

(1) General

The Company is a public limited company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") since January 18, 2000.

The Company and its subsidiaries are investment holding companies.

(2) Summary of significant accounting policies

The financial statements 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 disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). They have been prepared under the historical cost convention, as modified for the revaluation of investments in securities. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(2) Summary of significant accounting policies (Continued)**Goodwill**

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On the disposal of an investment in a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Revenue recognition

Sale proceeds of investments in securities are recognised on a trade date basis.

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

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

Commission income is recognised when the relevant services are rendered.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies 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.

Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

(2) Summary of significant accounting policies (Continued)

Investments in securities

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

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

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.

Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(3) Turnover

The analysis of turnover for the year/period is as follows:

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
Proceeds from sale of listed securities	35,036,022	28,844,063
Dividend income from listed securities	1,344,449	750,846
	<u>36,380,471</u>	<u>29,594,909</u>

(4) Other revenue

The analysis of other revenue for the year/period is as follows:

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
Interest on bank deposits	1,952,456	763,565
Commission income	100,000	–
Other income	24,476	53,000
	<u>2,076,932</u>	<u>816,565</u>

(5) (Loss) Profit from operations

(Loss) Profit from operations has been arrived at after charging:

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
Auditors' remuneration		
– Current year/period	96,000	100,000
– Overprovision in prior period	(2,000)	–
	<u>94,000</u>	<u>100,000</u>
Investment management fee	1,519,716	335,397
Staff costs, including directors' remuneration as set out in note (7) below	462,846	136,674
Provision for permanent diminution in value of investment in unlisted equity securities	1,415,000	–
	<u>1,415,000</u>	<u>–</u>

(6) Finance costs

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable within five years	6,852	1,466
Other borrowings	9,889	10,203
	<u>16,741</u>	<u>11,669</u>

(7) Directors' and employees' emoluments

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
<i>Fees:</i>		
Executive directors	63,550	29,869
Independent non-executive directors	36,000	11,889
<i>Other emoluments</i>	–	–
	<u>99,550</u>	<u>41,758</u>

The aggregate emoluments of each of the directors during the year/period were within the emoluments band ranging from nil to HK\$1,000,000.

Of the five individuals with the highest emoluments in the Group, four were directors of the Company whose emoluments are included above. The emoluments of the remaining individual are as follows:

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
Salaries and other benefits	<u>360,000</u>	<u>74,516</u>

The emoluments of the above employee are within the band of nil to HK\$1,000,000.

(8) Taxation

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
(a) Taxation in the consolidated income statement represents:		
<i>Hong Kong profits tax</i>		
Provision for current year/period	200,000	1,621,000
Underprovision in respect of prior period	1,427	–
Deferred taxation	<u>(1,021,000)</u>	<u>1,021,000</u>
	<u>(819,573)</u>	<u>2,642,000</u>
	2001 HK\$	2000 HK\$
(b) Tax payable in the consolidated balance sheet represents:		
<i>Hong Kong profits tax</i>		
Provision for current year/period	<u>200,000</u>	<u>1,621,000</u>

Hong Kong profits tax is calculated at 16% (2000: 16%) on the estimated assessable profit for the year/period.

Details of the deferred taxation are set out in note (17).

(9) Net loss for the year attributable to shareholders

Of the Group's net loss for the year attributable to shareholders, a loss of HK\$814,493 (2000: HK\$7,397) has been dealt with in the financial statements of the Company.

(10) (Loss) Earnings per share

The calculation of the basic and diluted (loss) earnings per share for the year/period is based on the following figures:

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
<i>(Loss) Earnings</i>		
Net (loss) profit for the year/period and (loss) earnings for the purposes of basic and diluted (loss) earnings per share	<u>(25,172,043)</u>	<u>14,741,601</u>
<i>Number of shares</i>		
Weighted average number of shares for the purposes of basic (loss) earnings per share	1,017,553,282	530,134,230
Effect of dilutive potential shares from the exercise of warrants	<u>105,991,831</u>	<u>–</u>
Weighted average number of shares for the purposes of diluted (loss) earnings per share	<u>1,123,545,113</u>	<u>530,134,230</u>

The calculation of basic and diluted (loss) earnings per share for the year takes into account the bonus issue of shares of the Company during the year on the basis of nine new shares for every one share then held by the shareholders. The basic earnings per share for the period ended March 31, 2000 has been adjusted accordingly.

(11) Investments in subsidiaries

	The company	
	2001 HK\$	2000 HK\$
Unlisted shares, at cost	<u>4,187,762</u>	<u>4,187,746</u>

Details of the Company's subsidiaries at March 31, 2001 are as follows:

Name of subsidiary	Issued and fully paid ordinary share capital US\$	Percentage of equity interest held		Principal activity
		Directly	Indirectly	
		%	%	
Super Idea International Limited	1	100	–	Investment holding
UBA Development Limited	1	100	–	Investment holding
UBA Technologies Holdings Limited	1	100	–	Investment holding
Luen Wing Group Limited	1	–	100	Investment holding
Cyber Features Limited	1	–	100	Investment holding
Upbest Venture Limited	1	100	–	Investment holding
Best Idea Development Limited	1	100	–	Investment holding

All subsidiaries are unlisted and incorporated in the British Virgin Islands and operate in Hong Kong.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

(12) Investments in securities

	The Group		The Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
<i>Held-to-maturity debt securities</i>				
Unlisted convertible bonds	<u>10,900,000</u>	<u>9,900,000</u>	<u>-</u>	<u>-</u>
<i>Other investments</i>				
Unlisted equity securities	<u>8,609,000</u>	3,250,000	-	-
Listed equity securities in Hong Kong, at cost	<u>71,212,157</u>	45,690,103	<u>1,262,625</u>	-
Unrealised holding (loss) gain	<u>(20,980,362)</u>	<u>6,253,297</u>	<u>(562,625)</u>	-
Fair value at March 31, 2001	<u>58,840,795</u>	55,193,400	<u>700,000</u>	-
Less: Provision for permanent diminution in value of unlisted equity securities	<u>(1,415,000)</u>	-	-	-
	<u>57,425,795</u>	<u>55,193,400</u>	<u>700,000</u>	-
	<u>68,325,795</u>	<u>65,093,400</u>	<u>700,000</u>	-
Market value of listed equity securities at March 31, 2001	<u>50,231,795</u>	<u>51,943,400</u>	<u>700,000</u>	-
Carrying amount analysed for reporting purposes as:				
<i>Current</i>				
- Held-to-maturity debt securities	<u>1,000,000</u>	<u>9,900,000</u>	<u>-</u>	<u>-</u>
<i>Non-current</i>				
- Held-to-maturity debt securities	<u>9,900,000</u>	-	-	-
- Other investments	<u>57,425,795</u>	<u>55,193,400</u>	<u>700,000</u>	-
	<u>67,325,795</u>	<u>55,193,400</u>	<u>700,000</u>	-
	<u>68,325,795</u>	<u>65,093,400</u>	<u>700,000</u>	-

(12) Investments in securities (Continued)

Particulars of the Group's investments as at March 31, 2001 are as follows:

(1) *Equity securities listed on the Stock Exchange:*

Name of investee company	Number of shares/warrants held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Unrealised gain (loss) arising on revaluation HK\$	Dividend received during the year HK\$
<i>Shares</i>						
Allied Properties (HK) Limited	4,700,000	0.16%	2,922,807	1,363,000	(1,559,807)	-
Egana Goldpfeil (Holdings) Limited	100,000,000	0.87%	19,532,015	17,000,000	(2,532,015)	250,654
Egana Jewellery & Pearls Limited	42,000,000	1.35%	8,412,967	9,660,000	1,247,033	576,702
Henderson Cyber Limited	1,000,000	0.02%	1,262,625	700,000	(562,625)	-
Lamex Holdings Limited	178,463,000	4.66%	5,211,786	10,350,854	5,139,068	-
Pacific Century Cyberworks Limited (Formerly known as Cable & Wireless HKT Limited)	1,061,327	0.004%	17,147,967	3,263,580	(13,884,387)	223,875
Peace Mark (Holdings) Limited	109,920,000	2.99%	9,519,159	4,286,880	(5,232,279)	-
Tonic Industries Holdings Limited	6,500,000	1.02%	6,425,289	2,860,000	(3,565,289)	310,440
Vtech Holdings Limited	200,000	0.024%	777,542	740,000	(37,542)	-
<i>Warrants</i>						
Pacific Century Cyberworks warrants (2001)	61,814		-	7,481	7,481	-
			<u>71,212,157</u>	<u>50,231,795</u>	<u>(20,980,362)</u>	

(12) Investments in securities (Continued)

(1) *Equity securities listed on the Stock Exchange (Continued):*

Allied Properties (HK) Limited (“Allied Properties”)

Allied Properties is principally engaged in property investment, property development, hospitality related activities and financial services.

The loss attributable to shareholders of Allied Properties for the year ended December 31, 2000 was approximately HK\$369,000,000. As at December 31, 2000, the net assets of Allied Properties were approximately HK\$4,980,000,000.

EganaGoldpfeil (Holdings) Limited (“EganaGoldpfeil”)

EganaGoldpfeil is principally engaged in (i) design, assembly, manufacturing and distribution of time pieces and jewellery; (ii) manufacturing and distribution of leather products; (iii) licensing or assignment of brandnames to third parties; (iv) trading of time piece components, jewellery and consumer electronic product; and (v) referring customers or suppliers to third parties.

The profit attributable to shareholders of EganaGoldpfeil for the year ended December 31, 2000 was approximately HK\$110,356,000. As at December 31, 2000, the net assets of EganaGoldpfeil were approximately HK\$1,254,295,000.

Egana Jewellery & Pearls Limited (“Egana Jewellery”)

Egana Jewellery is principally engaged in the design, manufacture, distributing and trading of jewellery and pearl products.

The profit attributable to shareholders of Egana Jewellery for the year ended December 31, 2000 was approximately HK\$43,678,000. As at December 31, 2000, the net assets of Egana Jewellery were approximately HK\$351,203,000.

Henderson Cyber Limited (“HCL”)

HCL is principally engaged in Internet, data center, local wireless fixed telecommunications network, intelligent building services and IT investments.

The loss attributable to shareholders of HCL for the period ended June 30, 2000 was approximately HK\$12,028,000. As at June 30, 2000, the net assets of HCL were approximately HK\$122,943,000.

(12) Investments in securities (Continued)

(1) *Equity securities listed on the Stock Exchange (Continued):*

Lamex Holdings Limited (“Lamex”)

Lamex is principally engaged in the manufacturing and trading of office materials, together with supply and installation of kitchen cabinets.

The loss attributable to shareholders of Lamex for the year ended April 30, 2000 was approximately HK\$63,988,000. As at April 30, 2000, the net assets of Lamex were approximately HK\$473,116,000.

Pacific Century Cyberworks Limited (“PCCW”)**(Formerly known as Cable & Wireless HKT Limited)**

PCCW is principally engaged in the provision of local and international voice, facsimile and data services, satellite services, telecommunications equipment and network services, mobile services, internet access and interactive home entertainment.

The loss attributable to shareholders of PCCW for the year ended December 31, 2000 was approximately HK\$6,907,000,000. As at December 31, 2000, the net liabilities of PCCW were approximately HK\$14,856,000,000.

Peace Mark (Holdings) Limited (“Peace Mark”)

Peace Mark is principally engaged in the design, manufacture and distribution of timepiece.

The profit attributable to shareholders of Peace Mark for the year ended March 31, 2000 was approximately HK\$17,224,000. As at March 31, 2000, the net assets of Peace Mark were approximately HK\$448,460,000.

Tonic Industries Holdings Limited (“Tonic”)

Tonic is principally engaged in the design, manufacture and marketing of a wide range of consumer audio visual products, including CD portables, Dolby Prologic stereo receivers, portable CD/cassette/audio systems, portable cassette recorders, mini HiFis and music centres.

The profit attributable to shareholders of Tonic for the year ended March 31, 2000 was approximately HK\$71,000,000. As at March 31, 2000, the net assets of Tonic were approximately HK\$358,000,000.

(12) Investments in securities (Continued)

(1) *Equity securities listed on the Stock Exchange (Continued):*

Vtech Holdings Limited ("Vtech")

Vtech is principally engaged in the design, manufactured and distribution of electronic consumer products.

The profit attributable to shareholders of Vtech for the year ended March 31, 2000 was approximately US\$45,000,000. As at March 31, 2000, the net assets of Vtech were approximately US\$296,800,000.

Note: The profits and net assets figures of the Group's investments in listed equity securities in Hong Kong are based on the latest published annual reports of the respective investee companies up to the report date. There is no publicly available information regarding the profit and net assets figures of the Group's investment in unlisted equity securities and unlisted convertible bond.

(2) *Unlisted equity securities*

Unlisted equity securities are held for long term strategic purposes to maintain good relationships with business counterparts and generate regular dividends in future years.

The following is a list of unlisted equity securities as of March 31, 2001:

Name of investee company	Place of incorporation	Percentage of equity interest held	Principal activities
Fujita Glass Limited ("FGL")	Hong Kong	15%	Distribution and marketing of various glass products in Hong Kong
Fullpower Holdings Limited ("FHL")	BVI	20%	Investment holding
Enviro Technology International Limited ("ETIL")	Hong Kong	33.33%	Manufacture of regeneration battery charger

(12) Investments in securities (Continued)*(2) Unlisted equity securities (Continued)*

Name of investee company	Place of incorporation	Percentage of equity interest held	Principal activities
iD Innovation Limited ("iDIL")	Hong Kong	5.2%	Design and manufacture of patented iD card for the advertising and multimedia industries
Cyber Infotech Holdings Limited ("CIHL")	BVI	0.5%	Develop Chinese portals in PRC
Hoss Virtualab Limited ("HVL")	Hong Kong	12.5%	Provision of interactive language learning service using the internet
Chief Finance Limited ("CFL")	Hong Kong	26%	Acting as a money lender
HKC efinance28 Limited ("HKCeL")	Hong Kong	25%	Provision of trading of securities through the internet

The equity investments in FHL, ETIL, CFL and HKCeL with interest held of 20% or more are recorded at cost. These companies are not treated as associates because the Group does not participate in their operations and has no significant influence over their financial and operating decisions. No dividend was received from unlisted equity securities during the year.

(12) Investments in securities (Continued)

(3) *Unlisted convertible bonds, unsecured*

Convertible bonds and notes are dated debt securities which permit the holder the right to convert the debt securities into shares of the issuers at the specified dates. The directors have the intention to take up the option to convert. Upon conversion of the convertible bonds, they will be stated at the cost of acquiring the underlying shares.

Particulars of the convertible bonds are as follows:

Name of issuer	Principal Amount HK\$	Annual interest rate	Maturity date
FGL (note a)	1,000,000	13%	October 11, 2001
IT Star Holdings Limited (note b)	9,900,000	6%	December 12, 2002

(a) Details of FGL are included in note (12)(2) above.

(b) IT Star Holdings Limited ("ITSHL")

ITSHL is an investment holding company. Its subsidiaries are principally engaged in internet and high technology investments.

On October 24, 2000, a deed of variation in relation to the convertible bond issued by IT Star Limited ("ITSL") to the Group was signed among Luen Wing Group Limited, ITSL and ITSHL. Terms and conditions being varied are summarized as follows:

- (1) The conversion period is from January 3, 2000 to December 8, 2002.
- (2) The full principal amount of the bonds is converted automatically (subject to specified conversion events) into certain fully-paid shares of ITSHL.
- (3) Interest accrues on a daily basis and is payable on specified dates.

(13) Amounts due from (to) subsidiaries and investee companies

The amounts due are unsecured, interest-free and with no fixed terms of repayment.

(14) Trade and other receivables

At March 31, 2000, an amount of HK\$1,165,000 being a deposit paid for the acquisition of an investment was included in trade and other receivables.

The receivables other than this deposit are as follows:

	The Group		The Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Interest and dividend receivable	<u>-</u>	<u>313,942</u>	<u>-</u>	<u>52,070</u>

(15) Share capital

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
<i>Authorised</i>		
On incorporation	35,000,000	350,000
Increase in authorised share capital	<u>465,000,000</u>	<u>4,650,000</u>
At March 31, 2000	500,000,000	5,000,000
Increase in authorised share capital	<u>1,500,000,000</u>	<u>15,000,000</u>
At March 31, 2001	<u>2,000,000,000</u>	<u>20,000,000</u>
<i>Issued and fully paid</i>		
Allotted and issued on incorporation	2	-
Issue of share upon the group reorganisation	49,999,998	500,000
Issued on public flotation	<u>50,000,000</u>	<u>500,000</u>
At March 31, 2000	100,000,000	1,000,000
Bonus issue	900,000,000	9,000,000
Issue of shares upon exercise of warrants	<u>10,714,000</u>	<u>107,140</u>
At March 31, 2001	<u>1,010,714,000</u>	<u>10,107,140</u>

(15) Share capital (Continued)

Pursuant to ordinary resolutions passed at the annual general meeting on September 29, 2000:

- (a) The authorised share capital of the Company was increased to HK\$20,000,000 by the creation of additional 1,500,000,000 shares of HK\$0.01 each.
- (b) The bonus shares were issued on the basis of nine bonus shares for every one existing share held by the shareholders whose names appear on the register of members on September 29, 2000. The bonus shares were credited as fully paid at par and rank pari passu with the then existing shares in all respects.
- (c) The bonus warrants were issued on the basis of one bonus warrant for every five shares as enlarged by the bonus issue. Each bonus warrant would entitle the holder to subscribe in cash for a new share at an initial subscription price of HK\$0.12 per share, subject to adjustments, at any time from October 13, 2000 (the date of issue) to June 30, 2002 or such earlier date as provided in the instrument constituting the warrants.

During the year, 10,714,000 shares of HK\$0.01 each were allotted and issued at a price of HK\$0.12 per share in cash upon exercise of the subscription rights under the 2002 warrants.

As at March 31, 2001, the Company had outstanding warrants entitling the holders to subscribe HK\$22,714,320 in cash at any time on or after October 13, 2000 until June 30, 2002 for ordinary shares of the Company at a price of HK\$0.12 per share. If the warrants are fully exercised, the Company will be required to issue further 189,286,000 shares.

All the ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

(16) Reserves**The Group**

	Share premium HK\$	Contributed surplus HK\$	Retained profits (Accumulated losses) HK\$	Total HK\$
Premium on shares issued	99,000,000	–	–	99,000,000
Share issue expenses	(3,765,992)	–	–	(3,765,992)
Net profit for the period ended 31/3/2000	–	–	14,741,601	14,741,601
Balance as at 31/3/2000	95,234,008	–	14,741,601	109,975,609
Premium on shares issued	1,178,540	–	–	1,178,540
Issue of bonus shares	(9,000,000)	–	–	(9,000,000)
Share issue expenses	(245,255)	–	–	(245,255)
Net loss for the year	–	–	(25,172,043)	(25,172,043)
Balance as at 31/3/2001	87,167,293	–	(10,430,442)	76,736,851

The Company

	Share premium HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
Surplus arising on Group Reorganisation	–	4,187,723	–	4,187,723
Premium on shares issued	99,000,000	–	–	99,000,000
Share issue expenses	(3,765,992)	–	–	(3,765,992)
Net loss for the period ended 31/3/2000	–	–	(7,397)	(7,397)
Balance as at 31/3/2000	95,234,008	4,187,723	(7,397)	99,414,334
Premium on shares issued	1,178,540	–	–	1,178,540
Issue of bonus share	(9,000,000)	–	–	(9,000,000)
Share issue expenses	(245,255)	–	–	(245,255)
Net loss for the year	–	–	(814,493)	(814,493)
Balance as at 31/3/2001	87,167,293	4,187,723	(821,890)	90,533,126

The contributed surplus of the Company represents the difference between the net assets of its subsidiary and the nominal amount of the share capital issued by the Company at the time of the group reorganisation in the last period.

(17) Deferred taxation

The Group

There was no material unprovided deferred taxation at March 31, 2001.

At March 31, 2000, the amount of HK\$1,021,000 represented the tax effect of timing differences because of the net unrealised holding gain on investments in securities.

The Company

The Company had no material deferred tax assets or liabilities at the balance sheet date.

(18) Net asset value per share

The calculation of net asset value per share is based on the net assets of HK\$86,843,991 (2000: HK\$110,975,609) and the 1,010,714,000 (2000: 100,000,000) ordinary shares in issue as at March 31, 2001.

(19) Reconciliation of (loss) profit before taxation to net cash (outflow) inflow from operating activities

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
(Loss) profit before taxation	(25,991,616)	17,383,601
Provision for permanent diminution in value of investment in unlisted equity securities	1,415,000	–
Interest income	(1,952,456)	(763,565)
Interest expenses	16,741	11,669
Net unrealised holding loss (gain) on other investments, listed	27,233,659	(6,253,297)
Decrease (increase) in trade and other receivables	1,478,942	(1,426,872)
(Decrease) increase in accruals and other payables	(3,944,748)	1,049,748
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Net cash (outflow) inflow from operating activities	(1,744,478)	10,001,284
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(20) Purchase of a subsidiary

	1/4/2000 – 31/3/2001 HK\$	8/6/1999 – 31/3/2000 HK\$
<i>Asset acquired</i>		
Investment in held-to-maturity debt securities	–	9,900,000
<i>Satisfied by</i>		
Cash	–	9,900,000
Outflow of cash and cash equivalents in respect of the purchase of a subsidiary	–	9,900,000

During the previous period, the subsidiary acquired did not make any material contribution to the Group's turnover or profit from operations.

(21) Major non-cash transaction

The consideration for the acquisition of 95,700,000 new shares at HK\$0.1 per share issued by Lamex during the year was satisfied by the disposal of 965 shares of iDIL.

(22) Analysis of changes in financing during the year/period

	Loan payable HK\$	Share capital and share premium HK\$
Borrowings raised in the period ended 31/3/2000	50,000,000	–
Settlements by issue of shares	(50,000,000)	–
Issue of shares as initial share capital	–	2
Issue of shares as consideration for Super Idea's entire share capital and shareholder loan	–	33,999,999
Issue of shares as consideration for the assignment of a loan of Super Idea to the Company	–	15,999,999
Proceeds from New Issue for cash	–	50,000,000
Expenses in connection with the issue of shares	–	(3,765,992)
Balance as at March 31, 2000	–	96,234,008
Issue of shares upon exercise of warrants	–	1,285,680
Expenses in connection with the issue of shares	–	(245,255)
Balance as at March 31, 2001	–	97,274,433

(23) Related party transactions

	Notes	2001 HK\$	2000 HK\$
Disposal of interest in iDIL with Noble Way Development Limited ("Noble Way")	(a)	1,436,000	–
Commission paid to Upbest Securities Company Limited ("USCL")	(b)	222,064	212,000
Investment management fee paid to Harmony Asset Management Limited ("HAML")	(c)	1,065,067	335,397
Investment management fee paid to Upbest Assets Management Limited ("UAML")	(d)	454,649	–
Variation of terms of a convertible bond issued by IT Star Limited	(e)	–	–

Notes:

- (a) On August 25, 2000, UBA Technologies Holdings Limited ("UBA Tech"), a wholly-owned subsidiary of the Company entered into an agreement with (i) Rising Top Limited ("Rising Top"), a wholly-owned subsidiary of Lamex, (ii) Noble Way, a wholly-owned subsidiary of Harmony Asset Limited ("Harmony"), and (iii) Rich Moment Limited ("Rich Moment"), pursuant to which Rising Top agreed to purchase and UBA Tech, Noble Way and Rich Moment agreed to sell 965, 965 and 1,396 shares of the issued share capital of iDIL respectively at the consideration of 95,700,000, 95,700,000 and 138,600,000 new shares at HK\$0.1 per share to be issued by Lamex to UBA Tech, Noble Way and Rich Moment respectively. The directors of Harmony are also the directors of HAML, the then investment manager of the Company.
- (b) USCL, a wholly-owned subsidiary of Upbest Group Limited ("Upbest"), a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange. The beneficial owner of Fung Fai Growth Limited, the substantial shareholder of the Company, holds indirectly 75 per cent beneficial interest in USCL. Also, Mr. Li Kwok Cheung, George, is a director of Upbest and USCL.
- (c) The Company has entered into an investment management agreement with HAML, a company which is owned by Dr. Chow Pok Yu, Augustine ("Dr. Chow"). Under the agreement, HAML is responsible for analysing investment opportunities identified by it as well as those identified by the board of directors for a period from January 4, 2000 to January 4, 2003. In return, HAML is entitled to an annual fee equal 1.5% on the net asset value of the Group. The agreement has been terminated on November 30, 2000.
- (d) On November 6, 2000, the Company has entered into an investment management agreement with UAML, a company which is wholly-owned by Upbest, for the period from December 1, 2000 to November 30, 2003 at an annual fee of 1.5% on the net asset value of the Group. The beneficial owner of Fung Fai Growth Limited, the substantial shareholder of the Company, holds indirectly 75 per cent beneficial interest in UAML. Also, Mr. Li Kwok Cheung, George, is a director of Upbest and UAML. UAML also performed certain administrative services and office support services on behalf of the Group, for which no charge was made.
- (e) On October 24, 2000, the Group signed a deed of variation in relation to a convertible bond issued by IT Star Limited, a wholly-owned subsidiary of Harmony. Details of the variation are set out in note (12) (3) (b) to the financial statements.