

1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. For the year ended 30 April 2000, the Company's subsidiaries were principally engaged in property holding, logistics and freight forwarding and related businesses.

During the year, the Group discontinued its operations in logistics and freight forwarding businesses and diversified into Internet-enabling and related technology businesses.

2. PRINCIPAL ACCOUNTING POLICIES**(a) Basis of preparation**

The financial statements on pages 26 to 62 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention as modified for the revaluation of certain investments in securities.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 April each year.

The results of subsidiaries and associates acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(c) Goodwill and capital reserve**

Goodwill on consolidation represents the excess of the purchase consideration over the fair value ascribed to the Company's share of the net assets at the date of acquisition of a subsidiary and is either amortised by equal instalments over its estimated useful life or eliminated against reserves immediately on acquisition. Capital reserve, which represents the excess of the fair value ascribed to the Company's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is directly credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over or below the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill or capital reserve.

On disposal of investments in subsidiaries or associates, the attributable amount of goodwill or capital reserve previously eliminated against or credited to reserves is included in the determination of the gain or loss on disposal.

(d) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors or equivalent governing body.

Investments in subsidiaries are carried at cost less provision for diminution in value that is other than temporary.

(e) Associates

An associate is a company, other than a subsidiary, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence on its financial and operating policy decisions.

The results of associates are accounted for by the Group using the equity method of accounting. The Group's investments in associates are stated at its share of their net assets. The Company's investments in associates are stated at cost less provision for diminution in value that is other than temporary.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(f) Property, plant and equipment***(i) Depreciation and amortisation*

Depreciation and amortisation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the term of the relevant lease
Buildings	Over the shorter of the term of the relevant lease and 50 years
Furniture and fixtures	33 $\frac{1}{3}$ %
Computer and office equipment	33 $\frac{1}{3}$ %
Motor vehicles	12 $\frac{1}{2}$ %

(ii) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure related to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced by the impairment to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values. Impairment loss is reversed if there has been an increase in recoverable amounts and is recognised in the income statement only to the extent that the carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. The annual rentals payable to or receivable from such operating leases are charged or credited respectively to the income statement on a straight-line basis over the relevant lease terms.

(h) Investments in securities

Investment securities are securities which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated in the balance sheet at cost less impairment loss that is other than temporary. The amount of the impairment loss is recognised as an expense in the income statement.

All other securities, whether held for trading or otherwise, are stated in the balance sheet as other investments at fair value. Changes in fair value are recognised in the income statement as they arise.

(i) Deferred tax/future tax benefits

Deferred tax is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(j) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling on that date. Gains and losses arising on exchange are dealt with in the income statement.

The financial statements of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains and losses arising on exchange are dealt with as movements in the exchange reserve.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(k) Revenue recognition**

Revenue from freight forwarding, shipping agency, warehousing and consulting services is recognised when services are provided.

Rental income is recognised on a straight-line basis over the relevant lease term.

Interest income is recognised on a time proportion basis.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

(l) Retirement benefit scheme

The Group's contributions to retirement and pension schemes are based on a certain percentage of employees' payroll and are charged to the income statement when incurred.

(m) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand and amounts repayable on demand with banks and short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(n) 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.

36 Notes to the Financial Statements

For the year ended 30 April 2001

3. TURNOVER

An analysis of turnover and contribution to operating results by principal activity and geographical location is set out below:

By principal activity:

	Turnover		Contribution to operating results	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<i>Continuing operations:</i>				
— Rental income	1,469	1,706	(22,361)	123
— Internet consulting services	888	—	(13,873)	—
	2,357	1,706	(36,234)	123
<i>Discontinued operations:</i>				
— Sea freight#	2,829	46,607	12,122	(35,214)
— Road freight	—	1,134	—	(1,827)
— Air freight	—	1,525	—	(1,146)
— Others	—	3,030	—	(1,016)
	2,829	52,296	12,122	(39,203)
	5,186	54,002	(24,112)	(39,080)
Amortisation of goodwill	—	—	(4,250)	—
Net realised and unrealised holding loss on other investments	—	—	(8,106)	(242)
Provision for other investments	—	—	—	(19,526)
Provision for investment securities	—	—	(5,346)	—
Corporate restructuring cost	—	—	—	(1,778)
Net interest income	—	—	25,463	804
	5,186	54,002	(16,351)	(59,822)

3. TURNOVER (Continued)**By geographical location of operations:**

	Turnover		Contribution to operating results	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	3,717	17,563	(1,751)	(11,897)
Asia Pacific other than Hong Kong	754	17,909	(11,477)	(12,262)
North America	715	10,970	(10,884)	(8,826)
Europe	—	7,560	—	(6,095)
	5,186	54,002	(24,112)	(39,080)

The profit from discontinued operations was mainly attributable to the write-off of trade and other payables of HK\$9,359,000 and bad debts recovered of HK\$2,089,000 in respect of the freight forwarding and shipping agency operations which were abandoned during the year ended 30 April 2001.

4. OTHER REVENUE

	2001 HK\$'000	2000 HK\$'000
Bad debts recovered	2,093	—
Dividend income from listed equity securities	16	15
Gain on disposal of property, plant and equipment	53	1,408
Interest income	25,692	1,103
Reversal of provision for impairment in value of land and buildings	8,942	—
Sundry	1	348
Write-off of trade and other payables	14,808	—
	51,605	2,874

38 Notes to the Financial Statements

For the year ended 30 April 2001

5. (LOSS)/PROFIT FROM OPERATIONS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
(Loss)/Profit from operations is arrived at after charging:		
Directors' remuneration (<i>note 7(a)</i>)	1,878	6,368
Retirement benefit scheme contributions paid/(refunded), net of forfeited contributions of HK\$554,000 (2000 : HK\$403,000)	190	(55)
Other staff costs	8,552	14,739
Total staff costs	10,620	21,052
Amortisation of goodwill	4,250	—
Auditors' remuneration	427	651
Depreciation and amortisation of property, plant and equipment	3,145	1,102
Net realised and unrealised holding loss on other investments	8,106	242
Operating lease rentals on premises	2,921	2,909
Provision for doubtful debts	206	6,418
Provision for investment securities	5,346	—
Provision for impairment in value of land and buildings and motor vessels	—	10,153
Provision for other investments	—	19,526
PRC bank balances written off	—	549
Write-off of property, plant and equipment	—	1,515
and after crediting:		
Rental income from properties under operating leases, net of outgoings of HK\$543,000 (2000 : \$506,000)	925	1,200

For the year ended 30 April 2001

6. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest charges on :		
Bank loans and overdrafts wholly repayable within five years	—	299
Mortgage loan not wholly repayable within five years	229	—
	<u>229</u>	<u>299</u>
	229	299

7. DIRECTORS' AND EMPLOYEES' REMUNERATION**(a) Directors' emoluments**

The aggregate amounts of emoluments payable to the Directors of the Company during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Fees		
— Executive Directors	712	225
— Non-executive Directors	583	285
	<u>1,295</u>	510
Other emoluments of executive Directors		
— Salaries and other benefits	568	1,064
— Contractual compensation for loss of offices	—	4,794
— Mandatory provident funds	15	—
	<u>583</u>	5,858
Total emoluments	1,878	6,368

For the year ended 30 April 2001

7. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(a) Directors' emoluments (Continued)

The Directors' emoluments were within the following bands:

	2001	2000
	Number of Directors	Number of Directors
Nil to HK\$1,000,000	29	13
HK\$4,500,001 to HK\$5,000,000	—	1
	29	14

In last year, Tay Kay Hock ceased to act as Director and a contractual compensation of HK\$4,408,000 was paid to him for early termination of his service agreement with the Company.

During the year, no share options were granted to the Directors.

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, none (2000 : three) were Directors whose emoluments are disclosed in note 7(a) above. The remuneration of the five (2000 : the remaining two) individuals were as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries and other benefits	3,031	1,241
Contributions to retirement benefit schemes	41	49
	3,072	1,290

The emoluments of each of these individuals are below HK\$1,000,000.

8. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profit for the year.

9. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of HK\$16,253,000 (2000: HK\$59,822,000), a loss of HK\$39,022,000 (2000: HK\$60,388,000) has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$16,253,000 (2000 : HK\$59,822,000) and the weighted average of 5,480,252,069 (2000 : 663,216,813) shares in issue during the year.

No amount has been presented for the diluted loss per share for the current and last years as the effect of the exercise of the Company's outstanding share options would have been anti-dilutive.

42 Notes to the Financial Statements

For the year ended 30 April 2001

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At 1 May 2000	37,432	—	62	85	609	38,188
Purchase of subsidiaries	—	613	132	1,403	—	2,148
Additions	—	6	4,415	2,565	—	6,986
Disposals	(2,682)	—	—	(132)	—	(2,814)
Written off	—	—	—	—	(609)	(609)
At 30 April 2001	34,750	619	4,609	3,921	—	43,899
Accumulated depreciation/impairment						
At 1 May 2000	26,476	—	62	85	609	27,232
Purchase of subsidiaries	—	122	23	266	—	411
Charge for the year	577	84	1,500	984	—	3,145
Reversal of provision for impairment*	(8,942)	—	—	—	—	(8,942)
Disposals	(1,920)	—	—	—	—	(1,920)
Written off	—	—	—	—	(609)	(609)
At 30 April 2001	16,191	206	1,585	1,335	—	19,317
Net book value						
At 30 April 2001	18,559	413	3,024	2,586	—	24,582
At 30 April 2000	10,956	—	—	—	—	10,956

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)***Company**

	Furniture and fixtures <i>HK\$'000</i>	Computer and office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 May 2000	—	—	—
Additions	4,410	2,235	6,645
Disposals	—	(132)	(132)
At 30 April 2001	4,410	2,103	6,513
Accumulated depreciation			
At 1 May 2000	—	—	—
Charge for the year	1,470	701	2,171
At 30 April 2001	1,470	701	2,171
Net book value			
At 30 April 2001	2,940	1,402	4,342
At 30 April 2000	—	—	—

44 Notes to the Financial Statements

For the year ended 30 April 2001

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of land and buildings held by the Group is analysed as follows :

	2001	2000
	HK\$'000	HK\$'000
Held outside Hong Kong		
— Medium-term leasehold, held in the PRC	11,376	4,961
— Freehold, held in Canada (2000 : Canada and the United States of America)	7,183	5,995
	18,559	10,956

The Group is in the process of obtaining land use rights certificates or certificates of housing ownership for properties located in the PRC with an aggregate net book value of approximately HK\$1,980,000 (2000: HK\$2,200,000).

* *Reversal of provision for impairment in value of the Group's land and buildings of HK\$8,942,000 (2000 : a provision of HK\$9,707,000) has been made during the year following re-assessments of the recoverable amounts by the Directors for a property held in Canada and by an independent professional surveyor, Greater China Appraisal Limited, for properties held in the PRC. In determining the relevant recoverable amounts, the Directors have considered the amount which the Group expects to recover from the future use of these assets, including their residual values on disposal. However, the Directors have not taken into consideration the effects of discounting future cash flows. The above reversal of provisions has been credited to the income statement as other revenue as shown in note 4.*

For the year ended 30 April 2001

12. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	255,853	100
Amounts due from subsidiaries	246,620	105,607
Less: Provision against amounts due from subsidiaries	(102,000)	(81,000)
	400,473	24,707

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

Particulars of the Company's principal subsidiaries as at 30 April 2001 are set out below:

Name of subsidiary	Place of incorporation	Particulars of nominal value of issued share capital	Percentage of issued capital held		Principal activities
			2001	2000	
<i>Directly held by the Company:</i>					
E-Continental Group Limited	British Virgin Islands	1 ordinary share of US\$1	100%	—	Investment holding
Vincent Group Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	100%	Investment holding
WebVideoShop.com Limited (note (a))	Hong Kong	100 ordinary shares of HK\$1 each	85%	—	Sales of video and audio contents and products through the Internet and the technology to stream video clips for customers to preview

For the year ended 30 April 2001

12. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	Particulars of nominal value of issued share capital	Percentage of issued capital held		Principal activities
			2001	2000	
<i>Indirectly held by the Company:</i>					
Extraordinary Service Limited	British Virgin Islands	1 ordinary share of US\$1	100%	—	Investment holding
Freight Links Express (Hong Kong) Limited	Hong Kong	300,000 ordinary shares of HK\$10 each	100%	100%	Note (b)
Full Glory Profits Limited	Hong Kong	1 ordinary share of US\$1	100%	—	Investment holding
vLink Global Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	—	Investment holding
Vincent Investment Limited	Canada	360 ordinary shares of CAD1 each	100%	100%	Property holding
Vincent Shipping (Holdings) Limited	Hong Kong	600,000 ordinary shares of HK\$10 each	100%	100%	Property and investment holding
Websource Consultants Limited (note (a))	British Virgin Islands	2 ordinary shares of HK\$1 each	100%	—	Provision of Internet consulting services and e-Solutions

- (a) The effective dates of acquisition for accounting purposes of WedVideoShop.com Limited and Websource Consultants Limited are 23 February 2001 and 2 January 2001 respectively. The costs of acquisition of these two subsidiaries are approximately HK\$255,753,000 and HK\$141,000 respectively which were all paid by cash.
- (b) Freight Links Express (Hong Kong) Limited was engaged in provision of freight forwarding and shipping agency services. These operations were ceased in June 2000 and the company became inactive since then.

12. INTERESTS IN SUBSIDIARIES *(Continued)*

On 1 June 2000, the Group acquired 60% equity interest in Vic-Links Express International (H.K.) Limited ("Vic-Links") (formerly known as Freight Link Express International (H.K.) Limited). However, Vic-Links was not regarded as the Company's subsidiary because it was acquired with a view to subsequent disposal. Vic-Links was ultimately disposed of before the balance sheet date.

The above list includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

13. INTERESTS IN ASSOCIATE(S)

	Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	—	—
Amount due from an associate	218	218
	<hr/>	<hr/>
	218	218
Less: Provision	(218)	(218)
	<hr/>	<hr/>
	—	—
	<hr/> <hr/>	<hr/> <hr/>

Particulars of the associate are as follows:

Name of associate	Place of incorporation and operation	Particulars of nominal value of issued share capital	Percentage of issued capital held indirectly by the Group		Principal activities
			2001	2000	
Vinpac Container Line (CHI) Inc.	United States of America	100 ordinary shares of US\$100 each	40%	40%	Freight forwarding and shipping agency

48 Notes to the Financial Statements

For the year ended 30 April 2001

14. INVESTMENT SECURITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Unlisted equity securities, at cost	38,950	—
Listed equity securities in Hong Kong, at cost	44,838	—
Less : Provision for diminution in value	(5,346)	—
	39,492	—
At 30 April 2001	78,442	—
Market value of listed equity securities	35,928	—

Particulars of the Group's principal investments at 30 April 2001 are as follows:

Name of investee company	Place of incorporation	Particulars of nominal value of issued share capital	Percentage of issued capital held	
			2001	2000
Listed				
B-Tech (Holdings) Limited ("B-Tech") (note (a))	Bermuda	20,527,334,747 ordinary shares of HK\$0.01 each	16.7%	—
Unlisted				
Core Solutions Limited (note (b))	Hong Kong	5,563,333 Class "A" ordinary shares of HK\$0.01 each and 2,263,495 Class "B" ordinary shares of HK\$0.01 each	25%	—

14. INVESTMENT SECURITIES (Continued)

- (a) On 23 March 2001, the Company entered into two share exchange agreements with B-Tech, an independent third party company listed on the Stock Exchange. Pursuant to the share exchange agreements, B-Tech agreed (i) to issue 3,421,220,000 new ordinary shares of B-Tech (the "First B-Tech Shares") at a price of HK\$0.01 each in exchange for 42,765,250 new ordinary shares of the Company (the "First Company Shares") at a price of HK\$0.80 each (the "First Share Exchange") and; (ii) to issue 5,131,830,000 new ordinary shares of B-Tech (the "Second B-Tech Shares") at a price of HK\$0.01 each in exchange for 171,061,000 new ordinary shares of the Company (the "Second Company Shares") at a price of HK\$0.30 each (the "Second Share Exchange").

The First Share Exchange was completed on 28 March 2001 and the Company became one of B-Tech's substantial shareholders. The Second Share Exchange was completed on 10 May 2001 and since then, B-Tech became an associate of the Group with 33.3% equity interests held.

Pursuant to the two share exchange agreements, the Company, subject to certain conditions, has the right to reverse the First Share Exchange and the Second Share Exchange by way of share repurchases in kind at any time on or before 25 April 2002. Under the share repurchases, the Company has an option (the "Option") to require B-Tech to repurchase all, but not partly only, the First B-Tech Shares and the Second B-Tech Shares in consideration of the First Company Shares and the Second Company Shares, respectively, without any compensation (the "Share Repurchases"). In the opinion of the Directors, the Company has no intention to exercise the Option. Further details of the share exchanges and the Option are set out in the circular to shareholders of the Company dated 2 May 2001.

In addition, pursuant to a loan agreement dated 23 March 2001, vLink Global Investments Limited ("VGIL"), a wholly-owned subsidiary of the Company, granted a loan of HK\$29.5 million to B-Tech (see note 18), drawn down in April 2001. The loan facility is secured by B-Tech's entire interest in a subsidiary, certain properties held for sale and other investments of B-Tech (the "Mortgage"). The loan bears interest at Hong Kong dollar Prime rate plus 5% per annum and is repayable on 3 July 2001. Pursuant to another two loan agreements dated 26 April 2001 and 10 May 2001, VGIL further granted two loans to B-Tech of approximately HK\$3.3 million and HK\$16 million respectively which are unsecured, bear interest at Hong Kong dollar Prime rate plus 4% per annum and are repayable on 25 July 2001 and 9 August 2001 respectively. Details of the loans outstanding as at 30 April 2001 are shown in note 18.

Subsequent to the balance sheet date, VGIL entered into a Deed of Novation (the "Deed") dated 9 August 2001 with B-Tech. Pursuant to the Deed, Easycom Limited ("Easycom"), an indirect wholly owned subsidiary of B-Tech, agreed to assume the obligations and liabilities of B-Tech. The repayment date of all the above loans was then rescheduled and extended to 25 October 2001.

- (b) Core Solutions Limited is not regarded as an associate because the Directors are of the opinion that the Group does not exercise significant influence over its financial and operating activities.

50 Notes to the Financial Statements

For the year ended 30 April 2001

15. OTHER INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Listed equity securities				
— Hong Kong	—	702	—	702
— Overseas	—	122	—	—
	<u>—</u>	<u>824</u>	<u>—</u>	<u>702</u>
Unlisted equity securities				
— Hong Kong	14,000	—	—	—
— Overseas	2	19,528	—	19,526
	<u>14,002</u>	<u>19,528</u>	<u>—</u>	<u>19,526</u>
Less: Provision for impairment loss	—	(19,526)	—	(19,526)
	<u>14,002</u>	<u>2</u>	<u>—</u>	<u>—</u>
	<u>14,002</u>	<u>826</u>	<u>—</u>	<u>702</u>
Market value of listed equity securities at 30 April	<u>100</u>	<u>824</u>	<u>—</u>	<u>702</u>
Carrying amount analysed for reporting purposes as:				
Non-current assets	14,002	124	—	—
Current assets	—	702	—	702
	<u>14,002</u>	<u>826</u>	<u>—</u>	<u>702</u>

The above investments include investment in Future Solutions Laboratory Limited (“Future Solutions”) which is incorporated in Hong Kong and in which the Group holds 20% equity interests. Future Solutions is not regarded as an associate because the Directors are of the opinion that the Group does not exercise significant influence over its financial and operating policies.

16. GOODWILL

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
At 1 May 2000	—	—
Goodwill arising from consolidation	255,049	—
Less : Amortisation	(4,250)	—
At 30 April 2001	250,799	—

Goodwill is amortised by equal instalments over ten years.

17. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK\$264,000 which were aged over 90 days as at the balance sheet date.

18. LOANS TO AN INVESTEE COMPANY

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Secured loan	29,500	—
Unsecured loan	3,302	—
	32,802	—

Details of the loans are set out in note 14(a).

19. AMOUNT DUE FROM AN INVESTEE COMPANY

The amount due from an investee company represents interest receivable on loans granted to it.

52 Notes to the Financial Statements

For the year ended 30 April 2001

20. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$3,842,000 which were aged over 90 days as at the balance sheet date.

21. MORTGAGE LOANS

	Group	
	2001	2000
	HK\$'000	HK\$'000
The mortgage loans are repayable as follows:		
— within one year	149	505
— more than one year, but not exceeding two years	166	171
— more than two years, but not exceeding five years	497	3,183
— after five years	2,395	—
	3,207	3,859
Less: Current portion repayable within one year included under current liabilities	(149)	(505)
Non-current portion repayable after one year included under non-current liabilities	3,058	3,354

22. DEFERRED TAXATION

The movements in the deferred tax account are as follows :

	Group	
	2001	2000
	HK\$'000	HK\$'000
Balance at 1 May 2000 and 30 April 2001	5	5

As at 30 April 2001, the amount of unprovided deferred tax asset is analysed as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Tax losses	18,100	16,246
Accelerated depreciation allowances	(28)	—
	18,072	16,246

22. DEFERRED TAXATION (Continued)

No deferred tax asset has been recognised in the financial statements as it is not certain that the deferred tax asset will crystallise in the foreseeable future.

The amount of the unprovided deferred tax credit for the year is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Tax losses	1,854	5,976
Accelerated depreciation allowances	(28)	124
	1,826	6,100

23. SHARE CAPITAL

	<i>Note</i>	Number of ordinary shares of HK\$0.10 each	HK\$'000
Authorised :			
At 1 May 1999 and 2000		1,000,000,000	100,000
Increase during the year	(b)	9,000,000,000	900,000
At 30 April 2001		10,000,000,000	1,000,000
Issued and fully paid:			
At 1 May 1999		662,603,046	66,260
Exercise of share options	(a)	2,175,000	218
At 30 April 2000 and 1 May 2000		664,778,046	66,478
Placement of new shares	(b)	4,961,000,000	496,100
Issue of new shares for acquisition of interest in an investee company	(c)	42,765,250	4,276
At 30 April 2001		5,668,543,296	566,854

23. SHARE CAPITAL *(Continued)*

- (a) On 17 January 2000, the Company issued 2,175,000 shares of HK\$0.10 each to share options holders at a subscription price of HK\$0.10 per share. These shares ranked pari passu in all respects with the existing shares.
- (b) Pursuant to resolutions passed at a special general meeting of the Company held on 9 May 2000, the authorised share capital of the Company has been increased from HK\$100,000,000 to HK\$1,000,000,000 by the creation of an additional 9,000,000,000 shares of HK\$0.10 each. On the same date, the Company allotted and issued 4,961,000,000 shares of HK\$0.10 each to several independent investors. The new shares ranked pari passu in all respects with the existing shares. The proceeds were used to develop and invest in Internet and technology related businesses.
- (c) Pursuant to a share exchange agreement dated 23 March 2001 (as detailed in note 14(a)), 42,765,250 new ordinary shares at a price of HK\$0.80 each were allotted and issued to B-Tech in exchange for 3,421,220,000 new ordinary shares of B-Tech at a price of HK\$0.01 each on 28 March 2001.

24. SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") adopted by the Company on 19 August 1993 and as amended on 24 October 2000, the Directors may, at their discretion, grant options to Directors or employees of the Company and its subsidiaries to subscribe for shares in the Company in accordance with the terms of the Scheme. The subscription price (subject to adjustment as provided therein) shall be a price to be determined by the Directors to an eligible person being not less than the greater of 80% of the average of the closing price per share on the Stock Exchange for the five trading days immediately preceding the date of offer of the option and the nominal value of the shares. The maximum number of option shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued share capital of the Company from time to time (excluding any shares issued pursuant to the Scheme).

On 31 October 2000, the Company granted 26,000,000 share options to certain employees of the Company at a consideration of HK\$1 for each grantee to subscribe for 26,000,000 new shares of the Company at an initial exercise price of HK\$0.10 per share. These options will expire on 31 October 2005.

24. SHARE OPTION SCHEME *(Continued)*

A summary of movements in the options under the Scheme during the year is as follows:

	Number of options granted under the Scheme with an exercise price of	
	HK\$0.10 per share	HK\$0.1734 per share
As at 1 May 1999	10,650,000	3,400,000
Exercised during the year	(2,175,000)	—
Lapsed during the year	(8,475,000)	(3,400,000)
As at 30 April 2000	—	—
Granted during the year	26,000,000	—
As at 30 April 2001	26,000,000	—

In accordance with resolutions passed at a special general meeting of the Company held on 9 May 2000, the Company has also granted 1,124,000,000 options at a consideration of HK\$0.01 per option to several independent investors to subscribe for 1,124,000,000 new shares of the Company at an initial exercise price of HK\$0.10 per share, subject to adjustments. These options are exercisable at any time within two years from the date of issue of such options.

56 Notes to the Financial Statements

For the year ended 30 April 2001

25. RESERVES

	Other reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group							
As at 1 May 1999	—	72,727	9,389	(432)	(98)	(66,468)	15,118
Share issue expenses	—	(19)	—	—	—	—	(19)
Net loss for the year	—	—	—	—	—	(59,822)	(59,822)
At 30 April 2000 and 1 May 2000	—	72,708	9,389	(432)	(98)	(126,290)	(44,723)
Translation difference	—	—	—	(143)	—	—	(143)
Share issue expenses	—	(12,693)	—	—	—	—	(12,693)
Share premium	—	29,936	—	—	—	—	29,936
Consideration for share options granted	11,240	—	—	—	—	—	11,240
Net loss for the year	—	—	—	—	—	(16,253)	(16,253)
As at 30 April 2001	11,240	89,951	9,389	(575)	(98)	(142,543)	(32,636)
Company							
As at 1 May 1999	—	72,727	—	—	—	(57,920)	14,807
Share issue expenses	—	(19)	—	—	—	—	(19)
Net loss for the year	—	—	—	—	—	(60,388)	(60,388)
As at 30 April 2000 and 1 May 2000	—	72,708	—	—	—	(118,308)	(45,600)
Share issue expenses	—	(12,693)	—	—	—	—	(12,693)
Share premium	—	29,936	—	—	—	—	29,936
Consideration for share options granted	11,240	—	—	—	—	—	11,240
Net loss for the year	—	—	—	—	—	(39,022)	(39,022)
As at 30 April 2001	11,240	89,951	—	—	—	(157,330)	(56,139)

All reserves are attributable to the Company and its subsidiaries.

25. RESERVES (Continued)

The special reserve represents the difference between the nominal amount of the shares of the subsidiaries at the date of the Group reorganisation and the nominal amount of the shares issued by the Company as consideration for the acquisition of the subsidiaries.

Other reserve represents the amount received in relation to the granting of share options to several independent investors and employees of the Company during the year. The reserve would be released to share premium account upon exercise of options or released to accumulated losses upon expiry of the unexercised options.

In the opinion of the Directors, the Company has no reserve available for distribution to shareholders as at 30 April 2001 and 2000.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$'000	HK\$'000
Loss before taxation	(16,351)	(59,822)
Interest income	(25,692)	(1,103)
Interest expenses	229	299
Dividend income	(16)	(15)
Amortisation of goodwill	4,250	—
Depreciation and amortisation of property, plant and equipment	3,145	1,102
Gain on disposal of property, plant and equipment	(53)	(1,408)
Write-off of property, plant and equipment	—	1,515
(Reversal of)/provision for impairment		
in value of land and buildings and motor vessels	(8,942)	10,153
Net realised and unrealised loss on other investments	8,106	242
Provision for other investments	—	19,526
Provision for investment securities	5,346	—
Provision for doubtful debts	206	6,418
PRC bank balances written off	—	549
Write-off of trade and other payables	(14,808)	—
Increase in trade and other receivables	(3,480)	(615)
Increase in trade and other payables	5,081	9,761
	(42,979)	(13,398)
Net cash outflow from operating activities	(42,979)	(13,398)

58 Notes to the Financial Statements

For the year ended 30 April 2001

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital and share premium		Mortgage loans	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1 May 2000	139,186	138,987	3,859	4,164
Net cash inflow/(outflow) during the year:				
— Proceeds from issue of shares	496,100	218	—	—
— Expenses incurred in connection with the issue of shares	(12,693)	(19)	—	—
— Repayments of loans	—	—	(652)	(305)
	483,407	199	(652)	(305)
Non-cash transaction :				
Shares exchange with B-Tech (note 26(d))	4,276	—	—	—
At 30 April 2001	626,869	139,186	3,207	3,859

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

(c) Purchase of subsidiaries

	2001
	HK\$'000
Net assets acquired	
Property, plant and equipment	1,737
Other receivables	454
Cash at banks and in hand	291
Other payables	(1,522)
Minority interests	(115)
	<hr/>
	845
Goodwill arising on acquisition	255,049
	<hr/>
	255,894
	<hr/> <hr/>
Satisfied by cash	255,894
	<hr/> <hr/>
Analysis of net outflow of cash and cash equivalents in respect of the purchase of subsidiaries:	
Cash consideration paid	(255,894)
Cash at banks and in hand acquired	291
	<hr/>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(255,603)
	<hr/> <hr/>

The subsidiaries acquired during the year have no significant impact on the Group's cash flows.

(d) Major non-cash transaction

During the year, 42,765,250 new ordinary shares in the Company with nominal value of HK\$4,276,525 were issued in exchange for the 3,421,220,000 ordinary shares in B-Tech. The shares in B-Tech were classified as investment securities in the Group's financial statements (note 14).

27. RETIREMENT BENEFIT SCHEME

Certain companies within the Group were participants of provident fund schemes (the "Funds") which were defined contribution schemes as defined in the Occupational Retirement Scheme Ordinance. The assets of the Funds were managed by the trustees of the Funds. The employees did not need to make any contributions to the Funds. The Group's contributions to the Funds were 5% of an individual employee's monthly basic salary. The employees were entitled to all of the employer's contributions and accrued income thereon after completion of 10 years of service, or at a sliding scale after completion of 3 to 9 years' service.

The unvested benefits of employees who terminate employment forfeited in accordance with the terms of the Funds can be utilised by the Group to reduce future levels of contributions. Contributions made to the Funds by the Group for the year ended 30 April 2001 amounted to approximately HK\$190,000 (2000: refund of HK\$55,000), net of forfeiture of HK\$554,000 (2000 : HK\$597,000).

With effect from 1 December 2000, all employees are required to join the new mandatory provident fund scheme (the "MPF Scheme") set up in accordance with the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance").

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the Group. The Group's contribution is calculated at 5% of the employee's monthly relevant income, as defined in the MPF Ordinance of up to a maximum of HK\$20,000. The contributions made by the Company which exceed 5% of the employee's monthly relevant income are paid as voluntary contribution. No voluntary contribution is paid for the employees of the subsidiaries within the Group. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

28. PLEDGE OF ASSETS

As at 30 April 2001, the Group has pledged certain property, plant and equipment with an aggregate net book value of approximately HK\$7,183,000 (2000 : HK\$7,139,000) to secure the mortgage loan granted to the Group (note 21).

29. CONTINGENT LIABILITIES

At 30 April 2001, the Company had outstanding guarantee issued to a third party amounting to approximately HK\$300,000 (2000 : HK\$300,000) in respect of facilities granted to a subsidiary which was engaged in freight forwarding business. Though the operations of the subsidiary were discontinued during the year, the guarantee has not been released.

30. OPERATING LEASE COMMITMENTS

Annual operating lease commitments in respect of land and buildings payable within one year, analysed according to the period in which the lease expires, and in subsequent years are as follows :

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Payable within one year — leases expiring in the second to fifth years inclusive	3,401	645	2,624	—
Payable in the second to fifth years	3,266	968	2,916	—
	<u>6,667</u>	<u>1,613</u>	<u>5,540</u>	<u>—</u>

31. RELATED PARTY TRANSACTIONS

During the year, the Group has entered into the following related party transactions:

- (a) Legal fee of HK\$534,000 was paid to a company in which a former Director, Mr. Mui Ho Chow, Eddie had equity interest.
- (b) Financial advisory fee of HK\$1.8 million was paid to Yu Ming Investment Management Limited. Mr. Fung Wing Cheung, Tony, a former Director of the Company was a major shareholder and director of Yu Ming Investment Management Limited.
- (c) The Company reimbursed legal expenses and costs of HK\$4,776,000 to Long Lead Investments Limited which was a wholly-owned subsidiary of Yu Ming Investments Limited, a substantial shareholder of the Company, as settlements of litigations against the Company and certain former Directors.
- (d) The Group paid consultancy fee of HK\$817,000 to MKT Capital Limited in which Tsang Man Keung (a former Director of the Company) was a shareholder and director.
- (e) The Group also paid consultancy fee of HK\$817,000 to Max Info Enterprise Limited in which Wong Kui Fai (a former Director of the Company) was a director.
- (f) The Company also reimbursed legal expenses of HK\$5 million to Samsung Securities Company Limited, which held 4.9% interest in the issued share capital of the Company, as settlements of litigations against the Company and certain former Directors.

32. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events have taken place:—

- (a) vLink Global Investments Limited, a wholly-owned subsidiary of the Company, granted a loan of HK\$16 million to B-Tech pursuant to a loan agreement dated 10 May 2001. Details of the loan are disclosed in note 14(a).
- (b) On 10 May 2001, the Company issued 171,061,000 new shares at \$0.30 each in exchange for 5,131,830,000 new shares of B-Tech at \$0.01 each. Details of the share exchange are disclosed in note 14(a).
- (c) The Company made a voluntary conditional cash offer on 14 July 2001 to acquire all the shares in the entire issued share capital of Shun Cheong Holdings Limited (“Shun Cheong”), a company listed on the Stock Exchange, at an offer price of HK\$0.01 for each share. The Company also undertook to acquire all outstanding rights to subscribe for shares in Shun Cheong at a price of HK\$0.01 per right that entitles its holder to subscribe for 1 share. Further details of the offer are set out in the announcement of the Company dated 17 July 2001.
- (d) On 24 August 2001, Spot On Assets Limited (“Spot On”), a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands on 2 August 2001, entered into a conditional sale and purchase agreement with an independent third party pursuant to which Spot On agreed to acquire the entire issued share capital of Best Modern Properties Limited (“Best Modern”) together with its shareholders’ loan in the sum of HK\$7,290,000 for an aggregate consideration of HK\$150 million in cash. The sole business of Best Modern will be the holding of 39% interest in Shanghai Xin Yao Real Estate Development Company Limited whose key business is the undertaking of a development project in Yang Pu District, Shanghai, the PRC. Further details of the transaction are set out in the announcement of the Company dated 27 August 2001.

33. COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform with the current year’s presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 26 to 62 were approved by the board of directors on 28 August 2001.