

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 42.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Since the balance sheet date, the directors have been taking active steps to improve the liquidity position of the Group. The Group has obtained new funding in the aggregate amount of HK\$82 million in the form of new facilities from certain financial institutions. At the same time, the Group is marketing a property previously held as an investment property for disposal at its market value of HK\$93 million. Also, the directors are currently in negotiation with the parties currently providing finance to the Group for the restructuring of existing loan facilities and are in the process of selling certain of the Group's properties. On the basis that the negotiations can be successfully completed, the directors are satisfied that following the disposal of the properties referred to above, the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") 14 (Revised) "Leases" issued by the Hong Kong Society of Accountants. Adoption of SSAP 14 (Revised) has had no significant effect on the results for the current or prior years. Disclosures presented have been modified to meet the requirements of this Standard.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Goodwill**

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is 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 the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is capitalised as part of the Group's interests in associate and amortised over its estimated useful life, which is generally not exceeding twenty years. Where the estimated recoverable amount of the premium arising on the acquisition of an interest in an associate falls below its carrying amount, the carrying amount of the premium, to the extent to which it is considered to be irrecoverable, is written off immediately to the income statement.

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

On disposal of investments in subsidiaries, associates or jointly controlled entities, the attributable amount of goodwill previously eliminated directly against or credited to reserves or capitalised but not yet amortised or written off is included in the determination of the profit or loss on disposal of the subsidiary, associate or jointly controlled entity.

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 where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by impairment losses identified.

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been written off or amortised.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

For the year ended 30th June, 2001

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Joint ventures

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

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the premium paid on acquisition in so far as it has not already been written off or amortised. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

Turnover

Turnover represents gross rental income from investment properties during the year.

Revenue recognition

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the term of the relevant lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Plant and equipment

Plant and equipment are stated at cost less depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

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

Leasehold improvements	10% to 33 $\frac{1}{3}$ % or over the terms of the relevant leases, if shorter
Furniture, fixtures and equipment	9% to 18%
Motor vehicles	9% to 18%
Computer equipment	9% to 18%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

Properties under development

Properties under development are stated at cost, including borrowing costs capitalised, less any impairment losses identified.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure and other direct costs attributable to such properties. Net realisable value is estimated by the directors based on prevailing market prices, on an individual property basis, less any further costs expected to be incurred on disposal.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair values at the date of acquisition. The corresponding liability to the lessor or hirer, net of interest charges, is included in the balance sheet as obligations under finance leases. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the respective leases or contracts so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating lease are charged to the income statement on a straight line basis over the relevant lease term.

Foreign currencies

All companies comprising the Group maintain their books of accounts in Hong Kong dollars.

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

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefit scheme contributions

The contribution payable in respect of the year is charged to the income statement.

Cash equivalents

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 which are repayable within three months from the date of the advances.

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5. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to loss from operations for the year, by principal activity and by geographical location of the operations, is as follows:

	Turnover		Loss from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(a) By principal activity				
Investment holding	–	–	(1,387)	(14,069)
Property holding	8,213	16,134	(26,835)	(77,836)
	8,213	16,134		
Unallocated corporate expenses			(25,607)	(6,731)
			(53,829)	(98,636)
(b) By geographical location of operations				
People's Republic of China				
– Hong Kong	3,830	7,446	(12,218)	(16,228)
– Mainland China (the "PRC")	4,383	8,688	(16,004)	(75,677)
	8,213	16,134		
Unallocated corporate expenses			(25,607)	(6,731)
			(53,829)	(98,636)

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6. LOSS FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs, including directors' remuneration:		
– Basic salaries and allowances	11,948	7,769
– Retirement benefits scheme contributions	180	–
	12,128	7,769
Auditors' remuneration		
– Current year	900	952
– Underprovision in prior years	150	204
Depreciation of plant and equipment		
– Assets owned by the Group	148	333
– Assets held under finance leases	402	204
Loss on disposal of plant and equipment	73	32
Loss on disposal of properties held for sale	356	–
Operating lease rentals in respect of land and buildings	2,407	1,646
and after crediting:		
Interest income	554	237
Rental income from investment properties under operating leases, net of outgoings of approximately HK\$1,770,000 (2000: HK\$2,967,000)	6,443	13,167

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive directors	70	–
Independent non-executive directors	90	130
Other emoluments of executive directors:		
Basic salaries and allowances	1,423	653
Retirement benefits scheme contributions	7	–
	1,590	783

For the year ended 30th June, 2001

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (cont'd)

(i) Directors' emoluments (cont'd)

The emoluments of the directors were within the following bands:

	2001 Number of directors	2000 Number of directors
Up to HK\$1,000,000	8	10
HK\$1,000,001 to HK\$1,500,000	1	–

(ii) Employees' emoluments

Of the five highest paid individuals in the Group, one (2000: one) was a director of the Company whose remunerations are set out in (i) above. The emoluments of the remaining four (2000: four) individuals were as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries and allowances	2,714	2,517
Retirement benefits scheme contributions	21	–
	2,735	2,517

The remunerations of each of the employees were under HK\$1,000,000 in both years.

During the years ended 30th June, 2001 and 2000, no emoluments were paid by the Group to the respective five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 30th June, 2001 and 2000, no director had waived any emoluments.

8. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
– bank borrowings wholly repayable within five years	3,432	3,079
– other borrowings wholly repayable within five years	4,439	5,662
– bank borrowings not wholly repayable within five years	3,054	3,187
– obligations under finance leases	162	109
	11,087	12,037

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9. TAXATION CREDIT

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies comprising the Group did not have any assessable profit for the year. In the opinion of the Company's directors, the Group is not subject to taxation in any other jurisdictions in which it operates.

The amount for the year ended 30th June, 2000 represented an overprovision of Hong Kong Profits Tax in prior years.

Details of deferred taxation are set out in note 34.

10. LOSS FOR THE YEAR

Of the Group's loss for the year, a loss of HK\$81,358,000 (2000: HK\$110,536,000) has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of approximately HK\$81,358,000 (2000: HK\$110,536,000) and on the adjusted weighted average number of 1,226,458,904 (2000: 1,050,500,000) shares in issue throughout the year.

The weighted average number of shares for the purpose of basic loss per share has been adjusted for the effect of the subdivision of the Company's shares as set out in note 27(v).

No diluted loss per share has been presented because the exercise of the Company's outstanding share options would have an anti-dilutive effect on loss per share for the years ended 30th June, 2001 and 2000.

12. INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
VALUATION	
At 1st July, 2000	177,800
Deficit on revaluation	(11,400)
Transfer to properties held for sale (<i>note 22</i>)	(93,000)
At 30th June, 2001	73,400

The investment properties held by the Group at the balance sheet date comprise:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property held in Hong Kong under medium-term lease	73,400	83,300
Property held in the PRC under medium-term lease	–	94,500
	73,400	177,800

At 30th June, 2001, the investment properties of the Group were revalued by FPD Savills (Hong Kong) Limited, an independent firm of professional valuers, on an open market existing use basis. The deficit arising on revaluation of these properties has been charged to the consolidated income statement.

The investment properties are held for rental income under operating leases.

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13. PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1st July, 2000	207	1,087	2,470	235	3,999
Additions	–	22	1,062	133	1,217
Disposals	(88)	(539)	(1,390)	–	(2,017)
At 30th June, 2001	119	570	2,142	368	3,199
DEPRECIATION					
At 1st July, 2000	177	491	1,588	72	2,328
Provided for the year	13	84	396	57	550
Eliminated on disposals	(71)	(351)	(1,390)	–	(1,812)
At 30th June, 2001	119	224	594	129	1,066
NET BOOK VALUES					
At 30th June, 2001	–	346	1,548	239	2,133
At 30th June, 2000	30	596	882	163	1,671
THE COMPANY					
COST					
At 1st July, 2000	119	358	1,390	130	1,997
Disposals	–	–	(1,390)	–	(1,390)
At 30th June, 2001	119	358	–	130	607
DEPRECIATION					
At 1st July, 2000	119	148	1,390	51	1,708
Provided for the year	–	36	–	20	56
Eliminated on disposals	–	–	(1,390)	–	(1,390)
At 30th June, 2001	119	184	–	71	374
NET BOOK VALUES					
At 30th June, 2001	–	174	–	59	233
At 30th June, 2000	–	210	–	79	289

At 30th June, 2001, the net book value of plant and equipment of the Group includes an amount of approximately HK\$1,594,000 (2000: HK\$935,000) in respect of assets held under finance leases.

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14. DEPOSIT PAID FOR THE PURCHASE OF INVESTMENT PROPERTIES

The amount represents deposit paid for the acquisition of certain investment properties situated in the PRC.

An impairment loss was recognised in respect of the deposit paid for the purchase of investment properties at 30th June, 2000 as the relevant vendor, China Real Estate Development Group Huadong Properties Company Limited 中房集團華東置業股份有限公司 (“CRED Huadong”), a jointly-controlled entity of the Group, had pledged the relevant properties for certain credit facilities granted to CRED Huadong. Up to the date of these financial statements, the Group has not yet been able to obtain legal title to these properties notwithstanding the full payment of the consideration. An indemnity was granted by CIL Holdings Limited (“CILH”), a former ultimate holding company, against all claims, losses, costs and expenses incurred in connection with various matters relating to these properties including, but not limited to, the legal impediment relating to the obtaining and transferring of the legal title of these properties. However, the directors were not certain, up to the date of this report, whether the indemnity will be honoured. The recoverable amount of deposit is therefore estimated to be nil, and an impairment loss of HK\$27,000,000 was recognised in prior year’s income statement.

Subsequent to the balance sheet date, an agreement was entered into by the Group to dispose of its right to an independent third party as set out in note 43(c).

15. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
At carrying value:		
Balance at beginning of the year	83,910	108,000
Less: Impairment loss recognised	–	(24,090)
Balance at end of the year	83,910	83,910

On 21st October, 1997, a sale and purchase agreement was entered between Welchem Development Limited (“Welchem”), a wholly owned subsidiary of the Group, and CRED Huadong respectively, under which Welchem agreed to purchase certain properties under development at approximately HK\$113.8 million. The purchase consideration was fully settled by Welchem prior to its acquisition by the Group. The legal title of the properties will be transferred from CRED Huadong to the Group upon completion of the construction work. The completion date of the properties under development is expected to be in March 2002.

The Group’s properties under development are held under a medium-term lease and are situated in the PRC.

Subsequent to the balance sheet date, an agreement was entered into by the Group to dispose of its right to an independent third party as set out in note 43(b).

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16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	650,689	402,044
	650,690	402,045
Less: Impairment loss recognised	(230,815)	(175,327)
	419,875	226,718

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current assets.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

Details of the principal subsidiaries of the Company at 30th June, 2001 are set out in note 42.

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Cost of investment	136,984	–
Share of post-acquisition loss	(42)	–
	136,942	–

Included in cost of investment is goodwill arising on acquisition of associates:

	HK\$'000
Goodwill	
Goodwill arising on the acquisition of associates during the year	190,669
Disposals	(45,569)
At 30th June, 2001	145,100
Accumulated amortisation and impairment loss	
Provided for the year	1,175
Eliminated on disposals	(458)
Impairment loss recognised	6,700
At 30th June, 2001	7,417
Carrying value	
At 30th June, 2001	137,683
At 30th June, 2000	–

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17. INTERESTS IN ASSOCIATES (cont'd)

Details of the Group's associates at 30th June, 2001 are as follows:

Name of associate	Place of incorporation	Proportion of nominal value of issued capital attributable to the Group	Principal activities
CRED.net Limited (中國房地產網有限公司) ("CRED.net")	British Virgin Islands ("BVI")	20%	Provision of consultancy and design services and technical support for a website
Etrade Century Limited ("Etrade")	BVI	35%	Provision of consultancy and design services and technical support for a website

The following details have been extracted from the financial statements of the Group's associates.

	CRED.net		Etrade	
	2001 HK\$'000 (Audited)	2000 HK\$'000	2001 HK\$'000 (Unaudited)	2000 HK\$'000
Results for the year				
Turnover	10	–	–	–
Loss from ordinary activities before taxation	(3,710)	–	(5)	–
Loss from ordinary activities before taxation attributable to the Group	(42)	–	–	–
Financial position				
Non-current assets	248	–	–	–
Current assets	11,189	–	2	–
Current liabilities	(2,111)	–	–	–
Non-current liabilities	(13,035)	–	–	–
Net (liabilities) assets	(3,709)	–	2	–
Net (liabilities) assets attributable to the Group	(742)	–	1	–

Included in interests in associates as at 30th June, 2001 is an amount of approximately HK\$45 million attributable to Etrade which was acquired during the year. Etrade is contracted to provide consultancy and design services and technical support to a website which has now been re-scheduled to be launched in 2002, with Etrade's income under this contract being set equal to an agreed percentage of the website income. In the preparation of these financial statements, the directors have obtained an independent business valuation which values Etrade at approximately HK\$125 million. On the basis that the website, and accordingly Etrade's contract, will become income producing in 2002, the directors of the Company are satisfied that no impairment loss needs to be recognised in this financial statements in respect of the Group's attributable interest in Etrade.

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17. INTERESTS IN ASSOCIATES (cont'd)

As detailed in note 19, a deposit of HK\$15 million has been paid for an option to acquire a 20% additional interest in Etrade. On the same basis as above, the directors of the Company are satisfied that the deposit is worth at least its carrying value and, accordingly, no provision is considered necessary at the balance sheet date.

18. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	11,706	11,706
Less: Impairment loss recognised	(11,706)	(11,706)
	-	-

Particulars of the jointly controlled entity at 30th June, 2001 are as follows:

Name	Place of registration	Paid-up registered capital	Proportion of registered capital attributable to the Group	Principal activity
CRED Huadong	PRC	RMB58,400,000	20.28%	Property development

19. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Non-current asset				
Deposits for additional interest in Etrade	15,000	-	-	-
Deposits for investment in China eCommerce (Hong Kong) Limited ("China eCommerce")	-	55,000	-	55,000
	15,000	55,000	-	55,000
Current assets				
Other deposits for acquisition of investments	-	15,000	-	5,000

Pursuant to a share purchase agreement entered into by eCyber International Limited ("eCyber International"), a wholly-owned subsidiary of the Company, and CeCommerce Limited ("CeCommerce"), an independent third party, on 2nd May, 2000, the Group was committed to purchase a 35% equity interest in China eCommerce at a consideration of HK\$45,000,000. This transaction was completed during the year.

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19. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS (cont'd)

During the year, an option agreement (the "Original Option Agreement") was entered into by eCyber International and CeCommerce for the acquisition of an additional 20% equity interest in China eCommerce at a consideration of HK\$20,000,000. An aggregate amount of HK\$15,000,000 has been paid as a deposit during the year ended 30th June, 2000.

On 18th May, 2001, eCyber International entered into an assets swap agreement with Etrade, China eCommerce and an independent third party (the "Third Party") under which eCyber International agreed to sell to the Third Party its 35% equity interest in China eCommerce in consideration for a 35% equity interest in Etrade to be sold by the Third Party to eCyber International at a consideration of HK\$45,000,000. This transaction was completed on 30th June 2001.

On 30th June, 2001 a new option agreement was entered into by eCyber International and the Third Party under which the Third Party granted a right to eCyber International to acquire an additional 20% equity interest in Etrade at a consideration of HK\$20,000,000. The Third Party has confirmed that the HK\$15,000,000 deposit paid pursuant to the Original Option Agreement has been assigned by CeCommerce to the Third Party as part of the consideration for the additional interest in Etrade at the same amount. The option period will expire on 31st December, 2001.

In the opinion of the directors and on the same basis as described in note 17, the deposit of HK\$15,000,000 is worth at least its carrying value. No provision is considered necessary at the balance sheet date.

20. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

The amount represents a deposit paid for acquisition of a subsidiary by the issue of shares in the Company together with a cash payment as explained in the following paragraph.

During the year, Grandright Technology Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement and supplemental agreements with certain independent third parties for the acquisition of a 55% equity interest in 珠海再創通信技術有限公司 Zhu Hai Zaichuang Technology Company Limited ("Zhu Hai Zaichuang"), a limited company established in the PRC. Since certain conditions precedent were not fulfilled in accordance with the rules and regulations in the PRC, the acquisition has not yet been completed as at 30th June, 2001.

Zhu Hai Zaichuang is engaged in the production and sales of equipment and accessories for broadband cable television.

21. DEPOSIT PAID FOR ACQUISITION OF AN ASSOCIATE

The amount represents a deposit paid for acquisition of an associate by the issue of shares in the Company as explained in the following paragraph.

On 14th June, 2001, Teleinvest Holdings Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement and a loan assignment agreement with an independent third party to acquire a 20% equity interest in Sky Citi-Link ATNT (Holdings) Limited ("Sky Citi-Link") together with the rights in a shareholders' loan at an aggregate consideration of approximately HK\$40,000,000. On 29th June, 2001, the Company issued 200,000,000 shares of HK\$0.2 each at a price of HK\$0.25 per share in the Company as consideration for the above transaction. The acquisition has not been completed as at 30th June, 2001 as certain conditions precedent have not been fulfilled.

Sky Citi-Link was incorporated in BVI and is an investment holding company. Its principal subsidiary is a traditional telecom carrier and one of the teleport operators in Asia. The acquisition was completed on 5th July, 2001.

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22. PROPERTIES HELD FOR SALE

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
At carrying value:		
Balance at beginning of the year	2,900	5,700
Transfer from investment properties (note 12)	93,000	2,900
Disposals	(2,900)	(5,700)
Balance at end of the year	93,000	2,900

The properties held for sale held by the Group at the balance sheet date comprise:

	2001 HK\$'000	2000 HK\$'000
Properties held in the PRC under medium-term lease	93,000	–
Properties held in the PRC under long lease	–	2,900
	93,000	2,900

23. AMOUNT DUE FROM FORMER ULTIMATE HOLDING COMPANY

Details of the amount due from former ultimate holding company are as follows:

Name of former ultimate holding company	THE GROUP AND THE COMPANY		
	Balance at 30.6.2001 HK\$'000	Balance at 1.7.2000 HK\$'000	Maximum outstanding balance during the year HK\$'000
CILH (note)	9,165	9,165	9,165
Less: Provision	(9,165)	(9,165)	–
	–	–	–

Note: The balance represented advances to CILH during the year ended 30th June, 2000 for settlement of operating expenses and other amounts due from CILH and its subsidiaries to their creditors. The advances were unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, due to the fact that the amount has not yet been recovered upto the date of the report, a full provision had been made during the year ended 30th June, 2000 and was so remained at the balance sheet date accordingly.

24. AMOUNT DUE FROM AN ASSOCIATE

THE GROUP AND THE COMPANY

The amount represents advances to CRED.net for settlement of operating expenses and is interest-free, unsecured and has no fixed repayment terms.

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25. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The maturity of obligations under finance lease is as follows:				
Within one year	532	308	404	219
More than one year, but not exceeding two years	515	276	436	202
More than two years, but not exceeding five years	567	613	535	530
	1,614	1,197	1,375	951
Less: Future finance charges	(239)	(246)	–	–
Present value of lease obligations	1,375	951	1,375	951
Less: Amount due for settlement within one year and shown under current liabilities			(404)	(219)
Amount due after one year			971	732

It is the Group's policy to lease certain of its motor vehicles and equipment under finance leases. The average lease term is 2-5 years. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments. All lease obligations are denominated in Hong Kong dollars.

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26. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank and other borrowings comprise:				
Bank loans	51,937	53,318	28,613	28,613
Other loans	35,512	45,252	22,500	35,000
Bank overdrafts	2,958	2,964	2,958	2,964
	90,407	101,534	54,071	66,577
Represented by:				
Secured	87,648	101,534	54,071	66,577
Unsecured	2,759	–	–	–
	90,407	101,534	54,071	66,577
The bank borrowings are repayable as follows:				
Within one year or on demand	34,598	33,362	31,571	31,577
More than one year, but not exceeding two years	5,501	1,880	–	–
More than two years, but not exceeding five years	10,121	7,309	–	–
More than five years	7,435	13,731	–	–
	57,655	56,282	31,571	31,577
The other borrowings are repayable within one year or on demand	32,752	45,252	22,500	35,500
Total bank and other borrowings	90,407	101,534	54,071	66,577
Less: Amount repayable within one year or on demand and shown under current liabilities	(67,350)	(78,614)	(54,071)	(66,577)
Amount due after one year	23,057	22,920	–	–

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27. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
<i>Authorised:</i>		
At 1st July, 1999 and 1st July, 2000 (Shares of HK\$1 each)	400,000,000	400,000
Addition due to subdivision of shares into 5 ordinary shares of HK\$0.2 each	1,600,000,000	–
Increase in authorised share capital	1,000,000,000	200,000
At 30th June, 2001 (Shares of HK\$0.2 each)	3,000,000,000	600,000
<i>Issued and fully paid:</i>		
At 1st July, 1999 and 1st July, 2000 (Shares of HK\$1 each)	210,100,000	210,100
Issue of shares on private placements (<i>notes (i) and (ii)</i>)	33,000,000	33,000
Issue of shares for acquisition of a subsidiary (<i>note (iii)</i>)	20,000,000	20,000
Issue of shares for acquisition of an associate (<i>note (iv)</i>)	70,000,000	70,000
Addition due to subdivision of shares into 5 ordinary shares of HK\$0.2 each (<i>note (v)</i>)	1,332,400,000	–
Issue of shares for acquisition of an associate (<i>note (vi)</i>)	200,000,000	40,000
At 30th June, 2001 (Shares of HK\$0.2 each)	1,865,500,000	373,100

During the year, the following changes in the share capital of the Company took place:

- (i) On 22nd August, 2000, an arrangement was made for a private placement to certain independent institutional and private investors to subscribe for 20,000,000 new shares of HK\$1 each in the Company at a price of HK\$1.5 per share, representing a discount of approximately 15.7% to the closing price of HK\$1.78 per share of the Company's shares as quoted on the Stock Exchange on 22nd August, 2000. The net proceeds from the placement of approximately HK\$29 million has been used for repayment of debts and additional working capital purposes of the Group.
- (ii) On 26th February, 2001, another arrangement was made for a private placement to certain independent institutional and private investors to subscribe for 26,000,000 shares of HK\$1 each in the Company at a price of HK\$1.2 per share, representing a discount of 5.5% to the closing price of HK\$1.27 per share of the Company's shares as quoted on the Stock Exchange on 26th February, 2001. The completion of such arrangement was subsequently extended to 27th March, 2001.

On 27th March, 2001, 13,000,000 new shares of HK\$1 each in the Company were subscribed by certain independent investors at a price of HK\$1.2 per share. The net proceeds from the placement of approximately HK\$15 million was used for general working capital of the Group. The placement of the remaining 13,000,000 shares was cancelled in May 2001.

- (iii) On 18th April, 2001, 20,000,000 new shares of HK\$1 each in the Company were issued to an independent third party at HK\$1.37 per share, representing the closing price of the Company's shares as quoted on the Stock Exchange on 18th April, 2001, as part of the consideration for the acquisition of a 55% equity interest in Zhu Hai Zaichuang. Details of the acquisition are set out in note 20.
- (iv) On 3rd May, 2001, 70,000,000 new shares of HK\$1 each in the Company were issued to a related company and an independent third party at a price of HK\$1.42 per share, representing the closing price of the Company's shares as quoted on the Stock Exchange on 3rd May, 2001, as the consideration for the acquisition of a 20% equity interest in CRED.net, an associate of the Group.

For the year ended 30th June, 2001

27. SHARE CAPITAL (cont'd)

- (v) Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 18th June, 2001, each of the issued and unissued shares of HK\$1 each in the share capital of the Company was sub-divided into five shares of HK\$0.2 each.
- (vi) On 29th June, 2001, 200,000,000 new shares of HK\$0.2 each in the Company were issued to an independent third party at a price of HK\$0.25 per share, representing the closing price of the Company's shares as quoted on the Stock Exchange on 29th June, 2001, as the consideration for the acquisition of a 20% equity interest in Sky Citi-Link. Details of the transaction are set out in note 21.

Subsequent to the balance sheet date, the acquisition was completed and Sky Citi-Link became an associate of the Group.

28. SHARE OPTION SCHEME

Pursuant to the share options scheme (the "Scheme") adopted by the Company on 19th July, 1999, the board of directors of the Company may grant options to any directors, officers or employees of the Company or of any of its subsidiaries to subscribe for shares in the Company at any price which is not less than the nominal value of the shares nor 80% of the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

Details of the movements of the options during the year and the outstanding options at 30th June, 2001 are as follows:

Month of grant	Exercisable period	Exercise price per share prior to the subdivision of shares HK\$	Exercise price adjusted for the effect of the subdivision of shares HK\$	Number of share options					
				Outstanding at 1.7.2000	Cancelled during the year	Addition due to adjustment for the subdivision of shares during the year	Surrendered by option holders during the year	Granted subsequent to the subdivision of shares during the year	Outstanding at 30.6.2001
February 2000	22nd February, 2000 to 21st February, 2010	1.47	0.294	20,653,000	(28,000)	82,500,000	(103,125,000)	-	-
March 2000	22nd March, 2000 to 21st March, 2010	1.59	0.318	200,000	-	800,000	(1,000,000)	-	-
April 2000	28th April, 2000 to 27th April, 2010	1.40	0.280	100,000	-	400,000	(500,000)	-	-
June 2001	26th June, 2001 to 29th June, 2011	N/A	0.200	-	-	-	-	105,450,000	105,450,000

There was no exercise of share options during the current year. The aggregate consideration received by the Company for share options granted during the year was HK\$100.

Subsequent to the balance sheet date, an aggregate of 61,100,000 share options were granted to directors and employees of the Group at an exercise price of HK\$0.2 per share. The aggregate consideration received by the Company for the share options granted was HK\$170.

For the year ended 30th June, 2001

29. RESERVES

	Share premium <i>HK\$'000</i>	Accumulated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP			
At 1st July, 1999	38,833	80,301	119,134
Loss for the year	–	(110,536)	(110,536)
At 1st July, 2000	38,833	(30,235)	8,598
Premium arising on issue of shares	59,400	–	59,400
Expenses incurred in connection with issue of shares	(1,096)	–	(1,096)
Loss for the year	–	(81,358)	(81,358)
At 30th June, 2001	97,137	(111,593)	(14,456)
Attributable to:			
The Company and subsidiaries	97,137	(111,551)	(14,414)
Associates	–	(42)	(42)
	97,137	(111,593)	(14,456)
THE COMPANY			
At 1st July, 1999	38,833	80,301	119,134
Loss for the year	–	(110,536)	(110,536)
At 1st July, 2000	38,833	(30,235)	8,598
Premium arising on issue of shares	59,400	–	59,400
Expenses incurred in connection with the issue of shares	(1,096)	–	(1,096)
Loss for the year	–	(81,358)	(81,358)
At 30th June, 2001	97,137	(111,593)	(14,456)

The Company had no distributable reserves at the balance sheet date.

For the year ended 30th June, 2001

30. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Loss before taxation	(81,358)	(110,673)
Share of results of associates	146	–
Interest expense	11,087	12,037
Interest income	(554)	(237)
Depreciation of plant and equipment	550	537
Loss on disposal of plant and equipment	73	32
Amortization of goodwill	1,175	–
Impairment loss on deposit paid for acquisition of an associate	9,000	–
Impairment loss on goodwill of an associate	6,700	–
Provision for impairment loss of properties under development	–	24,090
Provision for impairment loss of deposits paid for the purchase of investment properties	–	27,000
Provision for bad and doubtful debts	4,383	17,853
Deficit on revaluation of investment properties	11,400	6,300
Forfeiture of the deposit paid for acquisition of investments	100	–
Gain on disposal of a subsidiary	(17)	–
Gain on disposal of an associate	(562)	–
Decrease in properties held for sale	2,900	5,700
(Increase) decrease in other receivables	(3,882)	49,673
Increase (decrease) in other payables and accrued charges	3,920	(3,102)
Increase in amount due from an associate	(1,616)	–
Net cash (outflow) inflow from operating activities	(36,555)	29,210

31. DISPOSAL OF A SUBSIDIARY

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net assets disposed of:		
Other receivables	128	–
Bank balances and cash	1,576	–
Other payables	(551)	–
	1,153	–
Gain on disposal of a subsidiary	17	–
Consideration	1,170	–
Satisfied by:		
Cash consideration	1,170	–

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31. DISPOSAL OF A SUBSIDIARY (cont'd)

Analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash disposed of	(1,576)	–
Cash consideration	1,170	–
	(406)	–

The subsidiary disposed of during the year did not contribute significantly to the Group's cash inflow or operating results.

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$'000	Obligations under finance leases HK\$'000	Bank and other borrowings HK\$'000
At 1st July, 1999	248,933	–	76,890
Borrowings raised	–	–	35,000
Inception of finance leases	–	1,139	–
Repayments	–	(188)	(41,933)
At 1st July, 2000	248,933	951	69,957
Proceeds from issue of shares	45,600	–	–
Expenses incurred in connection with the issue of shares	(1,096)	–	–
Issue of shares for acquisition of a subsidiary and associates	176,800	–	–
Borrowings raised	–	–	3,769
Inception of finance leases	–	804	–
Repayments	–	(380)	(14,890)
At 30th June, 2001	470,237	1,375	58,836

33. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of new assets acquired with a total capital value at the inception of the finance leases of approximately HK\$804,000 (2000: HK\$1,139,000).

Other major non-cash transactions in relation to the issue of the Company's shares are set out in notes 19 and 27 (iii), (iv) and (vi).

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34. UNRECOGNISED DEFERRED TAXATION

The unrecognised deferred tax asset at the balance sheet date represents:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to taxation losses	(3,237)	(4,518)	(1,028)	(3,726)

The components of the deferred taxation (charge) credit of the Group not recognised in the financial statements for the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:		
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	–	40
Taxation loss arising	1,417	364
Prior year's taxation losses disallowed by Inland Revenue Department	(2,698)	–
	(1,281)	404

The deferred tax asset has not been recognised in the financial statements as the realisation of this asset in the foreseeable future is uncertain.

Deferred tax has not been provided on the revaluation surplus/deficit arising on the revaluation of investment properties as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

35. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given to banks and a financial institution in respect of facilities granted to				
– a former subsidiary (note i)	61,950	61,950	61,950	61,950
– subsidiaries	–	–	65,000	27,045
– third party (note ii)	4,610	–	4,610	–
	66,560	61,950	131,560	88,995

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35. CONTINGENT LIABILITIES (cont'd)

Note:

- i) The credit facilities amounting to approximately HK\$61,950,000 (2000: HK\$61,950,000) granted by certain banks to Jilin Motor City Park Hotel Company Limited ("Jilin"), a former subsidiary of the Company, are secured by corporate guarantees provided by the Company and by a charge over certain investment properties of the Group with an aggregate net book value of approximately HK\$73,400,000 (2000: HK\$83,300,000) as at 30th June, 2001.

At 30th June, 2001, the outstanding borrowings of Jilin under the above credit facilities amounted to approximately HK\$21,902,000. Such borrowings were fully settled subsequent to 30th June, 2001.

- ii) A leasing facility amounting to approximately HK\$4,610,000 (2000: nil) granted by a leasing company to a related company, is secured by a corporate guarantee provided by the Company. A counter-indemnity from that related company of the same amount was obtained by the Company and a service income of approximately HK\$100,000 will be received by the Company. At 30th June, 2001, the unsettled rental obligations amounted to approximately HK\$3,300,000 (2000: nil).

Dr. Meng Xiaosu, a director of the Company, is also a director of the related company.

36. LITIGATION

During the year ended 30th June, 2000, a conditional sale and purchase agreement (the "S&P Agreement") entered into by Lucky Shot Holdings Limited (now renamed as China Realty Group Limited) ("Lucky Shot"), a wholly-owned subsidiary of the Company and iPRC Holdings Limited ("iPRC Holdings"), the Group was committed to purchase a 35% equity interest in iPRC Networks Limited, a wholly-owned subsidiary of iPRC Holdings, at a consideration of approximately HK\$38,000,000. An initial deposit of HK\$2,000,000 was paid by the Group upon the signing of the S&P Agreement. Lucky Shot did not complete the acquisition due to the non-compliance of the conditions by iPRC Holdings prior to the completion of the S&P Agreement. Lucky Shot took legal proceedings against iPRC Holdings for return of the initial deposit. During the current year, iPRC Holdings refunded an amount of HK\$1,900,000 as a full settlement for the legal proceeding.

37. PLEDGE OF ASSETS

At 30th June, 2001, the Group's investment properties and properties held for sale with carrying values of HK\$73,400,000 (2000: HK\$177,800,000) and HK\$93,000,000 (2000: nil) respectively were pledged to certain financial institutions as security for credit facilities granted by these entities to the Group.

38. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Capital expenditure authorised but not contracted for in respect of an acquisition of investments	–	27,000	–	27,000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of a subsidiary	2,070	36,700	–	–
	2,070	63,700	–	27,000

For the year ended 30th June, 2001

39. OPERATING LEASES

(a) Operating lease commitments

At the balance sheet date, the Group was committed to make minimum lease payments in the following periods from the balance sheet date under non-cancellable operating leases for land and buildings as follows:

	THE GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	404	338
Later than one year but not later than two years	17	–
	421	338

Operating lease payments represent rental payable by the Group for certain of its office and warehouse properties. Rentals are fixed and no arrangements has been entered into for contingent rental payments.

The Company had no operating lease commitment at the balance sheet date.

(b) Operating lease arrangements

At the balance sheet date, the Group has minimum lease receipts, which represent rentals receivable by the Group for their investment properties under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	3,133	12,945
Later than one year but not later than two years	–	7,151
	3,133	20,096

All of the investment properties held have committed tenants for the next year.

The Company had no operating lease arrangement at the balance sheet date.

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40. RETIREMENT BENEFIT SCHEME

Prior to 1st December, 2000, the Group did not operate any retirement benefit scheme.

With effect from 1st December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefits cost of the MPF Scheme charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

41. CONNECTED TRANSACTIONS AND RELATED PARTY DISCLOSURES

(a) Transactions with related parties

- (i) During the year, the Company disposed of the entire interest in a subsidiary to CRED.net at a consideration of approximately HK\$1,170,000.

Dr. Meng Xiaosu, a director of the Company, is also a director of CRED.net.

- (ii) During the year, the Company issued 35,000,000 new shares of HK\$1 each at HK\$1.42 per share to a related company as a consideration for a 10% equity interest in CRED.net.

Dr. Meng Xiaosu, a director of the Company, is also a director of the related company.

- (iii) During the year ended 30th June, 2000, the Group received an amount of approximately HK\$376,000 from Amsteel Corporation Berhad, a former ultimate holding company, in respect of a guarantee provided by the Group to a former subsidiary referred to in note 35. Such transaction was carried out in accordance with terms agreed by both parties.

- (iv) Prior to the acquisition of World Joy Limited ("World Joy") by the Group which is now a wholly-owned subsidiary of the Company, a deposit was paid by World Joy to CRED Huadong for purchase of investment properties. During the year ended 30th June, 2000, the Group made a provision for impairment loss of approximately HK\$27,000,000 in respect of such deposit.

- (v) During the year ended 30th June, 2000, advances were made to CILH by the Company amounted to approximately HK\$9,165,000 for settlement of certain operating expenses on behalf of and other payables of CILH. The Company made a full provision for the amount due from CILH as at 30th June, 2000. Details of such advances are set out in note 23.

(b) Balances with related parties

Details of the balances with former ultimate holding company and an associate are set out in notes 23 and 24 respectively.

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41. CONNECTED TRANSACTIONS AND RELATED PARTY DISCLOSURES (cont'd)

- (c) Other related party disclosures
- (i) Details of the securities given by the Group in respect of credit and leasing facilities granted by certain financial institutions to related parties are set out in note 35.
 - (ii) The credit facilities utilised by the Group of approximately HK\$10,252,000 are secured by, among others, a corporate guarantee provided by CILH and personal guarantees from two retired directors.
 - (iii) On 29th October, 1997, a sale and purchase agreement was entered into between World Joy and CRED Huadong for the acquisition of certain investment properties from CRED Huadong for which deposits in the aggregate amount of approximately HK\$27 million have been paid up to the then balance sheet date. Pursuant to the sale and purchase agreement, CRED Huadong agreed to guarantee to World Joy an annual return on the investment in the properties in the sum of approximately HK\$2.7 million for three consecutive years commencing from 60 days after the land use rights and building ownership certificates have been obtained. The directors considered the rate of return to be comparable with the then approximate market yield. The guaranteed period has not commenced in current year as the land use rights and building ownership certificates have not yet obtained. A full provision for the above deposits has been made as detailed in note 14.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 30th June, 2001 are as follows:

Name of subsidiary	Place of incorporation/ operations	Paid up share capital	Proportion of issued share capital held by the Company		Principal activities
			Direct	Indirect	
eCyber International Limited 科盈國際有限公司	BVI/PRC	US\$1	100%	–	Investment holding
First Union Limited 壹聯有限公司	Hong Kong	HK\$2	100%	–	Property investment
Noble City (Asia) Limited 港匯(亞洲)有限公司	Hong Kong	HK\$2	100%	–	Investment holding
Welchem Development Limited 華綽發展有限公司	Hong Kong/ PRC	HK\$2	–	100%	Property investment
World Giant Limited 華專有限公司	Hong Kong/ PRC	HK\$2	–	100%	Property investment
World Joy Limited 華緻有限公司	Hong Kong/ PRC	HK\$2	–	100%	Property investment

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42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operations	Paid up share capital	Proportion of issued share capital held by the Company		Principal activities
			Direct	Indirect	
Grandright Technology Limited	BVI/PRC	US\$1	100%	–	Investment holding
Cybervation Group Limited	BVI/PRC	US\$1	100%	–	Investment holding
Teleinvest Holdings Limited	BVI/Hong Kong	US\$1	100%	–	Investment holding

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

43. POST BALANCE SHEET EVENTS

The following significant events occurred subsequent to the balance sheet date:

- (a) On 27th September, 2001, an agreement was entered into by Energy Century Limited, a wholly-owned subsidiary of the Company established after the balance sheet date, to purchase 65 shares of International Telecommunication & Telegraph Limited ("IT & T") from certain independent third parties. The acquisition represents a 65% equity interest in IT & T. The consideration of HK\$170 million is to be satisfied by the issue of 680 million shares of HK\$0.2 each in the Company.

IT & T is incorporated in BVI and is an investment holding company. On completion of the transaction, IT & T will own a 80% equity interest in a PRC sino-foreign co-operative joint venture company which is mainly engaged in the operation of pay phones in the PRC.

The acquisition constitutes a major transaction for the Company according to the Listing Rules and are subject to shareholders' approval.

- (b) On 31st October, 2001, an agreement was entered into between Welchem and an independent third party for the disposal of the Group's properties under development for a consideration of RMB88,000,000 (equivalent to approximately HK\$85,000,000). Subject to the fulfilment of certain conditions, the transaction is expected to be completed on or before 7th February, 2002. Details of the disposal were disclosed in the Company's press announcement dated 1st November, 2001.
- (c) On 1st November, 2001, an agreement was entered into by World Joy and Huadong Share Investments Limited, both being wholly-owned subsidiaries of the Group, and an independent third party for the disposal of the Group's 20.28% equity interest in CRED Huadong and an assignment of the right for the deposit paid for the purchase of the investment properties for an aggregate consideration of RMB8,000,000. The transaction is expected to be completed on or before 31st January, 2002.