



亞洲聯網科技
有限公司

Asia Tele-Net and Technology Corporation Limited

Interim Report
2001

The Chairman's Statement

FINANCIAL RESULTS

I hereby announce that the Group's unaudited consolidated turnover for the six months ended 30 September, 2001 ("the period") was approximately HK\$172 million, representing a decrease of 51.8% against the corresponding period in the year 2000 of approximately HK\$357 million.

The Group's unaudited net loss for the period under review after taxation and minority interests was approximately HK\$27.8 million whereas in the corresponding period in the year 2000 a profit of approximately HK\$8.8 million was recorded.

Basic loss per share for the period under review was 0.53 cents (2000: earnings per share 0.17 cents).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2000: Nil)

BUSINESS REVIEW AND PROSPECTS

Electroplating Equipment Business ("PAL")

The unaudited turnover for the electroplating equipment business for the six months ended 30 September, 2001 has shown a decrease of 60% as compared to the corresponding period of last year. Owing to the downturn of global economy, uncertainties towards the future, the downturn of the worldwide electronics industry, the market demand for computer and electronic communication related products dropped sharply, this in turn resulted in decreased demand for PCB Board by electronic manufacturers, and thus affected the readiness of the PCB manufactures to invest in capital equipment and had a significant impact on the Group's business. However, the September 11th incident has helped boost foreign investment in the PRC from the UK, US and Taiwan, etc. Indeed, most of our customers are moving their production bases to the mainland in view of its rising demand for electronic products as driven by the surging Chinese economy. Foreign investors also expect to benefit from the preferential policies brought by the country's accession to the World Trade Organisation. Such market changes will prove positive to the electroplating equipment business of the Group. We have a well-equipped plant in Shenzhen of first-rate efficiency and have established a number of sales teams and representative offices in southern China and Guangdong during the past 18 months. As such, we are able to provide comprehensive support to our customers in the PRC, which sets us apart from competitors.

In order to maintain product competitiveness, the Group would continuously pursue a prudent strategy. On one hand, the Group would focus on streamlining the business structure, reorganization of subsidiary companies, tightening control on production, material and other operating costs, increasing efficiency and effectiveness as well as strengthening credit risk management. On the other hand, the Group also focus on R&D, developing new products, and opening the Japanese and Italian markets. The Group's electroplating equipment business will be well positioned to benefit from future recovery of market conditions due to the above strategy.

On 11 September, 2001, the Company announced that it had entered into a conditional agreement with IPCO International Limited ("IPCO") to sell all of the issued shares of Process Automation (BVI) Limited for an aggregate consideration of HK\$420,000,000. However the agreement had been terminated on 26 October, 2001 and the Company had made announcements to the public on the same day.

Wet Processing Equipment Business ("Intech")

On 15 March, 2001, the Group's subsidiary Intech Machines Company Limited ("Intech") has successfully listed on the Taiwan Over the Counter Securities Exchange ("Taiwan OTC").

Intech has focused on the development of wet processing equipment for TFT-LCD in addition to expanding her existing horizontal wet processing machines and other automated equipment.

Due to the downturn in the global economy and the PCB industry, Intech's turnover and revenue have been under pressure. To increase its market share, Intech has made a great effort to expand its overseas distribution network and started to sell its products through PAL's worldwide sales agencies. Apart from this, Intech has also worked hard in streamlining its operation to scale down its capacity in response to the weaker market demand.

Satellite Communication Business ("SCL")

The global telecommunications market has been in the doldrums since the technology bubble went bust early this year. The satellite communication business stands out with its high degree of flexibility. Other communication businesses, such as the deployment of submarine cable networks or optic-fibre networks, require years of planning and preparation. In comparison, procurement planning and investment for the satellite communication business allow flexible adjustment in response to market demand. Normally, it takes only three months or so to complete equipment procurement and installation. As such, this business will not bring too much pressure to the Group. In addition, Sky Citi-Link International Telecom Limited ("SCL") is making a great effort to expand its customer base in order to ensure stable growth of its turnover.

On 5 July 2001, the Group transferred 20% of its equity interests in Sky Citi-Link ATNT (Holdings) Limited (the immediate holding company of SCL) to a wholly owned subsidiary of eCyberChina Holdings Limited ("eCyberChina"). It is expected that SCL will be able to capitalize on the leading edge of eCyberChina in developing its satellite communication business in the PRC.

Wind Generator Business (“Beijing Wandian”)

The first PRC made high power wind generator manufactured by the Group’s joint venture (“JV”) with the China Academy of Launch Vehicle Technology is now generating the normal level of electricity at a wind park in Inner Mongolia. In response to the market and customer requirements, well experienced engineers of the JV are allocating resources to R&D for improving the features of the wind generator and reducing manufacturing cost. Concurrently, the JV is exploring opportunities for contract processing of wind leaves.

Other Business

The entertainment production business continued to further develop in the period under review. The Group launched “The 35th Anniversary Ultraman” in August 2001. Both “Tsoi Chin in Concert” in September, and “Jenny Yan in Concert” in October were welcome by the general public. The Group will launch concerts of Deanie Yip, Lau Ka Chung, etc., in the coming year. In addition to generating revenue to the entertainment production business, the concerts will benefit the Group’s stage construction and equipment rental business.

Money Lender business continues to contribute to the Group as a stable source of recurrent income. The Group has adopted a prudent and conservative policy for money-lending.

Financial Position

The Group has remained healthy regarding her financial position and working capital. Gearing has been maintained at a low level. As at 30 September, 2001, the Group’s cash and bank balances amounted to approximately HK\$42 million. Total debt was approximately HK\$124 million, equal to 28.4% of the shareholders’ funds.

CONCLUSION

With the global economy in the doldrums, US interest rates have been on the decline, In comparison, China’s economic backdrop appears to the more robust that its global counterparts. It is expected to maintain its strong growth in light of the country’s imminent entry into the World Trade Organisation, the hosting of the Olympic Games by Beijing in 2008, and the unlimited opportunities provided by a market of 1.2 billion population. Against this backdrop, a recovery of the Hong Kong economy is also anticipated on the horizon, setting the business of the Group onto the road to success. The Group will continue to consolidate its existing businesses. Besides, it will spare no efforts in reallocating its workforce and other resources to various operation functions, so as to create a slimmer structure with greater economies of scale.

On behalf of the Board, I would like to thank our customers, bankers, suppliers and friends for their kind support and to thank especially our staff at all levels for their contribution and commitment over the period.

By order of the Board

Kwok Yan Lam

Chairman

Hong Kong, 21 December 2001

Additional Information Required by the Listing Rules

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited. The aggregate price paid for the repurchases amounted to approximately HK\$4,168,000.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of directors	Number of shares		Number of ordinary shares of Asia Nice Art Production Limited, a subsidiary of the Company
	Personal interest	Corporate interests	
Kwok Yan Lam	69,503,340	<i>Note</i>	1,000
Kwok Hing Lam	69,493,340	<i>Note</i>	—

Note:

At 30 September 2001, an aggregate of 1,940,826,660 shares of the Company were held by Optimist International Limited ("Optimist"). Messrs. Kwok Yan Lam and Kwok Hing Lam ("Messrs. Lam") are each entitled to exercise or control the exercise of one-third or more of the voting rights at general meetings of Medusa Group Limited, which in turn is entitled to exercise or control the exercise of one-third or more of the voting rights at general meetings of Optimist. Accordingly, under the SDI Ordinance, Messrs. Lam are each deemed to be interested in all the 1,940,826,660 shares of the Company held by Optimist.

Save as aforesaid and other than nominee shares in certain subsidiaries held in trust for the Company by certain directors, none of the directors, the chief executive or their associates had any personal interests, family interests, corporate interests or other interests in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30 September 2001.

Pursuant to the Company's executive share option scheme adopted on 2 January 1991 (the "Original Scheme"), the directors may grant options to executive directors and employees of the Company or any of its subsidiaries to subscribe for shares of the Company. The subscription price of shares under the Original Scheme shall be calculated at the discretion of the directors at an amount not more than a 20% discount to the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for one or more board lots of shares on the five trading days immediately preceding the date of grant of the option provided that in no circumstances shall the subscription price be less than the par value of a share.

The Original Scheme remained in force for a period of ten years from the date of its adoption and was expired on 1 January 2001.

Under the rules of the Original Scheme, options must be exercised before the expiry date of the scheme. Pursuant to an ordinary resolution passed at a special general meeting held on 6 September 2000 (the "Resolution"), the rule with regard to the exercisable period has been amended under which options are exercisable before the third anniversary from the date of options are granted or the later date as the directors may determine but not being later than the tenth anniversary from the date the options are granted.

Pursuant to the revised Original Scheme, the Company had granted options on 14 November, 2000 to the following directors of the Company, exercisable at any time from 17 November 2000 and during the employment with the Company and its subsidiaries to 16 November 2003:

Name	Exercise price per share HK\$	Number of share options
Mr. Kwok Yan Lam	0.056	43,000,000
Mr. Kwok Hing Lam	0.056	43,000,000
		<u>86,000,000</u>

Pursuant to the Resolution, the Company adopted a new executive share option scheme (the "New Scheme") which became effective on 1 January 2001. The rules of the New Scheme are the same as the revised Original Scheme and will remain in force for a period of ten years from the date of its adoption.

Pursuant to the New Scheme, the Company had granted options on 30 August 2001 to the following directors of the Company, exercisable at any time from 7 September 2001 and during the employment with the Company and its subsidiaries to 6 September 2004:

Name	Exercise price per share HK\$	Number of share options		
		Outstanding at 1 April 2001	Granted during the period	Outstanding at 30 September 2001
Mr. Kwok Yan Lam	0.053	—	114,500,000	114,500,000
Mr. Kwok Hing Lam	0.053	—	114,500,000	114,500,000
			<u>229,000,000</u>	<u>229,000,000</u>

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that, other than the interests disclosed above in respect of Optimist, no shareholder was interested in 10% or more of the issued share capital of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Condensed Consolidated Income Statement

For the six months ended 30 September, 2001

		Six months ended	
		30.9.2001	30.9.2000
		(unaudited)	(unaudited and restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover		172,078	357,407
Cost of sales		(139,370)	(232,416)
Gross profit		32,708	124,991
Other revenue		1,988	9,514
Net realised gain (loss) on other investments		2,905	(6,582)
Net unrealised loss on other investments		(5,122)	(2,305)
Distribution costs		(21,155)	(24,822)
Administrative expenses		(70,493)	(74,620)
Other operating expenses		(1,833)	(2,158)
Allowance for bad and doubtful debts	5	(17,047)	—
(Loss) profit from operations		(78,049)	24,018
Finance costs - interest		(3,725)	(1,954)
Gain on partial disposal of a subsidiary		44,441	—
		(37,333)	22,064
Share of results of an associate		(209)	(156)
(Loss) profit before taxation		(37,542)	21,908
Taxation (credit) charge	6	(2,174)	6,821
(Loss) profit after taxation		(35,368)	15,087
Minority interests		7,614	(6,304)
(Loss) profit for the period		(27,754)	8,783
(Loss) earnings per share	8		
— basic		(0.53) cent	0.17 cent
— diluted		(0.53) cent	N/A

Condensed Consolidated Statement of Recognised Gains and Losses
 For the six months ended 30 September 2001

	Six months ended	
	30.9.2001	30.9.2000
	(unaudited)	(unaudited
	HK\$'000	and restated)
		HK\$'000
Exchange differences arising on translation of an overseas subsidiary not recognised in the condensed consolidated income statement	1,681	6,139
Net (loss) profit for the period	<u>(27,754)</u>	<u>8,783</u>
Total recognised (losses) gains	<u>(26,073)</u>	<u>14,922</u>
Effect of prior year adjustments arising from adoption of SSAP 30:		
— Decrease in retained profits at 1 April 2000		(4,441)
— Increase in goodwill reserve at 1 April 2000		<u>18,710</u>
		<u>14,269</u>

Condensed Consolidated Balance Sheet

At 30 September 2001

	Notes	30.9.2001 (unaudited) HK\$'000	31.3.2001 (restated) HK\$'000
Non-current assets			
Property, plant and equipment	9	278,114	277,887
Properties held for development		19,613	19,613
Goodwill	10	41,112	3,234
Intangible assets		152	151
Interests in associates		4,125	4,334
Investments in securities		10,818	10,868
Other assets		2,358	2,478
		356,292	318,565
Current assets			
Inventories		99,733	101,195
Amounts due from customers for contract work		26,870	37,320
Loans receivable	11	41,021	56,369
Debtors, deposits and prepayments	12	156,843	218,227
Investments in securities		70,459	34,831
Deferred taxation asset		287	752
Taxation recoverable		2,771	2,805
Pledged bank deposits		3,599	4,093
Bank balances and cash		42,104	63,081
		443,687	518,673
Current liabilities			
Creditors, bills payable and accrued charges	13	163,557	206,455
Amounts due to customers for contract work		53	3,867
Amount due to minority shareholder of a subsidiary		14,579	—
Taxation payable		383	671
Borrowings due within one year		82,389	76,980
Obligations under hire purchase contracts due within one year		131	525
		261,092	288,498
		182,595	230,175
		538,887	548,740
Net current assets			
		538,887	548,740
Capital and reserves			
Share capital	14	55,829	51,129
Shares repurchased pending cancellation	15	(536)	—
Reserves	16	380,396	379,792
		435,689	430,921
		60,237	70,871
Minority interests			
		60,237	70,871
Non-current liabilities			
Borrowings due after one year		39,691	44,476
Obligations under hire purchase contracts due after one year		1,588	433
Deferred taxation liability		1,682	2,039
		42,961	46,948
		538,887	548,740

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2001

	Six months ended	
	30.9.2001	30.9.2000
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(15,283)	11,483
NET CASH (OUTFLOW) INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(388)	408
CASH INFLOW (OUTFLOW) FROM TAXATION	2,028	(6,615)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(3,373)	(72,672)
NET CASH OUTFLOW BEFORE FINANCING	(17,016)	(67,396)
NET CASH (OUTFLOW) INFLOW FROM FINANCING	(5,625)	26,294
DECREASE IN CASH AND CASH EQUIVALENTS	(22,641)	(41,102)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	62,264	167,119
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	39,623	126,017
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	42,104	126,429
Bank overdrafts	(2,481)	(412)
	39,623	126,017

Notes to the Condensed Financial Statements

For the six months ended 30 September 2001

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new accounting policy.

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant associate, subsidiary or joint venture and the date of adoption of SSAP 30 has been recognised retrospectively. The effect of these adjustments is summarised in Note 16. Following restatement, goodwill is presented as an asset in the balance sheet. Goodwill is amortised over its estimated useful life, i.e. over periods ranging between 5 and 20 years. The amortisation charge for goodwill amounted to approximately HK\$2,221,000 (2000: HK\$311,000). The adoption of SSAP 30 resulted in a decrease in retained profits and an increase in the goodwill reserve at 1 April, 2000 of HK\$4,441,000 and HK\$18,710,000 respectively, and which also reduced profit for the six months ended 30 September 2000 by HK\$311,000.

3. Segment Information

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2001	30.9.2000	30.9.2001	30.9.2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business Segments				
Revenue generated from construction contracts	160,392	341,752	(66,576)	37,957
Sale of goods	4,989	8,365	(4,029)	574
Provision of services				
Repair and maintenance	2,231	4,536	(948)	303
Satellite communication	1,466	—	(4,666)	(5,113)
Internet data processing	—	—	—	(4,905)
Money lending	3,000	2,754	974	2,796
	<u>172,078</u>	<u>357,407</u>	<u>(75,245)</u>	<u>31,612</u>
Net realised gain (loss) on other investments			2,905	(6,582)
Net unrealised loss on other investments			(5,122)	(2,305)
Interest income			1,748	2,362
Unallocated corporate expenses			(2,335)	(1,069)
(Loss) profit from operations			<u>(78,049)</u>	<u>24,018</u>
Geographical Segments				
Hong Kong				
External sales	82,056	195,814		
Inter-segment sales	20,378	72,766		
	102,434	268,580	(46,787)	9,200
Other regions in the People's Republic of China				
External sales	4,834	4,808		
Inter-segment sales	21,080	88,992		
	25,914	93,800	(2,800)	9,794
Taiwan				
External sales	58,616	107,569		
Inter-segment sales	—	5,833		
	58,616	113,402	(12,854)	14,001
Europe and North America				
External sales	21,912	42,794		
Inter-segment sales	932	3,151		
	22,844	45,945	(14,021)	(2,608)
Other				
External sales	4,660	6,422		
Inter-segment sales	178	465		
	4,838	6,887	1,217	1,225
Eliminations	(42,568)	(171,207)	—	—
	<u>172,078</u>	<u>357,407</u>	<u>(75,245)</u>	<u>31,612</u>
Net realised gain (loss) on other investments			2,905	(6,582)
Unrealised loss on other investments			(5,122)	(2,305)
Interest income			1,748	2,362
Unallocated corporate expenses			(2,335)	(1,069)
(Loss) profit from operations			<u>(78,049)</u>	<u>24,018</u>

4. Depreciation and Amortisation

During the period, depreciation and amortisation of approximately HK\$7,394,000 (2000: HK\$6,959,000) was charged in respect of the Group's property, plant and equipment, and goodwill.

5. Allowance for Bad and Doubtful Debts

The allowance includes an amount of HK\$15,399,000 (2000: Nil) in respect of a customer who has ceased operations. The directors consider the likelihood of recovering the amount due from this customer is remote and, accordingly, full provision has been made during the period.

6. Taxation (Credit) Charge

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
The taxation (credit) charge comprises:		
Hong Kong Profits Tax		
Charge for the period	—	1,172
Underprovision in prior years	<u>55</u>	<u>—</u>
	<u>55</u>	<u>1,172</u>
Overseas taxation		
Charge for the period	—	5,649
Overprovision in prior years	<u>(2,337)</u>	<u>—</u>
	<u>(2,337)</u>	<u>5,649</u>
Deferred taxation		
	<u>108</u>	<u>—</u>
	<u>(2,174)</u>	<u>6,821</u>

No provision for Hong Kong Profits Tax and other overseas taxation has been made in the condensed financial statements as the Group incurred tax losses for the period.

In the prior period, Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit for that period. Overseas taxation was calculated at the rates prevailing in the relevant jurisdictions.

7. Dividend

No dividends were paid during the period. The directors do not recommend the payment of any interim dividend.

8. (Loss) Earnings per Share

The calculation of the basic (loss) earnings per share is based on the loss for the period of approximately HK\$27,754,000 (2000: profit of HK\$8,783,000) and the weighted average number of 5,267,338,601 (2000: 5,071,102,426) shares in issue during the period.

The computation of the diluted loss per share for the six months ended 30 September, 2001 does not assume the exercise of the Company's outstanding share options as their exercise would reduce the loss per share.

There was no outstanding share options for the six months ended 30 September, 2000.

9. Additions to Property, Plant and Equipment

During the period, the Group spent approximately HK\$5,767,000 (2000: HK\$73,802,000) on additions to property, plant and equipment.

10. Goodwill

During the period, the Group acquired the entire issued share capital of Strength Hope Limited ("Strength Hope"), a company incorporated in the British Virgin Islands which is engaged in timber trading in Indonesia. The goodwill arising from this transaction amounted to HK\$40,099,000 which is being amortised over its estimated useful life of 7 years.

11. Loans Receivable

The following is the maturity profile of loans granted to the Group's customers at the reporting date:

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
Repayable within 3 months	40,879	32,712
Repayable after 3 months but within 6 months	47	40
Repayable after 6 months but within 1 year	95	23,617
	41,021	56,369
Repayable after more than 1 year	2,288	2,400
	43,309	58,769

The loans receivable which are repayable after more than one year are included in other assets. All loans receivable bear interest at commercial rates.

12. Debtors, Deposits and Prepayments

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
Trade debtors	128,009	191,891
Bills receivables	2,508	3,769
Other debtors and prepayments	26,326	22,567
	156,843	218,227

The Group allows a general credit period of one month to its trade customers except construction contracts where the Group allows staged payments. In general, credit will only be offered to customers in accordance with their financial assessments and an established payment record.

The following is an aged analysis of trade debtors as at the reporting date:

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
Current	69,451	98,986
Overdue by:		
0 - 60 days	13,734	32,943
61 - 120 days	11,888	29,490
121 - 180 days	8,355	17,106
> 180 days	24,581	13,366
	128,009	191,891

13. Creditors, Bills Payable and Accrued Charges

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
Trade creditors	86,232	108,087
Bills payable	6,512	—
Other creditors and accrued charges	70,813	98,368
	<u>163,557</u>	<u>206,455</u>

The following is an aged analysis of trade creditors as at the reporting date:

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
0 - 60 days	22,704	61,719
61 - 120 days	17,140	43,198
121 - 180 days	14,886	677
> 180 days	31,502	2,493
	<u>86,232</u>	<u>108,087</u>

14. Share Capital

	30.9.2001
	HK\$'000
Shares of HK\$0.01 each	
Authorised	<u>200,000</u>
Issued and fully paid:	
At 1 April 2001	51,129
Exercise of warrants	1
Issue of shares	5,000
Shares repurchased and cancelled	(301)
	<u>55,829</u>

All shares issued during the period rank pari passu with the existing shares in all respects.

- (a) During the period, the Company entered into a sale and purchase agreement with an independent third party to acquire the entire share capital of Strength Hope, a wholly-owned subsidiary of that independent third party, for a consideration of HK\$64.5 million (subject to adjustment) which was partially satisfied by the allotment and issue of 500 million shares in the Company of HK\$0.01 per share at the issue price of HK\$0.06 per share.
- (b) During the period, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
April 2001	<u>30,130,000</u>	0.051	0.038	<u>1,305,402</u>

- (c) Registered holders of 40,000 "2001 warrants", which lapsed on 28 March 2001, exercised their rights to subscribe for 40,000 ordinary shares in the Company at HK\$0.203 per share. The allotment was made on 3 April 2001.

15. Shares Repurchased Pending Cancellation

Apart from the transactions as set out in note 14(b), during the period, the Company repurchased its own shares through the Stock Exchange, the cancellation of which was pending at the balance sheet date. Details of the repurchases are as follows:

Month of repurchase	No. of shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
September 2001	<u>53,550,000</u>	0.060	0.040	<u>2,862,560</u>

16. Reserves

The Group	Share premium HK\$'000	Property revaluation reserve HK\$'000	Legal reserves HK\$'000	Currency translation reserve HK\$'000	Goodwill reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 April 2000							
— as original stated	284,776	39,145	16,047	(8,628)	(18,710)	208,812	521,442
— prior period adjustment on restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation	—	—	—	—	18,710	(4,441)	14,269
— as restated	284,776	39,145	16,047	(8,628)	—	204,371	535,711
Exchange difference arising on translation of overseas subsidiaries	—	—	—	546	—	—	546
Realised upon the deemed disposal of a subsidiary	—	—	(30)	28	—	30	28
Realised upon the partial disposal of a subsidiary	—	—	(576)	555	—	576	555
Transfer	—	—	784	—	—	(784)	—
Share premium cancelled on share repurchased	(3,391)	—	—	—	—	—	(3,391)
New issue of shares	45,000	—	—	—	—	—	45,000
Loss for the year (note)	—	—	—	—	—	(198,657)	(198,657)
At 31 March 2001	326,385	39,145	16,225	(7,499)	—	5,536	379,792
Exchange difference arising on translation of overseas subsidiaries	—	—	—	1,681	—	—	1,681
Share premium cancelled on share repurchased	(3,331)	—	—	—	—	—	(3,331)
Exercise of warrants	8	—	—	—	—	—	8
New issue of shares	30,000	—	—	—	—	—	30,000
Loss for the period	—	—	—	—	—	(27,754)	(27,754)
At 30 September 2001	<u>353,062</u>	<u>39,145</u>	<u>16,225</u>	<u>(5,818)</u>	<u>—</u>	<u>(22,218)</u>	<u>380,396</u>

16. Reserves (Continued)

Note:

	<i>HK\$'000</i>
Loss for the year ended 31 March 2001 — as originally stated	(199,795)
Prior period adjustment on restatement as an asset of goodwill held in reserves with retrospective recognition of amortisation for the year	(623)
Prior period adjustment on goodwill of a subsidiary and an associate written off	<u>1,761</u>
Loss for the year ended 31 March 2001 — as restated	<u><u>(198,657)</u></u>

17. Capital Commitments

	30.9.2001 <i>HK\$'000</i>	31.3.2001 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the interim financial statements in respect of:		
— property, plant and equipment	2,902	11,043
— technical knowhow	<u>—</u>	<u>146</u>
	2,902	11,189
Capital expenditure authorised but not contracted for in respect of property, plant and equipment	<u>173</u>	<u>—</u>
	<u>3,075</u>	<u>11,189</u>