

Notes to the Accounts

1 Basis of preparation

The accounts have been prepared on a going concern basis, the validity of which depends on the availability of necessary financial resources. Although the Group had incurred a loss attributable to shareholders of HK\$628,461,000 during the period from 1st January 2000 to 31st March 2001, and the Group had net current liabilities of HK\$247,662,000 and shareholders' deficits of HK\$26,503,000 as at 31st March 2001, the going concern basis has been adopted by the Directors in the preparation of these accounts after considering the following:

- (a) The various measures taken by management, including but not limited to the discontinuation of the loss making telecommunication business (note 4(b)), intended to improve the cash flow position of the Group.
- (b) The knowledge that pursuant to a meeting held on 10th July 2001, the unsecured creditors of Team Concepts Manufacturing Limited, a wholly-owned subsidiary of the Company, (the "Scheme Creditors") has approved the Scheme of Arrangement (the "Scheme") proposed by the Company. Under the Scheme, the Company will issue new shares and convertible debentures to settle the amounts of approximately HK\$119 million due to the Scheme Creditors, which were included in trade payables as at 31st March 2001. The holders of convertible debentures will be entitled to convert these debentures into 119 million shares of the Company before 31st December 2001 or to require the Company to repay the principal amount of these debentures totalling HK\$11.9 million in cash on 31st December 2001. Up to the date of the approval of these accounts, approval of the Scheme by the High Court of Hong Kong is still pending.
- (c) The agreement with one of the lending banks (the "Bank") of the Group that the repayment period for bank loans and overdrafts of approximately HK\$121 million due to the Bank will be extended and certain interest on these balances will be waived, conditional upon the approval of the Scheme of Arrangement (as described above) by the High Court of Hong Kong. If the court approval is obtained, the Group will be allowed to repay all these bank loans and bank overdrafts by the end of the fifth year after the date of the court approval while interest on these balances for the first thirty months after such approval will be waived.
- (d) A confirmation from Sino-i.com Limited ("Sino-i"), the Company's ultimate holding company, of its intention to provide continuing financial support to the Group to enable it to meet its liabilities and obligations when they fall due.

1 Basis of preparation (Continued)

- (e) Their expectation that the increase in the Group's assets base resulting from the acquisition of properties by the issuance of the shares of the Company as disclosed in note 34(a), will improve its ability to raise new funds from external sources to meet its liabilities.

As a result of the above, the Directors are of the opinion that the Group has sufficient financial resources to enable it to carry out its activities and to meet its liabilities and other financial obligations as they fall due for at least twelve months from the balance sheet date.

2. Principal accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of certain land and buildings.

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of consolidation

- (i) The consolidation accounts include the accounts of the Company and all its subsidiaries made up to 31st March and of the results for the period then ended. All significant transactions between and among the Company and its subsidiaries are eliminated on consolidation.
- (ii) A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of Directors.
- (iii) The results of subsidiaries disposed of during the year are included in the consolidated profit and loss account up to the effective date of disposal. The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Company's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the profit and loss account.
- (iv) Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

Notes to the Accounts

2. Principal accounting policies (Continued)

(a) Basis of consolidation (Continued)

- (v) In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associated companies

An associated company is a company, not being a subsidiary or joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

In the Company's balance sheet the investments in associated companies are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(c) 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 none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2. Principal accounting policies (Continued)

(d) Goodwill

Goodwill, which represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired, is recognised as an asset and amortised by equal annual instalments over its estimated useful economic life of not more than ten years. The carrying amount of goodwill is reviewed annually and written down for permanent diminution in value where it is considered necessary.

(e) Fixed assets

(i) Leasehold land, buildings and improvements

Leasehold land, including land use rights in The People's Republic of China, buildings and improvements are stated at cost or valuation, being fair value at the date of revaluation, less subsequent aggregate depreciation or amortisation, if applicable. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, and is determined on the basis of existing use at the date of revaluation.

Amortisation of leasehold land is calculated to write off their cost or valuation over the unexpired periods of the relevant leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate used for this purpose is 2.5%.

Depreciation of leasehold buildings and improvements is calculated to write off their cost or valuation on the straight line basis over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter. The principal annual rates used for this purpose range from 1.7 percent to 4 percent.

In the preparation of these accounts, the Group places reliance on the transitional provision as set out in paragraph 80 of the Statement of Standard Accounting Practice No. 17 "Properties, plant and equipment" issued by the Hong Kong Society of Accountants. Accordingly, no regular revaluations on these properties are required after 19th March 1993, the latest date of open market valuation made by the Group.

Notes to the Accounts

2. Principal accounting policies (Continued)

(e) Fixed assets (Continued)

(ii) Other fixed assets

Other fixed assets are stated at cost less aggregate depreciation. Depreciation of other fixed assets is calculated to write off their cost on the straight line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Moulds and tools	25% – 33%
Machinery and equipment	25% – 33%
Furniture and fixtures	20% – 33%
Motor vehicles	25% – 33%
Computers	25% – 33%

(iii) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal.

The amount of the reduction to recoverable amount is charged to the profit and loss account, unless it reverses a previous revaluation increase, in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item or group of identical assets.

(iv) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

2. Principal accounting policies (Continued)

(e) Fixed assets (Continued)

(v) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(f) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases, net of any incentives received from the leasing company, are charged to the profit and loss account on the straight-line basis over the lease periods.

Notes to the Accounts

2. Principal accounting policies (Continued)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost includes direct materials, direct labour and an appropriate portion of variable and fixed production overheads. In general, costs are assigned to individual items on the weighted average basis.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

(h) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the account to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Translation of foreign currencies

Foreign currency transactions during the period are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.

The accounts of overseas subsidiaries are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are taken directly to the exchange fluctuation reserve.

2. Principal accounting policies (Continued)

(k) Revenue recognition

- (i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- (ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(m) Research and development costs

Research and product development costs are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that it is probable that it will be profitable. Such development costs are recognised as an asset and amortised on the straight-line basis over a period of not more than three years to reflect the pattern in which the related economic benefits are recognised.

(n) Convertible notes

Convertible notes are stated at the aggregate amount of proceeds received from the issue. The direct issuing costs are taken to the profit and loss account in the year of issue. In the event that the notes are converted, the amount recognised in respect of the shares issued upon conversion is the principal amount at which the liability of the notes is stated as at the date of conversion.

(o) Borrowing costs

Borrowing costs are charged to the profit and loss account in the year in which they are incurred.

Notes to the Accounts

3. Turnover, revenue and segment information

The Group is principally engaged in the design, manufacturing and marketing of telecommunication and consumer electronic products, and the operation of an education portal and provision of online distance learning education services. No revenues were generated from the operation of an education portal and provision of online distance learning education services during the period. Revenues recognised during the period are as follows:

	Group	
	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
Turnover		
Sale of goods	675,396	571,539
Other revenues		
Interest income	453	187
Net exchange gain	626	113
	1,079	300
Total revenues	676,475	571,839

Notes to the Accounts

3. Turnover, revenue and segment information (Continued)

An analysis of the Group's turnover and contribution to operating loss for the period by principal activities and markets is as follows:

	Turnover		Operating profit/(loss)	
	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
Principal activities:				
Consumer packaged electronics	280,547	325,501	(179,445)	(53,420)
Telecommunication products	155,422	107,684	(85,984)	(21,451)
Electronic manufacturing services	239,427	138,354	8,269	18,381
Online distance learning education services	—	—	(348,024)	—
	<u>675,396</u>	<u>571,539</u>	<u>(605,184)</u>	<u>(56,490)</u>
Principal markets:				
Europe	306,305	316,170		
United States of America/Canada	99,850	109,410		
Others	269,241	145,959		
	<u>675,396</u>	<u>571,539</u>		

No analysis of the contribution by principal markets has been prepared as no contribution to operating loss from any of the above geographical segments is substantially out of line with the normal ratio of loss to turnover.

Notes to the Accounts

4. Operating loss

(a) Operating loss is stated after (crediting)/charging the following:

	Group	
	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
Amortisation of product development costs	15,791	14,985
Write-off of product development costs	13,255	1,910
Amortisation of goodwill	21,642	–
Write-off of goodwill	316,078	–
Amortisation of pre-operating expenses	–	518
Auditors' remuneration	1,881	1,319
Depreciation		
– owned fixed assets	22,340	12,406
– leased fixed assets	807	718
(Profit)/loss on disposal of fixed assets	(19)	18
Operating leases for land and buildings	4,581	2,795
Provision for bad and doubtful debts	35,163	7,935
Provision for diminution in value of interest in an associated company	1,867	–
Provision for diminution in value of interest in a joint venture	3,929	–
Provision for slow-moving and obsolete inventories	76,263	17,037
Redundancy cost	3,631	–
Staff costs (including directors' emoluments)	68,128	54,256

(b) The Group has discontinued the telecommunication business segment with effect from October 2000. The turnover and contribution to operating loss in respect of these discontinued operations for the period from 1st January 2000 to 31st March 2001, were HK\$155,422,000 (Year ended 31st December 1999: HK\$107,684,000) and HK\$85,984,000 (Year ended 31st December 1999: HK\$21,451,000) respectively.

Notes to the Accounts

5. Finance costs

	Group	
	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
Interest on convertible notes		
– current year	–	517
– over-provision in prior years	–	(776)
Interest on bank loans and overdrafts	22,277	18,585
Interest on finance leases	340	203
	<u>22,617</u>	<u>18,529</u>

6. Taxation

	Group	
	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
Hong Kong profits tax		
– over-provision in prior years	–	(168)
Taxation outside Hong Kong		
– current (note (b))	453	701
Deferred taxation	–	(169)
	<u>453</u>	<u>364</u>

Notes to the Accounts

6. Taxation (Continued)

- (a) No provision for Hong Kong profits tax has been made in these accounts as companies within the Group operating in Hong Kong have no estimated assessable profits for the period (Year ended 31st December 1999: HK\$Nil).
- (b) Taxation outside Hong Kong represents tax charge on the estimated assessable profits of subsidiaries operating outside Hong Kong, calculated at the rates applicable in the respective jurisdictions.

7. Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$616,048,000 (Year ended 31st December 1999: HK\$482,000).

8. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$628,461,000 (Year ended 31st December 1999: HK\$75,225,000) and on the weighted average of 3,414,493,507 (Year ended 31st December 1999: 352,716,734) ordinary shares in issue during the period.

Fully diluted loss per share has not been shown as there was no dilution arising from outstanding convertible notes in issue during the year ended 31st December 1999 and the period ended 31st March 2001.

9. Retirement benefit costs

Before 1st December 2000, the Group operates a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group is 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme Ordinance"). With effect from 1st December 2000, a new scheme (the "MPF Scheme") was also set up under the MPF Scheme Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% on their monthly basic salaries whereas the Group's monthly contribution will be 5% of relevant income with a maximum monthly contribution of HK\$1,000.

Subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 13 to 19 percent of basic salary of their employees and there is no other further obligations to the Group during the period.

Contributions to the ORSO Scheme and the MPF Scheme charged to the consolidated profit and loss account for the period amounted to HK\$1,154,000 (Year ended 31st December 1999: HK\$1,158,000). Forfeited contributions in respect of the ORSO Scheme of approximately HK\$616,000 (Year ended 31st December 1999: HK\$387,000) were utilised during the period leaving HK\$Nil (Year ended 31st December 1999: HK\$Nil) available as at 31st March 2001 to reduce future contributions.

Contributions totalling HK\$51,000 (At 31st December 1999: HK\$117,000) payable to the ORSO Scheme and the MPF Scheme at 31st March 2001 are included in other creditors and accruals.

Notes to the Accounts

10. Directors' and senior management's emoluments

(a) Directors' emoluments

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

	Group	
	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
Fees	83	180
Other emoluments:		
– Basic salaries, other allowances and benefits in kind	1,886	2,468
	1,969	2,648

Emoluments payable to independent non-executive Directors amounted to HK\$83,000 during the period (Year ended 31st December 1999: HK\$180,000).

The number of the Directors whose emoluments fall within the following bands is as follows:

Emolument bands	Number of Directors	
	Executive Directors	Non-executive Directors
	Period from 1st January 2000 to 31st March 2001	Period from 1st January 2000 to 31st March 2001
	Year ended 31st December 1999	Year ended 31st December 1999
HK\$ Nil – HK\$1,000,000	14	2

No Directors have waived emoluments in respect of the period from 1st January 2000 to 31st March 2001 and the year ended 31st December 1999.

10. Directors' and senior management's emoluments (Continued)

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, one (Year ended 31st December 1999: two) is the Director of the Company. The four (Year ended 31st December 1999: three) highest paid individuals are senior management of the Group. The aggregate amount of the individuals whose emoluments have not been disclosed in Directors' emoluments noted above is as follows:

	Group	
	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
Basic salaries, other allowances and benefits in kind	4,845	2,834
Pension contributions	184	165
	<u>5,029</u>	<u>2,999</u>

Notes to the Accounts

10. Directors' and senior management's emoluments (Continued)

(b) Five highest paid individuals (Continued)

The number of the above individuals whose emoluments fall within the following bands is as follows:

Emolument bands	Number of individuals	
	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
HK\$ Nil – HK\$1,000,000	–	2
HK\$1,000,001 – HK\$1,500,000	4	1
	<u>4</u>	<u>3</u>

- (c) No emolument have been paid by the Group to the Directors and the five highest paid employees mentioned above as an inducement to join the Group or as compensation for loss of office during the period from 1st January 2000 to 31st March 2001 and the year ended 31st December 1999.

Notes to the Accounts

11. Fixed assets

	Group							
	Land and buildings	Leasehold improve- ments	Moulds and tools	Machinery and equipment	Furniture and fixtures	Motor vehicles	Computers	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost								
At 1st January 2000	100,158	13,320	48,434	50,840	8,473	5,404	13,612	240,241
Exchange difference	-	(6)	-	(191)	(150)	-	(219)	(566)
Acquisition of subsidiaries	-	-	-	127	104	-	1,344	1,575
Additions	-	2,790	12,536	13,738	1,918	243	1,283	32,508
Disposals	(1,047)	-	(1,780)	(2,634)	(273)	(2,598)	(198)	(8,530)
At 31st March 2001	99,111	16,104	59,190	61,880	10,072	3,049	15,822	265,228
The analysis of the cost or valuation at 31st March of the above assets is as follows:								
At cost	61,602	16,104	59,190	61,880	10,072	3,049	15,822	227,719
At professional valuation (Note a)	37,509	-	-	-	-	-	-	37,509
	99,111	16,104	59,190	61,880	10,072	3,049	15,822	265,228
Accumulated depreciation								
At 1st January 2000	14,207	12,602	37,650	42,457	7,415	4,425	11,574	130,330
Exchange difference	-	2	-	(64)	(58)	-	(172)	(292)
Acquisition of subsidiaries	-	-	-	12	10	-	109	131
Charge for the period	2,503	1,140	9,525	7,065	964	251	1,699	23,147
Disposals	(207)	-	(978)	(2,377)	(257)	(1,921)	(197)	(5,937)
At 31st March 2001	16,503	13,744	46,197	47,093	8,074	2,755	13,013	147,379
Net book value								
At 31st March 2001	82,608	2,360	12,993	14,787	1,998	294	2,809	117,849
At 31st December 1999	85,951	718	10,784	8,383	1,058	979	2,038	109,911

- (a) Properties stated at professional valuation were revalued by Vigers Hong Kong Limited, an independent firm of professional valuers, at their open market value as at 19th March 1993.

Notes to the Accounts

11. Fixed assets (Continued)

(b) At 31st March 2001, the net book value of fixed assets held by the Group under finance leases amounted to HK\$1,534,000 (At 31st December 1999: HK\$2,945,000).

(c) The net book value of land and buildings comprised:

	Hong Kong	Outside	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Medium term lease (less than 50 years but not less than 10 years)			
At cost	–	50,514	50,514
At 1993 professional valuation	32,094	–	32,094
	<u>32,094</u>	<u>50,514</u>	<u>82,608</u>

(d) The carrying amount of revalued land and buildings that would be included in the accounts if these land and buildings were carried at cost less depreciation was HK\$16,871,000 (At 31st December 1999: HK\$17,154,000).

(e) At 31st March 2001, the net book value of fixed assets pledged as security for the Group's bank loans amounted to HK\$111,806,000 (At 31st December 1999: HK\$49,602,000).

Notes to the Accounts

12. Investments in subsidiaries

	Company	
	At	At
	31st March	31st December
	2001	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	556,754	86,754
Less: Provision for diminution in value	(432,754)	(26,200)
	<u>124,000</u>	<u>60,554</u>
Amounts due from subsidiaries (Note (a))	455,739	268,951
Amounts due to subsidiaries (Note (a))	(27,366)	(3,877)
Less: Provision for doubtful debts	(455,739)	(253,701)
	<u>(27,366)</u>	<u>11,373</u>
	<u>96,634</u>	<u>71,927</u>

- (a) Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Accounts

12. Investments in subsidiaries (Continued)

(b) At 31st March 2001, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operation	Principal activities	Particulars of issued/registered share capital	Interest held
Rich King Inc.	British Virgin Islands	Investment holding	Ordinary US\$50,000	*100%
Beijing Chinese Dadi Distance Education Company Limited	The People's Republic of China (the "PRC")	Operation of an educational portal and provision of online distance learning education services	Registered Capital of RMB10,154,174 (see *** below)	80%
Team Industrial Company Limited (formerly known as Team Concepts (Hong Kong) Limited)	Hong Kong	Investment holding and provision of management services	Ordinary HK\$11,000,000	100%
Team Concepts International Limited	Hong Kong	Design and marketing of telecommunication products	Ordinary HK\$1,000,000	100%
Team Concepts Electronics Limited	Hong Kong	Design and marketing of electronic educational products	Ordinary HK\$500,000	100%
Team Concepts Technologies Limited	Hong Kong	Design and marketing of consumer electronic products	Ordinary HK\$20	100%
Team Concepts Manufacturing Limited	Hong Kong	Manufacture of telecommunication and consumer electronic products	Ordinary HK\$500,000	100%

12. Investments in subsidiaries (Continued)

- (b) At 31st March 2001, the Company held interests in the following principal subsidiaries:
(Continued)

Name	Place of incorporation/ establishment and operation	Principal activities	Particulars of issued/registered share capital	Interest held
Dong Guan Team Concepts Electronics Limited	the PRC	Manufacture of telecommunication and consumer electronic products	Registered capital HK\$40,000,000 (see ** below)	80%
Team Concepts North America, Limited	The United States of America	Provision of marketing services	US\$10	* 100%
Team Concepts New Ventures, Limited	The United States of America	Provision of marketing services	US\$10	100%
Team Concepts (UK) Limited	The United Kingdom	Provision of marketing services	Ordinary £100	* 100%
Team Concepts Europe S.A.R.L.	France	Provision of marketing services	Ordinary FFR 250,000	* 100%

* Shares held directly by the Company

** Dong Guan Team Concepts Electronics Limited was established as a co-operative joint venture in the PRC for a term of 30 years commencing from 5th June 1992. Upon the expiry of the term of the joint venture, the land and buildings of the joint venture will be taken over by the PRC party while the remaining assets will be taken over by the Group. The Group's profit entitlement in the joint venture is 80% of the retained profits.

*** Beijing Chinese Dadi Distance Education Company Limited was established as an equity joint venture company in the PRC for a term of 20 years starting from 23rd December 1999.

Notes to the Accounts

12. Investments in subsidiaries (Continued)

The above table lists out the subsidiaries of the Company as at 31st March 2001 which, in the opinion of the Directors, principally affected the results for the period or form a substantial portion of net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

13 Interest in an associated company

	Group		Company	
	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
Share of net assets	2,195	2,767	-	-
Less: provision for diminution in value	(1,867)	-	-	-
	<u>328</u>	<u>2,767</u>	<u>-</u>	<u>-</u>
Unlisted shares, at cost	-	-	81	81
Less: provision for diminution in value	-	-	-	-
	<u>-</u>	<u>-</u>	<u>81</u>	<u>81</u>

At 31st March 2001 and 31st December 1999, the Group held 30% equity interest in Team Concepts Iberia S.L., a company incorporated in Spain and principally engaged in the marketing of consumer electronic products. Subsequent to 31st March 2001, the Group has disposed all its interests in this associated company to a third party.

Notes to the Accounts

14. Interest in a joint venture

	Group	
	At	At
	31st March	31st December
	2001	1999
	HK\$'000	HK\$'000
Share of net assets	3,929	–
Less: provision for diminution in value	(3,929)	–
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>

During the period ended 31st March 2001, the Group formed a joint venture company, Juguetes Electronicos Avanzados S.L., with a third party and held 50% equity interest in it. Juguetes Electronicos Avanzados S.L. is incorporated in Spain and is principally engaged in the marketing of consumer electronic products.

Notes to the Accounts

15. Intangible assets

	Group	
	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
Product development costs		
At the beginning of the period/year	19,423	20,975
Additions	18,349	15,343
Amortisation	(15,791)	(14,985)
Write-off (note a)	(13,255)	(1,910)
	<u>8,726</u>	<u>19,423</u>
Goodwill on acquisition (note b)		
Additions (note 28(b))	432,838	—
Amortisation	(21,642)	—
Write-off	(316,078)	—
	<u>95,118</u>	<u>—</u>
At the end of the period/year	<u>103,844</u>	<u>19,423</u>

- (a) The write-off arose from projects which have either been discontinued or expected to be not profitable.
- (b) Goodwill on acquisition arose from the acquisition of the entire interests in Rich King Inc. and its subsidiaries (collectively referred to as the "Rich King Group") from Sino-i in September 2000 at a consideration of HK\$470million. As disclosed in note 34(a), the Company has disposed all its entire interests in Rich King Group at a consideration of HK\$124million to Sino-i as part of the consideration for the acquisition of the direct and indirect interests in certain properties from Sino-i and other independent vendors after 31st March 2001. As a consequence, goodwill on acquisition has been written down to its net realisable value.

Notes to the Accounts

16. Inventories

	Group	
	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
Raw materials	70,131	74,410
Work in progress	19,333	38,658
Finished goods	45,525	45,629
Goods in transit	1,434	1,205
	136,423	159,902
Less: provision for slow-moving and obsolete inventories	(97,331)	(42,626)
	39,092	117,276

17. Trade and bills receivables

At 31st March 2001, the ageing analysis of the trade and bills receivables was as follows:

	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
0-90 days	15,192	46,103
91-180 days	3,005	11,487
181-270 days	1,619	2,646
271-360 days	1,235	851
Over 360 days	31,366	23,412
Less: provision	(27,262)	(16,759)
	25,155	67,740

Majority of the Group's sales are entered into on letters of credit while the rest are entered into on credit terms ranging from thirty to sixty days. During the period ended 31st March 2001 and the year ended 31st December 1999, the Group encountered difficulties in collection of certain trade debts and appropriate provision has been made against certain bad and doubtful debts.

Notes to the Accounts

18. Trade and bills payables

At 31st March 2001, the ageing analysis of trade and bills payables was as follows:

	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
0-90 days	18,286	27,224
91-180 days	23,447	22,040
181-270 days	31,643	29,857
271-360 days	19,406	10,760
Over 360 days	38,505	22,554
	131,287	112,435

19. Due from a joint venture

	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
Amount due from a joint venture	18,248	–
Less: provision for bad and doubtful debts	(12,970)	–
	5,278	–

This represents trade receivable from Juguetes Electronicos Avanzados S.L., (note 14) which is unsecured, interest-free and has a credit terms of 180 days.

20. Due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest-free and repayable on demand.

21. Due to related companies and a shareholder

The amounts due to related companies and a shareholder were unsecured, interest-free and repayable on demand, except that the amounts due to related companies were repayable only when the Group's cash flow is able to support the repayment.

During the current period, all the amounts due, after netting off an amount of HK\$14,661,000 due from Bellcorp Technology (M) Sdn. Bhd., an independent third party, have been capitalised by way of the issuance of shares in the Company to these related companies and a shareholder, as agreed by all the parties involved. The amounts due from Bellcorp Technology (M) Sdn. Bhd. were previously recorded as other receivables in the consolidated balance sheet.

22. Bank loans and overdrafts

	Group		Company	
	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
Overdrafts				
– secured (see note below)	84,010	74,420	–	–
– unsecured	–	2,298	–	–
Short-term loans				
– secured (see note below)	73,629	12,051	985	985
Long-term loans – secured (see note below)				
Due within one year	–	23,253	–	–
Due in the second year	–	21,377	–	–
Due in the third to fifth year	–	29,800	–	–
	157,639	163,199	985	985
Less: Long-term portion	–	(51,176)	–	–
Current portion	157,639	112,023	985	985

Notes to the Accounts

22. Bank loans and overdrafts (Continued)

- (a) As the Group has not been able to fulfil its repayment schedules for bank loans of approximately HK\$41 million during the period, the lending bank ("the Bank") has revised the repayment schedule and requires the Group to repay all outstanding bank loans and overdrafts amounting to approximately HK\$121 million before 31st December 2000. Subsequent to 31st March 2001, the Bank has agreed with the Group that the repayment period of these bank loans and overdrafts will be extended and certain interest on these balances will be waived, conditional upon the approval of the Scheme of Arrangement (note 1(b)) by the High Court of Hong Kong, which is pending as at the date of these accounts. If the court approval is obtained, the Group will be allowed to repay all these bank loans and overdrafts by the end of the fifth year after the date of the court approval while interest on these balances for the first thirty months after such approval will be waived.
- (b) Details of securities for the banking facilities are set out in note 32 to the accounts.

23. Finance leases

	Group	
	At	At
	31st March	31st December
	2001	1999
	HK\$	HK\$
Obligation under finance leases	1,129	2,717
Less: current portion	(1,057)	(1,221)
Repayable after one year	72	1,496

At 31st March 2001, the Group's finance leases were repayable as follows:

	At	At
	31st March	31st December
	2001	1999
	HK\$'000	HK\$'000
Within one year	1,057	1,221
In the second year	72	1,221
In the third to fifth year	-	275
	1,129	2,717

24. Bank balances and cash

Included in the balance is approximately HK\$1,027,000 (At 31st December 1999: HK\$300,000), representing Renminbi deposit placed with bank in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

25. Share capital

	Company	
	No. of	HK\$'000
	shares	
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st January 1999 and 1st January 2000	500,000,000	50,000
Increase (<i>Note (a)</i>)	14,500,000,000	1,450,000
	<u>15,000,000,000</u>	<u>1,500,000</u>
At 31st March 2001	<u>15,000,000,000</u>	<u>1,500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st January 1999	248,440,000	24,844
Issue of new shares for cash	49,688,000	4,969
Conversion of convertible notes	149,064,000	14,906
	<u>447,192,000</u>	<u>44,719</u>
At 31st December 1999 and 1st January 2000	447,192,000	44,719
Issue of new shares (<i>Note (b) – (e)</i>)	6,143,327,000	614,333
Conversion of convertible notes (<i>Note (f)</i>)	40,000,000	4,000
	<u>6,630,519,000</u>	<u>663,052</u>
At 31st March 2001	<u>6,630,519,000</u>	<u>663,052</u>

- (a) The authorised share capital of the Company was increased from HK\$50,000,000 to HK\$1,500,000,000 by the creation of 4,500,000,000 and 10,000,000,000 new shares of HK\$0.10 each on 14th March 2000 and 19th September 2000 respectively. These shares rank *pari passu* with existing shares of the Company.

Notes to the Accounts

25. Share capital (Continued)

- (b) On 15th March 2000, 1,000,000,000 shares of HK\$0.10 each were issued and allotted to Savoy TC Limited, a third party which became the then ultimate holding company of the Company after the share issue, at par for cash to raise additional working capital.
- (c) On 20th September 2000, 4,700,000,000 shares of the Company of HK\$0.10 each were issued and allotted at par to Victorious Limited, a wholly-owned subsidiary of Sino-i, as consideration for the acquisition of the entire issued share capital of Rich King Inc. pursuant to the Sale and Purchase Agreement entered into among Savoy TC Limited, Sino-i and the Company. Sino-i became the then ultimate holding company of the Company after this acquisition.
- (d) On 5th October 2000, 180,000,000 shares of the Company of HK\$0.10 were issued to Victorious Limited at HK\$0.12 per share for cash to raise additional working capital.
- (e) On 10th January 2001, 263,327,000 shares of the company of HK\$0.10 each were issued and allotted at HK\$0.135 to Paracorp Berhad, the former ultimate holding company of the Company, and Mr. Lim Siew Choon, the former chairman and Director of the Company, for the settlement of indebtedness and shareholder's loan pursuant to the Subscription Agreement dated 29th November 2000.
- (f) On 9th June 2000, convertible notes of HK\$4,000,000 were converted by the note holder, Hefei Holdings Limited, into 40,000,000 new shares of HK\$0.10 each at a conversion price of HK\$0.10 per share.

Notes to the Accounts

26. Reserves

	Group					
	Properties revaluation	Share premium	Contributed surplus	Exchange reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 1999	20,778	72,576	12,465	360	(115,233)	(9,054)
New issue of shares, net of expenses	–	12,302	–	–	–	12,302
Exchange difference on the translation of the accounts of overseas subsidiaries	–	–	–	(1,024)	–	(1,024)
Loss for the year	–	–	–	–	(75,225)	(75,225)
At 31st December 1999	20,778	84,878	12,465	(664)	(190,458)	(73,001)
New issue of shares, net of expenses	–	11,191	–	–	–	11,191
Exchange differences on the translation of the accounts of overseas subsidiaries	–	–	–	716	–	716
Loss for the period	–	–	–	–	(628,461)	(628,461)
At 31st March 2001	<u>20,778</u>	<u>96,069</u>	<u>12,465</u>	<u>52</u>	<u>(818,919)</u>	<u>(689,555)</u>

	Company					
	Properties revaluation	Share premium	Contributed surplus	Exchange reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 1999	–	72,576	50,010	–	(103,441)	19,145
New issue of shares, net of expenses	–	12,302	–	–	–	12,302
Loss for the year	–	–	–	–	(482)	(482)
At 31st December 1999	–	84,878	50,010	–	(103,923)	30,965
New issue of shares, net of expenses	–	11,191	–	–	–	11,191
Loss for the period	–	–	–	–	(616,048)	(616,048)
At 31st March 2001	<u>–</u>	<u>96,069</u>	<u>50,010</u>	<u>–</u>	<u>(719,971)</u>	<u>(573,892)</u>

Notes to the Accounts

26. Reserves (Continued)

- (a) Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is a distributable reserve.
- (b) As at 31st March 2001, the properties revaluation reserve was not distributable.
- (c) Included in the accumulated losses of the Group of HK\$818,919,000 (At 31st December 1999: HK\$190,458,000) is the accumulated losses of HK\$414,000 (At 31st December 1999: a profit of HK\$158,000) dealt with in the accounts of an associated company (note 13), and the accumulated losses of HK\$1,635,000 (At 31st December 1999: Nil) dealt with in the accounts of a joint venture (note 14).

27. Deferred taxation

	Group	
	At	At
	31st March	31st December
	2001	1999
	HK\$'000	HK\$'000
At 1st January 2000 and 1999	790	959
Transferred to profit and loss account (<i>note 6</i>)	—	(169)
At 31st March/31st December	<u>790</u>	<u>790</u>

- (a) Deferred taxation is provided in respect of the tax effect of accelerated depreciation allowances which is expected to crystallise in the foreseeable future.
- (b) No provision has been made for deferred taxation liability amounting to HK\$1,380,000 (Year ended 31st December 1999: HK\$3,055,000) in respect of the timing differences relating to product development costs deferred in the accounts as it is not expected that the liability will crystallise in the foreseeable future due to recurring development costs.
- (c) No provision has been made for deferred taxation liability in respect of the timing differences relating to the surplus from the revaluation of properties of subsidiaries. The revaluation does not constitute a timing difference for taxation purposes because the revalued properties are not subject to capital gains tax.
- (d) As at 31st March 2001, the Group had available tax losses of HK\$470,369,000 (Year ended 31st December 1999: HK\$253,949,000) to net off against its future profits. The deferred tax asset resulted therefrom has not been recognised in the accounts as it is uncertain whether such an asset will crystallise in the foreseeable future. Apart from aforesaid, there are no other material unprovided deferred tax assets/liabilities as at 31st March 2001 (Year ended 31st December 1999: HK\$Nil).

Notes to the Accounts

28. Notes to the consolidated cash flow statement

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

	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
Loss before taxation	(630,008)	(74,861)
Depreciation of fixed assets	23,147	13,124
(Gain)/loss on disposal of fixed assets	(19)	18
Interest income	(453)	(187)
Interest expenses	22,617	18,529
Exchange loss	990	–
Amortisation and write-off of product development costs	29,046	16,895
Amortisation of pre-operating expenses	–	518
Amortisation and write-off of goodwill	337,720	–
Share of loss/(profit) of an associated company	572	(158)
Provision for diminution in value of interest in an associated company	1,867	–
Provision for diminution in value of interest in a joint venture	3,929	–
Share of loss in a joint venture	1,635	–
Increase in amount due from a joint venture	(5,278)	–
Decrease/(increase) in inventories	73,540	(31,610)
Decrease/(increase) in trade and bills receivables, other receivables and deposits	61,735	(9,901)
Increase/(decrease) in trade and bills payables, other creditors and accruals and amounts due to related companies and a shareholder	29,291	98,067
Net cash (outflow)/inflow from operating activities	(49,669)	30,434

28. Notes to the consolidated cash flow statement (Continued)

(b) Purchase of subsidiaries

	Period from 1st January 2000 to 31st March 2001 HK\$'000
Net assets acquired	
Fixed assets	1,444
Other receivables and deposits	3,644
Due from ultimate holding company	10,276
Bank balances and cash	27,919
Other creditors and accruals	(112)
Short-term bank loan	(4,897)
Minority interests	(1,112)
	37,162
Goodwill	432,838
	470,000
Satisfied by	
Allotment of shares	470,000

The subsidiaries acquired during the period contributed HK\$4,951,000 to the Group's net operating cash outflows, paid HK\$158,000 in respect of the net returns on investments and servicing of finance and utilised HK\$3,478,000 for investing activities.

Notes to the Accounts

28. Notes to the consolidated cash flow statement (Continued)

- (c) Analysis of the net cash inflow in respect of the purchase of subsidiaries

	Period from 1st January 2000 to 31st March 2001 HK\$'000
Bank balances and cash acquired	27,919
Net cash inflow in respect of the purchase of subsidiaries	<u>27,919</u>

28. Notes to the consolidated cash flow statement (Continued)

(d) Analysis of changes in financing during the period

	Share capital including premium HK\$'000	Convertible notes HK\$'000	Minority interests HK\$'000	Bank loans HK\$'000	Obligations under finance leases HK\$'000
At 1st January 1999	97,419	26,532	–	106,555	–
Cash inflow/(outflow) from financing	9,818	–	–	(20,074)	(946)
Shares issued upon conversion of convertible notes	22,360	(22,360)	–	–	–
Inception of finance leases	–	–	–	–	3,663
At 31st December 1999	<u>129,597</u>	<u>4,172</u>	<u>–</u>	<u>86,481</u>	<u>2,717</u>
At 1st January 2000	129,597	4,172	–	86,481	2,717
Cash inflow/(outflow) from financing	120,281	–	–	(17,749)	(1,588)
Shares issued for settlement of indebtedness	35,243	–	–	–	–
Waiver of convertible notes	–	(172)	–	–	–
Shares issued upon conversion of convertible notes	4,000	(4,000)	–	–	–
Purchase of subsidiaries	470,000	–	1,112	4,897	–
Minority interests' share of loss for the period	–	–	(2,000)	–	–
At 31st March 2001	<u>759,121</u>	<u>–</u>	<u>(888)</u>	<u>73,629</u>	<u>1,129</u>

The balance of minority interests of HK\$888,000 is included in other receivables and deposits in the consolidated balance sheet.

Notes to the Accounts

29. Contingent liabilities

	Group		Company	
	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
Discounted bills of exchange	<u>2,081</u>	<u>23,731</u>	<u>-</u>	<u>-</u>

30 Commitments

(a) Capital commitments

At 31st March 2001, the Group had commitments in respect of the purchase of equipment as follows:

	Group	
	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
Contracted but not provided for	<u>1,603</u>	<u>9,537</u>

(b) Commitments under operating leases

At 31st March 2001, the Group had commitments under operating leases in respect of land and buildings to make payments in the next year as follows:

	Group	
	At 31st March 2001 HK\$'000	At 31st December 1999 HK\$'000
Operating leases which expire:		
– within one year	976	738
– in the second to fifth years inclusive	1,830	1,597
– after the fifth year	1,986	909
	<u>4,792</u>	<u>3,244</u>

31. Related party transactions

Apart from those disclosed in notes 1, 19, 20 and 34, other significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Note	Period from 1st January 2000 to 31st March 2001 HK\$'000	Year ended 31st December 1999 HK\$'000
Factory overhead recharges received	(a)	–	2,060
Management fee paid to the ultimate holding company	(b)	3,120	–

(a) In prior year the factory premises and production facilities in Dong Keng owned by Dong Guan Team Concepts Electronics Limited, a wholly-owned subsidiary of the Company, were partly used by Paramanufacturing Ltd. Paramanufacturing Ltd. is a subsidiary of the Paracorp Berhad. The overhead recharges included rental, management fee and staff benefits which were determined on a cost reimbursement basis.

(b) Management fee was paid to Sino-i in respect of the management service provided. The management fees were mutually agreed between the relevant parties.

32 Banking facilities

The total banking facilities of the Group amounting to HK\$145 million (At 31st December 1999: HK\$175 million) were secured, inter alia, by the following:

- (i) fixed charge over the leasehold land and buildings and other fixed assets with a net book value of HK\$111,806,000 (At 31st December 1999: HK\$49,602,000);
- (ii) floating charges over other assets of certain companies within the Group;
- (iii) corporate guarantees given by Paracorp Berhad;

Notes to the Accounts

32 Banking facilities (Continued)

- (iv) corporate guarantees given by the ultimate holding company and certain companies within the Group; and
- (v) fixed deposits placed with a bank in the amount of US\$700,000 (approximately equivalent to HK\$5,446,000) (At 31st December 1999: HK\$Nil).

33. Pending litigations

- (a) In prior year, Team Concepts Electronics Limited, a wholly-owned subsidiary of the Company, issued a proceeding against an European distributor, Stadlbauer Marketing & Vertrieb GmbH ("SMV"), for outstanding accounts receivable of approximately US Dollars 0.8 million (HK\$6.2 million). SMV has filed a counterclaim for a sum amounting to Austrian Schilling 2.5 million (HK\$1.6 million) for alleged breach of exclusive distributorship contracts. Up to the date of this report, the court case is still in progress and no settlement has yet been received by the Group. Having taken appropriate legal advice, the Directors are prepared to undergo arbitration through the Commerce Chamber of Austria, and are of the opinion that this litigation is unlikely to result in any material loss to the Group. In the opinion of the Directors, adequate provision has been made against any potential loss.
- (b) At 31st March 2001, a number of creditors have issued writs against Team Concepts Manufacturing Limited, a wholly-owned subsidiary of the Company, for the settlement of outstanding debts totalling HK\$15.6 million. These creditors are defined as Scheme Creditors pursuant to the Scheme of Arrangement as detailed in note 1(b) above.

The Scheme of Arrangement is still pending. Having considered the approval of the Scheme by the Scheme Creditors and full provision has been made against the claims, the Directors consider that additional provision for these claims is not necessary.

34. Subsequent events

Apart from those disclosed in notes 1(b), 1(c) and 22, the following material events have taken place after 31st March 2001:

- (a) On 22nd March 2001, the Company entered into an agreement with Sino-i for the acquisition of the direct and indirect interests in certain properties to the Group by Sino-i for a consideration of HK\$2,417 million which was to be satisfied by the disposal of the entire interests in the Rich King Group to Sino-i by the Group and the issuance of 22,934,300,000 shares of HK\$0.10 each of the Company at par to Sino-i and the independent vendors. The Transactions has been approved by the shareholders at a special general meeting on 9th July 2001.
- (b) By a special resolution passed on 30th July 2001, the Directors announced that the name of the Company be changed from Learning Concepts Holdings Limited to South Sea Holding Company Limited.
- (c) On 6th August 2001, the Directors announced that the Company entered into a conditional agreement with an independent third party to acquire the entire issued capital of Longwise Development Limited and its Shareholders' loan of HK\$21.8 million, which will be satisfied by way of issue and allotment of 250,000,000 shares of HK\$0.10 each by the Company. Longwise Development Limited owns the entire interest in Chongqing Sheng Tai Properties Development Company Limited which holds a plot of bare land in Chongqing, the PRC.
- (d) Pursuant to a share placement agreement dated 31st July 2001, 20,000,000 shares of HK\$1.00 each in Team Industrial Company Limited, a wholly-owned subsidiary of the Company, were allotted and issued to Pacific Gloria Limited, an independent third party, at a cash consideration of HK\$20,000,000. The shares issued account for 35% of the enlarged share capital and rank pari passu with existing shares of Team Industrial Company Limited.

Notes to the Accounts

35. Ultimate holding company

Savoy TC Limited, a company incorporated in the British Virgin Islands, was the Company's ultimate holding company up to 20th September 2000 when Sino-i, a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited, replaced Savoy TC Limited as the Company's ultimate holding company.

36. Approval of accounts

The accounts were approved by the board of directors on 27th August 2001.