1. PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of corporate finance advisory and other related services, and investment holding. In addition, during the year, the Group disposed of three subsidiaries which were principally engaged in the provision of stock brokerage, futures brokerage, and margin financing services.

2. BASIS OF PRESENTATION

On 8th March, 2001, Kistefos Investment A.S. ("Kistefos"), a 21.78% shareholder of the Company filed a petition against the Company and one of its directors to the Supreme Court of Bermuda ("the Court") under Section 111(1) of the Companies Act 1981 of Bermuda. The petition was based on an alleged claim that certain affairs of the Company had been conducted in a manner which is oppressive or unfairly prejudicial to the interests of certain shareholders of the Company, including Kistefos itself. Pursuant to the petition, Kistefos intends to seek an order from the Court to either (i) enforce the Company or the respondent director to purchase all shares of the Company held by Kistefos, at a fair value to be determined by the Court or alternatively, (ii) an order that the Company be wound up.

As the petition is still in its preliminary stage, the Directors consider that the future outcome of such petition is still uncertain at the moment. Nevertheless, the Directors, after considering advice from its Bermuda legal advisors, believe that the Company has a reasonably good defence to the case. On that basis, the accompanying financial statements have been prepared on a going concern basis, and have not included any adjustments that might be required should the outcome of the petition be unfavourable to the Company. In connection with such petition, provision for legal expenses amounting to $5,000,000 (2000-Nil) has been recorded in the accompanying financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). Principal accounting policies are summarised below:

(a) Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified by investment in marketable securities which is stated at fair value.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (the "Group"), together with the Group's share of post-acquisition results and reserves of its associate under the equity method of accounting. The results of subsidiaries acquired or disposed of during the year are recorded from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

(c) Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a long-term investment. In the Company's financial statements, investment in subsidiaries are stated at cost less provision for any impairment in value, while income from subsidiaries are recorded to the extent of dividends received and receivable.

(d) Associates

An associate is a company, not being a subsidiary, in which the Group holds 20% or more of its issued voting share capital as a long-term investment and has significant influence over its financial and operating policies. In the consolidated financial statements, investment in associates is stated at the Group's share of the fair value of the identifiable net assets of the associates at the time of acquisition, and adjusted for the Group's share of undistributed post-acquisition profits or losses and reserves of the associates, distributions received from the associates and other necessary alterations in the Group's proportionate interest in the associates arising from changes in the equity of the associates that have not been included in the income statement.

(e) Turnover and revenue recognition

Turnover comprises (i) corporate finance and investment advisory fees, (ii) underwriting and sub-underwriting fees, (iii) interest income from bank deposits and margin financing, (iv) dividend income, and (v) commission on securities and futures dealing.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Turnover and revenue recognition *(Continued)*

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenues are recognised on the following bases:

(i) Corporate finance and investment advisory fees are recognised when services are rendered;

(ii) Underwriting and sub-underwriting fees are recognised on an accrual basis in accordance with the terms of the underlying agreements and mandates;

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

(iv) Dividend income is recognised when the right to receive payment is established;

(v) Commission on securities and futures dealing is recognised on the trade date basis;

(vi) Gain on sale of investments is recognised when the relevant transaction is completed; and

(vii) Rental income is recognised when rental become due and receivable.

(f) Taxation

Individual companies within the Group provide for income tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method, at the current tax rate, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Investment in marketable securities

Investment in marketable securities is carried at fair value in the balance sheet. Any unrealised holding gain or loss for investment in marketable securities is recognised in the income statement in the period when it arises.

Upon disposal or transfer of investment in marketable securities, any profit and loss arising thereon is accounted for in the income statement.

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after 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 assets, the expenditure is capitalised as additional cost of the fixed asset.

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

Leasehold improvements	25%-33% (Over the unexpired period of the leases)
Furniture and office equipment	20%
Computer equipment	33%
Motor vehicles	33%

The carrying value of fixed assets is assessed periodically or when factors indicating an impairment are present. Individual items of fixed assets carried at cost less accumulated depreciation are reduced to their recoverable amount if this is lower than net book value, with the difference charged to the income statement. In determining the recoverable amount of individual items of fixed assets, expected future cash flows are not discounted to their present value.

When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposals is included in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(j) Foreign currency translation

The Group maintains its books and records in Hong Kong dollars. Transactions in other currencies during the year are translated into Hong Kong dollars at the exchange rates in effect at the time of transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into Hong Kong dollars at rates of exchange in effect at the balance sheet date. Exchange gain or loss is dealt with in the income statement.

(k) Employee retirement benefits

The costs of employee retirement benefits are recognised as an expense in the period in which they are incurred.

(l) Operating leases

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

4. DISCONTINUED OPERATIONS

In March 2000, the Group disposed of its entire equity interest in Pacific Challenge Securities Limited, Pacific Challenge Futures Hong Kong Limited and Pacific Challenge Nominees Limited, all being wholly owned subsidiaries of the Group, to an independent third party at an aggregate consideration of $29,300,000. The transaction was completed on 29th June, 2000 and thereafter, the Group ceased its stock brokerage, futures brokerage and margin financing businesses. The results of these operations are presented as discontinued operations in the consolidated income statement for the year ended 31st March, 2001. The consolidated income statement for the year ended 31st March, 2000 has been restated to this effect.

5. TURNOVER AND SEGMENTAL INFORMATION

Analysis of turnover by principal activities together with their respective contributions to profit before taxation in the consolidated income statement is as follows:

	Turnover		Profit before taxation	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Continuing operations				
Corporate finance advisory and other related fees	**14,065**	20,355	**3,169**	10,903
Interest income from bank deposits, corporate finance operations and others	**12,027**	5,422	**205**	3,962
	26,092	25,777	**3,374**	14,865
Discontinued operations				
Stock brokerage income	**18,351**	94,691	**6,040**	19,364
Futures brokerage income	**389**	1,122	**(17)**	291
Margin financing operations and others	**3,646**	6,339	**2,884**	4,754
Loan arranging and debt financing	**–**	4,677	**–**	4,671
	22,386	106,829	**8,907**	29,080
	48,478	132,606	**12,281**	43,945
Unrealised loss on revaluation of investment in marketable securities, net			**(4,027)**	–
Gain on disposal of investment in marketable securities			**923**	27
Other revenue			**1,310**	–
Gain on disposal of subsidiaries (Note 4)			**3,800**	–
Interest expense				
– Continuing operations			**(603)**	(1)
– Discontinued operations			**(891)**	(2,387)
			12,793	41,584

Substantially all of the Group's turnover is derived from Hong Kong.

6. PROFIT BEFORE TAXATION

Profit before taxation in the consolidated income statement is arrived at after charging and crediting the following:

	2001 $'000	2000 $'000
After charging –		
Interest expense on		
– bank loans wholly repayable within five years	**485**	2,214
– other loans and payables wholly repayable within five years	**1,009**	174
Depreciation of fixed assets	**1,012**	1,163
Provision for doubtful debts	**–**	1,140
Loss on disposal of fixed assets	**–**	30
Provision for legal expenses	**5,000**	–
Staff cost (including directors' emoluments)	**14,937**	34,657
Operating lease rentals for rented premises	**2,184**	2,821
Auditors' remuneration	**330**	335
After crediting –		
Interest income from		
– bank deposits	**15,221**	8,716
– other loans	**940**	2,224
– margin loans	**3,598**	7,008
Rental income less outgoings	**1,310**	–
Write-back of provision for doubtful debts	**819**	–
Exchange gain, net	**76**	219

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2001 $'000	2000 $'000
Fees for executive directors	**–**	1,000
Fees for non-executive directors	**–**	150
Other emoluments for executive directors		
– Basic salaries, housing and other allowances	**4,198**	4,534
– Discretionary bonuses	**1,000**	3,204
– Contribution to mandatory provident fund	**12**	–
	5,210	8,888

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Analysis of directors' emoluments by number of individuals within the following bands:

	2001	2000
Executive directors		
Nil-$1,000,000	**1**	4
$1,000,001-$1,500,000	**1**	–
$3,000,001-$3,500,000	**1**	–
$3,500,001-$4,000,000	**–**	2
Non-executive directors		
Nil-$1,000,000	**4**	3
	7	9

No directors waived any emoluments during the year.

(b) Senior executives' emoluments

Details of emoluments paid to the five highest paid individuals (including directors and employees) are:

	2001	2000
	$'000	$'000
Fees	**–**	1,000
Basic salaries, housing and other allowances	**6,467**	6,508
Bonuses	**1,000**	4,466
Contribution to mandatory provident fund	**20**	–
	7,487	11,974

	2001	2000
Number of directors included	**2**	3
Number of employees included	**3**	2
	5	5

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Senior executives' emoluments *(Continued)*

Analysis of emoluments paid to the aforementioned directors and employees by number of individuals within the following bands:

	2001	2000
Nil-$1,000,000	**2**	2
$1,000,001-$1,500,000	**2**	–
$1,500,001-$2,000,000	**–**	1
$3,000,001-$3,500,000	**1**	–
$3,500,001-$4,000,000	**–**	2
	5	5

During the year, no emolument of the five highest paid individuals was incurred as inducement to join or upon joining the Group or as compensation for loss of office.

8. TAXATION

Taxation in the consolidated income statement consists of:

	2001	2000
	$'000	$'000
Current tax-provision for Hong Kong profits tax	**1,988**	6,321
Write-back of deferred taxation	**–**	(261)
	1,988	6,060

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at the rate of 16% (2000-16%) on the estimated assessable profit arising in or derived from Hong Kong.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders included a profit of approximately $290,000 (2000-$3,790,000) dealt with in the financial statements of the Company.

10. DIVIDEND

	2001 $'000	2000 $'000
Interim dividend-Nil (2000-$0.03) per ordinary share	**–**	7,166
Proposed final dividend-$0.015 (2000-Nil) per ordinary share	**4,297**	–
	4,297	7,166

11. EARNINGS PER SHARE

The calculation of earnings per share was based on the consolidated profit attributable to shareholders for the year of approximately $10,805,000 (2000-$35,524,000) and on the weighted average number of approximately 266,788,000 (2000-238,880,000) shares in issue during the year.

Diluted earnings per share is not shown as there are no share options, warrants or any other convertible instruments outstanding during the year which would result in dilution.

12. FIXED ASSETS

Movements in fixed assets (consolidated) are:

	2001					2000
	Leasehold improvements $'000	Furniture and office equipment $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000	Total $'000
Cost						
Beginning of year	**2,307**	**2,014**	**1,659**	**715**	**6,695**	4,020
Addition	**–**	**113**	**166**	**–**	**279**	2,784
Disposals	**–**	**(8)**	**–**	**–**	**(8)**	(109)
Attributable to disposal of subsidiaries	**(253)**	**(852)**	**(1,549)**	**–**	**(2,654)**	–
End of year	**2,054**	**1,267**	**276**	**715**	**4,312**	6,695
Accumulated depreciation						
Beginning of year	**1,271**	**647**	**987**	**636**	**3,541**	2,457
Provision for the year	**584**	**253**	**96**	**79**	**1,012**	1,163
Disposals	**–**	**(8)**	**–**	**–**	**(8)**	(79)
Attributable to disposal of subsidiaries	**(253)**	**(204)**	**(929)**	**–**	**(1,386)**	–
End of year	**1,602**	**688**	**154**	**715**	**3,159**	3,541
Net book value						
End of year	**452**	**579**	**122**	**–**	**1,153**	3,154
Beginning of year	**1,036**	**1,367**	**672**	**79**	**3,154**	1,563

13. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries consists of:

	2001 **$'000**	2000 $'000
Unlisted shares, at cost	**131,899**	131,899
Due from subsidiaries	**8,946**	23,674
Due to a subsidiary	**(14,988)**	–
	125,857	155,573

The amounts due from/to subsidiaries are unsecured, non-interest bearing and without pre-determined repayment terms.

The underlying value of investment in subsidiaries was, in the opinion of the Company's Directors, not less than its carrying value as at 31st March, 2001.

Details of subsidiaries as at 31st March, 2001 are as follows:

Name of subsidiary	**Place of incorporation and operations**	**Proportion of nominal value of issued capital held by the Company**		**Issued and fully paid capital**	**Principal activities**
		Directly	**Indirectly**		
Pacific Challenge Incorporated	The British Virgin Islands	100%	–	$1,000	Investment holding
Optima Worldwide Investment Limited	The British Virgin Islands	100%	–	$1,493	Inactive
Pacific Challenge Capital Limited	Hong Kong	–	100%	$10,000,000	Provision of corporate finance advisory and underwriting services
Pacific Challenge Finance Limited	Hong Kong	–	100%	$20	Inactive
Pacific Challenge Investments Limited	The British Virgin Islands	–	100%	US$1	Investment holding

13. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation and operations	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Issued and fully paid capital	Principal activities
E1 Corporate Finance Limited (formerly known as Pacific Challenge Asset Management Limited)	Hong Kong	–	100%	$500,000	Investment advisory
Key Foundation Limited	The British Virgin Islands	–	100%	US$1	Investment holding
E1 On-line Limited (formerly known as Pacific Challenge On-line Limited)	Hong Kong	–	100%	$2	Provision of management services

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March, 2001.

14. INVESTMENT IN AN ASSOCIATE

Investment in an associate (consolidated) consists of:

	2001 **$'000**	2000 $'000
Share of net asset value of an associate	**1,014**	1,014

The details of the associate are as follows:

Name	Place of incorporation and operations	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Issued and fully paid capital	Principal activities
Pacific Challenge Technology Capital Limited	The British Virgin Islands	–	26%	US$50	Investment holding

14. INVESTMENT IN AN ASSOCIATE *(Continued)*

The associate holds approximately 2% shareholding interest in E1 Media Technology Limited, a company beneficially owned by a director of the Company.

In the opinion of the Directors, the underlying value of the investment in an associate is not less than its carrying value as at 31st March, 2001.

15. LOANS RECEIVABLE

Loans receivable (consolidated) consists of:

	2001	2000
	$'000	$'000
Convertible loan receivable (a)	**3,902**	–
Loans to an independent third party (b)	**1,794**	–
	5,696	–

(a) During the year, the Group granted a one-year term loan amounting to US$500,000 to Muse Corporation ("MC"), a company incorporated in the British Virgin Islands which is principally engaged in the provision of information technology solution services. The loan is unsecured, bears interest at 10% per annum and is repayable on 31st January, 2002. Under the loan agreement, such loan receivable is convertible into ordinary shares of MC at MC's discretion on or before 31st January, 2002, on condition that MC be able to consummate financing in the form of equity shares from other investors by an amount of not less than US$1,000,000. As at 31st March, 2001, MC has not exercised its conversion right.

(b) The amounts represent advances to an independent third party in the United States of America. Such advances are unsecured, non-interest bearing and have no pre-determined repayment date.

16. ACCOUNTS RECEIVABLE

The credit terms of the Group range from 0 days to 30 days. An ageing analysis of accounts receivable is as follows:

	Consolidated		Company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Accounts receivable				
0-1 month	**4,792**	152,996	**–**	151
2-3 months	**–**	911	**–**	–
4-6 months	**1,813**	34,881	**114**	–
Less: Provision for doubtful debts	**–**	(1,336)	**–**	–
	6,605	187,452	**114**	151

17. INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities (consolidated) consists of:

	2001	2000
	$'000	$'000
Listed shares, at quoted market value		
– Listed on The Stock Exchange of Hong Kong Limited	**5,130**	–
– Listed on Nasdaq, The United States of America	**1,279**	–
	6,409	–

18. CASH AND BANK BALANCES

	Consolidated		Company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Cash and bank balances				
– general accounts	**265,624**	162,341	**100,208**	38,916
– trust accounts	**–**	21,995	**–**	–
	265,624	184,336	**100,208**	38,916

19. ACCOUNTS PAYABLE

An ageing analysis of accounts payable is as follows:

	Consolidated		Company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Accounts payable				
0-1 month	**–**	143,746	**–**	–
2-3 months	**–**	–	**–**	–
4-6 months	**4,514**	728	**703**	–
	4,514	144,474	**703**	–

20. DEFERRED TAXATION

Movement in deferred taxation (consolidated) is:

	2001	2000
	$'000	$'000
Beginning of year	**239**	500
Write-back of deferred taxation	**–**	(261)
Disposal of subsidiaries	**(133)**	–
End of year	**106**	239

Deferred taxation represents the taxation effect of the timing differences relating to accelerated depreciation for taxation purposes.

21. SHARE CAPITAL

	2001		2000	
	Number of shares '000	**Nominal value $'000**	Number of shares '000	Nominal value $'000
Authorised-shares of $0.10 each	**900,000**	**90,000**	900,000	90,000
Issued and fully paid-shares of $0.10 each				
Beginning of year	**238,880**	**23,888**	238,880	23,888
Issuance of ordinary shares	**47,600**	**4,760**	–	–
End of year	**286,480**	**28,648**	238,880	23,888

On 29th August, 2000, the Company issued an aggregate of 47,600,000 ordinary shares of $0.10 each at $0.67 per share to certain independent third parties. Net proceeds amounting to approximately $31,552,000 are intended for use as working capital of the Company.

22. SHARE OPTIONS

The Company has a share option scheme under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options. The subscription price will be determined by the Company's board of directors, and will not be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the options. As at 31st March, 2001, no option was granted under the share option scheme.

23. RESERVES

Consolidated

	2001				2000
	Share premium $'000	**Other reserves $'000**	**Revaluation reserve $'000**	**Total $'000**	Total $'000
Beginning of year	**39,136**	**9,585**	**3,319**	**52,040**	55,887
Surplus on revaluation of shares of Hong Kong Exchanges and Clearing Limited	**–**	**–**	**–**	**–**	3,319
Write-back of revaluation reserve upon disposal of subsidiaries	**–**	**–**	**(3,319)**	**(3,319)**	–
Issuance of ordinary shares (Note 21)	**27,132**	**–**	**–**	**27,132**	–
Shares issuance expenses	**(340)**	**–**	**–**	**(340)**	–
Dividend	**–**	**–**	**–**	**–**	(7,166)
End of year	**65,928**	**9,585**	**–**	**75,513**	52,040

Company

	2001			2000
	Share premium $'000	**Contributed surplus* $'000**	**Total $'000**	Total $'000
Beginning of year	**39,136**	**122,864**	**162,000**	169,166
Issuance of ordinary shares (Note 21)	**27,132**	**–**	**27,132**	–
Share issuance expenses	**(340)**	**–**	**(340)**	–
Dividend	**–**	**–**	**–**	(7,166)
End of year	**65,928**	**122,864**	**188,792**	162,000

23. RESERVES *(Continued)*

* Contributed surplus represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation in preparation for the listing the Company's shares on The Stock Exchange of Hong Kong Limited and the nominal amount of the Company's shares issued for the acquisition. Under Section 54 of the Companies Act 1981 of Bermuda, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's Bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31st March, 2001, the Company's reserves available for distribution to shareholders represented contributed surplus of approximately $122,864,000 (2000-$122,864,000) and retained profit of approximately $1,502,000 (2000-$5,509,000).

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	$'000	$'000
Profit before taxation	**12,793**	41,584
Depreciation of fixed assets	**1,012**	1,163
Interest income	**(19,759)**	(17,948)
Interest expense	**1,494**	2,388
Loss on disposal of fixed assets	**–**	30
Gain on disposal of investment in marketable securities	**(923)**	(27)
Unrealised loss on revaluation of investment in marketable securities, net	**4,027**	–
Gain on disposal of subsidiaries	**(3,800)**	–
Decrease (Increase) in accounts receivable	**80,840**	(86,103)
(Increase) Decrease in deposits, prepayments and other receivables	**(1,155)**	1,635
Increase in margin client receivables	**(11,406)**	(51,531)
Increase in other non-current assets	**(146)**	–
Increase in accounts payable, accruals and other payables	**43,622**	107,538
(Decrease) Increase in margin client payables	**(14,026)**	16,064
Decrease in due to directors	**–**	(19,374)
Net cash inflow (outflow) from operating activities	**92,573**	(4,581)

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Details of the combined net assets of the subsidiaries disposed of on 29th June, 2000 are as follows:

	$'000
Fixed assets	1,268
Shares of Hong Kong Exchanges and Clearing Limited	11,654
Trading rights of the Stock Exchange and the Hong Kong Futures Exchange Limited	7,171
Other non-current assets	2,276
Cash and bank balances	52,172
Accounts receivable	100,007
Deposits, prepayments and other receivables	991
Margin client receivables	77,533
Accounts payable, accruals and other payables	(213,624)
Margin client payables	(6,889)
Taxation payable	(3,607)
Deferred taxation	(133)
Net assets disposed of	28,819
Reversal of revaluation reserve upon disposal of subsidiaries	(3,319)
Gain on disposal	3,800
Consideration	29,300

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

Cash consideration	29,300
Cash and bank balances of subsidiaries disposed of	(52,172)
Net cash outflow in respect of disposal of subsidiaries	(22,872)

25. BANKING FACILITIES

The Group had available credit facilities of approximately $25 million (2000-$155 million) as at 31st March, 2001 of which approximately $25 million (2000-$131 million) were unutilised at that date. The facilities were secured by a corporate guarantee given by a subsidiary of the Company.

26. COMMITMENTS

(a) Operating lease commitments

The Group had aggregate outstanding operating lease commitments in respect of office premises and staff quarter under various non-cancellable operating lease agreements. The total commitments payable under these agreements are analysed as follows:

	2001	2000
	$'000	$'000
Amounts payable		
– within one year	**2,527**	1,698
– within one year to two years	**141**	2,287
	2,668	3,985

The commitments payable within the next twelve months are analysed as follows:

	2001	2000
	$'000	$'000
Leases expiring within a period		
– not exceeding one year	**831**	2
– within two years to five years	**1,696**	1,696
	2,527	1,698

(b) Other commitment

On 18th March, 2001, the Group entered into a provisional joint venture agreement with an independent third party ("the joint venture partner") under which the Group will set up a company to be incorporated in the British Virgin Islands jointly with the joint venture partner. The Group's share of total investment in the joint venture amounts to approximately $19,734,000 (equivalent to NT$82,915,000). The transaction is expected to be completed in late July 2001.

27. PENSION SCHEME

Since 1st December, 2000, the Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The annual contributions of each of the employer and employees are subject to a cap of $12,000 and thereafter contributions are voluntary. During the year ended 31st March, 2001, the aggregate amount of the Group's employer contributions amounted to approximately $50,000.

28. SUBSEQUENT EVENT

On 25th April, 2001, the Group entered into a shareholders' agreement with an independent third party ("co-shareholder") under which the Group has committed to make a capital contribution of $50 million to a 50% owned joint venture, to be set up as a direct investment company. The transaction was completed on 31st May, 2001.