1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. In so doing, the Group has opted to adopt SSAP 14 (revised) "Leases", which is mandatory for accounting periods beginning on or after 1 July 2000, instead of SSAP 14 "Accounting for leases and hire purchase contracts" issued in 1987. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost, modified by the revaluation of investment properties and the marking to market of investments in securities as explained in the accounting policies set out below.

(c) Basis of consolidation

(i) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December each year, except the subsidiaries holding the businesses of manufacturing and trading of toys and accessories and property development (the "toys and property subsidiaries") whose accounts were consolidated up to 3 May 2000, thereafter the Company's control over the assets and operations of the toys and property subsidiaries became significantly restricted for the foreseeable future. The effect of such deconsolidation is further explained in note 13(c) on the accounts.

The results of other subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate.

All material intercompany transactions and balances are eliminated on consolidation.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

(ii) Goodwill represents the excess of the cost of investments in subsidiaries over the fair value of the Group's share of the separable net assets acquired. Goodwill arising on the acquisition of subsidiaries, except the toys and property subsidiaries, is amortised on a straight-line basis to the profit and loss account over its estimated useful life of not more than three years. Goodwill arising on the acquisition of the toys and property subsidiaries is taken directly to reserves. The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost is credited to capital reserve.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(d) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

The definition, however, does not apply to the toys and property subsidiaries after 3 May 2000. Despite the fact that the Company owns more than half of the issued share capital in the toys and property subsidiaries directly or indirectly at 31 December 2000, the Company's control over the toys and property subsidiaries has been significantly restricted for the foreseeable future.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year. Goodwill arising on the acquisition of an associate except an associate held by the toys and property subsidiaries, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight-line basis to the consolidated profit and loss account over its estimated useful economic life of not more than three years. Goodwill arising on the acquisition of an associate held by the toys and property subsidiaries is taken directly to reserves. The excess of the Group's share of the fair value of the separable net assets acquired over the cost of the investment is credited directly to reserves.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

On disposal of an associate during the year, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates (Continued)

The results of the associates are included in the Company's profit and loss account to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the Company and the Company's right to receive the dividend is established before the accounts of the Company are approved by the directors. In the Company's balance sheet, its investments in associates are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each associate individually. Any such provisions are recognised as an expense in the profit and loss account.

(f) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

(i) Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(ii) Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.

(iii) Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) Profits or losses on disposal of investments in securities are accounted for in the profit and loss account as they arise. In the case of non-trading securities, the profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

— investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and

— land and buildings held for own use and other fixed assets are stated in the balance sheet at cost less accumulated depreciation.

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the profit and loss account.

(iii) The carrying amount of fixed assets (other than investment properties with an unexpired lease term of more than 20 years) is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets (Continued)

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

(iv) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

(h) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Amortisation and depreciation (Continued)

(ii) Depreciation is calculated to write off the cost of other fixed assets on a straight-line basis over their estimated useful lives as follows:

Leasehold land in Hong Kong	50 years
Leasehold land and buildings outside Hong Kong	10 to 50 years
Leasehold improvements	3 to 10 years or over the term of the relevant lease, whichever is shorter
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	5 years

(i) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) *Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

(iii) *Sale of properties*

When a development property is sold in advance of completion and the outcome of the development project can be assessed with reasonable certainty, revenue is recognised over the course of the development and is computed each year as a proportion of the total estimated profit to completion, the apportionment is calculated by reference to the proportion of construction costs incurred up to the accounting date to total estimated construction costs to completion. This proportion is also applied to the estimated total profits of the project after taking into account further costs to completion and due allowance for contingencies. Profit is only recognised when it is reasonably certain.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion are forfeited. The excess or deficiency between the sales deposits forfeited and the profits recognised up to the date of forfeiture is credited or charged to the income statement.

(iv) *Service income*

Service income is recognised when the relevant services are rendered.

(v) *Dividends*

— Dividend income from unlisted investments other than associates is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) *Interest income*

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Inventories

(i) *Toys manufacturing*

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) *Property development*

Properties held for sale are stated at the lower of cost and the estimated net realisable value. In the case of properties developed by the group, cost is determined by apportionment of the total development costs for that development project, including borrowing costs capitalised, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(k) Treasury shares

Treasury shares represent the Company's equity shares held by the Company itself, by its consolidated subsidiaries or by its associates. The acquisition costs of treasury shares are shown as a one-line adjustment of equity in the consolidated balance sheet.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results of overseas branches and subsidiaries are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(n) Operating lease charges

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Retirement costs

Payments to defined contribution plans are charged to the profit and loss account as an expense as they fall due.

(p) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(q) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2. TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in notes 14 and 35 on the accounts.

2. TURNOVER (Continued)

Turnover represents the sales value of goods supplied to customers, the proceeds received and receivable from the sales of properties, rental income and service income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2000 $'000	1999 $'000
Sales of toys and accessories	**321,239**	1,205,271
Gross rentals from investment properties	**9,327**	23,455
Sales of properties and property based investments	**—**	487
Service income	**79**	—
	330,645	1,229,213

3. SEGMENTAL INFORMATION

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries for the year ended 31 December 2000 are as follows:

	Business-to-business e-commerce activities $'000	Manufacturing and trading of toys and accessories and property development $'000	Other income and corporate expenses $'000	Results for the year ended 31 December 2000 $'000
Turnover	79	330,566	—	330,645
Cost of sales	(203)	(297,092)	—	(297,295)
	(124)	33,474	—	33,350
Other revenue	—	650	68,099	68,749
Other net (loss)/income	—	(879)	8,019	7,140
Operating expenses	(8,772)	(52,874)	(70,832)	(132,478)
Share of profits less losses of associates	(7,852)	645	—	(7,207)
(Loss)/profit from operations	(16,748)	(18,984)	5,286	(30,446)

For the year ended 31 December 1999, manufacturing and trading of toys and accessories and property development were the principal activities of the Group. The business-to-business e-commerce activities had not started in 1999.

3. SEGMENTAL INFORMATION (Continued)

	2000		1999	
	Turnover	Contribution to (loss)/profit from operations	Turnover	Contribution to profit from operations
	$'000	$'000	$'000	$'000
Geographical locations of operations				
United States	**187,911**	**(14,439)**	709,343	6,139
Europe	**36,706**	**(2,545)**	175,313	5,990
Asia	**76,866**	**(17,524)**	262,690	14,578
Others	**29,162**	**(1,224)**	81,867	2,744
	330,645	**(35,732)**	1,229,213	29,451
Other income and corporate expenses		**5,286**		44,405
		(30,446)		73,856

4. INCOME

	2000 $'000	1999 $'000
Other revenue		
Interest income	**66,714**	30,815
Dividend income from listed securities	**42**	155
Sales of scrap material	—	1,174
Others	**1,993**	3,825
	68,749	35,969
Other net income		
Net realised and unrealised gains on trading securities	**10,234**	5,700
Realised gains on disposal of non-trading securities	—	7,735
(Loss)/gain on sale of fixed assets	**(282)**	101
Exchange (loss)/gain	**(2,812)**	3,764
	7,140	17,300

5. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2000 $'000	1999 $'000
(a) Finance costs:		
Interest on bank advances and overdrafts repayable within five years	**322**	2,263
(b) Other items:		
Cost of inventories	**297,295**	1,047,138
Staff costs (including retirement costs of $1,681,000 (1999: $4,352,000))	**104,989**	182,521
Amortisation of goodwill and intangible assets	**9,536**	—
Auditors' remuneration	**1,657**	1,515
Depreciation	**17,933**	44,327
Operating lease charges in respect of properties	**16,220**	24,681
Rentals receivable from investment properties less outgoings of $1,960,000 (1999: $2,925,000)	**(7,367)**	(20,530)

6. TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	2000 $'000	1999 $'000
Provision for Hong Kong Profits Tax for the year	**326**	3,047
Overprovision in respect of prior years	**(10,892)**	(485)
	(10,566)	2,562
Overseas taxation	**—**	476
Deferred taxation *(note 27(a))*	**—**	315
	(10,566)	3,353
Share of associates' taxation	**184**	653
	(10,382)	4,006

The provision for Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year ended 31 December 2000. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

The unprovided deferred taxation for the year amounts to:

	2000 $'000	1999 $'000
Unutilised tax losses	**(12,475)**	(5,024)
Depreciation allowances in excess of related depreciation	**2,003**	(645)
Others	**—**	605
	(10,472)	(5,064)

6. TAXATION (Continued)

(b) Taxation in the consolidated balance sheet represents:

	2000 $'000	1999 $'000
Provision for Hong Kong Profits Tax for the year	326	3,047
Provisional Profits Tax paid	(227)	(3,751)
	99	(704)
Balance of Profits Tax provision relating to prior years	19,503	29,562
Overseas taxation	—	476
Acquisition of a subsidiary	343	—
Deconsolidation of the toys and property subsidiaries	(19,602)	—
	343	29,334
Amount of taxation payable expected to be settled after more than 1 year	—	28,589

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2000 $'000	1999 $'000
Fees	228	228
Salaries and other emoluments	5,109	9,167
Performance related incentive payments	460	4,373
Retirement scheme contributions	138	393
	5,935	14,161

7. DIRECTORS' REMUNERATION (Continued)

Included in the directors' remuneration were fees of $114,000 (1999: $114,000) paid to the independent non-executive directors during the year.

The remuneration of the directors is within the following bands:

	2000 Number of directors	1999 Number of directors
$Nil – $1,000,000	**10**	6
$2,500,001 – $3,000,000	**1**	2
$3,500,001 – $4,000,000	—	1
$4,000,001 – $4,500,000	—	1

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (1999: four) is a director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (1999: one) individuals are as follows:

	2000 $'000	1999 $'000
Salaries and other emoluments	**9,256**	1,050
Performance related incentive payments	**7,004**	1,108
Retirement scheme contributions	—	45
	16,260	2,203

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the four (1999: one) individuals with the highest emoluments are within the following bands:

	2000 Number of individuals	1999 Number of individuals
$2,000,001 – $2,500,000	—	1
$3,000,001 – $3,500,000	**2**	—
$4,000,001 – $4,500,000	**1**	—
$5,000,001 – $5,500,000	**1**	—

9. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of $434,442,000 (1999: profit of $12,031,000) which has been dealt with in the accounts of the company.

10. DIVIDENDS

	2000 $'000	1999 $'000
Interim dividend paid of $Nil cents per share (1999: $0.50 cents per share)	—	8,639

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to shareholders of $1,037,160,000 (1999: profit of $63,863,000) and the weighted average of 4,246,536,000 ordinary shares (1999: 1,728,266,000) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share figures for 2000 and 1999 have been presented as the exercise of the Company's outstanding share warrants and options would be anti-dilutive.

12. CHANGE IN ACCOUNTING POLICY

After acquisition by the ultimate holding company on 4 May 2000 and handover by the previous management, the Group's principal activities changed from the manufacturing and trading of toys and accessories and property development to Asian-based business-to-business e-commerce activities. Subsequent to this acquisition, the Group adopted a new accounting policy for investment in securities.

In prior years, securities were classified as investment securities and other investments. Investment securities, which were securities held for long-term strategic purposes, were stated at cost less any provisions for diminution in value. Other investments were stated in the balance sheet at fair value. Changes in fair value were recognised in the profit and loss account as they arose.

With effect from 4 May 2000, the Group adopted the alternative treatment under SSAP 24, classifying securities into trading and non-trading securities. Trading securities are stated at fair value with changes in fair value recognised in the profit and loss account as they arise. Non-trading securities are stated at fair value with changes in fair value recognised in a revaluation reserve until disposal, unless a deficit represents an impairment at which time it should be recognised in the profit and loss account. The new accounting policy has been adopted retrospectively with the comparative information adjusted for the amounts relating to prior periods. There are no effects on the opening balances of reserves and net assets of the Group as a result of this change.

13. INTEREST IN THE TOYS AND PROPERTY SUBSIDIARIES

	The Group		The Company	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Unlisted shares *(note (b))*	**—**	—	**659,090**	86,534
Share of net assets other than goodwill *(note (c))*	**1,292,666**	—	**—**	—
Elimination of reserves	**(49,105)**	—	**—**	—
	1,243,561	—	**659,090**	86,534
Less: Provision *(note (c))*	**(1,018,148)**	—	**(433,677)**	—
	225,413	—	**225,413**	86,534

13. INTEREST IN THE TOYS AND PROPERTY SUBSIDIARIES (Continued)

(a) The particulars of the toys and property subsidiaries as at 31 December 2000 are set out in note 35.

(b) The carrying value of the unlisted shares of the toys and property subsidiaries included the following:

(i) the book values of their underlying net assets attributable to the Group as at the date on which the Company became their holding company under the Group reorganisation in 1991.

(ii) Amounts totalling $572,556,000 due from the toys and property subsidiaries as at 4 May 2000, waived by the Company and capitalised as part of carrying value of the unlisted shares of the toys and property subsidiaries.

(c) The Company has determined to hold the toys and property subsidiaries for disposal. In view of this determination and substantial long-term restrictions on the Company's control over the toys and property subsidiaries which were imposed under a management services agreement entered into with the former substantial shareholders (note 32(b)), the Company has not included the toys and property subsidiaries in its consolidated results since 4 May 2000, the date the restrictions came into force. A provision of $1,018,148,000 was made by the Group to reflect the value of the toys and property subsidiaries as at 31 December 2000. For the year ended 31 December 1999, the results of the toys and property subsidiaries were fully consolidated.

(d) The results of the toys and property subsidiaries for the period from 4 May 2000 to 31 December 2000 and the net assets at 31 December 2000, which would have been included in the Group's consolidated accounts for the year if they were consolidated, are as follows:

	$'000
Net loss attributable to shareholders for the period from 4 May 2000 to 31 December 2000	(29,532)
Net assets at 31 December 2000	1,273,836

14. INVESTMENTS IN OTHER SUBSIDIARIES

	The Company	
	2000	1999
	$'000	$'000
Unlisted shares, at cost	**78,046**	—

The particulars of the Company's other principal subsidiaries as at 31 December 2000 are as follows:

Name of subsidiary	Place of operations/ incorporation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activity
Breakaway Solutions Asia Pacific Limited ("Breakaway Asia Pacific")	Singapore	99,500,000 ordinary shares of US$0.0001 and 400,500,000 voting preference shares of US$0.0001 each	80.10%	80.10%	—	Software development
Figtree Communication Limited	Singapore	72,002 ordinary shares of S$1 each	80.10%	—	100%	Software development

As at 31 December 2000, the Company was committed to contribute additional capital of US$15,000,000 into Breakaway Asia Pacific upon the request of board of directors of Breakaway Asia Pacific, in the form of cash or, in whole or in part, shares issued by the Company. This obligation will be terminated under certain agreed circumstances, for example, listing or liquidation of Breakaway Asia Pacific.

15. INTEREST IN ASSOCIATES

	The Group		The Company	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Unlisted shares, at cost	**—**	—	**116,607**	—
Share of net assets other than goodwill	**18,693**	161,715	**—**	—
Goodwill	**44,971**	—	**—**	—
	63,664	161,715	**116,607**	—
Less: Provision	**—**	(6,343)	**—**	—
	63,664	155,372	**116,607**	—
Amounts due from associates	**—**	6,343	**—**	—
	63,664	161,715	**116,607**	—

Particulars of the associate of the Company as at 31 December 2000 are set out below:

Name of associate	Place of operations	Particulars of issued and paid up capital	Interest held by the Company	Principal activity
MegaVillage.com Holdings Limited ("MegaVillage")	Hong Kong (incorporated in the British Virgin Islands)	40,000,000 voting ordinary shares of US$0.01 each and 45,000,000 voting convertible preference shares of US$0.01 each	52.95%	Trading of light consumer products on the Internet

The cost to acquire the interest in MegaVillage in the Company's balance sheet at 31 December 2000 included cash consideration of $38,900,000 and issue of the Company's new shares with an aggregate value of $77,500,000. An additional conditional consideration of US$5,000,000 will be payable in cash on the satisfaction of certain operating milestones to be achieved by MegaVillage and its subsidiaries within a period ending in 2001.

15. INTEREST IN ASSOCIATES (Continued)

Despite the fact that the Company owns more than 50% effective interest in MegaVillage, the Company is only considered to have significant influence, not control, over the management of MegaVillage because the Company has contractual restrictions on its ability to appoint the majority of MegaVillage's board of directors.

The Group's entire interest in associates as at 31 December 1999 was directly held by the toys and property subsidiaries. After deconsolidation at 4 May 2000, the Group's interest in these associates was included in the Group's share of net assets of the toys and property subsidiaries (note 13). The particulars of principal associates held by the toys and property subsidiaries as at 31 December 2000 are set out in note 35(b).

16. INTANGIBLE ASSETS

	The Group		
	Intellectual property rights $'000	Goodwill arising on consolidation $'000	Total $'000
Additions *(note 32(d))*	19,375	—	19,375
Goodwill arising on acquisition of a subsidiary	—	4,735	4,735
Amortisation for the year	(1,076)	(133)	(1,209)
At 31 December 2000	18,299	4,602	22,901

17. NON-TRADING SECURITIES

	The Group and the Company 2000 $'000
Unlisted equity securities, at fair value	**43,568**

18. FIXED ASSETS

(a) The Group

	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Plant and machinery $'000	Motor vehicles $'000	Sub-total $'000	Land and buildings held for own use $'000	Investment properties $'000	Total $'000
Cost or valuation:								
At 1 January 2000	101,533	39,459	221,766	12,836	375,594	244,498	467,040	1,087,132
Exchange adjustments	116	22	234	10	382	234	784	1,400
Reclassifications	—	—	—	—	—	(5,515)	5,515	—
Transfer from properties held for sale	—	—	—	—	—	—	66,557	66,557
Additions								
— through acquisition of a subsidiary	—	452	—	—	452	—	—	452
— others	14,193	11,744	5,925	414	32,276	106	—	32,382
Deficit on revaluation	—	—	—	—	—	—	(3,404)	(3,404)
Disposals	(19)	(450)	(53)	—	(522)	—	—	(522)
Deconsolidation of the toys and property subsidiaries	(106,933)	(40,717)	(227,872)	(13,260)	(388,782)	(239,323)	(536,492)	(1,164,597)
At 31 December 2000	8,890	10,510	—	—	19,400	—	—	19,400
Representing:								
Cost	8,890	10,510	—	—	19,400	—	—	19,400
Valuation	—	—	—	—	—	—	—	—
	8,890	10,510	—	—	19,400	—	—	19,400
Aggregate depreciation:								
At 1 January 2000	48,620	21,226	128,952	11,971	210,769	48,026	—	258,795
Exchange adjustments	54	11	170	9	244	49	—	293
Acquisition of a subsidiary	—	109	—	—	109	—	—	109
Charge for the year	6,462	2,370	6,284	186	15,302	2,631	—	17,933
Written back on disposals	—	(213)	—	—	(213)	—	—	(213)
Deconsolidation of the toys and property subsidiaries	(54,117)	(22,377)	(135,406)	(12,166)	(224,066)	(50,706)	—	(274,772)
At 31 December 2000	1,019	1,126	—	—	2,145	—	—	2,145
Net book value:								
At 31 December 2000	7,871	9,384	—	—	17,255	—	—	17,255
At 31 December 1999	52,913	18,233	92,814	865	164,825	196,472	467,040	828,337

18. FIXED ASSETS (Continued)

(b) The Company

	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Total $'000
Cost:			
Additions	6,729	9,273	16,002
Disposals	—	(89)	(89)
At 31 December 2000	6,729	9,184	15,913
Aggregate depreciation:			
Charge for the year	1,019	979	1,998
Written back on disposal	—	(2)	(2)
At 31 December 2000	1,019	977	1,996
Net book value:			
At 31 December 2000	5,710	8,207	13,917

(c) The investment properties held by the toys and property subsidiaries were revalued at 31 January 2000 on an open market value basis by FPDSavills (Hong Kong) Limited, an independent firm of professional property valuers. The surplus arising on revaluation, after the minority interests' share and the reverse from deferred taxation of approximately $3,473,000 and $1,241,000, respectively, had been credited to the investment properties revaluation reserve. In the opinion of directors, the fair market value of these investment properties at the date of deconsolidation would not be significantly different from that as at 31 January 2000 and accordingly, these investment properties were stated at $536,492,000 at the date of deconsolidation.

18. FIXED ASSETS (Continued)

(d) The analysis of net book value of properties held by the Group is as follows:

	The Group			
	2000		1999	
	Investment properties	**Properties held for own use**	Investment properties	Properties held for own use
	$'000	**$'000**	$'000	$'000
Properties held in Hong Kong under medium term leases	—	—	2,940	101,212
Properties held outside Hong Kong				
— long leases	—	—	—	141
— medium-term leases	—	—	464,100	83,717
— short-term leases	—	—	—	11,402
	—	—	467,040	196,472

19. SHARE CAPITAL

	2000		1999	
	No. of shares ('000)	**Amount $'000**	No. of shares ('000)	Amount $'000
Authorised:				
Ordinary shares of $0.10 each	**20,000,000**	**2,000,000**	3,000,000	300,000
Issued and fully paid:				
At 1 January	**1,727,730**	**172,773**	1,729,130	172,913
Issue of new shares	**3,800,320**	**380,032**	—	—
Repurchase of shares	—	—	(1,400)	(140)
Shares issued under share option scheme	**22,450**	**2,245**	—	—
At 31 December	**5,550,500**	**555,050**	1,727,730	172,773

(a) By an ordinary resolution passed at the special general meeting held on 28 April 2000, the Company's authorised share capital was increased to $2,000,000,000 by the creation of an additional 17,000,000,000 ordinary shares of $0.1 each, ranking pari passu with the existing shares of the Company.

(b) On 4 May 2000, the Company allotted and issued 3,747,778,000 ordinary shares to four shareholders at a price of $0.3 per share for cash amounting to $1,124,333,000 in order to conduct and develop business-to-business e-commerce activities. On the same date, the Company issued warrants to three of these shareholders for a nominal consideration of $1 for each shareholder, entitling them to subscribe in cash for up to 1,095,000,000 new ordinary shares during a period of three years after the date of issue at a price of $0.39 per share. Two shareholders with warrants to subscribe for 1,022,000,000 new shares have agreed not to transfer or otherwise dispose of any new shares issued pursuant to any exercise of the warrants during the period of one year immediately after 4 May 2000.

19. SHARE CAPITAL (Continued)

(c) On 18 July 2000, the Company issued 52,542,000 ordinary shares at a price of $1.475 per share as consideration to subscribe for convertible preference shares issued by an associate, MegaVillage.

(d) During the year, options were exercised to subscribe for 22,450,000 ordinary shares (note 22) in the Company at an exercise price of $0.63 of which $2,245,000 was credited to share capital and the balance of $11,899,000 was credited to the share premium account.

20. TREASURY SHARES

	2000 $'000
Ordinary shares issued to MegaVillage	41,036
Disposal of treasury shares by MegaVillage	(10,414)
At 31 December 2000	30,622

During the year, the Company issued 52,542,000 ordinary shares of $0.10 each at a price of $1.475 per share to an associate, MegaVillage, as the consideration to subscribe for shares in the associate (note 19(c)).

At 31 December 2000, MegaVillage still held 39,208,000 ordinary shares of the Company. The total consideration from issue of these shares, to the extent of the Group's equity interest in MegaVillage, is treated as treasury shares and shown as a deduction from equity in the consolidated balance sheet.

21. RESERVES

(a) The Group

	Share premium $'000	Capital redemption reserve $'000	Capital reserve on consolidation $'000	Exchange reserve $'000	Legal reserve $'000	Investment properties revaluation reserve $'000	Merger reserve $'000	Retained profits/ (accumulated losses) $'000	Total $'000
At 1 January 1999	658,249	3,418	46,252	(25,777)	200	15,115	72	642,530	1,340,059
Repurchase of shares	(481)	140	—	—	—	—	—	(140)	(481)
Exchange differences on translation of the accounts of overseas operations	—	—	—	2,405	—	—	—	—	2,405
Revaluation surpluses	—	—	—	—	—	8,412	—	—	8,412
Share of exchange reserve of associates	—	—	—	401	—	—	—	—	401
Profit for the year	—	—	—	—	—	—	—	63,863	63,863
Goodwill arising on acquisition of additional interest in a subsidiary	—	—	(276)	—	—	—	—	—	(276)
Dividends	—	—	—	—	—	—	—	(8,639)	(8,639)
At 31 December 1999	657,768	3,558	45,976	(22,971)	200	23,527	72	697,614	1,405,744
At 1 January 2000	657,768	3,558	45,976	(22,971)	200	23,527	72	697,614	1,405,744
Issue of new shares, net of share issuance costs	814,202	—	—	—	—	—	—	—	814,202
Shares issued under share option scheme	11,899	—	—	—	—	—	—	—	11,899
Exchange differences on translation of the accounts of overseas operations	—	—	—	724	—	—	—	—	724
Share of exchange reserve of associates	—	—	—	298	—	—	—	—	298
Revaluation surpluses	—	—	—	—	—	1,310	—	—	1,310
Deconsolidation of the toys and property subsidiaries *(note 13)*	—	—	(45,976)	21,980	(200)	(24,837)	(72)	—	(49,105)
Realised loss on disposal of treasury shares	—	—	—	—	—	—	—	(6,142)	(6,142)
Loss for the year	—	—	—	—	—	—	—	(1,037,160)	(1,037,160)
At 31 December 2000	1,483,869	3,558	—	31	—	—	—	(345,688)	1,141,770

21. RESERVES (Continued)

(a) The Group (Continued)

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

The legal reserve of the Group represents 20% of capital of a subsidiary, which was incorporated in Macau, set aside as required under Macau's regulations.

The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

(b) The Company

	Share premium $'000	Capital redemption reserve $'000	Contributed surplus $'000	Retained profits/ (accumulated losses) $'000	Total $'000
At 1 January 1999	658,249	3,418	85,606	28,820	776,093
Repurchase of shares	(481)	140	—	(140)	(481)
Profit for the year	—	—	—	12,031	12,031
Dividends	—	—	—	(8,639)	(8,639)
At 31 December 1999	657,768	3,558	85,606	32,072	779,004
At 1 January 2000	657,768	3,558	85,606	32,072	779,004
Issue of new shares, net of share issuance costs	814,202	—	—	—	814,202
Shares issued under share option scheme	11,899	—	—	—	11,899
Loss for the year	—	—	—	(434,442)	(434,442)
At 31 December 2000	1,483,869	3,558	85,606	(402,370)	1,170,663

21. RESERVES (Continued)

(b) The Company (Continued)

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

The Company had no reserves available for distribution at 31 December 2000.

22. SHARE OPTION SCHEME

Pursuant to the share option scheme ("the Scheme") of the Company adopted on 6 June 1991 (as amended in the special general meeting held on 8 November 2000), the board of directors of the Company may grant options to any full time employees and executive directors of the Company or any of its subsidiaries to subscribe for shares in the Company.

The subscription price of the options shall be a price to be determined by the directors of the Company being not less than 80% of the average closing price of the ordinary shares of the Company for the five trading days immediately preceding the date of the grant of the options.

(Amounts expressed in Hong Kong dollars
unless otherwise stated)

22. SHARE OPTION SCHEME (Continued)

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

The share options granted by the Company to the full time employees and executive directors of the Company or any of its subsidiaries to subscribe for shares in the Company are as follows:

	Number of share options	
	2000	1999
At 1 January	**23,650,000**	23,650,000
Options exercised with an exercise price of $0.63 per share *(note 19(d))*	**(22,450,000)**	—
Options expired	**(1,200,000)**	—
At 31 December	**—**	23,650,000

There were no share options granted to the directors or employees in 2000.

23. PROPERTIES HELD FOR SALE

The properties held for sale were held by the toys and property subsidiaries on medium term leases and were situated in the PRC. As at 31 December 1999, the properties held for sale included interest capitalised of approximately $1,366,000.

24. INVENTORIES

	The Group	
	2000	1999
	$'000	$'000
Raw materials	—	86,404
Work in progress	—	38,604
Finished goods	—	21,427
	—	146,435

The inventories were held for manufacture of toys and accessories by the toys and property subsidiaries. As at 31 December 1999, included in inventories above were raw materials of $1,174,000, work in progress of $315,000 and finished goods of $311,000, stated net of a general provision, made in order to state these inventories at the lower of their cost and estimated net realisable value.

25. TRADING SECURITIES

	The Group		The Company	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Equity securities				
— Listed in Hong Kong	—	9,791	—	5
— Listed outside Hong Kong	—	20,027	—	—
	—	29,818	—	5
Bonds				
— Listed outside Hong Kong	—	31,777	—	31,777
	—	61,595	—	31,782

26. BANK LOANS AND OVERDRAFTS

	The Group	
	2000	1999
	$'000	$'000
Bank loans — secured	—	10,058
Bank overdrafts — unsecured	—	4,869
	—	14,927

The bank loans and overdrafts were repayable as follows:

	The Group	
	2000	1999
	$'000	$'000
Within 1 year or on demand	—	9,300
After 1 year but within 2 years	—	883
After 2 years but within 5 years	—	4,744
	—	5,627
	—	14,927

As at 31 December 1999, certain property interests with an aggregate carrying value of approximately $83,094,000 and a bank deposit of $500,000 were pledged to banks to secure general credit facilities granted to the toys and property subsidiaries.

27. DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	The Group	
	2000	1999
	$'000	$'000
At 1 January	**4,447**	5,367
Transfer from the profit and loss account *(note 6(a))*	—	315
Reverse arising upon revaluation of investment properties	—	(1,235)
Deconsolidation of subsidiaries	**(4,447)**	—
At 31 December	—	4,447

(b) Major components of deferred tax of the Group are set out below:

	2000		1999	
	Provided	**Unprovided**	Provided	Unprovided
	$'000	**$'000**	$'000	$'000
Unutilised tax losses	—	**(12,475)**	—	(23,048)
Depreciation allowances in excess of related depreciation	—	**2,003**	1,362	(408)
Others	—	—	3,085	(130)
	—	**(10,472)**	4,447	(23,586)

27. DEFERRED TAXATION (Continued)

(c) Major components of deferred tax of the Company are set out below:

	2000		1999	
	Provided	Unprovided	Provided	Unprovided
	$'000	$'000	$'000	$'000
Unutilised tax losses	—	(10,700)	—	—
Depreciation allowances in excess of related depreciation	—	1,443	—	—
	—	(9,257)	—	—

(d) The potential net deferred tax asset has not been recognised in the accounts as realisation of this asset in the foreseeable future is uncertain.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit from operations to net cash (outflow)/inflow from operating activities

	2000	1999
	$'000	$'000
(Loss)/profit from operations	**(30,446)**	73,856
Share of profits less losses of associates	**7,207**	(6,096)
Interest income	**(66,714)**	(30,815)
Dividend income from listed securities	**(42)**	(155)
Depreciation of fixed assets	**17,933**	44,327
Amortisation of goodwill and intangible assets	**9,536**	—
Rental expenses applied against loans receivable	**2,493**	1,317
Loss/(gain) on sale of fixed assets	**282**	(101)
Realised gains on disposal of non-trading securities	**—**	(7,735)
Net realised and unrealised gains on trading securities	**(10,234)**	(5,700)
(Increase)/decrease in trade and other receivables	**(24,000)**	4,816
Increase in amounts due from fellow subsidiaries	**(607)**	—
Increase in properties held for sale	**(635)**	(8,245)
(Increase)/decrease in inventories	**(16,750)**	11,782
(Decrease)/increase in creditors and accrued charges	**(20,075)**	9,067
Increase in amount due to ultimate holding company	**3,882**	—
Increase in pledged bank deposits	**(18,150)**	—
Foreign exchange	**(54)**	—
Net cash (outflow)/inflow from operating activities	**(146,374)**	86,318

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Purchase of a subsidiary

	$'000
Net assets acquired:	
Fixed assets	343
Trade and other receivables	1,170
Cash and cash equivalents	187
Creditors and accrued charges	(632)
Provision for taxation	(343)
	725
Goodwill arising on consolidation	4,735
	5,460
Satisfied by:	
Cash paid	5,460

Analysis of net outflow of cash and cash equivalents in respect of the purchase of a subsidiary

	$'000
Cash consideration	(5,460)
Cash and cash equivalents acquired	187
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	(5,273)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Deconsolidation of the toys and property subsidiaries

	$'000
Net assets at the date of deconsolidation:	
Investment in associates	162,474
Fixed assets	889,825
Loans receivable	74,190
Trade and other receivables	213,141
Properties held for sale	249,986
Inventories	163,185
Trading securities	17,680
Pledged bank deposits	18,650
Cash and cash equivalents	120,523
Creditors and accrued charges	(372,253)
Bank loans and overdraft	(6,175)
Provision for taxation	(19,602)
Amounts due to associates	(25,105)
Loans from minority shareholders	(61,389)
Deferred taxation	(3,206)
Minority interest	(129,258)
	1,292,666
Satisfied by:	
Share of net assets of the toys and property subsidiaries at the date of deconsolidation	1,292,666

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Deconsolidation of the toys and property subsidiaries (Continued)

Analysis of net outflow of cash and cash equivalents in respect of deconsolidation of the toys and property subsidiaries

	$'000
Cash consideration	—
Cash and cash equivalents deconsolidated	(120,523)
Net outflow of cash and cash equivalents in respect of deconsolidation of the toys and property subsidiaries	(120,523)

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Analysis of changes in financing during the year

	Share capital (including premium) $'000	Long term bank loans $'000	Amounts due to associates $'000	Minority interest and loans from minority shareholders $'000
At 1 January 1999	831,162	62,188	14,138	194,879
Repurchase of shares	(621)	—	—	—
New bank loans	—	7,000	—	—
Repayments during the year	—	(59,130)	—	(477)
Amounts advanced from associates	—	—	13,234	—
Acquisition of additional interest in a subsidiary from a minority shareholder	—	—	—	(4,324)
Share of results for the year by minority interest	—	—	—	3,724
Share of exchange reserve by minority interest	—	—	—	302
Share of investment properties revaluation reserve by minority interest	—	—	—	962
Dividends paid to a minority shareholder	—	—	—	(1,500)
At 31 December 1999	830,541	10,058	27,372	193,566
At 1 January 2000	830,541	10,058	27,372	193,566
Exchange differences	—	—	—	94
Exercise of share options	14,144	—	—	—
Issue of new shares for cash, net of share issuance costs	1,116,734	—	—	—
Issue of new shares to invest in an associate, MegaVillage	77,500	—	—	—
Repayments during the year	—	(3,883)	(2,267)	—
Minority interest arising on acquisition of a subsidiary	—	—	—	19,375
Share of exchange reserve by minority interest	—	—	—	235
Share of the results for the year by minority interest	—	—	—	(1,374)
Share of investment properties revaluation reserve by minority interest	—	—	—	(3,473)
Deconsolidation of the toys and property subsidiaries	—	(6,175)	(25,105)	(190,647)
At 31 December 2000	2,038,919	—	—	17,776

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(e) Major non-cash transactions

(i) During the year, the Company issued 52,542,000 ordinary shares at $1.475 per share to satisfy the share consideration, $77,500,000, to subscribe for the shares of an associate, MegaVillage. At 31 December 2000, 39,208,000 shares of such shares were still held by MegaVillage.

(ii) During the year, a minority shareholder contributed its intellectual property rights with a value of $19,375,000 as consideration for its subscription of new shares issued by a subsidiary of the Company.

29. CAPITAL COMMITMENTS

Capital commitments in respect of acquisition of fixed assets outstanding at 31 December 2000 not provided for in the accounts are as follows:

	The Group	
	2000	1999
	$'000	$'000
Contracted for	**331**	6,573
Authorised but not contracted for	**—**	1,285
	331	7,858

In addition, the Company was committed to give advances totalling US$2,500,000 to an investee at 31 December 2000. Details of these advances commitment are set out in note 32(c).

30. OPERATING LEASE COMMITMENTS

At 31 December 2000, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	The Group $'000	The Company $'000
Leases expiring:		
Within 1 year	15,935	12,086
After 1 year but within 5 years	20,203	15,655
	36,138	27,741

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31. RETIREMENT BENEFITS SCHEME

The Company has a defined contribution scheme for all qualified employees, which is set up under the guidelines of Mandatory Provident Fund ("MPF"). Pursuant to the rules of the scheme, the employer and its employees are required to make contributions to the scheme calculated at 10% and 5% of the employees' basic salaries and bonuses (with maximum limits set by the rules of the scheme), respectively, on a monthly basis. The employees are entitled to 100% of the employer's voluntary contribution (the portion above the mandatory contribution) after five years' service, or at an increasing scale of between 10% to 80% after completion of one to four years' service. When there are employees who leave the scheme prior to vesting fully in the contributions, in accordance with the rules of the scheme, the forfeited employer's contributions shall be used to reduce the future contributions of the employer.

The toys and property subsidiaries have their own defined contribution scheme for all qualified employees, which is set up under the guidelines of MPF. Both the employers and employees contribute 5% of salary (limited to HK$1,000) to the scheme each month. There is no voluntary contribution from the toys and property subsidiaries nor the employees.

The retirement benefits schemes of other subsidiaries have not been set up as at 31 December 2000.

32. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group had the following material related party transactions:

(a) Under the put option deed dated 9 March 2000 (as amended by supplemental deed dated 29 March 2000) (the "Put Option Deed") entered into between the Company and Shamrock Green Limited ("Shamrock"), the Company is entitled to sell the toys and property subsidiaries for $225,413,000 to Shamrock at any time before 3 May 2002. One of the Company's substantial shareholders, Hutchison, has a 50% indirect interest in Shamrock. The other 50% interest in Shamrock is owned by two companies which are controlled by Dr. Luk Chung Lam, the Company's former chairman prior to 4 May 2000. The obligations of Shamrock under the Put Option Deed are guaranteed by Hutchison.

(b) Under the Management Services Agreement dated 28 April 2000 (the "MSA") entered into between the Company and Dr. Luk Chung Lam, Messrs. Ko Yuet Ming, Tam Yue Man and Luk Tei, Lewis (the "former substantial shareholders"), HRG, a company controlled by the former substantial shareholders of the Company, agreed to provide management services to the toys and property subsidiaries and the Company gave HRG the exclusive right to manage and operate the toys and property subsidiaries, including without limitation to control the dividend policies since 4 May 2000. The MSA will be terminated by the Company on the exercise or the lapse of the Put Option Deed and may be terminated if HRG and the former substantial shareholders of the Company failed, amongst other things, to use their best endeavours to act in the interest of the toys and property subsidiaries to maintain, improve and extend the toys and property subsidiaries.

(c) In August 2000, the Company entered into the Stock Purchase Agreement pursuant to which it agreed to subscribe for 2,066,420 Series B Stocks in FreeBorders, a company incorporated under the laws of the State of Delaware, the United States and which is an associate of the Company's ultimate holding company, for an aggregate consideration of approximately $43.6 million. This investment was classified as non-trading securities on the balance sheet at 31 December 2000.

32. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

On 10 November 2000, the Company entered into the Agreement and Plan of Merger and Reorganization pursuant to which it agreed to lend to FreeBorders two sums of US$1,250,000 (equivalent to approximately HK$9.75 million) within two specified periods, which sum may be convertible into preferred stock of FreeBorders at the option of the Company. These transactions constituted connected transactions of the Company under the Listing Rules.

(d) During the year, a related party of the Company contributed intellectual property rights to satisfy the consideration of $19,375,000 (note 16) for its acquisition of a 19.9% interest in Breakaway Asia Pacific, a subsidiary of the company.

(e) The toys and property subsidiaries made sales of approximately $37,886,000 to Playmates Toys and its affiliates for the period from 1 January 2000 to 3 May 2000. Playmates Toys was a substantial shareholder of the Company during the same period. In the directors' opinion, the transactions were effected on an arm's length basis.

(f) The toys and property subsidiaries made sales of approximately $13,746,000 to IDT International Limited, a company in which Mr. Raymond Chan was a substantial shareholder and chairman, and its affiliates for the period from 1 January 2000 to 3 May 2000. Mr. Raymond Chan was a director of the Company during the same period. In the directors' opinion, the transactions were effected on an arm's length basis.

(g) The toys and property subsidiaries had the following transactions with their minority shareholders and their associates during the period from 1 January 2000 to 3 May 2000:

	$'000
Interest income	**2,609**
Management fee paid	**3,618**
Rental expenses	**6,390**

33. POST BALANCE SHEET EVENTS

(a) In February 2001, the Company entered into an Asset Purchase Agreement with its ultimate holding company and a fellow subsidiary, ICGJ under which the Company agreed to acquire all non-cash assets of ICGJ, including office fixtures and equipment, rights under contracts and agreements, and a B2B technology investment, for a total maximum consideration of $42 million, subject to certain conditions. The total consideration is payable in cash and is to be satisfied by the Company from internal resources. ICGJ was established in June 2000 and is principally engaged in business services, investments and operations related to the IT and other communication media.

Under the Listing Rules this acquisition constitutes a connected transaction for the Company. In the directors' opinion, the purchase price was negotiated on an arm's length basis and on normal commercial terms. It is expected that this acquisition will be completed in June 2001.

(b) In March 2001, the Company entered into an Investment Agreement to subscribe for 1,846,155 common shares in Whizz-Work, representing 75% of the enlarged issued capital in Whizz-Work, for cash consideration of US$4.9 million and share consideration of 59,502,000 ordinary shares of the Company valued at a price of $0.302 per share. Whizz-Work is a company incorporated under the laws of the British Virgin Islands with operations in Singapore. Its major activity is rendering of network infrastructure services.

34. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 December 2000 to be ICGE which is incorporated in the United States.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

35. PARTICULARS OF THE PRINCIPAL TOYS AND PROPERTY SUBSIDIARIES

(a) Details of the principal toys and property subsidiaries as at 31 December 2000 are as follows:

Name of subsidiary	Place of operations/ incorporation	Particulars of issued and paid up/registered capital	The Group's effective interest %	Principal activity
Harbour Ring Toys Group Limited	The British Virgin Islands	US$1,000 ordinary shares	100	Investment holding
Harbour Ring Property Holdings Limited	The British Virgin Islands	US$1 ordinary share	100	Investment holding
Acefield Limited	Hong Kong	$100,000 ordinary shares $2,000,000 non-voting deferred shares	100 30	Trading of moulds, materials and provision of management services
Asian Toy Institute Inc.	The British Virgin Islands	US$1 ordinary share	100	Investment holding and provision of educational services
Billymax Investments Limited	Hong Kong	$2 ordinary shares	100	Property holding
Canyield Printing Company Limited	Hong Kong	$100 ordinary shares	82	Manufacture of colour packaging boxes
Cardner International Inc.	The British Virgin Islands	US$200 ordinary shares	100	Trading of toys
Champaint Industrial Limited	Hong Kong	$2 ordinary shares	100	Manufacture of paints

(Amounts expressed in Hong Kong dollars
unless otherwise stated)

35. PARTICULARS OF THE PRINCIPAL TOYS AND PROPERTY SUBSIDIARIES (Continued)

(a) Details of the principal toys and property subsidiaries as at 31 December 2000 are as follows: (Continued)

Name of subsidiary	Place of operations/ incorporation	Particulars of issued and paid up/registered capital	The Group's effective interest %	Principal activity
Champion Paper Factory Limited	Hong Kong	$500,000 ordinary shares	100	Manufacture of paper boxes
Confine International Limited	Hong Kong	$100 ordinary shares	90	Investment holding
Coronet Toys Company Limited	Hong Kong	$100,000 ordinary shares	100	Trading of moulds and provision of management services
		$200,000 non-voting deferred shares	—	
Dongguan Crown-Ace Toys Company Limited	The PRC	RMB40,314,316 registered capital	91	Manufacture of toys
Goodway Electronic Technology Limited	Hong Kong	$5,000,000 ordinary shares	100	Manufacture and trading of electronics toys
Harbour Ring Industries Limited	Hong Kong	$2 ordinary shares	100	Investment holding and provision of management services
		$1,000,000 non-voting deferred shares	—	
Harbour Ring Management Limited	The British Virgin Islands	US$2,600,000 ordinary shares	100	Investment holding and provision of management services

(Amounts expressed in Hong Kong dollars unless otherwise stated)

35. PARTICULARS OF THE PRINCIPAL TOYS AND PROPERTY SUBSIDIARIES (Continued)

(a) Details of the principal toys and property subsidiaries as at 31 December 2000 are as follows: (Continued)

Name of subsidiary	Place of operations/ incorporation	Particulars of issued and paid up/registered capital	The Group's effective interest %	Principal activity
Harbour Ring Property Development Limited	Hong Kong	$1,000 ordinary shares	100	Real estate agency, provision of project management services and trading of listed investments
P & H Development Limited	Hong Kong	$7 ordinary shares	100	Investment holding
		$3 non-voting deferred shares	—	
Shanghai Gang Lu Real Estate Development Company Limited	The PRC	US$16,000,000 registered capital	88	Property holding
Shanghai Pu Gang Real Estate Development Company Limited	The PRC	US$7,000,000 registered capital	80	Property holding

The non-voting deferred shares practically carry no rights to dividends or receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

(Amounts expressed in Hong Kong dollars
unless otherwise stated)

35. PARTICULARS OF THE PRINCIPAL TOYS AND PROPERTY SUBSIDIARIES (Continued)

(b) Details of the principal associates held by the toys and property subsidiaries as at 31 December 2000 are as follows:

Name of associate	Place of operations/ incorporation	Particulars of registered capital	The Group's effective interest %	Principal activity
Shanghai Jia Hua Real Estate Development Company Limited	The PRC	US$5,000,000	50	Property holding
Shaoxing Xian Heng Hotel Company Limited	The PRC	US$13,880,000	45	Hotel ownership and management
Zhejiang Gang Yue Real Estate Development Company Limited	The PRC	US$7,326,200	45	Property development
Zhejiang Jianhu Real Estate Development Company Limited	The PRC	US$7,326,200	45	Property development