Notes to Financial statements

31 March 2001

1. CORPORATE INFORMATION

The registered office of Multi-Asia International Holdings Limited is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.

The principal activity of the Company is investment holding. The principal activities of subsidiaries are property development and investment, the provision of property information and professional valuation services through websites, the provision of retail photo finishing services, securities trading and food manufacturing. In the prior year, the Group was engaged in property development and investment and food manufacturing. In July 2000, the Group subcontracted the operations of food manufacturing to the minority shareholder of a subsidiary in return for a guaranteed profit to the Group for the period from 1 July 2000 to 31 December 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, fixed assets and investments in securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001, except for Lianyungang Chesterfield Flour Mill Company Limited ("Lianyungang"), a company incorporated in the People's Republic of China ("The PRC"). The Group has subcontracted the operations of Lianyungang to the minority shareholder for the period from 1 July 2000 to 31 December 2003 and the interest in Lianyungang is included under the caption of interest in jointly-controlled entities (see note 15 to the financial statements).

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.

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been any provisions for diminutions in values other than those temporary in nature, when they are written down to values determined by the directors.

Notes to Financial statements (continued)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of the associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investment in the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provision for diminution in value other than that temporary in nature deemed necessary by the directors.

Jointly-controlled entity

A jointly-controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The jointly-controlled entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provision for diminution in value other than that temporary in nature deemed necessary by the directors.

Goodwill

Goodwill arising on the consolidation of subsidiaries and on acquisition of associates and jointly-controlled entities represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

Upon the disposal of an interest in subsidiaries, associates or jointly-controlled entities (actual or deemed), the relevant portion of attributable goodwill previously eliminated against reserves is written back and is included in the calculation of the gain or loss on disposal. In the case that an impairment of the attributable goodwill exists prior to the disposal, the impairment loss is released and charged to the profit and loss account.

Fixed assets and depreciation

(a) Office premises in Hong Kong

Office premises in Hong Kong are stated at their open market values on the basis of annual professional valuations. Changes in the values of premises are dealt with as movements in the fixed assets revaluation reserve, on an individual basis. If the total of the reserve attributable to premises, on an individual basis, is insufficient to cover a deficit, the excess of the deficit is charged to the profit and loss account.

Notes to Financial statements (continued)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

(a) Office premises in Hong Kong (continued)

Depreciation is calculated on the straight-line basis to write off the valuation of the buildings portion of the office premises in Hong Kong over its estimated useful life and of the land portion over its remaining lease terms.

(b) Other fixed assets

Other 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation of other fixed assets is calculated to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates and the depreciation methods used for this purpose are as follows:

Industrial land and buildings in the PRC	2.5% – 4.5%
Leasehold improvements	Over the lease terms
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	10% – 33.3%
Motor vehicles	20%

Upon the disposal of the fixed assets, the relevant portion of the fixed assets revaluation reserve realised in respect of previous valuations is released and transferred directly to the retained profits. The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made against cost to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

Notes to Financial statements (continued)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Database

The database is stated at the direct cost of setting up a database of information through assembling data, less accumulated amortisation and any provision for diminution in value other than those considered to be temporary in nature. Amortisation is provided to write off the cost of the database over its estimated useful life. The principal annual rate used for this purpose is 25%.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Property under development

Property under development is a project in which the Group has an interest either as the developer or as the ultimate owner of the completed property. The interest in property under development, which is intended for sale, is stated at cost or carrying amount at the date of change in the intended use of the property, less any provision for diminution in value other than that temporary in nature deemed necessary by the directors.

Properties held for resale

Properties held for resale, consisting of completed properties, are classified under current assets and are stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the properties, plus other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual investment basis.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of securities are credited or charged to the profit and loss account for the period in which they arise.

Notes to Financial statements (continued)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Other asset

Other asset represent a club membership debenture and is stated at cost less provision for diminution in value other than that temporary in nature.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All exchange differences arising on consolidation are included in the exchange translation reserve.

Notes to Financial statements (continued)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(a) on the sale of goods and marketable securities, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods and securities sold;

(b) rental income, on the straight-line basis over the lease terms;

(c) service income, when the service was rendered; and

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

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. Related parties may be individuals or corporate entities.

Retirement benefits scheme

Retirement benefits are provided to those Hong Kong staff employed by the Group who are eligible under the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Schemes Ordinance ("ORSO"). The Group's Hong Kong employees enjoy retirement benefits under either the Mandatory Provident Fund Scheme (effective from 1 December 2000) or the Mandatory Provident Fund Exempted ORSO Scheme under which employer's voluntary contributions have to be made. The assets of both schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Prior to 1 December 2000, the Group operated a retirement scheme (that is the predecessor of the Mandatory Provident Fund Exempted ORSO Scheme) which had been administered by independent trustees for employees of the Group's subsidiaries in Hong Kong. Employees with one complete year of service in the Group were eligible to participate in the scheme. Under the terms of the scheme, the Group was not required to make additional payments over and above the annual contributions referred to above. Forfeited contributions (in respect of employees who left the scheme prior to their interests in employer contributions vesting fully) could be used to reduce the amount of employer contributions. However, such amounts utilised during the year for this purpose and available at the year end for subsequent utilisation were not significant.

Notes to Financial statements (continued)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme (continued)

The employees in subsidiaries located in the PRC are members of the Central Pension Scheme operated by the Chinese government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the subsidiaries with respect to the Central Pension Scheme is to meet the required contributions under the Central Pension Scheme.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, rental income, proceeds from trading of marketable securities, income from the provision of photo finishing services and service and subscription income from the provision of property information and professional valuation services through websites.

An analysis of turnover and revenue is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Sale of goods	**1,830**	21,333
Rental income	**9,746**	14,402
Proceeds from trading of marketable securities	**1,555**	—
Income from the provision of photo finishing services	**2,981**	—
Service and subscription income from the provision of property information and professional valuation services through websites	**2,102**	—
Turnover	**18,214**	35,735
Interest income	**1,439**	1,286
Revaluation surplus on investment properties — note 12	**—**	14,520
Gain on disposal of interests in subsidiaries	**451**	49
Gain on dilution of interests in subsidiaries — note 14	**57,114**	—
Gain on disposal of long term investment	**—**	2,301
Other revenue	**2,543**	283
	61,547	18,439
Revenue	**79,761**	54,174

Notes to Financial statements (continued)

31 March 2001

4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Group	
	2001	2000
	HK$'000	HK$'000
Depreciation:		
Owned fixed assets	**2,727**	6,916
Leased fixed assets	**224**	—
	2,951	6,916
Amortisation of database	**315**	—
Auditors' remuneration	**800**	750
Staff costs (including directors' remuneration in note 6 but excluding benefits in kind):		
Wages and salaries	**18,055**	11,339
Pension contributions	**519**	289
Less: Forfeited contributions*	**—**	(57)
Net pension contributions	**519**	232
	18,574	11,571
Operating lease rentals on land and buildings	**3,959**	6,045
Loss on disposal of fixed assets	**301**	1,724
Loss on an investment property resulting from a fire	**—**	2,480
Provision for impairment of fixed assets	**—**	11,004
Provision against/write off of loans advanced to an independent third party	**—**	4,122
Provision for diminutions in values of properties held for resale	**—**	4,490
Provision for bad and doubtful debts	**2,083**	3,008
Revaluation deficits on:		
Fixed assets — note 10	**88**	86
Investment properties — note 12	**915**	—
Unrealised loss of marketable securities	**14,787**	—
Impairment loss on goodwill previously eliminated against reserves — note 28	**40,000**	—
and after crediting:		
Foreign exchange gains, net	**40**	110
Net rental income	**8,580**	11,482

* At 31 March 2001, the Group had no forfeited contributions available to reduce its contributions to the provident fund scheme in future years (2000: Nil).

Notes to Financial statements (continued)

31 March 2001

5. FINANCE COSTS

	Group 2001 HK$'000	2000 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable:		
— within five years	**3,595**	12,719
— after five years	**2,024**	—
Interest on finance leases	**76**	—
	5,695	12,719

6. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161B of the Companies Ordinance is as follows:

	Group 2001 HK$'000	2000 HK$'000
Fees:		
Independent non-executive directors	**82**	92
Other emoluments:		
Executive directors:		
Salaries and allowances and benefits in kind	**3,777**	1,968
Provident fund contributions	**161**	53
	3,938	2,021
	4,020	2,113

Save as disclosed above, there were no other emoluments payable to the independent non-executive directors during the year.

The remuneration of the directors fell within the following bands:

	Number of directors 2001	2000
Nil – HK$1,000,000	**6**	8
HK$1,000,001 – HK$2,000,000	**2**	—
	8	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial statements (continued)

31 March 2001

6. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (continued)

(b) Five highest paid employees' emoluments

The five highest paid employees during the year included three (2000: three) executive directors, details of whose remuneration are disclosed above. The remaining two (2000: two) non-director, highest paid employees' remuneration is set out below:

	Group	
	2001	2000
	HK$'000	HK$'000
Salaries and allowances	**1,207**	1,137
Provident fund contributions	**54**	61
	1,261	1,198

The remuneration of the non-director, highest paid employees fell within the band of less than HK$1,000,000.

7. TAX

	Group	
	2001	2000
	HK$'000	HK$'000
Hong Kong:		
Current year provision	**—**	(60)
Elsewhere:		
Current year provision	**(80)**	—
Prior year overprovision	**109**	—
Tax credit/(charge) for the year	**29**	(60)

No provision for Hong Kong profits tax has been made because the Group had no assessable profits arising from Hong Kong during the year. In the prior year, Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax has been made because the net effect of all timing differences was not material at the balance sheet date or during the year. Further details of the unprovided deferred tax asset of the Group are set out in note 29 to the financial statements.

Notes to Financial statements (continued)

31 March 2001

8. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$151,108,000 (2000: HK$33,705,000).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$36,167,000 (2000: HK$33,695,000) and the weighted average of 441,769,405 (2000: 267,065,400) ordinary shares in issue during the year.

The diluted loss per share for the year ended 31 March 2001 is not shown because the Group did not have any outstanding share options and warrants throughout the year. In the prior year, the diluted loss per share was not shown because warrants and options outstanding had an anti-dilutive effect on the basic loss per share for that year.

Notes to Financial statements (continued)

31 March 2001

10. FIXED ASSETS

Group

	Medium term leasehold office premises in Hong Kong	Medium term leasehold industrial land and buildings in the PRC	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:							
At beginning of year	1,600	20,441	1,625	41,187	4,645	3,030	72,528
Additions	—	—	2,351	1,928	1,819	1,306	7,404
On acquisition of a subsidiary	—	—	26	—	1,944	—	1,970
Disposals	—	—	(273)	—	(282)	(339)	(894)
On deconsolidation of a subsidiary — note 15	—	(20,441)	—	(40,601)	(446)	(881)	(62,369)
Revaluation adjustments	(120)	—	—	—	—	—	(120)
At 31 March 2001	1,480	—	3,729	2,514	7,680	3,116	18,519
Comprising:							
At cost	—	—	3,729	2,514	7,680	3,116	17,039
At 2001 professional valuation	1,480	—	—	—	—	—	1,480
At 31 March 2001	1,480	—	3,729	2,514	7,680	3,116	18,519
Accumulated depreciation:							
At beginning of year	—	7,445	480	30,014	3,334	1,632	42,905
Provided during the year	32	56	634	522	1,196	511	2,951
On acquisition of a subsidiary	—	—	1	—	52	—	53
Disposals	—	—	(183)	—	(204)	(152)	(539)
On deconsolidation of a subsidiary — note 15	—	(7,501)	—	(30,224)	(516)	(651)	(38,892)
Revaluation adjustments	(32)	—	—	—	—	—	(32)
At 31 March 2001	—	—	932	312	3,862	1,340	6,446
Net book value:							
At 31 March 2001	1,480	—	2,797	2,202	3,818	1,776	12,073
At 31 March 2000	1,600	12,996	1,145	11,173	1,311	1,398	29,623

The net book value of the fixed assets of the Group held under a finance lease included in the total amount of motor vehicles at 31 March 2001 amounted to HK$896,000.

The medium term leasehold office premises in Hong Kong were revalued as at 31 March 2001 by Knight Frank, an independent firm of professional chartered surveyors, on an open market existing use basis. A revaluation deficit of HK$88,000 (2000: HK$86,000) resulting from the valuation has been charged to profit and loss account.

Notes to Financial statements (continued)

31 March 2001

10. FIXED ASSETS (continued)

Had the fixed assets, that are stated at valuation, been carried at historical cost less accumulated depreciation, they would have been included in the financial statements at the following amounts:

	2001	2000
	HK$'000	HK$'000
Medium term leasehold office premises in Hong Kong	**3,704**	3,792
Medium term leasehold industrial land and buildings in the PRC	—	3,467
Plant and machinery	—	7,025
Motor vehicles	—	1,397
	3,704	15,681

Company

	Leasehold improvements	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At beginning of year	974	3,305	752	5,031
Additions	—	430	—	430
At 31 March 2001	974	3,735	752	5,461
Accumulated depreciation:				
At beginning of year	295	2,261	335	2,891
Provided during the year	325	357	83	765
At 31 March 2001	620	2,618	418	3,656
Net book value:				
At 31 March 2001	354	1,117	334	1,805
At 31 March 2000	679	1,044	417	2,140

The medium term leasehold office premises in Hong Kong and certain plant and machinery of the Group have been pledged to secure the banking facilities granted to the Group as set out in note 25.

Notes to Financial statements (continued)

31 March 2001

11. DATABASE

	Group 2001 HK$'000	2000 HK$'000
Cost:		
Additions and balance at 31 March	**2,247**	—
Accumulated amortisation:		
Amortisation during the year and balance at 31 March	**315**	—
Net Book value:		
At 31 March	**1,932**	—

12. INVESTMENT PROPERTIES

	Group 2001 HK$'000	2000 HK$'000
At beginning of year	**125,920**	113,880
Cost of renovation capitalised	**2,015**	—
Revaluation adjustments — note 4	**(915)**	14,520
Loss on an investment property resulting from a fire — note 4	**—**	(2,480)
At end of year	**127,020**	125,920

The Group's investment properties are situated in Hong Kong and are held under medium leases.

The Group's investment properties were revalued as at 31 March 2001 by Knight Frank, an independent firm of professional chartered surveyors, on an open market, existing use basis. Based on the valuation report, a revaluation loss of HK$915,000 on investment properties have been arisen and charged to the profit and loss account. Further details of the Group's principal investment properties are included on page 60.

The Group's investment properties have been pledged to secure banking facilities and other loans granted to the Group as further detailed in note 25.

The gross rental income earned from the investment properties during the year amounted to HK$9,625,000 (2000: HK$10,566,000).

Notes to Financial statements (continued)

31 March 2001

13. PROPERTY UNDER DEVELOPMENT

	Group 2001 HK$'000	Group 2000 HK$'000
At beginning and end of year, at cost/valuation	**41,000**	41,000

In the prior years, the Group acquired the entire issued shares of a company which has paid a deposit of Ringitt Malaysia ("RM") 20,000,000 (equivalent to HK$41,000,000) to acquire a property situated in Malaysia. The Group is required to pay the remaining construction cost of RM31,500,000 (equivalent to HK$64,712,000) upon completion. The amount of the deposit paid has been accounted for as the cost of property under development, which is stated at cost less any provision for permanent diminution at 31 March 2000. In April 2001, it came to directors' attention that the property's site plan and its usage have been altered by the principal developer without obtaining the prior consent of the management of the Group.

The directors, after consulting a legal counsel in Hong Kong, are now seeking advice from a legal counsel in Malaysia so as to take the necessary action to recover the carrying value of the property under development from the principal developer.

At date of report, the directors are still awaiting legal advice to determine the appropriate action to be taken and other professional advice concerning the value/potential of the project. In this regard, the directors are not able to determine either (i) the carrying value of the property under development at the balance sheet date or (ii) the Group's remaining obligations towards the project, if any. Should the Group be obliged to complete the acquisition of the property, the Group is required to pay RM31,500,000 (equivalent to HK$64,712,000) upon the completion of the property.

Further details of the Group's property under development are included on page 60.

14. INTERESTS IN SUBSIDIARIES

	Group 2001 HK$'000	Group 2000 HK$'000
Unlisted shares, at cost	**10**	10
Due from subsidiaries	**919,247**	720,431
Due to subsidiaries	**(9,141)**	(14,457)
	910,116	705,984
Provisions for diminutions in values	**(723,308)**	(582,218)
	186,808	123,766

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial statements (continued)

31 March 2001

14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of Issued registered/ share capital	Effective interest attributable to the Group 2001	2000	Principal activities
Multi-Asia Manufacturing Company Limited	Hong Kong	HK$10,000,000	**100%**	80%	Investment holding
Jet Top Development Limited	Hong Kong	HK$2	**100%**	100%	Property investment
Jet Victory Development Limited	Hong Kong	HK$2	**100%**	100%	Property investment
Gaintech Investment Limited	Hong Kong	HK$2	**100%**	100%	Property investment
Wealth International Development Limited	Hong Kong	HK$2	**100%**	100%	Property investment
Cambridge City Development Sdn. Bhd.	Malaysia	RM500,002	**100%**	100%	Property investment
New Way Vision Sdn. Bhd.	Malaysia	RM2	**100%**	100%	Property investment
Pistache Technology (Shenzhen) Company Limited*	The People's Republic of China	HK$7,300,000 (2000: HK$1,000,000)	**100%**	80%	Photographic processing and developing
Linkpex Holdings Limited ("Linkpex") (Note)	British Virgin Islands/Hong Kong	US$200	**72%**	—	Investment holding
Land Search Online Limited	Hong Kong	HK$2	**72%**	—	Provision of online property information
iValuer.com.hk Limited	Hong Kong	HK$100	**50.4%**	—	Provision of online property valuation services
Capplus Investments Limited	British Virgin Islands	US$1	**100%**	—	Securities trading

* not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Except for Capplus Investments Limited, all of the above principal subsidiaries are indirectly held by the Company. Except for Pistache Technology (Shenzhen) Company Limited, there was no change in the nominal value of the issued/registered share capital for the principal subsidiaries during the year.

The above table lists the subsidiaries which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial statements (continued)

31 March 2001

14. INTERESTS IN SUBSIDIARIES (continued)

Note: Pursuant to the subscription agreement ("Subscription Agreement") dated 22 November 2000 entered into between Linkpex, an 80% owned subsidiary of the Group at that date, and Best Speed Developments Limited, a third party ("Subscriber"), Linkpex agreed to allot and issue 20 new ordinary shares, representing 10% of the enlarged issued share capital of Linkpex, to the Subscriber for a consideration of HK$90,000,000 payable in cash upon completion of the subscription. Following the completion of the subscription, Linkpex became 72% owned by the Group and 28% owned by the minority shareholders including the Subscriber. Linkpex is an investment holding company, which owns equity interests in Land Search Online Limited and iValuer.com.hk Limited.

In connection therewith, the shareholding of the Group in Linkpex was diluted from 80% to 72%. The subscription as described above, resulted in a deemed disposal of the Group's equity interest in Linkpex and a gain from such deemed disposal of approximately HK$57,114,000 was recognised in the profit and loss account as other revenue after taking HK$7,312,000 goodwill into account.

Save as disclosed above, the other subsidiaries disposed of during the year did not make any significant contribution to the Group's turnover and operating profit.

15. INTEREST IN JOINTLY-CONTROLLED ENTITIES

Group

	Group	
	2001	2000
	HK$'000	HK$'000
Share of net assets	**56,557**	44,885
Loan advanced to a jointly-controlled entity	**4,260**	—
	60,817	44,885
Less: provision for permanent diminutions in value	**(44,885)**	(44,885)
	15,932	—

The loan advanced to a jointly-controlled entity bears interest at Hong Kong dollar prime rate plus 3% per annum and is unsecured. In the opinion of the directors, the loan will not be repayable within twelve months from the balance sheet date and accordingly, the amount has been classified as non-current.

Notes to Financial statements (continued)

31 March 2001

15. INTEREST IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the Group's jointly-controlled entities indirectly held by the Company are as follows:

Name	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activities
Cyber Pacific International Holdings Limited (Note (i))	British Virgin Islands	50	Production and sale of wireless headsets
Lianyungang Chesterfield Flour Mill Company Limited (Note (ii))	People's Republic of China	60	Food manufacturing
Nanjing Youheng Wheatflour Company Limited* (Note (iii)) ("Nanjing Youheng")	People's Republic of China	60	Manufacture and sale of flour

* Not audited by Ernst & Young Hong Kong or any other Ernst & Young International member firms.

Notes:

(i) Upon acquisition of the jointly-controlled entity, a goodwill of HK$25,000,000, which has been eliminated against reserves of the Group during the year, was generated.

(ii) On 13 July 2000, the Group entered into an agreement (the "Underwriting Agreement") with the minority shareholder of a subsidiary registered in the People's Republic of China ("PRC"). Pursuant to the Underwriting Agreement, the Group subcontracted the operations of the subsidiary to the minority shareholder in return for a guaranteed profit to the Group for the period from 1 July 2000 to 31 December 2003 but remains control over some aspects of the PRC subsidiary. The minority shareholder is solely responsible for and in a position to control the day to day operating activities of this PRC subsidiary. However, the minority shareholder is not in a position to unilaterally control the PRC subsidiary for its own benefit and the Group remains control over a number of key decision areas. Accordingly, as the Group cannot maintain unilateral control over this PRC subsidiary during the underwriting period, the assets and liabilities of the PRC subsidiary have been deconsolidated from the Group's financial statements as at the balance sheet date and it will be accounted for as a jointly-controlled entity during this period. The Group will regain unilateral control after 31 December 2003, when the Underwriting Agreement expires.

Notes to Financial statements (continued)

31 March 2001

15. INTEREST IN JOINTLY-CONTROLLED ENTITIES (continued)

(ii) (continued)

At the balance sheet date, the Group's interest in this jointly-controlled entity comprised:

	2001 HK$'000	2000 HK$'000
Cost of investment	86,638	—
Due from a jointly-controlled entity	277	—
Less: Accumulated losses	(75,244)	—
	11,671	—

The financial information of this jointly-controlled entity as at 31 March 2001 is summarised as follows:

	2001 HK$'000
Fixed assets*	23,477
Current assets	14,324
Current liabilities	(19,313)
Minority interests	(6,817)
Net assets	11,671

* The fixed assets were stated at valuation less accumulated depreciation. The directors' valuation was made in 1995 in relation to the fixed assets held by this PRC subsidiary. The valuation took into account a number of factors, including the operations of this company, its asset profiles, the changes in the economic environment in the PRC, the business prospects of the subsidiary and its expected future benefits to the Group.

With effect from 31 March 1996, no further revaluations of this subsidiary's fixed assets have been carried out. The Group has relied upon the exemption from the need to revalue the entire class of relevant fixed assets on a regular basis, granted under paragraph 72 of Statement of Standard Accounting Practice No. 2.117 "Property, Plant and Equipment".

Certain fixed assets in the aggregate approximate amount of HK$10 million were pledged to secure banking facilities granted to the jointly-controlled entity as at March 2001.

For the years ended 31 March 2001 and 2000, this then subsidiary contributed to the Group's turnover and loss from ordinary activities attributable to shareholders as follows:

	2001 HK$'000	2000 HK$'000
Turnover	1,830	21,333
Loss from ordinary activities attributable to shareholders	(945)	(12,384)
which is arrived at after charging:		
Auditors' remuneration	1	5
Depreciation	305	5,264
Staff costs	346	2,639

Notes to Financial statements (continued)

31 March 2001

15. INTEREST IN JOINTLY-CONTROLLED ENTITIES (continued)

(iii) For the year ended 31 March 1999 the Group was involved in a dispute with the joint venture partner over certain inventories acquired by this joint venture partner on behalf of Nanjing Youheng, and the current account balance between Nanjing Youheng and the joint venture partner. The operations of Nanjing Youheng were suspended in January 1999 and all of the assets of Nanjing Youheng are under the control of the joint venture partner. Accordingly, only the operating results of Nanjing Youheng from 1 April 1998 to 31 December 1998 were equity accounted for and were incorporated into the prior year's financial statements. Pursuant to the latest available audited financial statements of Nanjing Youheng as at 30 October 1998, prepared by a certified public accountant registered in the PRC, Nanjing Youheng had a deficiency in assets of approximately RMB2 million. The Group's share of the net assets in Nanjing Youheng mainly represented the difference between the fair value of the net assets of Nanjing Youheng at the time of acquisition by the Group in 1997 and their respective then book costs. In the opinion of the directors, the Group may not be able to recover the investment in Nanjing Youheng upon its liquidation. Accordingly, the Group's interest in Nanjing Youheng was fully provided for and was charged as to HK$3,756,000 against the capital reserve originally created on the acquisition of this jointly-controlled entity, and as to HK$44,885,000 to the profit and loss account for the year ended 31 March 1999.

On 16 August 1999, the People's Government of Nanjing Municipality approved the special liquidation of Nanjing Youheng, which is still in progress as at the date of approval of this report. Based on the latest information received, the directors do not believe there are any reasonable prospects of recovery of any of the Group's investment and, therefore, have made no adjustment to the prior year's provision.

16. INTERESTS IN ASSOCIATES

	Group	
	2001	2000
	HK$'000	HK$'000
Share of net assets	**4,267**	—
Balances due from associates	**26,388**	—
	30,655	—

The balances with associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, they will not be repayable within twelve months to the balance sheet date and accordingly, the amounts have been classified as non-current.

Notes to Financial statements (continued)

31 March 2001

16. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activities
P.T. Horizon Bandar Bahru	Corporate	Indonesia	50	Hotel operations
Silver Star Technology Limited	Corporate	British Virgin Islands	30	Investment holding

The interests in associates are indirectly held by the Company.

17. OTHER ASSET

	Group and Company	
	2001	2000
	HK$'000	HK$'000
Club debentures, at cost	**780**	780

18. PROPERTIES HELD FOR RESALE

The Group's properties held for resale include properties situated in Malaysia of HK$9,829,000 (2000: HK$12,728,000), at estimated realisable value, and leasehold properties situated in the PRC of HK$282,000 (2000: HK$282,000), at cost.

The Company's properties held for resale included leasehold properties situated in the PRC of HK$282,000 (2000: HK$282,000) at cost.

The carrying value of the properties situated in Malaysia as at 31 March 2001 were supported by a professional valuation report issued by Michael & Co., an independent firm of professional chartered surveyors in Malaysia. In the prior year, the aggregate provisions for diminutions in values of HK$4,490,000 were charged to the prior year's profit and loss account. The properties situated in Malaysia have been pledged to secure certain loans granted to the Group as set out in note 25.

19. SUBSIDIARY HELD FOR DISPOSAL

Ample Board Limited ("Ample") is a company incorporated in Hong Kong which is engaged in investment holding. Ample's principal asset is a 60% interest in a joint venture in the PRC. Ample had not been consolidated because, at the time of its acquisition, control over Ample was intended to be temporary. The Group's entire interest in Ample was disposed of during the year.

Notes to Financial statements (continued)

31 March 2001

20. INVENTORIES

	Group	
	2001	2000
	HK$'000	HK$'000
Raw materials	**117**	2,445
Work in progress	**—**	468
Finished goods	**412**	3,179
	529	6,092

No inventory was carried at net realisable value as at 31 March 2001. In the prior year, the carrying amount of inventories that are carried at net realisable value was HK$3,595,000.

21. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are regularly reviewed by senior management. The analysis below ages trade receivables, net of provisions, based on the invoice date, which is when the goods are delivered and services are rendered.

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current to 180 days	**277**	5,333	**—**	—
Over 180 days	**—**	215	**—**	—
Trade receivables	**277**	5,548	**—**	—
Prepayment and deposits	**6,092**	7,944	**487**	866
	6,369	13,492	**487**	866

Notes to Financial statements (continued)

31 March 2001

22. SHORT TERM INVESTMENTS

	Group	
	2001	2000
	HK$'000	HK$'000
Hong Kong listed investments, at market value:		
At the balance sheet date	**11,639**	—
At the date of report	**12,244**	—

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,062**	4,869	**43**	403
Time deposits	**—**	40,354	**—**	40,354
	1,062	45,223	**43**	40,757

24. FINANCE LEASE PAYABLES

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

	Group	
	2001	2000
	HK$'000	HK$'000
Amounts payable:		
Within one year	**141**	—
In the second to fifth years, inclusive	**364**	—
Total minimum finance lease payments	**505**	—
Future finance charges	**(76)**	—
Total net finance lease payables	**429**	—
Portion classified as current liabilities	**(106)**	—
Long term portion	**323**	—

Notes to Financial statements (continued)

31 March 2001

25. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Group	
	2001	2000
	HK$'000	HK$'000
Bank overdrafts, secured	**13,267**	410
Bank loans, secured	**37,759**	22,759
Other loans, secured	**3,675**	58,324
	54,701	81,493
Bank overdrafts repayable within one year or on demand	**13,267**	410
Bank loans repayable:		
Within one year or on demand	**8,577**	17,940
In the second year	**5,673**	1,562
In the third to fifth years, inclusive	**16,160**	3,257
After five years	**7,349**	—
	37,759	22,759
Other loans repayable within one year or on demand	**3,675**	58,324
	54,701	81,493
Portion classified as current liabilities	**(25,519)**	(76,674)
Non-current portion	**29,182**	4,819

(a) Certain of the Group's bank loans and overdrafts are secured by:

(i) mortgages over the Group's properties held for resale situated in Malaysia which had an aggregate carrying value at the balance sheet date of approximately HK$5,460,000 (2000: HK$7,071,000);

(ii) mortgages over the Group's leasehold land and building and investment properties which had an aggregate carrying value at the balance sheet date of approximately HK$120,700,000 (2000: HK$9,520,000); and

(iii) a corporate guarantee by the Company.

In the prior year, the Group's bank loans were also secured by charges over certain of the Group's plant and machinery which had an aggregate net book value of approximately HK$10,596,000 as at 31 March 2000. No such security has been disclosed in the current year because the bank loans were arisen from a jointly-controlled entity.

Notes to Financial statements (continued)

31 March 2001

25. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

(b) Certain of the Group's other loans are secured by:

(i) mortgages over the Group's properties held for resale situated in Malaysia which had an aggregate carrying value at the balance sheet date of approximately HK$4,369,000 (2000: HK$5,657,000);

(ii) a corporate guarantee by the Company; and

(iii) a personal guarantee of a director.

In the prior year, the Group's other loans were also secured by mortgages over the Group's investment properties which had an aggregate net carrying value of approximately HK$118,000,000 as at 31 March 2000. During the year, these other loans were fully repaid.

26. TRADE PAYABLES AND ACCRUED LIABILITIES

The analysis below ages trade payables based on the date of the goods purchased and services rendered.

	Group		**Company**	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current to 180 days	**199**	877	**—**	—
Over 180 days	**—**	2,739	**—**	—
Trade payables	**199**	3,616	**—**	—
Accrued liabilities	**14,624**	16,277	**1,981**	1,676
	14,823	19,893	**1,981**	1,676

27. SHARE CAPITAL

Shares

	Group	
	2001	2000
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
474,253,276 ordinary shares of HK$0.01 each (2000: 366,253,276 ordinary shares of HK$0.01 each)	**4,743**	3,663

Notes to Financial statements (continued)

31 March 2001

27. SHARE CAPITAL (continued)

Shares (continued)

During the year, the following movements in share capital were recorded:

(a) On 6 April 2000, 40,000,000 shares of HK$0.01 each were issued to Best Season Corporation and iStar Limited (the "Vendors") at an issue price of HK$2.00 per share. The shares issued represented the consideration in respect of the 80% equity interest in Linkpex and the entire benefits of a particular portion of loans or advances outstanding and owed to the Vendors by Linkpex as at the date of acquisition. The issue price represented a discount of 3.61% to the closing price of HK$2.075 per share, as quoted on The Stock Exchange of Hong Kong on 1 March 2000.

(b) On 11 September 2000, 40,000,000 shares of HK$0.01 each were issued at a subscription price of HK$1.65 per share for a total cash consideration, before expenses, of HK$66,000,000. The issue price represented a discount of 8.33% to the closing price of HK$1.80 per share, as quoted on The Stock Exchange of Hong Kong on 28 August 2000.

(c) On 3 October 2000, 28,000,000 shares of HK$0.01 each were issued at a subscription price of HK$1.08 per share for a total cash consideration, before expenses, of HK$30,240,000. The issue price represented a discount of 10% to the closing price of HK$1.20 per share, as quoted on The Stock Exchange of Hong Kong on 20 September 2000.

A summary of the transactions during the year with reference to the above movements of the Company's share capital is as follows:

	Notes	Carrying amount 2001 HK$'000	Shares issued 2001
At beginning of year		3,663	366,253,276
Shares issued as a consideration for the acquisition of a subsidiary	(a)	400	40,000,000
Share subscriptions	(b)&(c)	680	68,000,000
At end of year		4,743	474,253,276

Notes to Financial statements (continued)

31 March 2001

27. SHARE CAPITAL (continued)

Share options

On 2 June 1999, the Company approved a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company at any time during the ten-year period from the date of approval. The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme may not exceed such number of shares as shall represent 10 per cent of the issued share capital of the Company from time to time excluding shares duly allotted and issued pursuant to options granted under the Scheme.

All the share options granted in prior years were exercised and there were no unexercised share options outstanding as at 31 March 2001 (2000: Nil).

28. RESERVES

Group

	Share premium account	Contributed surplus	Legal reserves	Exchange translation reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 1999	839,053	34,685	368	(5,105)	(1,104,649)	(235,648)
Reduction of paid-up capital	—	—	—	—	333,047	333,047
Cancellation of share premium	(839,053)	178,965	—	—	660,088	—
Premium arising on the issue of shares, net of issuing expenses	99,558	—	—	—	—	99,558
Net exchange translation differences	—	—	—	(10)	—	(10)
Loss for the year	—	—	—	—	(33,695)	(33,695)
At 31 March 2000 and beginning of year	99,558	213,650	368	(5,115)	(145,209)	163,252
Premium arising on the issue of shares, net of issuing expenses	171,337	—	—	—	—	171,337
Goodwill on acquisition of subsidiaries and a jointly-controlled entity	—	(162,205)	—	—	—	(162,205)
Goodwill released upon deemed disposed of interests in subsidiaries	—	7,312	—	—	—	7,312
Impairment loss on goodwill released to the profit and loss account	—	40,000	—	—	—	40,000
Net exchange translation differences	—	—	—	(48)	—	(48)
Loss for the year	—	—	—	—	(36,167)	(36,167)
At 31 March 2001	270,895	98,757	368	(5,163)	(181,376)	183,481
Reserves retained by:						
Company and subsidiaries	270,895	123,757	368	(5,163)	(180,328)	209,529
Associates and jointly-controlled entities — notes 15 and 16	—	(25,000)	—	—	(1,048)	(26,048)
At 31 March 2001	270,895	98,757	368	(5,163)	(181,376)	183,481

Notes to Financial statements (continued)

31 March 2001

28. RESERVES (continued)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 1999	839,053	38,926	(1,113,627)	(235,648)
Reduction of paid-up capital	—	—	333,047	333,047
Cancellation of share premium	(839,053)	178,965	660,088	—
Premium arising on issue of shares, net of issuing expenses	99,558	—	—	99,558
Loss for the year	—	—	(33,705)	(33,705)
At 31 March 2000 and beginning of year	99,558	217,891	(154,197)	163,252
Premium arising on issue of shares, net of issuing expenses	171,337	—	—	171,337
Loss for the year	—	—	(151,108)	(151,108)
At 31 March 2001	270,895	217,891	(305,305)	183,481

The contributed surplus of the Group arose from:

(i) the Group's reorganisation on 13 June 1990, representing the difference between the nominal value of the Company's shares issued under the Group reorganisation scheme and the nominal value of the shares together with the share premium account of the former holding company of the Group acquired;

(ii) the transfer from the share premium account pursuant to the capital restructing on 2 June 1999; and

(iii) the elimination of the goodwill arising on the acquisition of subsidiaries and a jointly controlled entity, net of the release of impairment loss on goodwill during the year ended 31 March 2001.

The contributed surplus of the Company arose from:

(i) the above reorganisation, representing the difference between the nominal value of the Company's shares issued under the Group reorganisation and the then consolidated net asset value of the acquired subsidiaries; and

(ii) the transfer from the share premium account pursuant to the capital restructing on 2 June 1999.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances prescribed by Section 54 thereof.

The legal reserves of the Group are the statutory reserves of a subsidiary operating in the PRC. The transfers to these reserves are governed by the relevant laws and regulations of the PRC and the articles of association of the subsidiary.

Notes to Financial statements (continued)

31 March 2001

29. DEFERRED TAX

The principal components of the Group's net deferred tax asset not recognised in the financial statements are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Tax losses	**31,121**	22,882
Accelerated capital allowances	**(390)**	(37)
	30,731	22,845

The revaluations of the Group's land and building and investment properties do not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

No deferred tax asset has been recognised in the financial statements because it is not beyond reasonable doubt that such asset can be realised in the foreseeable future.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK$'000	HK$'000
Loss from operating activities	**(32,793)**	(29,259)
Interest income	**(1,439)**	(1,286)
Depreciation	**2,951**	6,916
Amortisation of database	**315**	—
Provision against/write-off of a short term advance to an independent third party	**—**	4,122
Provisions for impairment of fixed assets	**—**	11,004
Provision for bad and doubtful debts	**2,083**	3,008
Provision for diminutions in value of properties held for resale	**—**	4,490
Provision for impairment of goodwill	**40,000**	—
Loss on an investment property resulting from a fire	**—**	2,480
Loss on disposal of fixed assets	**301**	1,724
Gain on disposal/dilution of interests in subsidiaries	**(57,565)**	(49)
Gain on disposal of a long term investment	**—**	(2,301)
Unrealised loss of marketable securities	**14,787**	—
Deficit/(surplus) on revaluation of investment properties	**915**	(14,520)
Deficit on revaluation of fixed assets	**88**	86
Decrease in properties held for resale	**2,899**	—
Decrease/(increase) in trade receivables, prepayments and deposits	**2,940**	(1,802)
Decrease/(increase) in inventories	**(313)**	2,186
Decrease/(increase) in short term investment	**(26,426)**	5
Increase/(decrease) in trade payables and accrued liabilities	**2,102**	(4,371)
Movement of balances with associates	**(3,478)**	—
Net cash outflow from operating activities	**(52,633)**	(17,567)

Notes to Financial statements (continued)

31 March 2001

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of subsidiaries

	Group	
	2001	2000
	HK$'000	HK$'000
Net assets acquired:		
Fixed assets	**1,917**	—
Cash and cash equivalents	**7,568**	—
Other receivables, prepayments and deposits	**3,847**	—
Other payables and accrued liabilities	**(200)**	—
	13,132	—
Goodwill on acquisition:		
Eliminated against the Group's reserves	**137,205**	—
Eliminated against the minority interests	**22,708**	—
	173,045	—
Satisfied by:		
Share issued	**80,000**	—
Amount due from an associate	**3,545**	—
Cash	**89,500**	—
	173,045	—

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

	2001	2000
	HK$'000	HK$'000
Cash consideration	**(89,500)**	—
Cash and cash equivalents acquired	**7,568**	—
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(81,932)**	—

The subsidiaries acquired during the year contributed HK$2,102,000 to turnover and HK$14,095,000 to loss after tax and before minority interests for the year.

The subsidiaries acquired during the year contributed an outflow of HK$2,903,000 to the Group's net operating cash flows, received HK$1,371,000 and HK$1,652,000 in respect of the Group's investing and financing activities.

Notes to Financial statements (continued)

31 March 2001

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of/dilution of interest in subsidiaries

	Group 2001 HK$'000	2000 HK$'000
Disposal of subsidiaries		
Net assets disposed of:		
Trade payables and accrued liabilities	**(153)**	—
Subsidiary held for disposal released upon disposal	**1,550**	—
	1,397	—
Gain on disposal of subsidiaries	**451**	49
	1,848	49
Satisfied by:		
Cash	**1,848**	49
Dilution of interest in subsidiaries		
Net assets of disposed of:		
Goodwill released upon disposal	**7,312**	—
Gain arising from dilution of interests in subsidiaries:		
Attributable to the Group's shareholders	**57,114**	—
Attributable to minority interests	**25,574**	—
	82,688	—
	90,000	—
Satisfied by:		
Cash	**90,000**	—

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of/dilution of interests in subsidiaries in the current year is summarized below:

	2001 HK$'000	2000 HK$'000
Aggregate cash consideration received during the year	**91,848**	49
Net inflow of cash and cash equivalents	**91,848**	49

The subsidiaries disposed of during the two year ended 31 March 2001 and 2000 made no significant contribution to the Group's cash flows for these two years.

Notes to Financial statements (continued)

31 March 2001

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Deconsolidation of a subsidiary

	Group	
	2001	2000
	HK$'000	HK$'000
Net assets deconsolidated:		
Fixed assets	**23,477**	—
Inventories	**5,876**	—
Trade receivable, deposits and prepayments	**5,947**	—
Cash and cash equivalents	**2,501**	—
Short term bank loans	**(12,094)**	—
Trade payable and other payables	**(7,219)**	—
Minority interests	**(6,817)**	—
	11,671	—

Analysis of the net outflow of cash and cash equivalents in respect of the deconsolidation of a subsidiary is summarized below:

	2001	2000
	HK$'000	HK$'000
Cash and cash equivalents excluded from consolidation	**2,501**	—
Net outflow of cash and cash equivalents	**2,501**	—

The subsidiary deconsolidated during the year contributed approximately HK$1,830,000 to the Group's turnover and approximately HK$1,774,000 to consolidated loss after tax and before minority interests for the year.

The subsidiaries deconsolidated during the year contributed an outflow of HK$437,000 to the Group's net operating cash flow, but made no significant cash flows for other activities.

Notes to Financial statements (continued)

31 March 2001

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Analysis of changes in financing during the year

	Share capital (including premium) HK$'000	Interest-bearing bank and other borrowings (excluding overdrafts) HK$'000	Minority interests HK$'000	Finance lease obligations HK$'000
At 1 April 1999	1,173,774	105,104	15,777	—
Reduction of paid-up capital	(333,047)	—	—	—
Cancellation of share premium	(839,053)	—	—	—
Net cash inflow/(outflow) during the year, net	101,547	(24,021)	786	—
Loss for the year	—	—	(8,343)	—
At 31 March 2000 and 1 April 2000	103,221	81,083	8,220	—
Issuance of shares for acquisition of a subsidiary	80,000	—	—	—
Inception of finance lease contracts	—	—	—	564
Shares of the gain on dilution of interest in a subsidiary	—	—	25,574	—
Share of goodwill elimination	—	—	(22,708)	—
Deconsolidation of a subsidiary	—	(12,094)	(6,817)	—
Loss for the year	—	—	(4,669)	—
Net cash inflow/(outflow) during the year, net	92,417	(27,555)	1,317	(135)
At 31 March 2001	275,638	41,434	917	429

(f) Major non-cash transactions

During the year, the acquisition of a subsidiary was satisfied by the issuance of 80,000,000 ordinary shares which had no cash flow impact to the Group.

The Group also entered into a finance lease arrangements in respect of fixed assets with a total capital value at the inception of the lease of HK$564,000.

During the year, provision for impairment of goodwill previously written off against reserves and unrealised loss on short term investments amounting to HK$40,000,000 and HK$14,787,000, respectively were charged to the profit and loss account which had no cashflow impact on the Group.

In the prior year, provision for impairment of fixed assets and write off of loans advanced to an independent third party amounting to HK$11,004,000 and HK$4,122,000, respectively were charged to the profit and loss account and the Group effected a capital and share consolidation scheme, which had no cash flow impact on the Group.

Notes to Financial statements (continued)

31 March 2001

31. CONTINGENCIES

At the balance sheet date, the Company had outstanding guarantees given to banks/financial institutions to secure general credit facilities granted to certain subsidiaries of the Group in the amount of HK$63,000,000 (2000: HK$65,725,000). Credit facilities in the aggregate amount of HK$46,673,000 (2000: HK$54,341,000) had been utilised by such subsidiaries in respect of these guarantees as at the balance sheet date.

32. COMMITMENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments:				
Authorised, but not contracted for	**12,821**	15,003	**—**	—
Contracted, but not provided for:				
Fixed assets	**73**	494	**—**	—
Property under development*	**64,712**	64,712	**—**	—
	64,785	65,206	**—**	—
Operating lease commitments payable in the following year under non-cancellable leases in respect of land and buildings expiring:				
Within one year	**302**	26	**—**	—
In the second to fifth years, inclusive	**2,188**	2,871	**—**	—
	2,490	2,897	**—**	—

* Should the Group be obliged to complete the acquisition of the property, the Group is required to pay RM31,500,000 (equivalent to HK$64,712,000) upon the completion of the property (see note 13).

33. RELATED PARTY TRANSACTIONS

Interest income and consultancy fee amounting to HK$239,000 and HK$235,000, respectively, were received from a jointly-controlled entity, Cyber Pacific International Holdings Limited, during the year. The interest income was charged at Hong Kong dollar prime rate plus 3% per annum and the consultancy fee was charged at a fixed monthly charge mutually agreed between the parties.

In the prior year, loan facility up to HK$40 million had been provided by Mr. Huang Cheow Leng, a substantial shareholder of the Company. The loan was unsecured and bore interest at Hong Kong dollar prime rate plus 1% per annum. The Group drew down the loan to a maximum balance of HK$29,660,000 during the prior year and had fully repaid the loan as at 31 March 2000. Interest expense of HK$735,000 was paid during the prior year.

Notes to Financial statements (continued)

31 March 2001

34. POST BALANCE SHEET EVENT

On 28 May 2001, Mr Huang Cheow Leng entered into a loan agreement to provide a loan facility to the Group of up to HK$20 million. The loan is unsecured, bears interest at Hong Kong dollar prime rate plus 1% per annum and is repayable on or after 15 April 2002. The loan facility has been utilised to the extent of approximately HK$10 million at the date of report.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 27 July 2001.