

Notes to Financial Statements

31 March 2001

1. CORPORATE INFORMATION

During the year, the Company's principal activity was investment holding. The principal activities of the Company's principal subsidiaries, principal jointly-controlled entities and associates are set out in notes 13, 15 and 16, respectively, to the financial statements. There were no material changes in the nature of the Group's principal activities during the year.

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 ("SSAPs"), accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain equity investments as further explained below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. 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.

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:

- sale of investments, on a trade date basis or at the date on which the relevant sales contracts become or are deemed unconditional, where appropriate;
- rental income, on a time proportion basis over the lease terms;
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable, except in the case of receivables which are deemed to be doubtful when interest accrual ceases;

Notes to Financial Statements (cont'd)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Revenue recognition** (Cont'd)

- dividends, when the Group's right to receive payment is established; and
- from the sale of goods, 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 sold.

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of jointly-controlled entities and associates represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against the goodwill reserve in the year of acquisition. The balance in the goodwill reserve is written off to the profit and loss account in the case of any diminution in value.

On the disposal of subsidiaries, jointly-controlled entities or associates, the relevant portion of attributable goodwill not previously charged to the profit and loss account is included in the calculation of the gain or loss on disposal.

Subsidiaries

A subsidiary is a company, not being 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 diminutions in values, which are expected to be other than temporary in nature, when they are written down to values determined by the directors.

Notes to Financial Statements (cont'd)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fixed assets and depreciation

Fixed assets, other than properties held for development, 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 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided on the straight-line basis to write off the cost of each asset, less any estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	4%–20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	15% to 25%
Motor vehicles	10% to 25%

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 to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account.

Properties held for development are stated at cost less provisions for diminutions in values, which are expected to be other than temporary, where appropriate. Cost comprises the cost of land, development expenditure and other attributable expenses.

Notes to Financial Statements (cont'd)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Joint venture**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values which are expected to be other than temporary.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are stated at cost less any provisions for diminutions in values which are expected to be other than temporary. Where the financial statements of the jointly-controlled entities are not co-terminous with those of the Group, the Group's share of the results is determined from the latest financial statements available.

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 associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values which are expected to be other than temporary.

Investments in securities

Investment securities are securities which are intended to be held on a continuing basis and are stated at cost less provisions for diminutions in values, on an individual investment basis. Provisions are made when the fair values have declined below the carrying amounts unless there is evidence that the decline is temporary. Any reduction in carrying amounts is charged to the profit and loss account.

Notes to Financial Statements (cont'd)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Investments in securities** (Cont'd)

Where the circumstances and events which led to the write-downs or write-offs of investment securities cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the appreciation in fair values is credited to the profit and loss account, on an individual investment basis, to the extent of the amount previously charged.

Investments other than investment securities are classified as other investments and are stated at their fair values on an individual investment basis. The gains or losses arising from changes in their respective fair values are credited or charged to the profit and loss account for the period in which they arise.

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.

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

Notes to Financial Statements (cont'd)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

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 financing 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.

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.

Notes to Financial Statements (cont'd)

31 March 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Retirement benefits schemes**

The Group operates both the Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Scheme Ordinance and the Mandatory Provident Fund Exempted ORSO retirement benefits scheme for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in an independently administered funds. The main difference of the two schemes being when an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits 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, whereas in respect to the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme except for the Group's employer voluntary contributions, which will be refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the scheme.

Foreign currencies

Foreign currency transactions are recorded at the applicable 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 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, jointly-controlled entities and associates which are denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Notes to Financial Statements (cont'd)

31 March 2001

3. TURNOVER AND REVENUE

Turnover represents the gross proceeds from securities trading, net rental income, interest and dividend income and the invoiced value of goods sold, net of trade discounts and returns.

An analysis of the Group's turnover by principal activity disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), together with other revenue is as follows:

	2001 HK\$'000	2000 HK\$'000
Continuing operations:		
Securities trading and investment holding	52,591	45,415
Net rental income	4,522	3,656
Interest income	6,222	2,847
Dividend income from listed investments	6	–
	63,341	51,918
Discontinued operations:		
Sale of tobacco and tobacco products	–	77,619
Turnover	63,341	129,537
Unrealised gains on other investments	–	7,787
Gain on disposal of subsidiaries	70	422
Others	352	2,494
Other revenue	422	10,703
Total revenue	63,763	140,240

Notes to Financial Statements (cont'd)

31 March 2001

3. TURNOVER AND REVENUE (Cont'd)

The Group's turnover as further analysed by geographical area of operations disclosed pursuant to the requirements of the Listing Rules is as follows:

	2001 HK\$'000	2000 HK\$'000
Continuing operations:		
Hong Kong	54,464	46,737
Singapore	2,818	–
United Kingdom	6,059	5,181
	63,341	51,918
Discontinued operations:		
Singapore	–	77,619
	63,341	129,537

Notes to Financial Statements (cont'd)

31 March 2001

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration:		
Current year provision	940	1,200
Overprovision in prior years	–	(198)
	940	1,002
Staff costs (excluding directors' remuneration, note 5):		
Pension contributions	233	154
Less: Forfeited contributions	(379)	–
	(146)	154
Net pension contribution (refunded)/paid	5,098	6,088
Wages and salaries		
	4,952	6,242
Depreciation:		
Owned fixed assets	895	840
Fixed assets held under finance leases	199	185
Operating lease rentals in respect of land and buildings (excluding those attributable to quarters for directors which have been included in directors' remuneration, note 5)	5,695	8,797
Loss on disposal of fixed assets	149	–
Provisions for diminutions in values of investment securities	866	115
Bad debts written off	1,817	29
Provisions for diminutions in values of properties held for development	1,350	2,303
Write-off of fixed assets	–	821
Bad debt recoveries and write-back of a provision for potential claim from a finance company	(6,127)	(12,849)
Write-back of provision for diminution in value of a subsidiary under liquidation	(192)	–

Notes to Financial Statements (cont'd)

31 March 2001

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (Cont'd)

The Group's profit/(loss) from operating activities analysed by principal activity and geographical area of operations disclosed pursuant to the requirements of the Listing Rules is as follows:

	2001 HK\$'000	2000 HK\$'000
By principal activity:		
Continuing operations:		
Securities trading and investment holding	(86,026)	13,920
Net rental income	217	(2,235)
Interest income	6,222	2,847
Dividend income from listed investments	6	–
	(79,581)	14,532
Provision for amounts due from jointly-controlled entities	(16,334)	–
Write-off of goodwill reserve in relation to jointly-controlled entities	(21,100)	–
	(117,015)	14,532
Discontinued operations:		
Sale of tobacco and tobacco products	12,090	(850,818)
	(104,925)	(836,286)
By geographical area of operations:		
Continuing operations:		
Hong Kong	(117,290)	16,982
Singapore	58	–
United Kingdom	217	(2,450)
	(117,015)	14,532
Discontinued operations:		
Singapore	12,090	(850,818)
	(104,925)	(836,286)

Notes to Financial Statements (cont'd)

31 March 2001

5. DIRECTORS' REMUNERATION

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees:		
Non-executive directors	51	–
Independent non-executive directors	297	300
	348	300
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind:		
Executive directors	4,655	1,816
Non-executive directors	129	–
	4,784	1,816
Pension contributions for executive directors	124	–
	5,256	2,116

The number of directors whose remuneration fell within the bands set out below is as follows:

	Number of directors	
	2001	2000
Nil - HK\$1,000,000	6	5
HK\$1,000,001 - HK\$1,500,000	1	–
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,000,001 - HK\$2,500,000	1	–
	9	6

Notes to Financial Statements (cont'd)

31 March 2001

5. DIRECTORS' REMUNERATION (Cont'd)

In addition to the above remuneration, share options to subscribe for 23,000,000 (2000: 21,500,000 as adjusted for the four-for-one bonus issue of shares in April 2000) ordinary shares of HK\$0.02 each in the Company were granted during the year to certain executive directors of the Company. In the absence of a readily available market value for options on the shares of the Company, the directors are unable to arrive at an accurate estimated monetary value of these share options, and therefore, no value in respect of such options has been attributed to the remuneration set out above.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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

6. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2000: One) directors, details of whose remuneration are set out in note 5 above. Details of the remuneration of the remaining two (2000: Four) non-director, highest paid individuals are analysed as to their nature and bands of remuneration as follows:

	Group	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
Basic salaries, housing, other allowances and benefits in kind	1,567	2,016
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	Number of individuals	
	2001	2000
Nil - HK\$1,000,000	1	4
HK\$1,000,001 - HK\$1,500,000	1	-
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	2	4
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Notes to Financial Statements (cont'd)

31 March 2001

6. FIVE HIGHEST PAID INDIVIDUALS (Cont'd)

In addition to the above remuneration, share options to subscribe for 13,000,000 (2000: 11,750,000 as adjusted for the four-for-one bonus issue of shares in April 2000) ordinary shares of HK\$0.02 each in the Company were granted to the non-director, highest paid individuals during the year. 5,000,000 of these share options were subsequently cancelled following the resignation of the relevant employee during the year. In the absence of a readily available market value for options on the shares of the Company, the directors are unable to arrive at an accurate estimated monetary value of these share options, and therefore, no value in respect of such options has been attributed to the remuneration set out above.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

7. DISCONTINUED OPERATIONS

During the year ended 31 March 2000, the Group discontinued its operations in respect of the contract manufacture and sale of tobacco in Singapore. The discontinuance was accomplished upon the termination of certain relevant agreements in December 1999.

Included in the goodwill reserve of the Group as at 1 April 1999 was HK\$866,952,000 in respect of goodwill arising on acquisition of a subsidiary which was principally engaged in the business of contract manufacture and sale of tobacco. In view of the discontinuance of the tobacco business, the goodwill of HK\$866,952,000 was written off to the profit and loss account during the year ended 31 March 2000.

In addition, the Group reached an agreement with a supplier of its tobacco products for the final settlement of the amount outstanding to the supplier. Pursuant to the agreement, an amount of HK\$12,090,000 included in the accrued liabilities and other payables at 31 March 2000 was written back during the year and was included in the cost of sales.

Notes to Financial Statements (cont'd)

31 March 2001

8. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest expense on:		
Other loans wholly repayable within five years	–	1,753
Convertible notes	602	2,037
Finance leases	22	38
	624	3,828

9. TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
Current year provision:		
Overseas	48	920
Overprovision in prior years	(10,220)	–
Tax (credit)/charge for the year	(10,172)	920

Hong Kong profits tax has not been provided as the Group has not generated any assessable profits arising in Hong Kong during the year. 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 liability has been made for the Company and the Group because there were no significant timing differences at the balance sheet date for which deferred tax liabilities arose. The potential deferred tax asset has not been recognised as its future realisation is uncertain.

Notes to Financial Statements (cont'd)

31 March 2001

9. TAX (Cont'd)

The principal components of the Group's deferred tax liabilities/(assets) not recognised at the balance sheet date are as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accelerated capital allowances	12	99	12	99
Tax losses carried forward	(33,043)	(29,932)	(17,152)	(14,332)
At 31 March	(33,031)	(29,833)	(17,140)	(14,233)

10. 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 for the year ended 31 March 2001 was HK\$188,950,000 (2000: HK\$955,798,000).

11. 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\$75,462,000 (2000: HK\$897,542,000) and the weighted average of 1,330,375,554 (2000: 823,693,800) ordinary shares in issue during the year. The prior year's weighted average number of shares in issue for the calculation of basic loss per share has been adjusted for the bonus issue of shares completed in April 2000 (note 23(a)).

The effect of the potential ordinary shares in existence for the two years ended 31 March 2001 was anti-dilutive on the basic loss per share and accordingly, no diluted loss per share has been presented.

Notes to Financial Statements (cont'd)

31 March 2001

12. FIXED ASSETS

Group

	Properties held for development <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At beginning of year	6,210	853	2,081	1,288	10,432
Additions	490	85	1,279	498	2,352
Disposals	–	–	(66)	(550)	(616)
Write-off	–	(113)	–	–	(113)
Disposal of a subsidiary	(1,700)	–	–	–	(1,700)
Provision for diminution in value	(1,350)	–	–	–	(1,350)
At 31 March 2001	3,650	825	3,294	1,236	9,005
Accumulated depreciation:					
At beginning of year	–	125	1,396	936	2,457
Provided during the year	–	162	742	190	1,094
Disposals	–	–	(47)	(378)	(425)
Write-off	–	(113)	–	–	(113)
At 31 March 2001	–	174	2,091	748	3,013
Net book value:					
At 31 March 2001	3,650	651	1,203	488	5,992
At 31 March 2000	6,210	728	685	352	7,975

Notes to Financial Statements (cont'd)

31 March 2001

12. FIXED ASSETS (Cont'd)

Company

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At beginning of year	741	2,077	1,288	4,106
Additions	85	600	498	1,183
Disposals	–	(66)	(550)	(616)
At 31 March 2001	826	2,611	1,236	4,673
Accumulated depreciation:				
At beginning of year	13	1,396	936	2,345
Provided during the year	162	531	190	883
Disposals	–	(47)	(378)	(425)
At 31 March 2001	175	1,880	748	2,803
Net book value:				
At 31 March 2001	651	731	488	1,870
At 31 March 2000	728	681	352	1,761

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

No fixed assets of the Group were held under finance leases as at 31 March 2001. The net book value of the Group's and the Company's assets held under finance leases included in the total amount of fixed assets at 31 March 2000 amounted to HK\$199,000.

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13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	98,572	47,898
Provisions for diminutions in values	(21,102)	(11,102)
	77,470	36,796

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Company are as follows:

Name	Place of incorporation/ establishment	Nominal value of issued and paid-up share/ registered capital	Effective equity interests attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
Allied Petrochemicals Inc.	British Virgin Islands	US\$1	100	–	Investment holding
All (Shindec SPV) Limited*	British Virgin Islands	US\$1	100	–	Investment holding
AsiaIP Limited	British Virgin Islands	US\$1	–	100	Investment holding
Aust-Well Investments Limited*	Hong Kong	HK\$10,000	100	–	Money lending
Combined Systems Limited*	British Virgin Islands	US\$1	100	–	Securities trading

Notes to Financial Statements (cont'd)

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13. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ establishment	Nominal value of issued and paid-up share/ registered capital	Effective equity interests attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
Exhibition Group Limited	British Virgin Islands	US\$1	–	100	Investment holding
Howley Investments Limited*	British Virgin Islands	US\$1	100	–	Investment holding
I-Achieve Technology Limited	British Virgin Islands	US\$1	–	100	Investment holding
I-Start Technology Limited	British Virgin Islands	US\$1	–	100	Investment holding
Larnaca Properties Limited* ("Larnaca")	United Kingdom	GBP2	–	100	Property management and property sub-letting
Litmus Technology Limited	British Virgin Islands	US\$1	–	100	Investment holding
Max Target Trading Limited*	Hong Kong	HK\$2	100	–	Securities trading

Notes to Financial Statements (cont'd)

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13. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ establishment	Nominal value of issued and paid-up share/ registered capital	Effective equity interests attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
Menston Investment Limited*	Hong Kong	HK\$2	100	–	Investment holding
Millennium Technology Limited	Samoa	US\$1	100	–	Investment holding
Millennium Winery Pty. Limited	British Virgin Islands	US\$1	100	–	Investment holding
Oakway Investment Limited*	Hong Kong	HK\$2	100	–	Investment holding
Presentable International Limited*	British Virgin Islands	US\$100	–	75	Property holding
Silvercliffe Ventues Inc*	British Virgin Islands	US\$2	–	100	Investment holding
Smart Link Technology Limited	British Virgin Islands	US\$1	–	100	Investment holding
Smoothsail Group Limited*	British Virgin Islands	US\$1	100	–	Investment holding
South East AsiaIP Limited	British Virgin Islands	US\$1	–	100	Investment holding
Space Culture Limited	British Virgin Islands	US\$10	–	80	Investment holding
Suregain Properties Limited*	British Virgin Islands	US\$100	–	77	Investment holding

Notes to Financial Statements (cont'd)

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13. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ establishment	Nominal value of issued and paid-up share/ registered capital	Effective equity interests attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
Union Access Company Limited*	Hong Kong	HK\$10,000	100	–	Property holding
Wide Connection Limited	British Virgin Islands	US\$1	–	100	Investment holding
Winning Rhythm Investments Limited*	British Virgin Islands	HK\$50,674,000	100	–	Securities trading
Worldwide Golden Leaf Limited*	British Virgin Islands	US\$1,000,000	–	100	Dormant

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

The above table lists the subsidiaries of the Company as at 31 March 2001 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and/or liabilities of the Group. To give details of the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The principal places of operations of the principal subsidiaries are the same as their respective places of incorporation/establishment except for Combined Systems Limited, Winning Rhythm Investments Limited and Worldwide Golden Leaf Limited, which operate mainly in Singapore, and Presentable International Limited, which operates mainly in Hong Kong.

The subsidiary disposed of during the year had no significant contribution to the Group's turnover or net loss from ordinary activities attributable to shareholders for the year ended 31 March 2001.

In addition, the Group also holds a 60% interest in the registered capital of 山西雁聯運輸有限公司 Shanxi Yanlian Transportation Limited ("Shanxi Yanlian"), a corporation established in the PRC which is principally engaged in coal haulage. The Group exercised control in the management of Shanxi Yanlian up to 30 November 1998 when the minority shareholder decided to dissolve the corporation. Accordingly, the results of Shanxi Yanlian were taken in by the Group up to 30 November 1998. The assets and liabilities of Shanxi Yanlian were reclassified to an interest in a subsidiary not consolidated since then.

Notes to Financial Statements (cont'd)

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13. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Since the financial information of Shanxi Yanlian was not available to the Group, in the opinion of the directors, the remaining interests in the amount of HK\$6,327,000 are irrecoverable and are accordingly fully provided for.

14. SUBSIDIARY UNDER LIQUIDATION

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	2,728	2,187
Exchange realignment	–	(17)
Liquidation proceeds received	(2,920)	–
Provision for diminution in value written back	192	558
Balance at 31 March	–	2,728

The liquidation of AHI PLC, a wholly-owned subsidiary of the Company incorporated in the United Kingdom, commenced in December 1994 and was completed during the year.

15. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted investment, at cost	–	–	–	46,509
Share of net assets	115,349	92,062	–	–
Provision for diminution in value	–	–	–	(38,370)
Total	115,349	92,062	–	8,139

The balances with jointly-controlled entities are unsecured. Except for an amount of HK\$3,171,000 due from a jointly-controlled entity which bears interest at 1% above the rate of Malayan Banking Berhad's best lending rate per annum and a loan to a jointly-controlled entity of HK\$3,300,000 at 31 March 2001 is unsecured, bear interest at 5% per annum and repayable on or before 21 June 2003, all other balances are interest-free and have no fixed terms of repayment.

Notes to Financial Statements (cont'd)

31 March 2001

15. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (Cont'd)

Particulars of the principal jointly-controlled entities of the Group are as follows:

Name	Business structure	Place of incorporation/ establishment	Percentage of Ownership interest	Voting power	Principal activities
AsialP (Malaysia) Sdn. Bhd.*	Corporate	Malaysia	65%	65%	Provision of Internet telephone services
CyberCash Asia Pacific Limited (formerly CyberCash (Asia) Pacific Limited)	Corporate	British Virgin Islands	65%	65%	Provision of Internet payment security services
CyberCash (H.K.) Limited	Corporate	Hong Kong	65%	65%	Provision of Internet payment security services
吉聯(吉林)石油化學有限公司 Jilian (Jilin) Petrochemicals Limited ("Jilian")	Corporate	PRC	35%	3 out of 7#	Manufacture and sale of petrochemical products
山東國際經濟開發公司 Shandong International Economic Development Corporation* ("SIEDC")	Corporate	PRC	60%	5 out of 9#	Investment holding

Notes to Financial Statements (cont'd)

31 March 2001

15. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (Cont'd)

Name	Business structure	Place of incorporation/ establishment	Ownership interest	Percentage of Voting power	Principal activities
雲南新通信息科技 有限公司 Yunnan Xintong Telematic & Technological Ltd. Co.	Corporate	PRC	60%	3 out of 5#	Provision of Internet telephone services
Powernet Company Limited *	Corporate	Hong Kong	49%	50%	Provision of Internet service and sale of computer products

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

Representing the number of votes on the board of directors attributable to the Group.

The above table lists the jointly-controlled entities of the Group as at 31 March 2001 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 the other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

The financial statements of the above jointly-controlled entities are co-terminous with those of the Group except for Jilian which has a 31 December year end date.

Notes to Financial Statements (cont'd)

31 March 2001

15. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (Cont'd)

Extracts of the operating results and financial position of the Group's major jointly-controlled entities, Jilian and SIEDC, which are based on their financial statements prepared under the accounting principles generally accepted in Hong Kong, are as follows:

Jilian (Jilin) Petrochemicals Limited

	2000 HK\$'000	1999 HK\$'000
Operating results for the year ended 31 December:		
Turnover	761,044	629,778
Depreciation and amortisation	55,885	58,270
Operating profit before tax	58,310	3,823
Operating profit attributable to the Group	20,409	1,338
Financial position at 31 December:		
Non-current assets	854,010	849,631
Current assets	302,060	316,657
Current liabilities	756,999	542,921
Non-current liabilities	113,550	395,058
Shareholders' funds	285,521	228,309

Shandong International Economic Development Corporation

	2001 HK\$'000	2000 HK\$'000
Operating results for the year ended 31 March:		
Turnover	29,984	12,549
Depreciation and amortisation	186	187
Operating profit/(loss) before tax	8,680	(39,053)
Operating profit/(loss) attributable to the Group	5,208	(23,432)
Financial position at 31 March:		
Non-current assets	6,737	13,436
Current assets	16,157	12,560
Current liabilities	620	12,432
Shareholders' funds	22,274	13,564

Notes to Financial Statements (cont'd)

31 March 2001

16. INVESTMENTS IN ASSOCIATES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	96,002	91,409

The balances with associates are unsecured, interest-free and have no fixed terms of repayment, except for the loan from an associate of HK\$12,617,000 which is repayable after one year.

Particulars of the associates of the Group are as follows:

Name	Business structure	Place of incorporation/ establishment	Effective equity interests attributable to the Company		Principal activities
			Direct (%)	Indirect (%)	
北京帥府大廈發展有限公司 Beijing Shuaifu Development Co., Ltd.*	Corporate	PRC	–	15	Property development
Born Rich Investments Limited*	Corporate	British Virgin Islands	–	30	Investment holding
Millennium Medical Technology Limited	Corporate	Samoa	–	50	Investment holding
Profit Access Development Limited	Corporate	Hong Kong	–	50	Investment holding
Redcliff Holdings Limited*	Corporate	British Virgin Islands	–	50	Investment holding

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

Notes to Financial Statements (cont'd)

31 March 2001

16. INVESTMENTS IN ASSOCIATES (Cont'd)

The net assets of the Group's principal associate, Beijing Shuaifu Development Co., Ltd. ("Shuaifu"), is mainly represented by the holding of a development right in respect of a parcel of land located at the junction of Shuai Fu Yuan Hu Tong and Xiao Wei Hu Tong (the "Land") in the Dongcheng District of Beijing, the PRC. The Land is located in a traditional shopping and commercial area of the Dongcheng District known as Wangfujing, in between the Dingdan commercial area and Wangfujing Boulevard.

The open market value of the development right in respect of the Land was revalued by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers, at RMB435,500,000 as at 31 March 2001.

17. LONG TERM INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted equities:				
Investment securities	–	1,136	–	–
Other investments	9,369	–	7,808	–
	9,369	1,136	7,808	–

18. PLEDGED BANK DEPOSITS

Deposits in the amount of GBP2,500,000, equivalent to HK\$27,633,000 (2000: HK\$31,000,000), were pledged to a financial institution as at 31 March 2001 for executing a rent guarantee in favour of the landlord in respect of the rental agreements for a building in London, the United Kingdom entered into between a subsidiary of the Company and the landlord.

Notes to Financial Statements (cont'd)

31 March 2001

19. OTHER INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equities listed in Hong Kong, at market value	14,022	33,691	11,222	32,701

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	4,268	5,887	3,297	3,751
Time deposits	28,853	49,705	28,853	49,705
	33,121	55,592	32,150	53,456

21. LOANS FROM MINORITY SHAREHOLDERS

The loans from minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

22. CONVERTIBLE NOTE

A convertible note (the "Note") in the principal amount of HK\$48,000,000 was issued by the Company in December 1999 in favour of a third party (the "Holder"). The Note bore interest at 1% below the best lending rate per annum as quoted by the Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollar loans in Hong Kong, and was payable semi-annually.

On 26 May 2000, the Holder exercised the conversion right and converted the Note into 150,000,000 ordinary shares of HK\$0.02 each in the Company at a conversion price of HK\$0.32 per share (note 23(c)).

Notes to Financial Statements (cont'd)

31 March 2001

23. SHARE CAPITAL

Shares

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Authorised:		
100,000,000,000 ordinary shares of HK\$0.02 each	2,000,000	2,000,000
Issued and fully paid:		
1,383,011,170 (2000: 206,002,234) ordinary shares of HK\$0.02 each	27,660	4,120

The following changes in the Company's authorised and issued share capital took place during the year:

- (a) Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 26 April 2000, an aggregate of 824,008,936 shares of HK\$0.02 each were issued as fully paid by capitalising a sum of HK\$16,480,179 from the amount standing to the credit of the share premium account of the Company on the basis of four new shares for every one share held by the shareholders whose names appear on the register of members of the Company on that day. The new shares from the bonus issue rank pari passu in all respects with the issued shares of the Company.
- (b) On 5 May 2000, 203,000,000 ordinary shares of HK\$0.02 each in the Company were issued at a price of HK\$0.33 per share (the closing market price of the shares of the Company on 5 May 2000 amounted to HK\$0.35 per share) to Natural Flair Limited, a substantial shareholder of the Company. Natural Flair Limited is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of China Online (Bermuda) Limited, a company incorporated in Bermuda whose shares are listed on The Stock Exchange of Hong Kong Limited. The new shares rank pari passu in all respects with the issued shares of the Company. The proceeds net of related expenses received by the Company from the placement of the new shares amounted to approximately HK\$66,600,000 and was intended to be used as working capital for the Group's information technology related business. The excess of the consideration received over the nominal value of the shares issued, in the amount of HK\$62,930,000, was credited to the share premium account.

Notes to Financial Statements (cont'd)

31 March 2001

23. SHARE CAPITAL (Cont'd)
Shares (Cont'd)

- (c) On 26 May 2000, 150,000,000 ordinary shares of HK\$0.02 each in the Company were issued at a price of HK\$0.32 per share, amounting to HK\$48,000,000 in total, pursuant to the Note's conversion terms, rights and conditions (note 22). The new shares rank pari passu in all respects with the issued shares of the Company. The excess of HK\$48,000,000 over the nominal value of the shares issued, in the amount of HK\$45,000,000, was credited to the share premium account.

A summary of the above movements in the issued share capital of the Company is as follows:

	<i>Notes</i>	Number of shares issued	Par value HK\$'000
At beginning of year		206,002,234	4,120
Bonus issue of shares	<i>(a)</i>	824,008,936	16,480
Shares issued on placement of new shares	<i>(b)</i>	203,000,000	4,060
Shares issued on conversion of the Note	<i>(c)</i>	150,000,000	3,000
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At 31 March 2001		1,383,011,170	27,660

A summary of the movements in the issued share capital of the Company for the year ended 31 March 2000 is as follows:

		Number of shares issued/ (eliminated)	Par value HK\$'000
At 1 April 1999		3,175,004,796	1,587,502
Shares issued on exercise of warrants		39,884	20
Capital reduction		–	(1,584,347)
Capital consolidation		(3,016,292,446)	–
<hr/>			
		158,752,234	3,175
Shares issued on conversion of convertible notes		27,250,000	545
Placing and subscription of shares		20,000,000	400
<hr/>			
At 31 March 2000		206,002,234	4,120

Notes to Financial Statements (cont'd)

31 March 2001

23. SHARE CAPITAL (Cont'd)

Share options

Pursuant to the Company's Share Option Scheme (the "Scheme") adopted on 5 January 1993, the directors may, at their discretion, invite employees of the Company and its subsidiaries, including executive directors, to take up options to subscribe for shares of the Company, at a price not less than 80% of the average of the closing price of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option granted to a grantee, or the nominal value of the Company's shares, whichever is the higher amount. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued capital of the Company, excluding any shares issued pursuant to the Scheme from time to time. An option may be exercised at any time during a period not exceeding five years commencing one month after the date the option is accepted and expiring on the last day of such period or ten years from 5 January 1993, whichever is the earlier.

Details of movements in the number of share options of the Company during the year are summarised as follows:

Exercise price per share	Expiry date	Number of share options (in thousands)					
		At 1 April 2000	Adjustment* during the year	Granted during the year	Lapsed upon expiry during the year	Cancelled during the year	At 31 March 2001
HK\$5.65*	21 September 2000	500	2,000	-	(2,500)	-	-
HK\$5.65*	7 August 2002	1,750	7,000	-	-	-	8,750
HK\$0.422*	From 23 March 2002 to 4 January 2003	13,950	55,800	-	-	(8,750)	61,000
HK\$0.189	4 January 2003	-	-	39,000	-	-	39,000
		16,200	64,800	39,000	(2,500)	(8,750)	108,750

* Adjusted to take into account the four-for-one bonus issue of shares during the year.

The exercise in full of the 108,750,000 share options outstanding at 31 March 2001 would, under the present capital structure of the Company, result in the issue of 108,750,000 additional shares of HK\$0.02 each in the Company at a total consideration, before issue expenses, of approximately HK\$82,550,500.

Notes to Financial Statements (cont'd)

31 March 2001

24. RESERVES

	Share premium HK\$'000	Special capital reserve (Note) HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Goodwill reserve HK\$'000	Total HK\$'000
Group							
At 1 April 1999	252,139	–	9,191	2,107	3,865	(885,979)	(618,677)
New issue of shares	69,160	–	–	–	–	–	69,160
Share issue expenses	(188)	–	–	–	–	–	(188)
Reduction of share capital	–	828,646	–	–	–	–	828,646
Exchange difference arising on translation of overseas entities	–	–	103	–	–	–	103
Write-off of goodwill reserve	–	–	–	–	–	884,641	884,641
Goodwill arising on acquisition of subsidiaries	–	–	–	–	–	(55,496)	(55,496)
Released upon disposal of subsidiaries	–	–	(476)	–	–	–	(476)
At 31 March 2000 and 1 April 2000	321,111	828,646	8,818	2,107	3,865	(56,834)	1,107,713
Bonus issue of shares	(16,480)	–	–	–	–	–	(16,480)
New issue of shares	107,930	–	–	–	–	–	107,930
Share issue expenses	(390)	–	–	–	–	–	(390)
Exchange difference arising on translation of overseas entities	–	–	(465)	–	–	–	(465)
Write-off of goodwill reserve	–	–	–	–	–	21,100	21,100
Goodwill arising on acquisition of a jointly- controlled entity	–	–	–	–	–	(3,614)	(3,614)
At 31 March 2001	412,171	828,646	8,353	2,107	3,865	(39,348)	1,215,794
Reserves retained by:							
Company and subsidiaries	412,171	828,646	8,353	–	3,865	(39,348)	1,213,687
Jointly-controlled entities	–	–	–	2,107	–	–	2,107
31 March 2001	412,171	828,646	8,353	2,107	3,865	(39,348)	1,215,794

Notes to Financial Statements (cont'd)

31 March 2001

24. RESERVES (Cont'd)

	Share premium <i>HK\$'000</i>	Special capital reserve (Note) <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company				
At 1 April 1999	252,139	–	3,865	256,004
New issue of shares	69,160	–	–	69,160
Share issue expenses	(188)	–	–	(188)
Reduction of share capital	–	828,646	–	828,646
<hr/>				
At 31 March 2000 and 1 April 2000	321,111	828,646	3,865	1,153,622
Bonus issue of shares	(16,480)	–	–	(16,480)
New issue of shares	107,930	–	–	107,930
Share issue expenses	(390)	–	–	(390)
<hr/>				
At 31 March 2001	412,171	828,646	3,865	1,244,682

Note:

A summary of the terms of the undertaking given by the Company (the "Undertaking") in connection with the capital reduction during the year ended 31 March 2000 (the "Capital Reduction") in respect of the application of the special capital reserve is set out below:

- (a) The reserve shall not be treated as realised profits; and
- (b) The reserve shall be treated as an undistributable reserve for as long as there shall remain any outstanding debts or claims which were in existence on the date of the cancellation of the shares of the Company pursuant to the Capital Reduction, provided that the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking and the Company may apply that part so released as a distributable reserve.

Notes to Financial Statements (cont'd)

31 March 2001

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Loss from operating activities	(104,925)	(836,286)
Write-off of goodwill reserve	21,100	884,641
Depreciation	1,094	1,025
Bad debts written off	1,817	29
Write-back of a provision for potential claim from a finance company	–	(11,675)
Write-back of a provision for amount payable for goods purchased	(12,090)	–
Unrealised losses/(gains) on other investments, net	51,043	(7,787)
Loss on disposal of fixed assets	149	–
Provisions for diminutions in values of investment securities	866	115
Gain on disposal of subsidiaries	(70)	(422)
Write-back of provision for diminution in value of a subsidiary under liquidation	(192)	(558)
Provisions for amounts due from jointly-controlled entities	16,334	–
Provisions for diminutions in values of properties held for development	1,350	2,303
Write-off of fixed assets	–	821
Increase in other investments	(31,374)	(17,375)
(Increase)/decrease in prepayments, deposits and other receivables	(3,893)	5,641
Increase in amounts due from jointly-controlled entities	(9,587)	(5,167)
Increase in amounts due from associates	(8)	(10)
(Decrease)/increase in accrued liabilities and other payables	(3,421)	9,888
Increase in amounts due to associates	2,757	6,661
Net cash (outflow)/inflow from operating activities	(69,050)	31,844

Notes to Financial Statements (cont'd)

31 March 2001

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Acquisition of subsidiaries

	2001 HK\$'000	2000 <i>HK\$'000</i>
Net assets acquired:		
Investments in jointly-controlled entities	–	3,995
Goodwill arising on acquisition	–	55,496
	–	59,491
Satisfied by:		
Cash consideration	–	59,491
	–	59,491

The analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Cash consideration and outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	(59,491)

The subsidiaries acquired during the year ended 31 March 2000 made no significant contribution to the Group's cash flows, turnover and consolidated loss after tax and before minority interests for the year.

Notes to Financial Statements (cont'd)

31 March 2001

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Disposal of subsidiaries

	2001 HK\$'000	2000 <i>HK\$'000</i>
Net assets/(liabilities) disposed of:		
Fixed assets	1,700	–
Cash and bank balances	–	94
Accounts and other receivables	–	141
Tax payable	–	(80)
Accounts payable and accrued liabilities	(602)	(161)
	1,098	(6)
Attributable exchange fluctuation reserve	–	(476)
Profit on disposal of subsidiaries	70	422
	1,168	(60)
Satisfied by:		
Cash consideration received/(paid)	1,168	(60)

The analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2001 HK\$'000	2000 <i>HK\$'000</i>
Cash and bank balances disposed of	–	(94)
Cash consideration received/(paid)	1,168	(60)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	1,168	(154)

The subsidiaries disposed of during the years ended 31 March 2000 and 2001, respectively, made no significant contribution to the Group's cash flows, turnover and consolidated loss after tax and before minority interests for the year in which they were disposed of.

Notes to Financial Statements (cont'd)

31 March 2001

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(d) Analysis of changes in financing during the year

	Share capital (including share premium) <i>HK\$'000</i>	Bank and other loans <i>HK\$'000</i>	Convertible notes <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1 April 1999	1,839,641	24,821	–	305	6,152
Issue of shares for cash consideration	33,065	–	–	–	–
Share issue expenses	(188)	–	–	–	–
Capital reduction	(1,584,347)	–	–	–	–
Issue of convertible notes	–	–	85,060	–	–
Conversion of convertible notes	37,060	–	(37,060)	–	–
Repayment of bank and other loans	–	(24,821)	–	–	–
Repayment of finance lease obligations	–	–	–	(193)	–
Share of loss for the year	–	–	–	–	(5,323)
At 31 March 2000 and 1 April 2000	325,231	–	48,000	112	829
Issue of shares for cash consideration	66,990	–	–	–	–
Share issue expenses	(390)	–	–	–	–
Conversion of convertible note	48,000	–	(48,000)	–	–
Repayment of finance lease obligations	–	–	–	(112)	–
Share of loss for the year	–	–	–	–	(13)
At 31 March 2001	439,831	–	–	–	816

(e) Major non-cash transaction

During the year, 150,000,000 ordinary shares of HK\$0.02 each in the Company were issued at a price of HK\$0.32 per share, amounting to HK\$48,000,000 in total, pursuant to the conversion terms, rights and conditions of a convertible note.

Notes to Financial Statements (cont'd)

31 March 2001

26. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Contracted, but not provided for	–	973	–	202

(b) Commitments under operating leases

At 31 March 2001, the Group and the Company had annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Leases expiring:				
Within one year	950	–	–	–
In the second to fifth years, inclusive	2,749	2,426	1,370	1,370
After five years	4,642	5,208	–	–
	8,341	7,634	1,370	1,370

(c) A capital commitment was entered into in respect of an investment in the Group's jointly-controlled entity operating in the PRC amounting to HK\$4,784,000 (2000: HK\$6,769,000).

(d) Pursuant to a joint venture agreement entered into between the Group and a joint venture partner dated 9 September 2000, the Group may be required to provide a shareholder's loan to a jointly-controlled entity up to a maximum amount of HK\$7,134,000 as and when necessary.

Notes to Financial Statements (cont'd)*31 March 2001***27. COMPARATIVE AMOUNTS**

The directors have reviewed the presentation of the profit and loss account and have reclassified certain items in the comparative consolidated profit and loss account from "other revenue" to "other operating (expenses)/income, net" to bring the presentation in line with that of the current year.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26 July 2001.