**	–
Charge for the year	**14**	–
End of year	**20**	–
Net book value:		
End of year	**51**	–
Beginning of year	**–**	–

13. GOODWILL

	2001 HK$'000	2000 HK$'000 (Note 30)
Addition	**20,484**	–
Less: Accumulated amortisation	**(256)**	–
End of year	**20,228**	–

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2001 HK$'000	2000 HK$'000 (Note 30)
Unlisted investments, at cost	**109,202**	109,192
Less: Provisions for impairment in values	**(109,192)**	(109,192)
	10	–

Provisions have been made against the investment costs by the directors in view of the losses incurred by the Company's principal subsidiaries and their financial difficulties.

Particulars of the Company's principal subsidiaries as at the balance sheet date are set out in Note 26 to the financial statements.

As at 31 March 2001, the amount due to subsidiaries was unsecured, non-interest bearing and with no pre-determined repayment terms.

15. ACCOUNTS RECEIVABLE

Sales of goods are payable within 30 days by the customers. The aging analysis of accounts receivable is as follows:

	Group	
	2001 HK$'000	2000 HK$'000 (Note 30)
Within 30 days	**13,230**	2,308
Over 30 days but within 90 days	**16,285**	421
Over 90 days	**10,761**	5,493
	40,276	8,222

16. ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
		(Note 30)
Within 90 days	**–**	765
Over 90 days but within 180 days	**–**	14,196
Over 180 days	**462**	124,557
	462	139,518

17. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Note 30)		(Note 30)
Bank overdrafts	**2,195**	32,819	**1,949**	–
Bank loans	**457**	150,301	**457**	21,347
	2,652	183,120	**2,406**	21,347

18. OTHER LOAN

	Group	
	2001	2000
	HK$'000	HK$'000
		(Note 30)
Secured	**20,553**	–
Unsecured	**–**	43,972
	20,553	43,972

Other loan, secured, represents a loan from a financial institution of US$2,652,000 bearing interest at 12% per annum. This loan is secured by guarantee from a director.

19. OBLIGATIONS UNDER FINANCE LEASES

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

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Note 30)		(Note 30)
Amounts payable in the next year	**2,135**	29,689	**2,096**	–
Amounts payable in the second to fifth years inclusive	**11,314**	259	**11,021**	–
Total obligations under finance leases	**13,449**	29,948	**13,117**	–
Less: amounts payable in the next year	**(2,135)**	(29,689)	**(2,096)**	–
Non-current portion of obligations under finance leases	**11,314**	259	**11,021**	–

20. CONVERTIBLE BONDS

Pursuant to the subscription letter dated 20 May 1998 made between Baring Asia Flagship Investments B.V. and the Company, the convertible bonds (the "Bonds") in the principal amount of US$6,000,000 (equivalent to HK$46,476,000) were issued by the Company at the direction of Baring Asia Flagship Investments B.V. on 30 June 1998 to Baring Asia Investments II B.V. The Bonds were transferred in or about July 2000 to BAPEF Investments II Limited (the "Bondholder"). As at 31 March 2001, the outstanding balance of the Bonds was US$3,600,000 (equivalent to HK$28,031,000).

The Bonds are, at the option of the Bondholder, convertible on or after 1 July 1998 up to and including 30 June 2001, into fully paid ordinary shares of the Company with a par value of HK$0.10, at an initial conversion price of HK$0.588, subject to adjustment under certain events.

Unless previously redeemed, converted, purchased or cancelled, the Company is required to redeem the Bonds on the original maturity date at 133.75%.

On 7 June 2001, the Company entered into an agreement with Able Technology Limited and the Bondholder in which the maturity date has been extended to June 2003. The conversion price has been revised to HK$0.25, subject to adjustment under certain events. The conversion time of the Bonds is fixed at 31 December 2001, 30 June 2002, 31 December 2002 and 30 June 2003 to convert US$900,000 (equivalent to approximately HK$7,008,000) on each date. In addition, all accrued interest from 30 June 1998 to the completion of the agreement will be waived by the Bondholder upon issuance of 6.88 million new ordinary shares to the Bondholder. These shares will be issued on or before 31 December 2001.

21. SHARE CAPITAL

Shares	Note	Company No. of shares '000	HK$'000
Authorised:			
Ordinary shares of HK$0.10 each			
Beginning of year		1,000,000	100,000
Addition	a	500,000	50,000
End of year		1,500,000	150,000
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
Beginning of year		438,900	43,890
Placement of new shares	b	190,000	19,000
As consideration	c	60,000	6,000
Debt conversion	d	202,608	20,261
End of year		891,508	89,151

Notes:

(a) On 24 November 2000, the authorised share capital of the Company increased from 1,000,000,000 to 1,500,000,000 ordinary shares of HK$0.10 each.

(b) During the year, the Company allotted new ordinary shares through private placements and details are as follows:

Issue date	Number of issued ordinary shares	Issued price (HK$)
17 July 2000	80,000,000	0.35
14 August 2000 (i)	50,000,000	0.35
2 March 2001	60,000,000	0.30
	190,000,000	

(i) The allotment of these shares was made to Able Technology Limited, the single largest shareholder of the Company, and not in proportion to other shareholders of the Company. Such allotment has not been specifically authorised by the shareholders. These shares were allotted pursuant to a general mandate granted by the shareholders of the Company on 31 May 2000. The proceeds of this allotment were approximately HK$17.5 million, of which approximately HK$14 million was used for repayment of debts owing to financial creditors and the remaining portion was used as general working capital.

21. SHARE CAPITAL (CONT'D)

(c) On 8 January 2001, pursuant to the shareholders' resolution, the Company allotted 60,000,000 new ordinary shares as consideration of the acquisition of Holy (HK), which was HK$24,000,000.

(d) During the year, the Company converted certain of its debts into subscription shares and details are as follows:

Date of conversion	Number of ordinary shares	Issued price (HK$)
20 December 2000	69,106,376	1.00
2 January 2001	19,797,041	1.00
9 January 2001 *(ii)*	2,925,171	1.00
17 January 2001 *(ii)*	41,651,428	approximately 0.35
19 January 2001 *(ii)*	69,128,171	approximately 0.35
	202,608,187	

(ii) These shares were issued prusuant to a general mandate granted by the Shareholders of the Company on 3 November 2000.

(e) Details of new ordinary shares issued subsequent to the balance sheet date are set out in note 2(b)(i) and (ii).

(f) Subsequent to the balance sheet date, on 12 July 2001, the authorised share capital of the Company was increased from HK$150,000,000 to HK$300,000,000 by the creation of an additional 1,500,000,000 ordinary shares of HK$0.10 each ranking pari passu in all respects with the existing issued shares.

(g) Share options

By an ordinary resolution passed at an annual general meeting of the Company held on 22 January 2001, the employee share option scheme of the Company adopted pursuant to a resolution of the Company passed on 15 January 1997 (the "Previous Scheme") was terminated. No share options under the Previous Scheme was exercised during the year as all share options granted lapsed in 1999.

A new share option scheme (the "Share Option Scheme") was adopted by the Company on 22 January 2001. Pursuant to the Share Option Scheme, the directors may, within a period of 10 years commencing from 22 January 2001, grant options to any employee and/or directors of the Company or any of its subsidiaries to subscribe for shares in the Company. No share options was granted under the Share Option Scheme during the year.

22. RESERVES

GROUP

	Share premium HK$'000	Fixed asset revaluation reserve HK$'000	Total HK$'000
Beginning of year	115,918	7,741	123,659
Revaluation deficit	–	(1,121)	(1,121)
Disposal of subsidiaries	–	(3,376)	(3,376)
Write-off of assets	–	(3,244)	(3,244)
Premium on issue of shares	172,841	–	172,841
Share issue expenses	(603)	–	(603)
End of year	288,156	–	288,156

COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Total HK$'000
Beginning of year	115,918	107,992	223,910
Premium on issue of shares	172,841	–	172,841
Share issue expenses	(603)	–	(603)
End of year	288,156	107,992	396,148

The contributed surplus of the Company represents the difference between the fair value of the consolidated net assets of Chun Tai (BVI) Limited acquired and the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act, the contributed surplus less accumulated losses is distributable to the shareholders of the Company, which the Company does not currently meet.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit (loss) before taxation to net cash outflow from operating activities

	2001 HK$'000	2000 HK$'000 (Note 30)
Profit (Loss) before taxation	**237,427**	(150,273)
Interest income	**(126)**	(130)
Depreciation of fixed assets	**8,954**	30,594
Amortisation of goodwill	**256**	–
Provisions for bad and doubtful debts	**691**	12,095
Provisions for inventory obsolescence	**–**	16,285
Gain on disposal of subsidiaries	**(149,060)**	(4,771)
Loss on disposal of fixed assets	**495**	2,242
Loss on write-off of net assets of a subsidiary	**386**	–
Gain on waiver of obligations under finance leases	**(13,356)**	–
Gain on waiver of bank overdraft, bank loans and others loans	**(101,442)**	–
Deficit on revaluation of fixed assets	**–**	2,228
Write-back of revaluation deficit	**–**	(6,037)
Write-back of provision against unsubstantiated and idle fixed assets, net	**–**	(3,722)
Write-off of obsolete fixed assets	**43**	–
Write-back of provision against amount due from an associate	**–**	(386)
Write-off of other miscellaneous items	**–**	1,152
Write-off of unsubstantiated payments and receipts, net	**–**	46,056
Write-back of provision for guarantee	**(5,905)**	–
Provision for guarantee in respect of debts owed by a subcontractor	**–**	350
Interest expense	**8,741**	47,278
(Increase) Decrease in accounts receivable	**(20,760)**	3,848
Decrease (Increase) in other receivables, deposits and prepayments	**11,469**	(52,419)
Decrease in inventory	**212**	–
Increase in amount due from Group companies	**–**	(5,830)
Decrease in trust receipt loans	**–**	(10,277)
Decrease in accounts payable	**(58,661)**	(24,787)
(Decrease) Increase in other payables and accruals	**(24,681)**	87,534
Decrease in amount due from an associate	**–**	386
Increase in amount due to Group companies	**–**	6,371
Decrease in amount due to related companies	**(5,246)**	–
Exchange realignment	**–**	155
Net cash outflow from operating activities	**(110,563)**	(2,058)

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(b) Analysis of changes in financing during the year

	Share capital and share premium HK$'000	Convertible bonds HK$'000	Bank and other loans HK$'000	Obligations under finance leases HK$'000
Beginning of year	159,808	28,031	123,633	29,948
Cash inflow (outflow) from financing activities, net	62,897	–	121,368	(2,330)
Disposal of subsidiaries	–	–	(12,500)	(813)
Debt conversion	130,602	–	(130,602)	–
Acquisition of subsidiary	24,000	–	–	–
Waiver of debt	–	–	(101,442)	(13,356)
End of year	377,307	28,031	457	13,449

(c) Major non-cash transactions

During the year, the Group entered into agreements with three of its finance lessors. Pursuant to these agreements, these finance lessors have agreed to accept payments of 20% of the outstanding indebtedness owed by the Group as a final settlement of the debts. These agreements have reduced the obligations under finance leases by HK$13,356,000.

On 14 June 2000, the Company made an offer to 16 financial creditors concerning the restructuring of certain outstanding indebtedness owed by the Group to these financial creditors. Pursuant to the offer, the outstanding indebtedness owed by the Group to 9 of the 16 financial creditors was fully settled by paying 20% thereof. These agreements reduced the debts by a total of HK$101,442,000, including bank overdrafts, trust receipt loans and other loans of HK$55,630,000 and bank loans of HK$45,812,000.

On 8 January 2001, the Company allotted 60,000,000 ordinary shares to a director as consideration for the acquisition of a subsidiary. For details please refer to (d).

During the year, the Company entered into several debt-equity conversion agreements with its major financial and trade creditors, leading to a capitalisation of the Group's indebtedness of HK$130,602,000. The debt conversion had increased the cash and cash equivalent of HK$26,060,000, reduced bank loans of HK$12,714,000 and other loans of HK$40,713,000.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(d) Acquisition of a subsidiary

	HK$'000
Net assets acquired:	
Cash and bank balances	5,568
Accounts receivable	12,227
Other receivables, deposits and prepayments	12,364
Other payables and accruals	(1,007)
Amount due to related companies	(25,636)
	3,516
Paid by:	
Share consideration	24,000

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

	HK$'000
Cash consideration	–
Cash and cash equivalents acquired	5,568
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	5,568

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(e) Disposal of subsidiaries

	HK$'000
Net assets disposed of:	
Fixed assets	102,631
Cash	701
Bank loans and overdrafts	(12,500)
Accounts receivable	242
Other receivables, deposits and prepayments	1,157
Inventory	5,166
Accounts payable	(80,183)
Other payables and accruals	(123,410)
Amounts due to Group companies	(38,468)
Obligations under finance leases	(813)
Tax payable	(207)
Revaluation reserve	(3,376)
	(149,060)
Gain on disposal of subsidiaries	149,060
	–
Satisfied by:	
Cash consideration	–

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	HK$'000
Cash consideration	–
Cash and cash equivalents disposed of	(701)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(701)

24. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other 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.

The Group had the following material related party balances and transactions:

(a) Amount due to related companies was unsecured, non-interest bearing and had no pre-determined term of repayment.

(b) Amount due to shareholders was unsecured, non-interest bearing and had no pre-determined terms of repayment.

(c) A director of the Company provided guarantee on the other loan of the Group.

25. COMMITMENTS

As at the balance sheet date, the Group had the following material commitments:

Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring within:

	Group	
	2001	2000
	HK$'000	HK$'000
		(Note 30)
One year	**807**	47
Two to five years, inclusive	**–**	1,587
	807	1,634

As at the balance sheet date, save as disclosed above, the Company had no other significant commitments.

26. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Issued share/paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Chun Tai (BVI) Limited – Note (ii)	The British Virgin Islands	US$100	100%	100%	Investment holding
Chun Tai Novelty Company Limited	Hong Kong	HK$10,000	100%	100%	Dormant
Telecom Plus Technology Limited – Note (ii)	Hong Kong	HK$1,000,000	100%	100%	Investment holding and trading of communication and electronic products
Up Hill Investments Limited – Note (ii)	The British Virgin Islands/Hong Kong	US$1	100%	100%	Dormant
Full Hope Enterprises Limited – Note (ii)	Hong Kong	HK$10,000	100%	100%	Investment holding
Holy (Hong Kong) Universal Limited	Hong Kong/ The PRC	HK$300,000	100%	100%	Trading of communication and electronic products
Telecom Plus Technology (Shenzhen) Limited – Notes (iii) and (v)	The PRC	HK$2,000,000	100%	100%	Trading of communication and electronic products
Chun Tai Printing Limited	Hong Kong	HK$10,000	90%	90%	Investment holding
Zhongshan Modern Colour Printing and Packaging Products Factory Company Limited – Notes (iii) and (iv)	The PRC	HK$11,000,000	90%	90%	Dormant

26. PARTICULARS OF SUBSIDIARIES (CONT'D)

Notes:

(i) All holdings are ordinary shares except Zhongshan Modern Colour Printing and Packaging Products Factory Company Limited and Telecom Plus Technology (Shenzhen) Limited, which are of equity interest.

(ii) Directly held by the Company

(iii) Directly translated from the Chinese name shown in the business licence.

(iv) Zhongshan Modern Colour Printing and Packaging Products Factory Limited was licensed to operate as a wholly foreign-owned enterprise for a period of 11 years commencing 28 February 1995.

(v) Telecom Plus Technology (Shenzhen) Limited was licensed to operate as a wholly foreign-owned enterprise for a period of 10 years commencing 9 January 2001.

27. PENSION SCHEME

The Group participated in the defined Mandatory Provident Fund Scheme in Hong Kong since 1 December 2000 and makes monthly contributions to the Scheme based on 5% of the employees' basic salaries, with an upper limit of HK$1,000 for both the Group and employees. During the year ended 31 March 2001, the Group's employer's contribution for pension scheme was approximately HK$30,000 (2000: Nil). The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers.

28. CONTINGENT LIABILITIES

As at 31 March 2001, the Company provided guarantees in respect of an other loan granted to a disposed subsidiary with an amount of approximately HK$35.5 million.

29. POST BALANCE SHEET EVENTS

(a) As stated in Note 2(b)(i), the Company placed 160 million ordinary shares on 5 June 2001 with cash proceeds of approximately HK$28,800,000.

(b) As stated in Note 2(b)(iii), Holy (HK) acquired a 51% equity interest of Beijing HollyBridge at a consideration of HK$16 million which was completed on 12 June 2001.

(c) As stated in Note 2(b)(ii), subsequent to the year ended 31 March 2001, the Company has converted debts of approximately HK$915,000 into ordinary shares at conversion prices ranging from approximately HK$0.305 to approximately HK$1 per ordinary share.

(d) As stated in Note 20, on 7 June 2001, the Company had entered into a supplemental agreement with Able Technology Limited and the Bondholder in which the maturity date of the Bonds has been extended to 30 June 2003.

(e) As stated in Note 21, the Company increased its authorised share capital to HK$300,000,000 on 12 July2001.

30. COMPARATIVE FIGURES

The financial statements as at and for the year ended 31 March 2000 were audited and reported on by certified public accountants other than Arthur Andersen & Co, whose report dated 11 December 2000 was disclaimed due to limitation in evidence and fundamental uncertainties.