

## 11. OTHER INVESTMENTS

	<b>30 September 2001</b>	<b>31 March 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong, at market value		
- 21CN	113,670	154,267
- others	—	445
	<u>113,670</u>	<u>154,712</u>

21CN is a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange. 21CN and its subsidiaries (collectively "21CN Group") is principally engaged in telecommunications, media and Internet business activities.

- (a) At 30 September 2001, the Group holds 405,965,700 shares (31.3.2001: 405,965,700 shares) of 21CN (including 211,579,420 shares mentioned in note (c) below) representing approximately 13.27% (31.3.2001: 13.27%) of the issued ordinary shares of HK\$0.01 each in the capital of 21CN.
- (b) As announced by the Company on 17 February 2000, the Company entered into a conditional agreement dated 7 February 2000, as amended by a supplemental agreement dated 14 February 2000, with 21CN and two outside parties (the "Subscribers") relating to the subscription by the Subscribers for 2,297,377,680 new shares in the capital of 21CN (the "Subscription Agreement"). Completion of the subscription ("Completion") took place on 15 May 2000 and the Group's interest in 21CN was reduced from approximately 62.7% to approximately 13.8% of 21CN's then issued capital as enlarged by the subscription. The Group's remaining investment in 21CN is classified as other investments and is carried at fair value at the reporting date. An unrealised loss arose on measuring the Group's investment in 21CN at fair value at 30 September 2001 which amounted to HK\$40,597,000 (see note 5).

A loss of HK\$8,205,000 resulted from the deemed disposal of 21CN Group in the prior period. 21CN Group did not make any significant contribution to the results and cash flows of the Group during the prior period.

The Company has undertaken with the Subscribers that out of the 485,965,700 shares of 21CN held by the Group as at the date of the Subscription Agreement, it shall dispose of 291,579,420 shares (including 80,000,000 shares sold through the placing arrangement completed in March 2000) in the issued capital of 21CN, representing approximately 9.9% of 21CN's then enlarged share capital, during the one-year period after Completion and deposit the sale proceeds, saved for those arising from the placing arrangement, up to a maximum of HK\$50 million with the escrow agent. When the amount standing to the credit of the escrow account reaches HK\$50 million, the obligation on the Company to dispose of shares of 21CN shall cease (see note (c) below).

## 11. OTHER INVESTMENTS (Cont'd)

The Company further warrants that the aggregate gross proceeds of properties of 21CN Group as at 31 March 2000 (if successfully disposed of) and the market value (as appraised by an independent valuer approved by the escrow agent) of those properties that have not been disposed of within three years from Completion on 15 May 2000 shall not be less than HK\$200 million. The Subscribers shall be entitled to be compensated for any shortfall out of the sale proceeds of shares of 21CN deposited with the escrow agent described above, on a dollar to dollar basis, which is limited to the amount that has been deposited with the escrow agent. The directors of the Company are of the opinion that there is no shortfall of the value of these properties. Should the directors consider that there is a shortfall in the value of the properties within the three years from Completion, the extent of shortfall will be charged to the income statement immediately.

Details of the above are set out, *inter alia*, in the circulars of the Company dated 10 March 2000 (and approved by the shareholders at a special general meeting of the Company held on 27 March 2000) and 5 June 2001.

- (c) As announced by the Company on 15 May 2001, the Company entered into an agreement (the "Sale Shares Agreement") on that day with Best Quarter Investments Limited ("Best Quarter") and Chan Chin Yuen ("Mr. Chan") to dispose of 211,579,420 shares of HK\$0.01 each in the issued share capital of 21CN (the "Sale Shares") held by a wholly-owned subsidiary of the Company for a consideration of HK\$88,863,356.40 of which HK\$5,000,000 was paid before the date of completion and the balance of HK\$83,863,356.40 is to be paid on 15 May 2002. Best Quarter is a company incorporated in the British Virgin Islands and Mr. Chan is the registered and beneficial owner of the entire issued share capital of Best Quarter. Both Best Quarter and Mr. Chan are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates as defined in the Listing Rules. The consideration was determined with reference to the then market value of shares of 21CN. As at the closing of trading on 15 May 2001, the closing market price of shares of 21CN as quoted on the Stock Exchange was HK\$0.42 per share, which is equivalent to the purchase price per share of the Sale Shares. Best Quarter agreed that within twelve months from the date of completion of the Sale Shares Agreement, it shall not dispose of any of the Sale Shares or any interest or charge or create or allow to exist any interest in or encumbrance over the interests of Best Quarter and of the Company under the Sale Shares saved for mortgage on the Sale Shares as mentioned below. Mr. Chan agreed to guarantee the performance of Best Quarter's obligations in the Sale Shares Agreement. Completion of the Sale Shares Agreement took place on 1 June 2001.

On 1 June 2001, the Company and Best Quarter signed a deed of mortgage and assignment, pursuant to which the Sale Shares are held by the Company through a wholly-owned subsidiary as security for the payment by Best Quarter of the balance of the consideration for the Sale Shares. The Sale Shares continue to be registered under the name of that wholly-owned subsidiary of the Company.

Also on 1 June 2001, the Company and Mr. Chan signed a deed of mortgage and assignment, pursuant to which the entire issued capital of 1 share of US\$1.00 of Best Quarter was charged to the Company as security for the payment by Best Quarter of the balance of the consideration for the Sale Shares.

## 11. OTHER INVESTMENTS (Cont'd)

Also on 1 June 2001, the Company and Mr. Chan entered into a call option agreement, under which the Company was granted a call option to purchase all but not some of the issued share capital of Best Quarter. The exercise price of the option will be HK\$95,210,739. This option is exercisable at any time from the date of the call option agreement to 15 May 2002. The Company will comply with the Listing Rules when and if the call option is exercised to acquire Best Quarter.

The Company entered into the Sale Shares Agreement for the disposal of the Sale Shares for the purpose of complying with its obligations under the Subscription Agreement referred to in (b) above. Following completion of the Sale Shares Agreement on 1 June 2001, the Company has no further obligation under the Subscription Agreement to dispose of its remaining interest in shares of 21CN. The Sale Shares represented approximately 6.92% of the then issued share capital of 21CN. Disposal of the Sale Shares will be recognised by the Group when the call option to acquire Best Quarter, purchaser of the Sale Shares, lapses on 15 May 2002 and the Group's interest in 21CN will then be reduced from approximately 13.27% to 6.35% (based on 21CN's current capital structure). HK\$5,000,000, being a portion of the consideration for the Sale Shares, received by the Group is therefore shown as deposit received under current liabilities in the condensed consolidated balance sheet at 30 September 2001.

Details of the above are set out, inter alia, in the circular of the Company dated 5 June 2001.

## 12. TRADE RECEIVABLES

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. An aged analysis of trade receivables at the reporting date is as follows:

	<b>30 September 2001</b>	<b>31 March 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	76,135	40,531
61 - 90 days	5,438	8,455
Over 90 days	48,231	16,628
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	129,804	65,614
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## 13. TRADE PAYABLES

An aged analysis of trade payables at the reporting date is as follows:

	<b>30 September 2001</b>	<b>31 March 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 60 days	45,427	26,110
61 - 90 days	4,553	1,148
Over 90 days	6,260	3,939
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	56,240	31,197
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