

NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

28 Notes to consolidated cash flow statement *(Continued)*

(c) Sale of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of		
Properties held for sale	1,007	—
Trade and other payables	(582)	—
	<u>425</u>	<u>—</u>
Gain on disposal	37,995	—
	<u>38,420</u>	<u>—</u>
Satisfied by:		
Cash	<u>38,420</u>	<u>—</u>

The subsidiary disposed of did not contribute significant cash flows to the Group before the disposal.

29 Deferred taxation

The potential deferred tax asset/(liability) which has not been provided for in the accounts, on the basis that there is no reasonable certainty of crystallisation in the foreseeable future, amounts to:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax losses	41,153	37,628	313	426
Accelerated depreciation allowances	(361)	(606)	—	—
	<u>40,792</u>	<u>37,022</u>	<u>313</u>	<u>426</u>

No provision for deferred taxation has been made in the accounts in respect of revaluation of investment properties as the revaluation surplus or deficit arising therefrom does not constitute a timing difference for taxation purposes since any profit or loss on sale, in the opinion of the directors, would not be subject to taxation.

NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

30 Commitments

(a) Capital commitments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Authorized but not contracted for investment in an associated company	9,497	—	—	—
Contracted but not provided for purchase of other property	2,037	—	—	—
	<u>11,534</u>	<u>—</u>	<u>—</u>	<u>—</u>

(b) Commitments under operating leases

At 31st March, 2001, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	—	—
In the second to fifth year inclusive	317	—
	<u>317</u>	<u>—</u>

NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

31 Contingent liabilities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given in lieu of utility deposits	200	200	—	—
Corporate guarantees given to banks in respect of credit facilities granted to subsidiaries	—	—	55,457	95,690
	<u>200</u>	<u>200</u>	<u>55,457</u>	<u>95,690</u>

32 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	2001 HK\$'000	2000 HK\$'000
Management fee paid to a former fellow subsidiary (<i>note (a)</i>)	—	900
Interest expenses paid to a former fellow subsidiary (<i>note (b)</i>)	<u>381</u>	<u>578</u>

(a) Management fee was paid to Easyknit Enterprise Company Limited in respect of administrative services provided to the Group. The management fee was paid on a cost reimbursement basis.

(b) The loan from Planetic International Limited is interest bearing at prime rate plus 2% per annum (*note 23*).

Easyknit Enterprise Company Limited and Planetic International Limited are subsidiaries of Easyknit International Holdings Limited which was the former ultimate holding company of the Company up to 15th May, 2000.



NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

33 Litigation

- (a) In March 1998, litigation was brought by Kadoorie Estate Limited (“Kadoorie”), a third party, against Rheingold (Hong Kong) Limited (“Rheingold”), a wholly owned subsidiary of the Company. Kadoorie claimed damages totalling HK\$2.2 million in respect of alleged breaches of the terms of the operating lease agreement previously entered into between the two parties. The directors, having sought independent legal advice, made a provision of HK\$2.2 million to cover the entire claim in the accounts for the year ended 31st March, 2000.
- (b) In May 1999, another litigation was commenced by Wai Fung Plaza Limited (“Wai Fung”), a third party, against Easy Department Store Limited (“Easy Department Store”), a wholly owned subsidiary of the Company. Wai Fung claimed damages amounting to approximately HK\$9.3 million in respect of alleged breaches of the terms of the operating lease agreement previously entered into between Wai Fung and Easy Department Store.

A provision of HK\$4.6 million was made in the accounts for the year ended 31st March, 2000. The directors, having sought independent legal advice, are of the opinion that the current provision is adequate to cover this claim.

34 Post balance sheet events

During the year, the Group has entered into a sale and purchase agreement to dispose of a property held for sale at a consideration of HK\$20,380,000. The disposal was completed on 18th April, 2001 and the proceeds have been applied to repay bank borrowings.

35 Ultimate holding company

The directors regard Pollon Internet Corporation, a private company incorporated in the British Virgin Islands, as the ultimate holding company of the Company.

NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

36 Particulars of subsidiaries

The following is a list of the subsidiaries as at 31st March, 2001 which, in the opinion of the directors, principally affect the results and assets of the Group:

Name	Place of incorporation/ establishment and operations	Particulars of issued share capital	Group equity interest	Principal activities
<i>Held directly</i>				
Easy Concepts (BVI) Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	100%	Investment holding
21CN Advertising Agency Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Pioneer Venture Global Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	100%	Investment holding
<i>Held indirectly</i>				
Easy Concepts China Investment Company Limited	Hong Kong	2 ordinary shares of HK\$10 each	100%	Property investment
Easy Concepts (China) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
Easy Concepts (Shanghai) International Trading Co., Ltd. (<i>Note</i>)	People's Republic of China	US\$1,610,000	100%	Property investment

NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

36 Particulars of subsidiaries *(Continued)*

Name	Place of incorporation/ establishment and operations	Particulars of issued share capital	Group equity interest	Principal activities
Easy Concepts Limited	Hong Kong	64,797,832 ordinary shares of HK\$1 each	100%	Investment holding
Easy Investments Limited	Hong Kong	50,000 ordinary shares of HK\$100 each	100%	Investment holding
Easy Properties Limited	Hong Kong	10,000 ordinary shares of HK\$10 each	100%	Property investment
Easy Properties Management Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Property management
Gold Tank Profits Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	100%	Investment holding
Keen Port Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
Modern View Investment Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
Rheingold (Hong Kong) Limited	Hong Kong	50,000 ordinary shares of HK\$100 each	100%	Investment holding
Swing Stores, Limited	Hong Kong	500,000 ordinary shares of HK\$1 each	100%	Property investment

Note: Easy Concepts (Shanghai) International Trading Co., Ltd. is a wholly foreign owned enterprise established in the PRC to be operated for 50 years up to May 2043.