

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the 'Stock Exchange').

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the financial statements.

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 led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has not resulted in any major changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of other investments, 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 31 March, each year.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or an associate, the attributable of unamortised goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Property, plant and equipment

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

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

Buildings	2% to 4%
Leasehold improvements	20% or over the terms of the lease, whichever is the shorter
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Development cost

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised systematically over its useful life by using the unit of production method.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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 associates are accounted for by the Company on the basis of dividends received and receivable during the year.

Other investments

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventory is based on the specific identification cost formula and comprises all cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

Operating lease

Annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

Sales of goods are recognised when the goods are delivered and title has passed.

Integration service, services income and contract income are recognised upon receipt of acceptance from outside customers.

Consultancy income is recognised when services are provided.

Interest income from bank deposit 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under 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.

Foreign currencies

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

On consolidation, the financial statements of operations outside Hong Kong are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with through the exchange reserve.

Retirement benefit schemes

The retirement benefit costs charged in the income statement represent the contribution payable in respect of the year to the Group's defined contribution schemes.

Notes to Financial Statements

For the year ended 31 March, 2002

4. TURNOVER

	2002 HK\$'000	2001 HK\$'000
Continuing operations:		
– sales and integration service	291,283	30,628
– services income	26,652	–
– contract income	5,828	–
	<u>323,763</u>	<u>30,628</u>
Discontinued operations (note 5):		
– sales of toy products	–	472
	<u>323,763</u>	<u>31,100</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions – sales and integration service, services income and contract income. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Continuing operations

Sales and integration service	–	income from sales and provision of integration services of computer and communication systems
Services income	–	income from design, consultation and production of information system software
Contract income	–	income in connection with the sale of intelligent building and communication system equipment and provision of installation services

Discontinued operations

The Group was involved in the manufacture and sales of toy products. As the Group's production facilities in the PRC were seized under court orders in prior years, the Group had discontinued its business of manufacture and sales of toy products thereafter.

Notes to Financial Statements

For the year ended 31 March, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONT'D)

Segmental information about these businesses is presented below.

Year ended 31 March, 2002

	Sales and integration service HK\$'000	Services income HK\$'000	Contract income HK\$'000	Unallocated corporate HK\$'000	Consolidated HK\$'000
TURNOVER	<u>291,283</u>	<u>26,652</u>	<u>5,828</u>	–	<u>323,763</u>
RESULTS					
Segment results	<u>17,720</u>	<u>10,898</u>	<u>(688)</u>	–	27,930
Unallocated corporate expenses					<u>(4,584)</u>
Profit from operations					23,346
Finance costs	(4,044)	(501)	(110)	(943)	<u>(5,598)</u>
Profit before taxation					17,748
Taxation					<u>(1,884)</u>
Profit before minority interest					15,864
Minority interest					<u>(6,649)</u>
Profit attributable to shareholders					<u>9,215</u>
OTHER INFORMATION					
	Sales and integration service HK\$'000	Services income HK\$'000	Contract income HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	10,942	396	87	1,360	12,785
Depreciation and amortisation	<u>2,973</u>	<u>275</u>	<u>60</u>	<u>1,103</u>	<u>4,411</u>

Notes to Financial Statements

For the year ended 31 March, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONT'D)

As at 31 March, 2002

BALANCE SHEET

	Sales and integration service HK\$'000	Services income HK\$'000	Contract income HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	142,352	6,757	9,069	158,178
Unallocated corporate assets				47,089
Consolidated total assets				<u>205,267</u>
LIABILITIES				
Segment liabilities	103,171	8,343	3,550	115,064
Unallocated corporate liabilities				45,552
Consolidated total liabilities				<u>160,616</u>

Year ended 31 March, 2001

	Sales and integration service HK\$'000	Toy products (discontinued) HK\$'000	Unallocated corporate HK\$'000	Consolidated HK\$'000
TURNOVER	<u>30,628</u>	<u>472</u>	<u>-</u>	<u>31,100</u>
RESULTS				
Segment results	<u>5,615</u>	<u>102,666</u>	<u>-</u>	108,281
Unallocated corporate expenses				(11,173)
Gain on disposal of subsidiaries				149,060
Profit from operations				246,168
Finance costs	(320)	(347)	(8,074)	(8,741)
Profit before taxation				237,427
Taxation				-
Profit attributable to shareholders				<u>237,427</u>

Notes to Financial Statements

For the year ended 31 March, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONT'D)

OTHER INFORMATION

	Sales and integration service	Toy products (discontinued)	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	739	–	–	739
Depreciation and amortisation	270	5,712	3,228	9,210

As at 31 March, 2001

	Sales and integration service	Toy products (discontinued)	Consolidated
	HK\$'000	HK\$'000	HK\$'000

BALANCE SHEET

ASSETS

Segment assets	60,292	248	60,540
Unallocated corporate assets			10,015
Consolidated total assets			70,555

LIABILITIES

Segment liabilities	40,942	399	41,341
Unallocated corporate liabilities			82,944
Consolidated total liabilities			124,285

Notes to Financial Statements

For the year ended 31 March, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONT'D)

Geographical segments

No geographical segment analysis is provided as substantially all of the Group's turnover and contribution to results were derived from the PRC.

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and development costs, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and development costs	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	73,844	70,072	48	366
PRC	131,423	483	12,737	373
	<u>205,267</u>	<u>70,555</u>	<u>12,785</u>	<u>739</u>

6. OTHER OPERATING INCOME

Included in other operating income are the following:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Gain on disposal of subsidiaries (note 29)	–	149,060
Gain on disposal of other investments	231	–
Gain on waiver of bank and other borrowings (note 31 (a))	–	101,442
Gain on waiver of former directors' emoluments	1,551	–
Gain on waiver of obligations under finance leases (note 31 (b))	–	13,356
Consultancy income	1,259	–
Interest income	246	126
Rental income	245	125
Unrealised gain on other investments	433	–
Write-back of provision for guarantee	–	5,904
Write-back of over accrued interest	–	5,231
Write-back of long outstanding trade and other payables	2,659	–
Others	3,701	7,953
	<u>10,325</u>	<u>283,197</u>

Notes to Financial Statements

For the year ended 31 March, 2002

7. PROFIT FROM OPERATIONS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	820	900
Amortisation of goodwill (including in administrative expenses)	1,861	256
Depreciation	2,550	8,954
Loss on disposal of property, plant and equipment	103	495
Loss on write-off of net assets of a subsidiary	–	386
Write-off of obsolete property, plant and equipment	–	43
Staff costs including directors' emoluments	17,006	8,901
Contributions to retirement benefit schemes	445	30
	<u>17,451</u>	<u>8,931</u>
Total staff costs	<u>17,451</u>	<u>8,931</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals for the year were as follows:

(a) Directors' emoluments

	2002	2001
	HK\$'000	HK\$'000
Fees	<u>–</u>	<u>2,397</u>
Other emoluments:		
Salaries and other benefits	2,983	2,483
Contributions to retirement benefit schemes	18	6
	<u>3,001</u>	<u>2,489</u>
Total emoluments	<u>3,001</u>	<u>4,886</u>

No fees or other emoluments were paid to independent non-executive directors during the year.

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8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

(a) Directors' emoluments (Cont'd)

The emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
HK\$1,000,000 or below	7	8
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	–
	<u>8</u>	<u>9</u>

(b) Employees' emoluments

The five highest paid individuals included two (2001: five) directors, details of their emoluments are set out above. The emoluments of the remaining three (2001: Nil) individuals are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	1,871	–
Contributions to retirement benefit schemes	36	–
	<u>1,907</u>	<u>–</u>

The emoluments of the employees were within the following bands:

	Number of employees	
	2002	2001
HK\$1,000,000 or below	3	–
	<u>3</u>	<u>–</u>

Notes to Financial Statements

For the year ended 31 March, 2002

9. FINANCE COSTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within one year	739	2,269
Convertible bonds	857	4,931
Other borrowings	2,970	667
Finance leases	–	206
	<u>4,566</u>	<u>8,073</u>
Finance charges	1,032	668
	<u>5,598</u>	<u>8,741</u>

10. TAXATION

	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Taxation in PRC	655	–
Deferred taxation (note 21)	1,229	–
	<u>1,884</u>	<u>–</u>

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

Taxation in PRC is calculated at the rates prevailing in the PRC. Certain subsidiaries of the Group operating in the PRC are eligible for certain tax exemptions and concessions. Accordingly, PRC income tax has been provided taking into account of these tax exemptions and concessions.

Details of deferred taxation are set out in note 21.

Notes to Financial Statements

For the year ended 31 March, 2002

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2002 HK\$'000	2001 HK\$'000
Profit attributable to shareholders and earnings for the purposes of basic earnings per share	9,215	237,427
Effect of dilutive potential ordinary shares: – interest on convertible bonds	857	4,931
Earnings for the purposes of diluted earnings per share	<u>10,072</u>	<u>242,358</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,052,996,000	592,407,000
Effect of dilutive potential ordinary shares: – convertible bonds	115,191,000	112,124,000
– options	14,183,000	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,182,370,000</u>	<u>704,531,000</u>
Earnings per share		
Basic	<u>0.88 cents</u>	<u>40.08 cents</u>
Diluted	<u>0.85 cents</u>	<u>34.40 cents</u>

Notes to Financial Statements

For the year ended 31 March, 2002

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP					
COST					
At 1 April, 2001	–	384	447	94	925
Exchange adjustments	–	5	4	–	9
Additions	–	738	3,523	382	4,643
Acquired on acquisition of a subsidiary	2,103	1,135	4,784	1,040	9,062
Disposals	–	(9)	(70)	(666)	(745)
At 31 March, 2002	<u>2,103</u>	<u>2,253</u>	<u>8,688</u>	<u>850</u>	<u>13,894</u>
DEPRECIATION					
At 1 April, 2001	–	85	69	94	248
Exchange adjustments	–	1	1	–	2
Provided for the year	83	754	1,613	100	2,550
Eliminated on disposals	–	(6)	(15)	(173)	(194)
At 31 March, 2002	<u>83</u>	<u>834</u>	<u>1,668</u>	<u>21</u>	<u>2,606</u>
NET BOOK VALUES					
At 31 March, 2002	<u>2,020</u>	<u>1,419</u>	<u>7,020</u>	<u>829</u>	<u>11,288</u>
At 31 March, 2001	<u>–</u>	<u>299</u>	<u>378</u>	<u>–</u>	<u>677</u>

The buildings are situated in the PRC and the Group is in the process of obtaining the building ownership certificate.

Notes to Financial Statements

For the year ended 31 March, 2002

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fixtures and office equipment HK\$'000
THE COMPANY	
COST	
At 1 April, 2001 and 31 March, 2002	71
DEPRECIATION	
At 1 April, 2001	20
Provided for the year	14
At 31 March, 2002	34
NET BOOK VALUES	
At 31 March, 2002	37
At 31 March, 2001	51

13. DEVELOPMENT COSTS

	The GROUP HK\$'000
COST	
Additions during the year and at 31 March, 2002	8,142

Development costs represent cost incurred for developing a broadband network system and a call centre system. Amortisation will commence when the assets are available for use.

Notes to Financial Statements

For the year ended 31 March, 2002

14. GOODWILL

	THE GROUP
	HK\$'000
COST	
At 1 April, 2001	20,484
Arising on acquisition of a subsidiary	10,035
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At 31 March, 2002	30,519
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AMORTISATION	
At 1 April, 2001	256
Charge for the year	1,861
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At 31 March, 2002	2,117
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NET BOOK VALUES	
At 31 March, 2002	28,402
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At 31 March, 2001	20,228
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The amortisation period adopted for goodwill is between 10 to 20 years.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	108,202	109,202
Less: Impairment loss	(108,192)	(109,192)
	<hr/>	<hr/>
	10	10
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Particulars of the Company's subsidiaries as at 31 March, 2002 are set out in note 38.

Notes to Financial Statements

For the year ended 31 March, 2002

16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	—	—

Details of the Group's associate at 31 March, 2002 are as follows:

Name of entity	Country of establishment	Principal place of operation	Percentage of equity interest held by the Group	Nature of business
北京合力紅帆自動化技術有限公司	PRC	PRC	25.5%	Provide technical development and consulting service

The Group has no further commitment to invest in this associate.

17. INVENTORIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials and consumables	959	—
Work in progress	33,621	—
	<u>34,580</u>	<u>—</u>

The raw materials and consumables are carried at net realisable value.

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18. TRADE AND OTHER RECEIVABLES

According to the contracts entered into with trade customers, an average of 80% of the contract revenue is normally repayable within 90 days from the date of receipt of customers' acceptance, whereas the remaining 20% trade receivables represent retentions held by customers which are normally due for settlement within one year. The following is an aged analysis of trade receivables included in trade and other receivables at the balance sheet date:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Trade receivables:		
Within 30 days	37,782	13,230
Over 30 days but within 90 days	9,871	16,285
Over 90 days	32,680	10,761
	<u>80,333</u>	<u>40,276</u>
Other receivables (note)	20,966	3,473
	<u>101,299</u>	<u>43,749</u>

Note: Included in other receivables are deposits paid to an independent third party of HK\$14,151,000 (equivalent to Rmb15,000,000) (2001: Nil) for certain proposed investments including but not limited to projects as set out in note 36 (e) and (f).

19. OTHER INVESTMENTS

	2002	2001
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong, at market value	<u>8,051</u>	<u>–</u>

Other investments represents 3,390,000 shares of Dynamic Holdings Limited ('Dynamic'). Dynamic is engaged in property investment and development business in the PRC and Hong Kong.

Notes to Financial Statements

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20. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables included in trade and other payables at the balance sheet date:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Trade payables:		
Within 90 days	20,939	–
Over 90 days but within 180 days	12,931	–
Over 180 days	–	462
	<u>33,870</u>	<u>462</u>
Other payables	43,226	34,959
	<u>77,096</u>	<u>35,421</u>

21. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Charge for the year and balance as at 31 March	<u>1,229</u>	<u>–</u>

The amount mainly represented the tax effect arising from the timing difference in revenue recognition for accounting and tax reporting purposes.

Neither the Group nor the Company had any other significant unprovided deferred taxation for the year or at the balance sheet date.

Notes to Financial Statements

For the year ended 31 March, 2002

22. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank and other borrowings comprise:				
Bank loans	14,151	457	–	457
Bank overdrafts	–	2,195	–	1,949
Other borrowings	45,949	34,002	12,770	13,117
	<u>60,100</u>	<u>36,654</u>	<u>12,770</u>	<u>15,523</u>
Analysed as:				
Secured	1,126	–	–	–
Unsecured	58,974	36,654	12,770	15,523
	<u>60,100</u>	<u>36,654</u>	<u>12,770</u>	<u>15,523</u>
Bank and other borrowings are repayable as follows:				
Bank loans and overdrafts are repayable within one year	14,151	2,652	–	2,406
Other borrowings are repayable:				
Within one year	37,239	22,688	4,287	2,096
More than one year but not exceeding two years	2,604	2,604	2,538	2,538
More than two years but not exceeding five years	6,106	7,813	5,945	7,614
After five years	–	897	–	869
	<u>45,949</u>	<u>34,002</u>	<u>12,770</u>	<u>13,117</u>
	<u>60,100</u>	<u>36,654</u>	<u>12,770</u>	<u>15,523</u>
Less: Amount repayable within one year and shown under current liabilities	51,390	25,340	4,287	4,502
Amount due after one year	<u>8,710</u>	<u>11,314</u>	<u>8,483</u>	<u>11,021</u>

Details of the assets of the Group pledged to secure bank and other borrowings are set out in note 32.

22. BANK AND OTHER BORROWINGS (CONT'D)

During the year ended 31 March, 2001, the Group had rearranged the terms of the finance lease obligations with the respective lessors and it was agreed that all the finance lease charges would be waived. Accordingly, finance lease obligations of HK\$13,449,000 and HK\$13,117,000 originally stated in the 2001 financial statements of the Group and the Company, respectively, have been reclassified as other borrowings. At 31 March, 2002, balances of other borrowings of the Group and the Company reclassified from finance lease obligations were HK\$11,314,000 and HK\$11,021,000, respectively. Excluding these finance lease obligations, other borrowings bear interest at rates ranging from 8% to 12% per annum.

23. CONVERTIBLE BONDS

Pursuant to the subscription letter dated 20 May, 1998 made between Baring Asia Flagship Investments B.V. and the Company, the convertible bonds (the 'Bonds') in the principal amount of US\$6,000,000 (equivalent to approximately HK\$46,476,000) were issued by the Company at the direction of Baring Asia Flagship Investments B.V. on 30 June, 1998 to Baring Asia Investments II B.V. The Bonds were transferred in or about July 2000 to BAPEF Investments II Limited (the "Bondholder").

The Bonds were, at the option of the Bondholder, convertible on or after 1 July, 1998 up to and including 30 June, 2001, into fully paid ordinary shares of the Company with a par value of HK\$0.10, at an initial conversion price of HK\$0.588 per share, subject to adjustment under certain events.

Unless previously redeemed, converted, purchased or cancelled, the Company is required to redeem the Bonds on the original maturity date at 133.75%. An amount of US\$2,400,000 (equivalent to approximately HK\$18,600,000) was cancelled upon repurchase by the Company during the year ended 31 March, 1999. As at 31 March, 2000 and 31 March, 2001, the outstanding balance of the Bonds was US\$3,600,000 (equivalent to approximately HK\$28,031,000).

On 7 June, 2001, the Company entered into an agreement with Able Technology Limited and the Bondholder pursuant to which the maturity date of the convertible bonds would be extended to June 2003. The conversion price has been revised to HK\$0.25 per share, subject to adjustment under certain events. The conversion time of the Bonds is fixed at 31 December, 2001, 30 June, 2002, 31 December, 2002 and 30 June, 2003 (or such other time as the Company and Bondholder may agree) to convert US\$900,000 (equivalent to approximately HK\$7,020,000) on each date. In addition, all accrued interest from 30 June, 1998 to the completion of the agreement was waived by the Bondholder in August 2001 upon issuance of 6.88 million ordinary shares of the Company to the Bondholder (note 24(g)). In accordance with the supplemental deed entered into by the Company and the Bondholder on 9 August, 2001, subject to the due performance by the Company and there being no event of default or potential event of default, the Bonds will not bear any interest. In the circumstances where there is any event of default or potential event of default, interest will be payable on the outstanding principal amount of the Bonds at 2% per annum.

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For the year ended 31 March, 2002

23. CONVERTIBLE BONDS (CONT'D)

On 28 December, 2001, approximately 30.7 million ordinary shares of the Company at a conversion price of HK\$0.2366 were issued to the Bondholder to convert the principal amount of Bonds of US\$900,000 (equivalent to approximately HK\$7,020,000) together with the administrative charges of US\$31,770 (equivalent to approximately HK\$248,000) (note 24(g)).

The movements of the convertible bonds are as follows:

	USD'000	HK\$'000 equivalent
Balance as at 1 April, 2000 and 31 March, 2001	3,600	28,031
Exchange adjustments	–	49
Conversion into ordinary shares on 28 December, 2001	<u>(900)</u>	<u>(7,020)</u>
Balance as at 31 March, 2002	<u>2,700</u>	<u>21,060</u>

As at 31 March, 2002, the outstanding convertible bonds will be converted into the ordinary shares of the Company as follows:

	USD'000	HK\$'000 equivalent
Within one year	1,800	14,040
More than one year but not exceeding two years	<u>900</u>	<u>7,020</u>
	<u>2,700</u>	<u>21,060</u>

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For the year ended 31 March, 2002

24. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April, 2000	1,000,000	100,000
Increase on 24 November, 2000 (note a)	500,000	50,000
At 1 April, 2001	1,500,000	150,000
Increase on 12 July, 2001 (note b)	1,500,000	150,000
At 31 March, 2002	<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 April, 2000	438,900	43,890
Issued in consideration for the acquisition of Holy (Hong Kong) Universal Limited (note c)	60,000	6,000
Issued on private placements (note d)	190,000	19,000
Conversion of debts (note e)	202,608	20,261
At 1 April, 2001	891,508	89,151
Issued on private placements (note f)	240,000	24,000
Conversion of debts (note g)	39,625	3,962
Shares repurchased and cancelled (note h)	(22,750)	(2,275)
At 31 March, 2002	<u>1,148,383</u>	<u>114,838</u>

Notes:

- (a) On 24 November, 2000, the authorised share capital of the Company was increased from 1,000,000,000 to 1,500,000,000 ordinary shares of HK\$0.10 each by the creation of an additional 500,000,000 ordinary shares of HK\$0.10 each.
- (b) On 12 July, 2001, the authorised share capital of the Company was increased from 1,500,000,000 to 3,000,000,000 ordinary shares of HK\$0.10 each by the creation of an additional 1,500,000,000 ordinary shares of HK\$0.10 each.
- (c) On 8 January, 2001, pursuant to a shareholders' resolution, the Company allotted 60,000,000 new ordinary shares as consideration of the acquisition of Holy (Hong Kong) Universal Limited ('Holy (HK)'), which was HK\$24,000,000.

Notes to Financial Statements

For the year ended 31 March, 2002

24. SHARE CAPITAL (CONT'D)

- (d) During the year ended 31 March, 2001, the Company allotted new ordinary shares through private placements and details are as follows:

Issue date	Number of issued ordinary shares	Issue price HK\$
17 July, 2000	80,000,000	0.35
14 August, 2000 (note)	50,000,000	0.35
2 March, 2001	60,000,000	0.30
	<u>190,000,000</u>	

Note: The allotment of these shares was made to Able Technology Limited, a substantial shareholder of the Company, and not in proportion to other shareholders of the Company. Such allotment had not been specifically authorised by the shareholders. These shares were allotted pursuant to a general mandate granted by the shareholders at the annual general meeting of the Company held on 31 May, 2000.

- (e) During the year ended 31 March, 2001, the Company converted certain of its debts into subscription shares and details are as follows:

Date of conversion	Number of ordinary shares	Issue price HK\$
20 December, 2000	69,106,376	1.00
2 January, 2001	19,797,041	1.00
9 January, 2001 (note)	2,925,171	1.00
17 January, 2001 (note)	41,651,428	approximately 0.35
19 January, 2001 (note)	69,128,171	approximately 0.35
	<u>202,608,187</u>	

Note: These shares were allotted pursuant to a general mandate granted by the shareholders at the special general meeting of the Company held on 3 November, 2000.

- (f) During the current year, arrangements were made for private placements and details are as follows:

Issue date	Number of ordinary shares	Issue price HK\$
5 June, 2001 (note (i))	160,000,000	0.18
19 December, 2001 (note (ii))	80,000,000	0.45
	<u>240,000,000</u>	

Notes to Financial Statements

For the year ended 31 March, 2002

24. SHARE CAPITAL (CONT'D)

Notes:

- (i) During the year, the Company entered into two private placements with two independent third parties. The proceeds were used to finance the acquisition by the Group of 51% interest in Beijing HollyBridge and provide additional working capital for the Group. These new shares were allotted pursuant to a general mandate granted by the shareholders at the annual general meeting of the Company held on 22 January, 2001.
- (ii) The allotment of these shares was made to Able Technology Limited, a substantial shareholder of the Company, and not in proportion to other shareholders of the Company. Such allotment has not been specifically authorised by the shareholders. The proceeds were used to provide additional working capital for the Group. These new shares were allotted pursuant to a general mandate granted by the shareholders at the annual general meeting of the Company held on 21 September, 2001.
- (g) During the current year, the Company converted certain of its debts into subscription shares and details are follows:

Date of conversion	Number of ordinary shares	Issue price HK\$
11 June, 2001 (note)	1,600,000	approximately 0.305
29 June, 2001 (note)	427,000	approximately 1.000
22 August, 2001 (note 23)	6,880,000	approximately 2.110
28 December, 2001 (note 23)	30,717,692	0.2366
	<u>39,624,692</u>	

Note: During the current year, the Company entered into two debt-equity conversion agreements with its other creditors, resulting in an issue of 1,600,000 and 427,000 ordinary shares of HK\$0.10 each at issue prices of approximately HK\$0.305 and approximately HK\$1.00 each respectively.

These new shares were allotted pursuant to a general mandate granted by the shareholders at the annual general meeting of the Company held on 22 January, 2001.

All the issued shares rank pari passu with other existing shares in issue in all respects.

- (h) During the year, a subsidiary of the Company repurchased certain shares of the Company through the Stock Exchange and these shares were cancelled as follows:

Month/year	No. of shares repurchased	Price per share		Aggregate price paid
		Lowest HK\$	Highest HK\$	(before expenses) HK\$'000
December 2001	19,750,000	0.405	0.450	8,362
January 2002	3,000,000	0.435	0.435	1,305
	<u>22,750,000</u>			<u>9,667</u>

An amount of approximately HK\$36,000, representing the brokerage expenses on the aforesaid repurchase, was charged against share premium account.

Notes to Financial Statements

For the year ended 31 March, 2002

25. SHARE OPTION SCHEME

Details of the share option scheme (the 'Scheme') of the Company are set out in the Directors' Report of the annual report under the section headed "SHARE OPTION SCHEME".

At balance sheet date, a total of 96,584,000 (2001: nil) share options granted in August 2001 remained outstanding. These share options entitle the holders thereof to subscribe for shares of HK\$0.10 each in the Company at a subscription price of HK\$0.3672 and HK\$0.3520 per share for option granted on 3 August, 2001 and 29 August, 2001 respectively during the exercisable period at any time for ten years commencing on the date the options are granted.

26. RESERVES

	Share premium HK\$'000	Property, plant and machinery revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP					
At 1 April, 2000	115,918	7,741	–	(668,464)	(544,805)
Premium on issue of shares	172,841	–	–	–	172,841
Share issue expenses	(603)	–	–	–	(603)
Disposal of subsidiaries	–	(3,376)	–	–	(3,376)
Write-off of plant and machinery	–	(3,244)	–	–	(3,244)
Revaluation decrease	–	(1,121)	–	–	(1,121)
Profit for the year	–	–	–	237,427	237,427
At 1 April, 2001	288,156	–	–	(431,037)	(142,881)
Exchange differences arising from translation of financial statements of operations in the PRC	–	–	27	–	27
Premium on issue of shares	59,531	–	–	–	59,531
Share issue expenses	(1,030)	–	–	–	(1,030)
Premium on repurchase of shares	(7,428)	–	–	–	(7,428)
Profit for the year	–	–	–	9,215	9,215
At 31 March, 2002	<u>339,229</u>	<u>–</u>	<u>27</u>	<u>(421,822)</u>	<u>(82,566)</u>

Notes to Financial Statements

For the year ended 31 March, 2002

26. RESERVES (CONT'D)

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY				
At 1 April, 2000	115,918	107,992	(435,077)	(211,167)
Premium on issue of shares	172,841	–	–	172,841
Share issue expenses	(603)	–	–	(603)
Loss for the year	–	–	(128,992)	(128,992)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 1 April, 2001	288,156	107,992	(564,069)	(167,921)
Premium on issue of shares	59,531	–	–	59,531
Share issue expenses	(1,030)	–	–	(1,030)
Premium on repurchase of shares	(7,428)	–	–	(7,428)
Loss for the year	–	–	(40,841)	(40,841)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March, 2002	<u>339,229</u>	<u>107,992</u>	<u>(604,910)</u>	<u>(157,689)</u>

The contributed surplus of the Company represents the difference between the fair value of the consolidated net assets of Chun Tai (BVI) Limited acquired and the nominal value of the Company's shares issued in exchange therefore. Under the Bermuda Companies Act, the contributed surplus less accumulated losses is distributable to the shareholders of the Company, which the Company does not currently meet.

The Company did not have any reserve available for distribution to shareholders for both years.

Notes to Financial Statements

For the year ended 31 March, 2002

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002	2001
	HK\$'000	HK\$'000
Profit before taxation	17,748	237,427
Interest income	(246)	(126)
Interest expense	4,566	8,741
Depreciation	2,550	8,954
Amortisation of goodwill	1,861	256
Gain on disposal of other investments	(231)	–
Unrealised gain on other investments	(433)	–
Loss on disposal of property, plant and equipment	103	495
Gain on disposal of subsidiaries	–	(149,060)
Write-back of provision for guarantee	–	(5,905)
Write-off of obsolete property, plant and equipment	–	43
Gain on waiver of bank and other borrowings	–	(101,442)
Gain on waiver of obligations under finance leases	–	(13,356)
Loss on write-off of net assets of a subsidiary	–	386
Increase in trade and other receivables	(15,690)	(8,600)
(Increase) decrease in inventories	(2,801)	212
Increase in amount due from an associate	(932)	–
Increase (decrease) in trade and other payables	6,028	(83,344)
Decrease in amount due to a related company	(20,390)	(5,246)
	<u>(7,867)</u>	<u>(110,565)</u>
Net cash outflow from operating activities	<u><u>(7,867)</u></u>	<u><u>(110,565)</u></u>

Notes to Financial Statements

For the year ended 31 March, 2002

28. ACQUISITION OF A SUBSIDIARY

During the year ended 31 March, 2002, the Group acquired 51% of the registered capital of Beijing HollyBridge for a cash consideration of HK\$16,000,000. This acquisition has been accounted for by the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was HK\$10,035,000.

During the year ended 31 March, 2001, the Group acquired the entire share capital of Holy (HK) for a consideration of HK\$24,000,000 by the allotment of 60,000,000 ordinary shares of HK\$0.10 each at HK\$0.40 each.

	2002 HK\$'000	2001 HK\$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	9,062	–
Interest in an associate	–	–
Inventories	31,779	–
Trade and other receivables	27,662	24,591
Bank balances and cash	6,830	5,568
Trade and other payables	(51,342)	(1,007)
Taxation payable	(975)	–
Bank and other borrowings (note 31)	(11,321)	–
Amounts due to related companies	–	(25,636)
Minority interest	(5,730)	–
	<u>5,965</u>	<u>3,516</u>
Goodwill	<u>10,035</u>	<u>20,484</u>
	<u><u>16,000</u></u>	<u><u>24,000</u></u>
SATISFIED BY:		
Shares allotted	–	24,000
Cash	<u>16,000</u>	–
	<u><u>16,000</u></u>	<u><u>24,000</u></u>
Net cash (outflow) inflow arising on acquisition:		
	2002 HK\$'000	2001 HK\$'000
Cash consideration	(16,000)	–
Bank balances and cash acquired	<u>6,830</u>	<u>5,568</u>
	<u><u>(9,170)</u></u>	<u><u>5,568</u></u>

Notes to Financial Statements

For the year ended 31 March, 2002

28. ACQUISITION OF A SUBSIDIARY (CONT'D)

The subsidiary acquired during the current year contributed HK\$15,313,000 (2001: HK\$20,288,000) to the Group's net operating cash flows, paid HK\$2,387,000 (2001: HK\$315,000) in respect of the net returns on investments and servicing of finance, paid HK\$499,000 (2001: Nil) in respect of taxation, utilised HK\$8,581,000 (2001: Nil) for investing activities and raised HK\$23,683,000 (2001: Nil) in respect of financing operations.

The subsidiary acquired during the year contributed HK\$220,775,000 (2001: HK\$30,375,000) to the Group's turnover, and HK\$6,921,000 (2001: HK\$5,501,000) to the Group's profit from operations.

29. DISPOSAL OF SUBSIDIARIES

On 25 September, 2000, Chun Tai Industries Limited ('CTI'), a former wholly owned subsidiary of the Group, was wound up under a court order. The disposal of CTI and its subsidiaries contributed HK\$149,060,000 to gain on disposal of subsidiaries.

	2001 HK\$'000
NET LIABILITIES DISPOSED OF	
Property, plant and equipment	102,631
Inventories	5,166
Trade and other receivables	1,399
Bank balances and cash	701
Trade and other payables	(203,593)
Amounts due to group companies	(38,468)
Obligations under finance leases	(813)
Taxation payable	(207)
Bank and other borrowings	(12,500)
	<u>(145,684)</u>
Revaluation reserve released	(3,376)
Gain on disposal	149,060
	<u>149,060</u>
Total consideration	<u>149,060</u>
Satisfied by:	
Cash	<u>149,060</u>
Net cash outflow arising on disposal:	
Cash consideration	-
Bank balances and cash disposed of	(701)
	<u>(701)</u>

Notes to Financial Statements

For the year ended 31 March, 2002

30. NON-CASH TRANSACTIONS

During the current year, the Company entered into several debt-equity conversion agreements with its financial and other creditors. Accordingly, other payables and interest payable for the Bonds of approximately HK\$915,000 and HK\$14,510,000 were settled by the allotment of the Company's ordinary shares (note 24(g)).

In addition, convertible bonds of HK\$7,020,000 is converted into shares of the Company during the current year (note 23).

31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Minority interest HK\$'000	Share capital and premium HK\$'000	Bank and other borrowings HK\$'000
At 1 April, 2000	–	159,808	153,581
Issue of shares	–	63,500	–
Share issue expense	–	(603)	–
Disposal of subsidiaries	–	–	(13,313)
Conversion of debts	–	130,602	(130,602)
Acquisition of a subsidiary (note 28)	–	24,000	–
Waiver of bank and other borrowings (note a)	–	–	(101,442)
Waiver of obligations under finance leases (note b)	–	–	(13,356)
New borrowings raised	–	–	132,806
Repayments during the year	–	–	(13,768)
	<hr/>	<hr/>	<hr/>
At 1 April, 2001	–	377,307	13,906
Issue of shares	–	64,800	–
Share issue expenses	–	(1,030)	–
Repurchase of shares (note 24(h))	–	(9,703)	–
Conversion of debts	–	22,693	–
Acquisition of a subsidiary (note 28)	–	–	11,321
New borrowings raised	–	–	45,328
Repayments during the year	–	–	(21,362)
Share of pre-acquisition reserve by minority interest	5,730	–	–
Share of profits of subsidiary by minority interest	6,649	–	–
	<hr/>	<hr/>	<hr/>
At 31 March, 2002	12,379	454,067	49,193

Notes to Financial Statements

For the year ended 31 March, 2002

31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR (CONT'D)

Notes:

- (a) On 14 June, 2000, the Company made an offer to 16 financial creditors concerning the restructuring of certain outstanding indebtedness owed by the Group to these financial creditors. Pursuant to the offer, the outstanding indebtedness owed by the Group to 9 of the 16 financial creditors was fully settled by paying 20% thereof. These agreements reduced the debts of the Group by a total HK\$101,442,000.
- (b) During the year ended 31 March, 2001, the Group entered into agreements with three of its finance lessors. Pursuant to these arrangements, these financial lessors agreed to accept payments of 20% of the outstanding indebtedness owed by the Group as a final settlement of the debts. These agreements reduced the bank and other borrowings of the Group by HK\$13,356,000.

32. PLEDGE OF ASSETS

As at 31 March, 2002, bank deposits of HK\$4,446,000 (2001: Nil) were pledged to a bank to secure banking facilities granted to the Group.

In addition, other investments of HK\$5,035,000 (2001: Nil) were pledged to secure other borrowings of the Group.

33. OPERATING LEASE ARRANGEMENTS

As lessee

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases during the year	<u>3,164</u>	<u>921</u>

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	4,976	1,094
In the second to fifth year inclusive	<u>4,811</u>	<u>146</u>
	<u>9,787</u>	<u>1,240</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Rentals are negotiated and fixed for an average lease term of 2 years. No arrangement has been entered into for contingent rental payments.

Notes to Financial Statements

For the year ended 31 March, 2002

33. OPERATING LEASE ARRANGEMENTS (CONT'D)

As lessor

Property rental income earned during the year was HK\$245,000 (2001: HK\$125,000). The Group's buildings with a net book value of HK\$2,020,000 was temporarily leased out and have committed tenants for the next year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments of HK\$192,000 which fall due within one year.

At 31 March, 2002, the Company had no commitments under non-cancellable operating leases (2001: Nil).

34. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantee given to a bank in respect of bills of exchange discounted with recourse	13,756	–	13,756	–
Guarantee given in respect of other loans granted to a former subsidiary	36,184	35,514	36,184	35,514
Guarantee given in respect of other loans granted to a subsidiary	–	–	20,853	–
Guarantee given to a bank in respect of warranty bonds issued to a customer	543	–	–	–
	<u>50,483</u>	<u>35,514</u>	<u>70,793</u>	<u>35,514</u>

35. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ('MPF Scheme') for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

During the year the total amount contributed by the Group to the MPF Scheme amounted to approximately HK\$126,000 (2001: HK\$30,000).

The Group is also required to make contributions to state pension schemes in the PRC based on a certain percentage of the monthly salaries of the employees of its PRC subsidiaries. The Group has no other obligation under the state pension schemes in the PRC other than the contribution payment.

The Group has provided approximately HK\$319,000 (2001: Nil) for the year to cover the contributions payable to the state pension schemes.

36. POST BALANCE SHEET EVENTS

- (a) On 2 April, 2002, Telecom Plus Investment Limited entered into three acquisition agreements to acquire 15,046,000 ordinary shares of Dynamic, representing approximately 6.87% interest of the entire issued capital of Dynamic at a consideration of HK\$40,624,200, which shall be satisfied by the issue of 90,276,000 ordinary shares of the Company. These new shares were allotted pursuant to a specific mandate granted by the shareholders at a special general meeting of the Company held on 19 June, 2002. Together with the Group's equity interests in Dynamic as at 2 April, 2002, the Group would hold 8.42% in aggregate of the entire issued capital of Dynamic upon completion of this acquisition. The transaction was completed on 24 June, 2002.
- (b) On 21 April, 2002, Telecom Plus Technology Limited signed a memorandum to increase the registered capital of Allnet Company Limited (formerly known as Telecom Plus Technology (Shenzhen) Limited) from HK\$2,000,000 to HK\$20,000,000 by increasing HK\$18,000,000 of the registered capital. HK\$2,700,000 and HK\$15,300,000 will be paid within 3 months and within 2 years from 8 May, 2002, the date of approval of the new registered capital, respectively.
- (c) On 22 April, 2002, Telecom Plus Technology Holdings Limited has entered into a conditional sale and purchase agreement with shareholders of Glory Choice Investments Limited ('Glory Choice') to acquire the entire issued capital of Glory Choice at a consideration of HK\$44 million which would be satisfied by the issue of 80 million ordinary shares of the Company and a cash payment of HK\$8 million. This acquisition was approved by the shareholders at a special general meeting of the Company held on 19 June, 2002 and new shares would be allotted pursuant to a specific mandate granted by the shareholders. The transaction has not yet been completed as of 26 July, 2002.
- (d) On 4 July, 2002, approximately 32.5 million ordinary shares of the Company were issued at a conversion price of HK\$0.2236 to the Bondholder to convert the principal amount of Bonds of US\$900,000 (equivalent to approximately HK\$7,020,000) together with the administrative charges of US\$31,770 (equivalent to HK\$248,000).
- (e) On 22 July, 2002, the Group entered into a letter of intent with Shenzhen Xili Lake Holiday Resort in respect of the proposed investment on further development of Xili Lake Holiday Resort in Shenzhen, the PRC.
- (f) On 22 July, 2002, the Group entered into a letter of intent with Poly Southern Group Company Limited in respect of the proposed investment on development of hotel, movie theatre and commercial complex in Shenzhen, the PRC.

37. RELATED PARTY DISCLOSURES

The Group entered into the following significant transactions with related parties:

- (a) On 12 February, 2001, Holy (HK) entered into an acquisition agreement with the shareholders (the 'Vendors') of Beijing HollyBridge to acquire a 51% interest in Beijing HollyBridge at a consideration of HK\$16 million. On 2 April, 2001 and 14 May, 2001 respectively, Holy (HK) and the Vendors entered into two supplementary agreements. Mr. Ma Hongyao and Mr. Chen Jian, being executive directors of the Company, and Mr. Ma Zhixuan, the son of Mr. Ma Hongyao (therefore an associate of Mr. Ma Hongyao), were three of the Vendors. The transaction was completed on 12 June, 2001.
- (b) On 20 April, 2001, Able Technology Limited, a substantial shareholder, entered into a conditional agreement with the Company that if the proposed placing of shares of the Company to potential independent investors for a total consideration nearest to but not less than HK\$20 million at a minimum price of HK\$0.155 per share was not completed before the holding of the special general meeting convened for approving the acquisition by the Group of 51% interest in Beijing HollyBridge, Able Technology Limited would subscribe for 130,000,000 new shares at HK\$0.155 per share for a total consideration of HK\$20,150,000 before the completion of the acquisition of Beijing HollyBridge. The purpose of the proposed subscription was to raise funds for the said acquisition. On 30 May, 2001, the Company entered into two subscription agreements with 2 independent placees respectively, pursuant to which an aggregate of 160,000,000 new shares were issued and allotted by the Company to the placees for an aggregate consideration of HK\$28.8 million at HK\$0.18 per share. As such, the proposed subscription by Able Technology Limited mentioned above did not proceed.
- (c) As stated in note 23, the Bondholder, Able Technology Limited and the Company entered into an agreement (the 'Agreement') on 7 June, 2001 in relation to the restructuring of the convertible bonds of the Company with outstanding principal amount of US\$3,600,000 held by the Bondholder. As a part and parcel of the restructuring of the convertible bonds, Able Technology Limited and the Bondholder agreed to enter into a share purchase agreement (the "Share Purchase Agreement") upon completion of the Agreement, pursuant to which Able Technology Limited would agree to purchase from the Bondholder up to approximately 113.2 million shares of the Company at HK\$0.25 each, subject to adjustment, pursuant to the Share Purchase Agreement.
- (d) On 5 December, 2001, Able Technology Limited entered into a placing agreement with ICEA Capital Limited ('ICEA'), pursuant to which ICEA agreed to place 80,000,000 existing shares held by Able Technology Limited at HK\$0.45 per share. On the same date, Able Technology Limited entered into a subscription agreement with the Company pursuant to which Able Technology Limited agreed to subscribe for 80,000,000 new shares at HK\$0.45 per share. The subscription was completed on 19 December, 2001.
- (e) The Group's deposits paid to an independent third party of HK\$14,151,000 (equivalent to Rmb15,000,000) are guaranteed by Able Technology Limited.
- (f) Mr. Chen Jian pledged 48,000,000 shares of the Company to secure other borrowings of the Group.

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37. RELATED PARTY DISCLOSURES (CONT'D)

The above transactions were carried out in accordance with terms determined and agreed by both parties.

The amount due to a related company at 31 March, 2001 represented the balance due to Beijing HollyBridge. The balance was unsecured, non-interest bearing and repayable on demand. Beijing HollyBridge is now a subsidiary of the Company after completion of the acquisition during 2002 (note 28).

38. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March, 2002 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued share/ paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Allnet Company Limited (formerly known as Telecom Plus Technology (Shenzhen) Company Limited) (Note)	The PRC	HK\$2,000,000	–	100%	Development and trading of communication and electronic products
Beijing HollyBridge System Integration Company Limited (Note)	The PRC	RMB20,000,000	–	51%	Provide solutions, software and service
Chun Tai (BVI) Limited	The British Virgin Islands	US\$100	100%	–	Investment holding
Chun Tai Novelty Company Limited	Hong Kong	HK\$10,000	–	100%	Inactive
Chun Tai Printing Limited	Hong Kong	HK\$10,000	–	90%	Investment holding
Full Hope Enterprises Limited	Hong Kong	HK\$10,000	100%	–	Investment holding
Holy (Hong Kong) Universal Limited	Hong Kong	HK\$300,000	–	100%	Trading of communication products
Telecom Plus Education Limited	Hong Kong	HK\$2	100%	–	Inactive
Telecom Plus Investment Limited	Hong Kong	HK\$2	100%	–	Investment holding

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38. SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation/ establishment and operations	Issued share/ paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Plus Investment & Management Consulting Company Limited <i>(Note)</i>	The PRC	HK\$1,500,200	–	100%	Inactive
Telecom Plus Technology Holdings Limited	Hong Kong	HK\$2	100%	–	Investment holding
Telecom Plus Technology Limited	Hong Kong	HK\$1,000,000	–	100%	Investment holding
Up Hill Investments Limited	The British Virgin Islands	US\$1	100%	–	Inactive
Zhongshan Modern Colour Printing and Packaging Products Factory Company Limited <i>(Note)</i>	The PRC	HK\$11,000,000	–	90%	Inactive

None of the subsidiaries had any debt securities in issue at the end of the year.

Note: The English name is directly translated from the Chinese name shown in the business license.