

Notes to the Financial Statements

For the year ended 31st March, 2002

1. GENERAL

The Company is an exempted limited company incorporated in the Cayman Islands. Its shares were listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Group is to hold investments for medium to long-term capital appreciation purposes.

Pursuant to an investment management agreement dated 27th November, 2000 (the "Agreement"), the Company has appointed AVANTA Investment (International) Limited ("AVANTA Investment") as its investment manager with effect from 28th April, 2000. Pursuant to the Agreement, AVANTA Investment is entitled to a monthly management fee calculated at 1.5% per annum of the net asset value of the Group at each preceding month end as defined in the Agreement and an annual performance fee equivalent to 10% of the surplus in net asset value (with appropriate adjustment) over a financial year as defined in the Agreement.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs does not have any material effect on the current or prior year's financial statements except for SSAP 26 "Segment Reporting". In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities 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 31st March 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 have been eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Turnover

Turnover represents interest and dividend income received and receivable from investments for the year.

Revenue recognition

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

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

Proceeds from the disposal of investments are recognised on the trade-date when a sale and purchase contract is entered into.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (“held-to-maturity securities”) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in investment revaluation reserve, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

Foreign currencies

Transactions in foreign 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 retranslated at the rates ruling on the balance sheet date. Profits 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 as adjusted 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 benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group’s Mandatory Provident Fund Scheme.

Notes to the Financial Statements

For the year ended 31st March, 2002

4. TURNOVER

	2002 HK\$'000	2001 HK\$'000
An analysis of turnover is as follows:		
Dividend income – listed	247	322
Interest income	523	491
	770	813

5. (LOSS) GAIN ON DISPOSAL OF INVESTMENTS IN SECURITIES

An analysis of the (loss) gain on disposal of investments in securities is as follows:

	2002 HK\$'000	2001 HK\$'000
Loss on disposal of unlisted convertible note	(170)	–
(Loss) gain on disposal of equity securities listed in Hong Kong	(7,725)	4,196
	(7,895)	4,196

Included in loss of disposal for the year ended 31st March, 2002 is an amount of approximately HK\$5,692,000 (2001: Nil) in respect of investment revaluation reserve released from the disposal as set out in note 18.

Notes to the Financial Statements

For the year ended 31st March, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

All of the Group's turnover and contributions to operating results are attributable to investment activities. The following geographical markets are the basis on which the Group reports its primary segment information:

	The People's Republic of China	Hong Kong	The United States of America	Indonesia	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31st March, 2002					
Turnover	–	770	–	–	770
RESULTS					
Segment results	(33)	(7,826)	(109)	(42)	(8,010)
Unallocated corporate expenses					(1,761)
Finance costs					(21)
Loss before taxation					(9,792)
Taxation					–
Loss for the year					(9,792)
Assets and liabilities at 31st March, 2002					
ASSETS					
Segment assets	5,640	36,036	5,813	6,061	53,550
Unallocated corporate assets					5,776
Consolidated total assets					59,326
LIABILITIES					
Unallocated corporate liabilities and consolidated total liabilities					780

Notes to the Financial Statements

For the year ended 31st March, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

	The People's Republic of China	Hong Kong	The United States of America	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31st March, 2001				
Turnover	–	813	–	813
RESULTS				
Segment results	3,356	877	(68)	4,165
Unallocated corporate income				41
Unallocated corporate expenses				(626)
Finance costs				(11)
Profit before taxation				3,569
Taxation				–
Profit for the year				3,569
Assets and liabilities at 31st March, 2001				
ASSETS				
Segment assets	11,161	29,540	5,813	46,514
Unallocated corporate assets				10,531
Consolidated total assets				57,045
LIABILITIES				
Unallocated corporate liabilities and consolidated total liabilities				1,700

Notes to the Financial Statements

For the year ended 31st March, 2002

7. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interests wholly repayable within five years on:		
Amount due to a related company	15	11
Bank overdrafts	6	–
	<hr/> 21	<hr/> 11

8. (LOSS) PROFIT BEFORE TAXATION

	2002 HK\$'000	2001 HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments	380	60
Retirement benefits scheme contributions	11	3
	<hr/> 391	<hr/> 63
Auditors' remuneration		
– current year	210	180
– (over) underprovision in prior year	(30)	13

Notes to the Financial Statements

For the year ended 31st March, 2002

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive Directors	–	–
Independent Non-executive Directors	40	20
	40	20
Other emoluments:		
Salaries and other benefits	242	30
Retirement benefits scheme contributions	8	2
	290	52

(b) Employees' emoluments

Of the five highest paid individuals in the Group, four (2001: four) were directors of the Company whose remunerations were set out in (a) above. The emoluments of the remaining one (2001: one) individual were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	98	10
Retirement benefits scheme contributions	3	1
	101	11

Their emoluments were within the emoluments band ranging from Nil to HK\$1,000,000.

10. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit in both years.

At 31st March, 2002, a deferred tax asset of approximately HK\$375,000 (2001: approximately HK\$93,000) in respect of tax losses available to offset future profits was not recognised in the financial statements as it is not certain that such benefits will be crystallised in the foreseeable future.

Notes to the Financial Statements

For the year ended 31st March, 2002

11. (LOSS) PROFIT FOR THE YEAR

The Group's loss for the year ended 31st March, 2002 includes a loss of approximately HK\$9,769,000 (2001: a profit for approximately HK\$3,595,000) which has been dealt with in the financial statements of the Company.

12. BASIC (LOSS) EARNINGS PER SHARE

The calculation of the loss per share is based on the loss for the year of approximately HK\$9,792,000 (2001: profit of approximately HK\$3,569,000) and on the weighted average number of 237,472,110 (2001: 185,937,863) shares in issue during the year.

13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	4,502	1
Amounts due from subsidiaries	7,404	5,837
	11,906	5,838

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts due from subsidiaries are not expected to be repayable within one year from the balance sheet date and are therefore shown in the balance sheet as non-current.

Particulars of its subsidiaries as at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held directly by Company	Principal activity
Everest Technology Investments Limited	British Virgin Islands	Ordinary	100%	Investment holding
Cyberlink Management Ltd.	British Virgin Islands	Ordinary	100%	Investment holding

Notes to the Financial Statements

For the year ended 31st March, 2002

14. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Other securities:				
Equity securities listed in Hong Kong, at cost	36,329	33,467	36,329	33,467
Unrealised loss	(11,327)	(14,903)	(11,327)	(14,903)
Market value at 31st March	25,002	18,564	25,002	18,564
Unlisted equity securities, at fair value	19,960	12,673	8,087	6,861
Unlisted convertible bond/note	5,000	9,170	5,000	9,170
	49,962	40,407	38,089	34,595
Carrying amount analysed for reporting purposes is as follows:				
Non-current	44,962	40,407	33,089	34,595
Current	5,000	–	5,000	–
	49,962	40,407	38,089	34,595

Notes to the Financial Statements

For the year ended 31st March, 2002

14. INVESTMENTS IN SECURITIES (Continued)

Included in the above are the following investment which exceed one tenth of the amount of the Group's total assets at the balance sheet date:

(a) Equity securities listed in Hong Kong

Name of investee company	Place of incorporation	Number of shares held	Proportion of investee Company's capital owned	THE GROUP AND THE COMPANY		Market value HK\$'000
				Cost HK\$'000	Unrealised gain (loss) arising on revaluation HK\$'000	
At 31st March, 2002						
Share						
Hua Lien International (Holding) Company Limited ("Hua Lien")	Cayman Islands	19,565,309	2.85%	11,195	5,044	16,239
At 31st March, 2001						
Share						
Hua Lien	Cayman Islands	18,627,309	2.71%	13,403	(8,094)	5,309

(b) Unlisted equity securities

Name of investee company	Place of incorporation	THE GROUP		THE COMPANY	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
GEM Services, Inc. ("GEM Services") (Note i)	Cayman Islands	5,812	5,812	–	–
Golisa Enterprise Resources Pte. Ltd. ("Golisa") (Note ii)	Republic of Singapore	6,061	–	–	–

Notes to the Financial Statements

For the year ended 31st March, 2002

14. INVESTMENTS IN SECURITIES (Continued)

(b) Unlisted equity securities (Continued)

Notes:

- (i) GEM Services is engaged in the provision of semi-conductor packaging and test services to semi-conductor and electronics manufactures. The Group held 250,000 6% redeemable Series C-2 preference shares of US\$0.001 each (the "Preference Shares") at 31st March, 2002. The Preference Shares are convertible at any time, without the payment of any additional consideration into ordinary shares of GEM Services based on the pre-determined formulae.
- (ii) Golisa is engaged in the provision of business management and consultancy service, and distribution and development of human resources software solutions. The Group held 132 ordinary shares of S\$0.1 each at 31st March, 2002, representing approximately 12.94% of Golisa issued capital.

15. LOAN RECEIVABLE FROM AN INVESTEE COMPANY

The loan is unsecured, non-interest bearing and has no fixed terms of repayment. In the opinion of the directors, the amount will not be repayable within one year from the balance sheet date and is therefore shown in the balance sheet as non-current.

16. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group and the Company are trade receivable of approximately HK\$78,000 (2001: approximately HK\$21,000) and the aging analysis of which is as follows:

	THE GROUP AND THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	22	19
31 – 60 days	19	1
61 – 90 days	21	1
Over 90 days	16	–
	78	21

The Group has no credit policy on trade receivable as it represents interest income receivable from investments.

Notes to the Financial Statements

For the year ended 31st March, 2002

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st March, 2001 and 31st March, 2002	1,000,000,000	10,000
Issued and fully paid:		
At 1st April, 2000	58,856,000	589
Issue of bonus shares	117,712,000	1,177
Placing and public offer of shares	30,000,000	300
At 31st March, 2001	206,568,000	2,066
Placing and subscription of shares	40,000,000	400
At 31st March, 2002	246,568,000	2,466

Pursuant to an ordinary resolution passed in the board meeting of the Company on 27th November, 2000, the Company declared and issued bonus shares of 117,712,000 shares on a two-for-one basis to its then existing shareholders. The bonus issue was charged to share premium in the amount of approximately HK\$1,177,000.

Pursuant to the prospectus dated 30th November, 2000 issued by the Company, and by means of placing and public offer, the Company issued a total of 30,000,000 new ordinary shares of HK\$0.01 each at the price of HK\$0.33 per share.

On 12th June, 2001, arrangements were made for a private placement to independent private investors of 40,000,000 shares of HK\$0.01 each in the Company held by Taiwan International Capital (HK) Limited ("TIC (HK)"), a substantial shareholder of the Company, at a price of HK\$0.247 per share representing a discount of approximately 19.02% to the closing market price of the Company's shares on 11th June, 2001. Pursuant to a subscription agreement of the same date, TIC (HK) subscribed for 40,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.247 per share. The proceeds were used to acquire investments in securities when opportunities arise. These new shares were issued under the general mandate granted to the directors at written resolutions passed in the shareholders' meeting of the Company on 27th November, 2000, and ranked *pari passu* with other shares in issue in all respects.

Notes to the Financial Statements

For the year ended 31st March, 2002

18. RESERVES

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Accumulated profits (loss) HK\$'000	Total HK\$'000
THE GROUP				
At 1st April, 2000	57,333	(1,877)	2,823	58,279
Capitalisation by means of bonus issue of shares	(1,177)	–	–	(1,177)
Premium arising on issue of shares by means of placing and public offer	9,600	–	–	9,600
Expenses incurred in connection with the issue of shares	(3,966)	–	–	(3,966)
Unrealised loss arising on revaluation of non-trading investments	–	(13,026)	–	(13,026)
Profit for the year	–	–	3,569	3,569
At 31st March, 2001	61,790	(14,903)	6,392	53,279
Premium arising on issue of shares by means of placing and subscription	9,480	–	–	9,480
Expenses incurred in connection with the issue of shares	(463)	–	–	(463)
Unrealised loss arising on revaluation of non-trading investments	–	(2,116)	–	(2,116)
Loss realised on disposal of non-trading investments	–	5,692	–	5,692
Loss for the year	–	–	(9,792)	(9,792)
At 31st March, 2002	70,807	(11,327)	(3,400)	56,080

Notes to the Financial Statements

For the year ended 31st March, 2002

18. RESERVES (Continued)

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Accumulated profits (loss) HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 2000	57,333	(1,877)	2,823	58,279
Capitalisation by means of bonus issue of shares	(1,177)	–	–	(1,177)
Premium arising on issue of shares by means of placing and public offer	9,600	–	–	9,600
Expenses incurred in connection with the issue of shares	(3,966)	–	–	(3,966)
Unrealised loss arising on revaluation of non-trading investments	–	(13,026)	–	(13,026)
Profit for the year	–	–	3,595	3,595
At 31st March, 2001	61,790	(14,903)	6,418	53,305
Premium arising on issues of shares by means of placing and subscription	9,480	–	–	9,480
Expenses incurred in connection with the issue of shares	(463)	–	–	(463)
Unrealised loss arising on revaluation of non-trading investments	–	(2,116)	–	(2,116)
Loss realised on disposal of non-trading investments	–	5,692	–	5,692
Loss for the year	–	–	(9,769)	(9,769)
At 31st March, 2002	70,807	(11,327)	(3,351)	56,129

The investment revaluation reserve represents the net unrealised losses on revaluation of non-trading investments at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2002

18. RESERVES (Continued)

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. It is provided that a dividend cannot be paid if this would result in the Company being unable to pay its debts as they fall due. In accordance with the Company's Articles of Association, the Company's reserves available for distribution to shareholders represent the accumulated profit and share premium which in total amounted to approximately HK\$67,456,000 (2001: approximately HK\$68,208,000).

19. NET ASSET VALUE PER SHARE

THE GROUP

The calculation of the net asset value per share is based on the net assets of the Group as at 31st March, 2002 of approximately HK\$58,546,000 (2001: approximately HK\$55,345,000) and 246,568,000 ordinary shares (2001: 206,568,000 ordinary shares) in issue as at that date.

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

	2002 HK\$'000	2001 HK\$'000
(Loss) profit before taxation	(9,792)	3,569
Interest expenses	21	11
Interest income	(523)	(491)
Loss (gain) on disposal of investments in securities	7,895	(4,196)
Decrease in amount due from a related company	–	5,822
Decrease in short-term loans receivable	–	6,500
Increase in trade and other receivables	(321)	(5,889)
(Decrease) increase in other payables and accrued charges	(960)	1,122
Net cash (outflow) inflow from operating activities	(3,680)	6,448

Notes to the Financial Statements

For the year ended 31st March, 2002

21. PURCHASE OF A SUBSIDIARY

On 26th October, 2001, the Group acquired 100% of the issued share capital of Cyberlink Management Ltd. together with a shareholder's loan amounted to US\$200,000 at a consideration of approximately HK\$6 million. This acquisition has been accounted for by using the acquisition method of accounting. No goodwill arose on the acquisition. The loss after taxation of Cyberlink Management Ltd. included in the consolidated income statement for the year ended 31st March, 2002 amounted to HK\$11,000.

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Investments in securities	6,061	–
Trade and other receivables	–	1
Bank balance	40	–
Other payable	(40)	–
Loan from a shareholder	(1,560)	–
	4,501	1
Satisfied by:		
Cash consideration paid	4,501	1
Net cash outflow arising on acquisition:		
Cash consideration	4,501	1
Bank balance acquired	(40)	–
Net outflow of cash and cash equivalents in connection with the purchase of a subsidiary	4,461	1

The subsidiaries acquired on 13th June, 2000 and 26th October, 2001 did not make a significant contribution to the net cash flows of the Group.

Notes to the Financial Statements

For the year ended 31st March, 2002

22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital HK\$'000	Share premium HK\$'000
At 1st April, 2000	589	57,333
Capitalisation by means of bonus issue of shares	1,177	(1,177)
Proceeds from placing and public offer of shares	300	9,600
Expenses incurred in connection with the issue of shares	–	(3,966)
At 31st March, 2001	2,066	61,790
Proceeds from placing and subscription of shares	400	9,480
Expenses incurred in connection with the issue of shares	–	(463)
At 31st March, 2002	2,466	70,807

23. RELATED PARTY TRANSACTIONS

The Group entered into the following significant transactions during the year:

Name of related party	Nature of transactions	2002 HK\$'000	2001 HK\$'000
TIS Securities (HK) Limited ("TIS") (note i)	Commission paid (note iv)	177	40
	Interest received (note v)	1	40
	Interest paid (note vi)	15	11
	Placing fee paid (note vii)	–	103
	Sponsor fee paid (note viii)	60	1,000
AVANTA Investment (note ii)	Investment management fee paid (note ix)	885	844
IT Star Holdings Limited ("IT Star Holdings") (note iii)	Interest received (note x)	328	–

Notes:

- (i) TIS is the holding company of Taiwan International Capital (HK) Limited, which is a shareholder of the Company. Directors of the Company, Mr. Tai Chi Ching and Mr. Jerry Chiou, are also directors of TIS.
- (ii) Directors of the Company, Mr. Tai Chi Ching and Mr. Jerry Chiou, are also directors of AVANTA Investment.

Notes to the Financial Statements

For the year ended 31st March, 2002

23. RELATED PARTY TRANSACTIONS *(Continued)*

- (iii) IT Star Holdings is a wholly-owned subsidiary of Harmony Asset Limited which had an interest of 12.2% in the share capital of the Company at 31st March, 2002.
- (iv) The commission fee was charged at 0.25% of each sale and purchase transaction of listed securities. These transactions arose from sale and purchase transactions of investments in quoted securities through TIS with which the Company holds a securities dealing account.
- (v) The interest income was earned at the saving interest rate minus 0.5% on the deposits placed with TIS.
- (vi) The interest was charged at Hong Kong prime rate plus 3% on the outstanding advance from TIS.
- (vii) The placing fee was charged at 1% to 1.5% of placing amount.
- (viii) The sponsor fee was based on a mutually agreed rate pursuant to an agreement.
- (ix) The investment management fee was charged in accordance with the Agreement with AVANTA Investment for investment management services. The investment management fee was calculated at 1.5% per annum on the net asset value of the Group at each preceding month end as defined in the Agreement.
- (x) The interest income was earned at 5% of convertible fixed interest bond issued by IT Star Holdings.

In addition, pursuant to a subscription agreement dated 24th October, 2000 entered into between the Company and IT Star Holdings (the "Subscription Agreement"), a wholly-owned subsidiary of Harmony Asset Limited which had an interest of 12.2% in the share capital of the Company at 31st March, 2002 (2001: 14.52%), the Company subscribed for 5% convertible fixed interest bond which is due on 8th December, 2002 issued by IT Star Holdings in the principal amount of HK\$5,000,000. The full principal amount of the bond shall be converted into 5,500,000 fully-paid shares at HK\$0.10 each, which shall be equivalent to 2.75% of the issued share capital of IT Star Holdings at the time of conversion as enlarged by the allotment upon the occurrence of certain events as defined in the Subscription Agreement. IT Star Holdings is principally engaged in investment holding. Its wholly-owned subsidiary, IT Star Limited, holds a portfolio of technology-driven business.

Notes to the Financial Statements

For the year ended 31st March, 2002

24. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which falls due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	306	–
In the second to fifth year inclusive	294	–
	600	–

The lease is negotiated for a term of two years and rentals are fixed for a term of two years.

25. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of leasehold improvement contracted for but not provided in the financial statements	131	–

26. RETIREMENT BENEFITS SCHEME

The Group enrolled all eligible employees in Hong Kong into a Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost for the MPF scheme charged to the income statement represents contributions payable to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

27. POST BALANCE SHEET EVENT

Subsequent to 31st March, 2002, the Company acquired 180,000 ordinary shares of US\$1 each in Walcom International Limited ("Walcom") by capitalisation of the loan receivable from Walcom amounting to HK\$3,510,000 as set out in note 15. After the acquisition of the shares, the Company continued to hold approximately 6% of Walcom's issued share capital.