

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

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1) PRINCIPAL ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.

b) Basis of preparation of the financial statements and consolidation

The measurement basis used in the preparation of the financial statements is historical cost, and in accordance with accounting principles generally accepted in Hong Kong.

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal respectively. All significant intercompany transactions and balances within the group are eliminated on consolidation.

c) Goodwill on consolidation

Goodwill arising on consolidation of subsidiaries and on acquisition of associates represents the excess of the purchase consideration over the fair values ascribed to the net assets of subsidiaries and associates acquired and is written off to the income statement in the year of acquisition.

d) Subsidiary companies

Subsidiary companies are those 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 diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the income statement.

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1) PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

e) Fixed assets

All fixed assets are stated at cost or valuation, being fair value at the date of revaluation, less accumulated depreciation or amortization. Depreciation is calculated to write off the cost of fixed assets at an annual rate on a straight line basis over their estimated useful lives as follows:-

Land held on medium-term leases	:	Over the remaining leases terms
Buildings and improvements	:	Over the remaining leases terms or expected useful lives to the Group whichever is shorter
Office equipment, furniture & fixtures and motor vehicles	:	7% to 20%
Computer equipment	:	25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalized and depreciated over the estimated useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the assets, including its residual value on disposal.

The gain or loss on disposal of fixed assets other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

1) PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

f) Reliance on paragraph 72 of Statement of Standard Accounting Practice No. 17

Effective from 1 April 1995 no further revaluation of the Group's fixed assets has been carried out. The Group places reliance on paragraph 72 of Statement of Standard Accounting Practice No. 17 which provides exemption from the need to make regular revaluation of such assets.

g) Investment securities

Investment securities are securities intended to be held on a continuing basis for an identified long term purpose other than capital gain. Investment securities are carried at cost less provision for permanent diminution in value, where appropriate.

h) Other investments in securities

Other investments in securities are stated at fair value in the balance sheet. Realized and unrealized holding gains and losses for other investments in securities are included in net profit or loss for the year.

i) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable 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.

j) Research and development

Research and development costs are charged to income statement as incurred, except that development costs are capitalized and amortized on a straight-line basis over the period of expected future benefits where it is expected that the product under development will be profitable and will be produced, and technical feasibility has been demonstrated. The deferred costs are written off over five years.

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1) PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

k) Hire purchase contracts

Hire purchase contracts are sales under hire purchase terms which transfer substantially all the risks and rewards associated with ownership, other than legal title to hirers.

Amount due from hirers in respect of hire purchase contracts are recorded in the balance sheet as hire purchase debtors at the amounts of net investment which represent the total receivables under the agreements less unearned finance income. Interest income implicit in the amounts receivable is credited to the income statement over the agreement periods so as to provide an approximately constant periodic rate of return on the net investment for each accounting period.

l) Operating leases

Rental income and expenses applicable to operating leases, under which substantially all the rewards and risks of ownership of assets remain with the lessor are credited or charged to the income statement on a straight line basis over the term of the respective leases.

m) Translations 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.

Profits and losses arising on exchange are dealt with in the income statement.

n) Deferred taxation

Provision for deferred taxation is calculated using the liability method for all significant timing differences to extent that there is a reasonable probability that these will be subject to reversal within the foreseeable future.

Deferred tax net debit balances are not carried forward as assets, except to the extent that they are expected to be recoverable without replacement by equivalent debit balances and it is justified to treat them as assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

1) PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

o) **Borrowing costs**

Borrowing costs are expensed in the income statement 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.

p) **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.

q) **Related parties**

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

r) **Recognition of revenue**

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

- (a) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably;
- (c) interest, on a time proportion basis; and
- (d) dividends, when the right to receive payments is established.

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2) TURNOVER

The Company is principally engaged in the investment holding. Principal activities of subsidiaries are set out in note 11.

Turnover represents sales at invoiced value less discounts and returns to the third parties.

The amount of each significant category of revenue recognized in turnover during the year is as follows:-

	2001 HK\$'000	2000 HK\$'000
Sale of computer-aided-design systems and machinery	13,067	21,532
Sale of properties held for sale	-	2,491
	<u>13,067</u>	<u>24,023</u>

3) OTHER REVENUE

	2001 HK\$'000	2000 HK\$'000
Dividend income	3	174
Net realized gains on holding of other investments in securities	-	15
Rental income	96	122
Interest income	305	303
Other income	274	1,199
	<u>678</u>	<u>1,813</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

4) NET LOSS BEFORE TAXATION

Net loss before taxation is arrived at after charging and crediting the following :-

	2001 HK\$'000	2000 HK\$'000
Charging:-		
Audit fee	200	198
Depreciation	1,781	1,551
Amortization of deferred development cost	689	734
Loss on disposal of fixed assets	713	216
Provision for obsolescent inventories	-	1,188
Bad debts written off	1,852	1,189
Provision for bad debts written back	-	(688)
Operating lease rental for land & buildings	736	325
Borrowing costs recognized as expenses	254	371
Staff costs	6,893	8,441
Cost of inventories	5,620	13,619
Exchange loss	1,042	-
Crediting:-		
Dividend income	3	174
Interest income	305	303
Rental income	96	122
Net realized gain on holding of other investments in securities	-	15
Gain on disposal of subsidiaries	2,495	2,200
Other income	274	1,200

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

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5) TAXATION

No Hong Kong profits tax has been provided for in the financial statements as companies within the Group derived no assessable profits during the year. (2000 – Nil)

Deferred tax has not been provided for in the financial statements as there are deferred tax net debit balance. At the balance sheet date, potential assets unprovided in respect of deferred tax are as follows:–

	2001 HK\$'000	2000 HK\$'000
Depreciation allowances in excess of depreciation charges	(156)	(200)
Accumulate tax loss	<u>3,474</u>	<u>3,000</u>
Net debit balance	<u><u>3,318</u></u>	<u><u>2,800</u></u>

6) DIRECTORS' EMOLUMENTS

(a) Directors' emolument disclosed pursuant to Section 161 of the Companies Ordinance are as follows:–

	2001 HK\$'000	2000 HK\$'000
Fees	–	–
Other emoluments	<u>2,672</u>	<u>3,222</u>
	<u><u>2,672</u></u>	<u><u>3,222</u></u>

(b) The remuneration of the directors is within the following bands:–

HK\$	Number of directors	
Nil – 1,000,000	11	5
1,000,001 – 1,500,000	1	1

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

6) DIRECTORS' EMOLUMENTS (Cont'd)

- (c) Amongst the five highest paid individuals in the Group, three (2000: Four) are directors of the Company whose emoluments are disclosed in note 6(a). The aggregate amounts of emoluments of the remaining two (2000: One) individuals are as follows:-

	2001 HK\$'000	2000 HK\$'000
Emoluments	<u>792</u>	<u>282</u>

7) NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders includes a loss of HK\$14,139,237 (2000: HK\$8,556,122) which have been dealt with in the financial statements of the Company.

8) LOSS PER SHARE

The calculation of loss per share is based on the consolidated losses attributable to the shareholders of HK\$14,205,265 (2000: HK\$9,625,765) and on the weighted average number of 172,882,192 shares in issue during the year. (2000: 157,000,000)

Diluted earnings per share for the years ended 31 March 2001 and 31 March 2000 have not been presented as the options outstanding had no dilutive effect on the basic earnings for the years then ended.

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9) FIXED ASSETS

The Group	Land and buildings in Hong Kong under medium-term lease HK\$'000	Freehold Land and buildings outside Hong Kong HK\$'000	Land and buildings outside Hong Kong under medium-term lease HK\$'000	Office equipment, motor vehicle, machinery and furniture & fixture HK\$'000	Leasehold improvement HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Cost/valuation							
At 31/3/2000							
At cost	-	4,889	11,031	7,656	2,246	5,144	30,966
At valuation	7,350	-	-	-	-	-	7,350
Additions	8,729	-	-	607	541	260	10,137
Disposal							
- through disposal of subsidiaries	-	-	-	(142)	(10)	(397)	(549)
- others	-	-	(4,892)	(1,195)	-	(49)	(6,136)
At 31/3/2001	16,079	4,889	6,139	6,926	2,777	4,958	41,768
Accumulated depreciation							
At 31/3/2000	898	666	1,091	4,227	940	4,705	12,527
Charges for the year	352	107	272	580	188	282	1,781
Written back							
- through disposal of subsidiaries	-	-	-	(3)	-	(173)	(176)
- others	-	-	(750)	(399)	-	(32)	(1,181)
At 31/3/2001	1,250	773	613	4,405	1,128	4,782	12,951
Net book value							
At 31/3/2001	<u>14,829</u>	<u>4,116</u>	<u>5,526</u>	<u>2,521</u>	<u>1,649</u>	<u>176</u>	<u>28,817</u>
At 31/3/2000	<u>6,452</u>	<u>4,223</u>	<u>9,940</u>	<u>3,429</u>	<u>1,306</u>	<u>439</u>	<u>25,789</u>

The land and buildings in Hong Kong under medium-term lease were revalued by the directors on 29 February 1992 by reference to a valuation report prepared by Jones Lang Wotton on a fair market value basis on 29 February 1992.

The carrying amount that would be included in the financial statements if the revalued land and buildings were carried at cost less depreciation is HK\$5,308,950 (2000: HK\$5,431,097)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

10) DEFERRED DEVELOPMENT COSTS

	2001 HK\$'000	2000 HK\$'000
Balance at the beginning of the year	1,615	2,349
Amortized during the year	<u>(689)</u>	<u>(734)</u>
Balance at the end of the year	<u><u>926</u></u>	<u><u>1,615</u></u>

11) INTEREST IN SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Unlisted shares at cost	45,623	45,623
Amount due from subsidiaries	25,246	27,492
Amount due to subsidiaries	<u>(3,225)</u>	<u>–</u>
Provision for losses in subsidiaries	<u>67,644</u> <u>(33,000)</u>	<u>73,115</u> <u>(21,000)</u>
	<u><u>34,644</u></u>	<u><u>52,115</u></u>

Amount due from subsidiaries is interest-free, unsecured and has no fixed term of repayment.

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11) INTERST IN SUBSIDIARIES (Cont'd)

Details of subsidiaries at 31 March 2001 are as follows:-

Name of companies	Country or place of incorporation	Issued and paid up capital	Percentage holding	Principal activities
Shares held by Company directly:				
Capital Automation (BVI) Limited	British Virgin Islands	Ordinary US\$50,000	100	Investment holding
Shares held indirectly:				
Capital Automation Company Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred HK\$1,000,000	100	Development, production and sale of computer-aided-design systems
Capital Automation Information Systems Inc.	U.S.A.	Ordinary US\$10,000	100	Marketing of computer-aided-design systems
Capital Automation Inc.	U.S.A.	Ordinary US\$1,000	100	Marketing of computer-aided-design systems
Capital Services & Supplies Inc.	U.S.A.	Ordinary US\$100,000	100	Property holding
Capital Computerized Machinery Manufacturing (Shaoxing) Company Limited	People's Republic of China	Registered capital HK\$6,286,189	100	Manufacturing of computerized embroidery machinery
New Smarter Trading Limited	Hong Kong	Ordinary HK\$100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

11) INTERST IN SUBSIDIARIES (Cont'd)

Name of companies	Country or place of incorporation	Issued and paid up capital	Percentage holding	Principal activities
Capital Machinery Agency And Supplies Limited	Hong Kong	Ordinary HK\$10,000	100	Marketing of machinery
Capital Realty Development Company Limited	Hong Kong	Ordinary HK\$100,000	100	Property holding
Hong Kong Punching Centre Limited	Hong Kong	Ordinary HK\$100,000	100	Dormant

12) CURRENT ASSETS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hire purchase debtors	–	1	–	–
Inventories				
– Raw materials	1,951	2,665	–	–
– Work-in-progress	441	312	–	–
– Finished goods	4,645	8,785	–	–
Other investment in security	108	108	–	–
Accounts receivable, prepayment and deposits	14,044	4,474	12,329	109
Cash at banks and on hand	3,570	5,506	3,122	4
	24,759	21,851	15,451	113

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

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13) CURRENT LIABILITIES

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accounts payable and accrued expenses	1,428	5,040	63	83
Amount due to a former director	1,456	–	–	–
Profits tax payable – overseas	–	422	–	–
Sales tax payable – overseas	–	49	–	–
Amount due to related companies	263	–	–	–
Bank loan, secured, repayable within one year	540	1,216	–	–
Bank overdraft, unsecured	2	–	–	–
	<u>3,689</u>	<u>6,727</u>	<u>63</u>	<u>83</u>

14) NON-CURRENT LIABILITIES

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loan, secured – repayable in the second to fifth years	<u>2,056</u>	<u>–</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

15) SHARE CAPITAL

	2001 HK\$'000	2000 HK\$'000
Authorised:		
500,000,000 ordinary shares of HK\$0.1 each	<u>50,000</u>	<u>50,000</u>
Issued & fully paid :		
At the beginning of the year (157,000,000 ordinary shares of HK\$0.1 each)	15,700	15,700
Issue of shares	<u>3,100</u>	–
At the end of the year (188,000,000 ordinary shares of HK\$0.1 each)	<u>18,800</u>	<u>15,700</u>

Pursuant to the placing agreement dated 7 September 2000, an additional 31,000,000 ordinary shares of HK\$0.1 each were issued to certain independent third parties at HK\$0.4 each.

16) SHARE PREMIUM

During the year under review, the Company had issued 31,000,000 ordinary shares at a premium of HK\$0.3 per share to raise additional working capital.

	2001 HK\$'000	2000 HK\$'000
Balance at the beginning of the year	18,422	18,422
Net premium on issue of ordinary shares	<u>8,926</u>	–
Balance at the end of the year	<u>27,348</u>	<u>18,422</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

17) REVALUATION RESERVE

	2001 HK\$'000	2000 HK\$'000
Surplus arising on revaluation of land and buildings		
Balance at the beginning of the year	1,019	1,041
Transfer to retained earnings	—	(22)
	<hr/>	<hr/>
Balance at the end of the year	<u>1,019</u>	<u>1,019</u>

The board considered that the transfer to retained earnings of HK\$21,576 from revaluation reserve is an immaterial amount, hence no transfer was made for the year and thereafter.

18) CONTRIBUTED SURPLUS

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Capital Automation (BVI) Limited and the value of net assets of the underlining subsidiaries acquired as at 27 March 1992. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders, subject to a solvency test.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

19) RETAINED EARNINGS/(ACCUMULATED LOSS)

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Retained earnings/ (accumulated loss) brought forward	16,501	25,251	(22,400)	(13,844)
Prior period adjustments	–	854	–	–
	<u>16,501</u>	<u>26,105</u>	<u>(22,400)</u>	<u>(13,844)</u>
Net loss for the year	(14,205)	(9,626)	(14,139)	(8,556)
	<u>2,296</u>	<u>16,479</u>	<u>(36,539)</u>	<u>(22,400)</u>
Transfer from revaluation reserve	–	22	–	–
	<u>2,296</u>	<u>16,501</u>	<u>(36,539)</u>	<u>(22,400)</u>
Retained earnings/ (accumulated loss) carried forward	<u>2,296</u>	<u>16,501</u>	<u>(36,539)</u>	<u>(22,400)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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20) RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Operating loss before taxation	(16,701)	(11,826)
Dividend received	(2)	(174)
Interest received	(305)	(303)
Interest paid	254	278
Depreciation	1,781	1,551
Amortization of deferred development costs	689	734
Loss on disposals of fixed assets	713	216
Net realized and unrealized gains/(losses) on holding of other investments in securities	–	(15)
Decrease in completed properties for sale	–	3,633
Decrease in inventories	4,724	775
(Increase)/decrease in accounts receivable and prepayments	(9,570)	1,281
Decrease in hire purchase debtors	1	993
(Decrease)/increase in accounts payable and accruals	(3,612)	1,521
Decrease in sales tax payable overseas	(471)	(29)
Increase in amount due to related companies	262	–
Increase in amount due to a former director	1,456	–
	<u>(20,781)</u>	<u>(1,365)</u>

21) ANALYSIS OF CHANGES IN FINANCING

	Share capital HK\$'000	Share premium HK\$'000	Bank loans, secured HK\$'000
Balance brought forward	15,700	18,422	1,216
Cash inflow	3,100	8,927	1,380
Balance carried forward	<u>18,800</u>	<u>27,349</u>	<u>2,596</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 March 2001

22) DISPOSAL OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	374	4
Completed properties held for sale	–	9,956
Properties under development for sale	–	6,200
Inventory	–	513
Other assets	–	56
Liabilities and accumulated loss taken up by purchasers	(2,869)	–
Gains on disposals	2,496	2,200
	<u> </u>	<u> </u>
Sales proceeds	<u> 1</u>	<u> 18,929</u>

On 15 February 2001, the Company's subsidiary (Capital Automation (BVI) Limited) entered an agreement with HK Concepts International Limited (Chan Tik Yuen, Chan Ngan Hoi and Leung King Wa are also directors of that Company) on the disposal of a subsidiary (CAI Concepts, Inc) which had a net liabilities of HK\$1,970,857 as at 31 January 2001. The consideration was HK\$780 for the shares and full discharge of the total indebtedness due by CAI Concepts, Inc to two fellow subsidiaries namely Capital Automation, Inc and Capital Automation Information Systems, Inc.

On the same date, the Company's sub-subsidiary (Capital Automation Company Limited) also entered an agreement with HK Concepts Company Limited (Chan Tik Yuen, Chan Ngan Hoi and Leung King Wa are also directors of that Company) on the disposal of its investment in a subsidiary (Capsoft System Development (Shanghai) Company Limited) which had a net liabilities of HK\$523,785 as at 31 January 2001. The consideration received was HK\$10 for the shares and discharge of the remaining indebtedness due by Capsoft System Development (Shanghai) Company Limited to Capital Automation Company Limited.

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22) DISPOSAL OF SUBSIDIARIES *(Cont'd)*

The revenue and operating results of the disposed subsidiaries are as follows:–

	2001 HK\$'000	2000 HK\$'000
Turnover	757	2,491
Contribution to operating loss for the year	<u>(3,090)</u>	<u>(283)</u>

23) OPERATING LEASE COMMITMENTS

The lease payments to which the Group is committed under non-cancellable operating leases during the year following 31 March 2001 in respect of land and buildings are as follows:–

	2001 HK\$'000	2000 HK\$'000
Group		
On leases expiring:		
Within one year	615	–
Between the second and fifth years	–	100
Over five years	–	–
	<u>615</u>	<u>100</u>

24) BANKING FACILITIES

The Group's land and buildings in Hong Kong under medium-term leases have been pledged to a bank for securing general banking facilities granted to the Company.

The Company has issued a letter of guarantee of HK\$6,000,000 to a banker in favour of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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25) CAPITAL COMMITMENTS

At balance sheet date, the Company has capital commitments as follows:–

	2001 HK\$'000	2000 HK\$'000
Amount contracted but not yet provided for	<u>13,681</u>	<u>–</u>

On 28 December 2000, the Company entered an acquisition agreement with a third party for the acquisition of entire issued share capital in and loans advanced to, Smartech Cyberworks Limited at a consideration of HK\$25,681,330. Smartech Cyberworks Limited was an investment holding company which owned the entire issued share capital in China Sino Technology Limited which entered into an agreement for the acquisition of Units 1901, 1902 and 1909, Block B, Pengrun Building, 26 Xiaoyun Road, Chaoyang District, Beijing, People's Republic of China.

The consideration of HK\$25,681,330 was satisfied by a deposit of HK\$12 million upon signing of the acquisition agreement and the remaining balance of HK\$13,681,330 was paid on completion of the acquisition agreement on 21 June 2001 by way of allotment and issue of an aggregate of 36,003,500 new ordinary shares of HK\$0.1 each in the Company at an issue price of HK\$0.38 per consideration share.

26) MATERIAL RELATED PARTY TRANSACTIONS

On 15 February 2001, a Company's subsidiary and a sub-subsubsidiary had entered agreements with two related companies of which some directors are interested for the disposal of entire equity interests as narrated on note (22) to the financial statements.

On 17 October 2000, a Company's subsidiary had entered a loan agreement of HK\$3,000,000 to borrow money from a former director, and at the balance sheet date, the outstanding balance of such loan was HK\$1,456,364.