

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 1. General

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

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) of the Group over that of the previous 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 new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. Further details of these new and revised SSAPs are as follows:

### Cash flow statements

Under SSAP 15 (Revised) "Cash Flow Statement", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest income and interest expenses, which were previously presented under a separate heading, are classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

### Employee benefits

SSAP 34 "Employee Benefits" introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 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.

### **Investments in subsidiaries**

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

### **Interests in associates**

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, less any identified impairment loss.

The results of associate are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

### **Turnover**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 3. Significant accounting policies (continued)

### 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. An impairment loss is 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 3. Significant accounting policies *(continued)*

### Investments in securities *(continued)*

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.

### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

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

Leasehold improvement	25%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	20%

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.

### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

### 3. Significant accounting policies (continued)

#### 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 contributions

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.

### 4. Turnover

An analysis of turnover is as follows:

	2003 '000	2002 '000
Dividend income – listed	530	247
Interest income	159	523
	<u>689</u>	<u>770</u>

### 5. Loss on disposal of investments in securities

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

	2003 '000	2002 '000
Loss on disposal of unlisted convertible note	–	(170)
Loss on disposal of equity securities listed in Hong Kong	(22,365)	(7,725)
	<u>(22,365)</u>	<u>(7,895)</u>

Included in loss of disposal is an amount of approximately HK\$16,303,000 (2002: approximately HK\$5,692,000) in respect of investment revaluation reserve released on disposal of securities as set out in the statement of changes in equity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 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 (the "PRC") '000	Hong Kong '000	The United States of America '000	Indonesia '000	Total '000
<b>For the year ended 31st March, 2003</b>					
Turnover	-	689	-	-	689
<b>RESULTS</b>					
Segment results	(40)	(23,178)	(57)	(154)	(23,429)
Unallocated corporate expenses					(4,953)
Loss from operations					(28,382)
Finance costs					(1)
Gain on disposal of a subsidiary					1,115
Share of results of an associate					57
Loss before taxation					(27,211)
Taxation					-
Loss for the year					(27,211)
<b>Assets and liabilities at 31st March, 2003</b>					
<b>ASSETS</b>					
Segment assets	7,600	18,103	-	3,061	28,764
Interests in an associate					3,084
Unallocated corporate assets					1,998
Consolidated total assets					33,846
<b>LIABILITIES</b>					
Unallocated corporate liabilities and consolidated total liabilities					1,832

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 6. Business and geographical segments (continued)

	The PRC	Hong Kong	The United States of America	Indonesia	Total
	'000	'000	'000	'000	'000
For the year ended 31st March, 2002					
Turnover	—	770	—	—	770
<b>RESULTS</b>					
Segment results	(33)	(7,826)	(109)	(42)	(8,010)
Unallocated corporate expenses					(1,761)
Loss from operations					(9,771)
Finance costs					(21)
Loss before taxation					(9,792)
Taxation					—
Loss for the year					(9,792)
Assets and liabilities at 31st March, 2002					
<b>ASSETS</b>					
Segment assets	5,640	36,036	5,813	6,061	53,550
Unallocated corporate assets					5,776
Consolidated total assets					59,326
<b>LIABILITIES</b>					
Unallocated corporate liabilities and consolidated total liabilities					780

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 7. Loss from operations

	2003 '000	2002 '000
Loss from operations has been arrived at after charging:		
Staff costs including directors' emoluments	1,627	380
Retirement benefits scheme contributions	41	11
	<u>1,668</u>	<u>391</u>
Auditors' remuneration		
– current year	211	210
– under (over)provision in prior year	4	(30)
Depreciation	118	–
	<u>118</u>	<u>–</u>

## 8. Finance costs

	2003 '000	2002 '000
Interests wholly repayable within five years on:		
Amount due to a related company	–	15
Bank overdrafts	1	6
	<u>1</u>	<u>6</u>
	<u>1</u>	<u>21</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 9. Directors' emoluments and highest paid employees

### (a) Directors' emoluments

	2003 '000	2002 '000
Directors' fees:		
Executive Directors	–	–
Non-executive Director	–	–
Independent Non-executive Directors	<u>40</u>	<u>40</u>
	40	40
Other emoluments:		
Salaries and other benefits paid to		
Executive Directors	1,364	242
Retirement benefits scheme contributions paid to:		
Executive Directors	30	6
Independent Non-executive Directors	<u>2</u>	<u>2</u>
	1,436	290
Total emoluments	<u><u>1,436</u></u>	<u><u>290</u></u>

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

### (b) Employees' emoluments

Of the five highest paid individuals in the Group, three (2002: four) were directors of the Company whose remunerations were set out in (a) above. The emoluments of the remaining two (2002: one) individuals were as follows:

	2003 '000	2002 '000
Salaries and other benefits	209	98
Retirement benefits scheme contributions	<u>9</u>	<u>3</u>
	218	101
	<u><u>218</u></u>	<u><u>101</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 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, 2003, a deferred tax asset of approximately HK\$1,200,000 (2002: approximately HK\$375,000) 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.

## 11. Basic loss per share

The calculation of the loss per share is based on the loss for the year of approximately HK\$27,211,000 (2002: approximately HK\$9,792,000) and on the number of 246,568,000 (2002: the weighted average number of 237,472,110) shares in issue during the year.

## 12. Interests in subsidiaries

	THE COMPANY	
	2003	2002
	'000	'000
Unlisted shares, at cost	4,501	4,502
Less: Impairment loss recognised	(3,023)	–
	<hr/>	<hr/>
	1,478	4,502
Amounts due from subsidiaries	1,569	7,404
	<hr/>	<hr/>
	3,047	11,906
	<hr/>	<hr/>

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.

An impairment loss of HK\$3,023,000 (2002: Nil) has been recognised in respect of interest in subsidiaries to their recoverable amounts which are determined by reference to the fair value of the underlying assets of the respective subsidiaries at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 12. Interests in subsidiaries (continued)

Particulars of the Group's subsidiary as at 31st March, 2003 are as follows:

Name of subsidiary	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held directly by the Company	Principal activity
Cyberlink Management Ltd. ("Cyberlink")	British Virgin Islands	Ordinary	100%	Investment holding

On 28th October, 2002, the Company disposed of 70.02% of the issued share capital of Amplus International Investments Limited ("Amplus") (formerly known as Everest Technology Investments Limited). After the disposal, Amplus became an associate of the Company.

## 13. Interests in an associate

	THE GROUP		THE COMPANY	
	2003 '000	2002 '000	2003 '000	2002 '000
Unlisted shares, at cost	–	–	5,233	–
Less: Impairment loss recognised	–	–	(2,149)	–
Share of net assets	<u>3,084</u>	–	<u>–</u>	–
	<u>3,084</u>	–	<u>3,084</u>	–

An impairment loss of HK\$2,149,000 has been recognised in respect of the Company's interests in an associate to its recoverable amounts which is determined by reference to the fair value of the underlying assets of the associate at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 13. Interests in an associate (continued)

Details of the Group's associate at 31st March, 2003 are as follows:

Name of associate	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held directly by the Company	Principal activity
Amplus	British Virgin Islands	Ordinary	29.98%	Investment holding

The following details have been extracted from the audited financial statements of the Group's associate:

	2003 '000	2002 '000
<b>Results for the year</b>		
Turnover	<u>10</u>	<u>–</u>
Profit from ordinary activities before taxation	<u>181</u>	<u>–</u>
Profit from ordinary activities before taxation attributable to the Group	<u>57</u>	<u>–</u>
<b>Financial position</b>		
Non-current assets	10,099	–
Current assets	856	–
Current liabilities	<u>(667)</u>	<u>–</u>
Net assets	<u>10,288</u>	<u>–</u>
Net assets attributable to the Group	<u>3,084</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 14. Property, plant and equipment

	Leasehold improvement	Furniture and fixtures	Office equipment	Computer equipment	Total
	'000	'000	'000	'000	'000
COST					
Additions and at 31st March, 2003	548	167	36	99	850
DEPRECIATION					
Provided for the year and at 31st March, 2003	<u>92</u>	<u>11</u>	<u>6</u>	<u>9</u>	<u>118</u>
NET BOOK VALUE					
At 31st March, 2003	<u>456</u>	<u>156</u>	<u>30</u>	<u>90</u>	<u>732</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 15. Investments in securities

	THE GROUP		THE COMPANY	
	2003 '000	2002 '000	2003 '000	2002 '000
Other securities:				
Equity securities listed				
in Hong Kong, at cost	<b>13,046</b>	36,329	<b>13,046</b>	36,329
Unrealised loss	<b>(5,456)</b>	(11,327)	<b>(5,456)</b>	(11,327)
Market value at 31st March	<b>7,590</b>	25,002	<b>7,590</b>	25,002
Unlisted equity securities, at fair value	<b>3,061</b>	19,960	–	8,087
Unlisted convertible bond	–	5,000	–	5,000
	<b>10,651</b>	49,962	<b>7,590</b>	38,089
Carrying amount analysed for reporting purposes is as follows:				
Non-current	<b>10,651</b>	44,962	<b>7,590</b>	33,089
Current	–	5,000	–	5,000
	<b>10,651</b>	49,962	<b>7,590</b>	38,089

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 15. 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
				Cost	Unrealised gain arising on revaluation	
				'000	'000	'000
<b>At 31st March, 2003</b>						
<b>Share</b>						
Hua Lien International (Holding) Company Limited ("Hua Lien")	Cayman Islands	7,183,309	1.05%	4,280	1,251	5,531
<b>At 31st March, 2002</b>						
<b>Share</b>						
Hua Lien	Cayman Islands	19,565,309	2.85%	11,195	5,044	16,239

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 15. Investments in securities (continued)

### (b) Unlisted equity securities

Name of investee company	Place of incorporation	THE GROUP		THE COMPANY	
		2003 '000	2002 '000	2003 '000	2002 '000
GEM Services, Inc. ("GEM Services") (Note i)	Cayman Islands	–	5,812	–	–
Golisa Enterprise Resources Pte. Ltd. ("Golisa") (Note ii)	Republic of Singapore	3,061	6,061	–	–

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 were convertible at any time, without the payment of any additional consideration into ordinary shares of GEM Services based on the pre-determined formulae. During the year ended 31st March, 2003, the Group disposed of 70.02% interest in the issued share capital of Amplus, as set out in note 12 and 24, which held the Preference Shares in GEM Services at 31st March, 2003.
- (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, 2003, representing approximately 12.29% of Golisa's issued capital.

## 16. Deposits paid for the acquisition of an investment security/a subsidiary

	2003 '000	2002 '000
Deposits paid in respect of:		
– an investment security	1,600	–
– a subsidiary	6,000	–
	<u>7,600</u>	<u>–</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 16. Deposits paid for the acquisition of an investment security/a subsidiary *(continued)*

At 31st March, 2003, the above acquisitions were not yet completed and the title of ownership had not been transferred to the Group.

The deposit of the acquisition of a subsidiary is refundable if the transaction is not completed by 30th September, 2003.

The deposits represent the full consideration of the respective acquisitions and the Group had no unpaid commitment at 31st March, 2003.

## 17. Loan receivable from an investee company

The loan was unsecured, non-interest bearing and was capitalised into 180,000 ordinary shares of US\$1 each in Walcom International Limited ("Walcom"). After the acquisition of the shares, the Group held approximately 6% of Walcom's issued share capital. During the year, the Group disposed of its entire interest in Walcom to Amplus, the associate of the Group.

## 18. Trade receivable

At 31st March, 2002, the aging analysis of trade receivable was as follows:

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2003</b>	2002
	<b>'000</b>	<b>'000</b>
0 – 30 days	–	22
31 – 60 days	–	19
61 – 90 days	–	21
Over 90 days	–	16
	<hr/>	<hr/>
	–	78
	<hr/> <hr/>	<hr/> <hr/>

The Group had no credit policy on trade receivable as it represented interest income receivable from investments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 19. Other receivables

At 31st March, 2003, other receivables included amounts receivable of approximately HK\$10.5 million (net of an allowance of HK\$1 million) in respect of the Group's disposal of certain listed equity securities and a partial disposal of a subsidiary.

## 20. Amount due to a related company

The amount represents an amount due to TIS Securities (HK) Limited ("TIS"). Mr. Jerry Chiou (former director of the Company) and Mr. Tai Chi Ching (director of the Company) are also directors of TIS. The amount is unsecured, interest-free and has no fixed repayment terms.

## 21. Share capital

	Number of shares	Share capital '000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st March, 2002 and 31st March, 2003	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1st April, 2001	206,568,000	2,066
Placing and subscription of shares	<u>40,000,000</u>	<u>400</u>
At 31st March, 2002 and at 31st March, 2003	<u>246,568,000</u>	<u>2,466</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 22. Reserves

	Share premium '000	Investment revaluation reserve '000	Accumulated profits (losses) '000	Total '000
<b>THE COMPANY</b>				
At 1st April, 2001	61,790	(14,903)	6,418	53,305
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	–	–	(9,769)	(9,769)
	<u>70,807</u>	<u>(11,327)</u>	<u>(3,351)</u>	<u>56,129</u>
At 31st March, 2002	70,807	(11,327)	(3,351)	56,129
Unrealised loss arising on revaluation of non-trading investments	–	(15,604)	–	(15,604)
Loss realised on disposal of non-trading investments	–	16,303	–	16,303
Loss for the year	–	–	(27,280)	(27,280)
	<u>70,807</u>	<u>(10,628)</u>	<u>(30,631)</u>	<u>29,548</u>
At 31st March, 2003	<u>70,807</u>	<u>(10,628)</u>	<u>(30,631)</u>	<u>29,548</u>

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

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\$36,004,000 (2002: approximately HK\$67,456,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 23. 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, 2003 of approximately HK\$32,014,000 (2002: approximately HK\$58,546,000) and 246,568,000 (2002: 246,568,000) ordinary shares in issue as at that date.

## 24. Disposal of a subsidiary

On 28th October, 2002, the Group disposed of 70.02% interest in the issued share capital of Amplus at a consideration of approximately HK\$13,304,000. The net assets of Amplus at the date of disposal were as follows:

	2003 '000	2002 '000
Net assets disposed of:		
Investments in securities	17,408	–
Gain on disposal	1,115	–
	<u>18,523</u>	<u>–</u>
Interest retained as investment in an associate	(5,219)	–
	<u>13,304</u>	<u>–</u>
Satisfied by:		
Cash	7,300	–
Consideration receivable	6,004	–
	<u>13,304</u>	<u>–</u>
Net cash inflow arising on disposal:		
Cash consideration received	7,300	–

In the opinion of the directors, the consideration receivable will be settled in cash by the purchaser on or before 31st March, 2004.

The subsidiary disposed of during the year contributed loss of approximately HK\$8,000 to the Group's loss from operations and did not contribute to the Group's turnover.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 25. Purchase of a subsidiary

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

	2003 '000	2002 '000
Net assets acquired:		
Investments in securities	–	6,061
Bank balance	–	40
Other payable	–	(40)
Loan from a shareholder	–	(1,560)
	<u>–</u>	<u>4,501</u>
Satisfied by:		
Cash consideration paid	<u>–</u>	<u>4,501</u>
Net cash outflow arising on acquisition:		
Cash consideration	–	4,501
Bank balance acquired	–	(40)
	<u>–</u>	<u>4,461</u>
Net outflow of cash and cash equivalents in connection with the purchase of a subsidiary	<u>–</u>	<u>4,461</u>

The subsidiary acquired on 26th October, 2001 did not make a significant contribution to the net cash flows of the Group.

## 26. Major non-cash transactions

During the year, the Group converted the loan receivable from an investee company of HK\$3,510,000 (2002: Nil) into additional issued share capital of the investee company as set out in note 17.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 27. Related party transactions

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

Name of related party	Nature of transactions	2003 '000	2002 '000
TIS (note i)	Commission paid (note iv)	8	177
	Interest received (note v)	–	1
	Interest paid (note vi)	–	15
	Sponsor fee paid (note vii)	–	60
	Service fee payable (note viii)	430	–
AVANTA Investment (note ii)	Investment management fee paid (note ix)	753	885
IT Star Holdings Limited ("IT Star Holdings") (note iii)	Interest received (note x)	–	328
		<u>          </u>	<u>          </u>

Notes:

- (i) TIS is the holding company of TIC (HK), which is a former shareholder of the Company. Mr. Jerry Chiou and Mr. Tai Chi Ching are also directors of TIS.
- (ii) Mr. Jerry Chiou and Mr. Tai Chi Ching are also directors of AVANTA Investment.
- (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 the sale and purchase transactions of 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 sponsor fee was based on a mutually agreed rate pursuant to an agreement.
- (viii) The service fee was charged at mutually agreed rates.
- (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 28. Operating lease commitments

### The Group as lessee

	THE GROUP	
	2003	2002
	'000	'000
Minimum lease payments paid under operating leases in respect of office premises during the year	<u>450</u>	<u>–</u>

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

	THE GROUP AND THE COMPANY	
	2003	2002
	'000	'000
Within one year	895	306
In the second to fifth year inclusive	<u>300</u>	<u>294</u>
	<u>1,195</u>	<u>600</u>

Operating lease payments represent rentals payable by the Group and the Company for its office premises. The leases are negotiated and rentals are fixed for an average term of two years.

## 29. Capital commitments

	THE GROUP	
	2003	2002
	'000	'000
Capital expenditure in respect of the acquisition of leasehold improvement contracted for but not provided in the financial statements	<u>–</u>	<u>131</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2003 (Expressed in Hong Kong dollars)

## 30. 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.

## 31. Post balance event

Subsequent to 31st March, 2003, the Group participated in the shares redemption scheme proposed by its associate, Amplus (the "Share Redemption Scheme"). Pursuant to the Share Redemption Scheme, the Group disposed of 6,739 ordinary shares of US\$1 each of Amplus, representing 29.98% of the issued share capital of Amplus, at a pro forma redemption price of approximately HK\$541.82 per share. The final redemption price per share will be based on the audited net asset value per share of Amplus at 31st March, 2003 (the "NAV per Share") and the total consideration will be equal to 6,739 ordinary shares times the NAV per Share.