

## 1. BASIS OF PREPARATION

The accounts are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties.

In preparing these accounts, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the directors consider that it is proper to prepare the accounts on a going concern basis notwithstanding that at 31 March 2002, the accumulated losses of the Group amounted to HK\$2,576,631,000 and that its current liabilities exceeded its current assets by HK\$84,157,000.

## 2. PRINCIPAL ACCOUNTING POLICIES

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investment in subsidiaries

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below.

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

### (a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, control more than half of the voting power or holds more than half of the issued share capital.

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

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associated company or jointly controlled entity at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1 April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than 20 years in general.

Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31. In accordance with the transitional provisions of SSAP 30, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was not a policy to recognise such impairment losses, this change in accounting policy has been applied retrospectively and the impairment losses have been recognised as a prior year adjustment to opening retained profit in accordance with SSAP 2. The comparative accounts for 2001 have been restated to conform to the changed policy.

As detailed in Note 23, this change had resulted in an increase in loss attributable to shareholders for year ended 31 March 2001 by HK\$797,145,000 which was the amount of the adjustment in respect of impairment losses relating to prior years. As a result of the adjustment, the relevant portion of such goodwill previously realised to the profit and loss account upon disposals and deemed disposal of the relevant subsidiaries and associated companies in prior year was also reversed. Consequently, loss attributable to shareholders for the year ended 31 March 2001 had been reduced by HK\$194,497,000.

These changes resulted in a net increase in loss attributable to shareholders for year ended 31 March 2001 by HK\$602,648,000.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions on or after 1 April 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1 April 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not be restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill/negative goodwill relating to the entity disposed of or, for acquisitions prior to 1 April 2001, the related goodwill/negative goodwill dealt with in the reserves to the extent it has not previously been realised in the profit and loss account.

**2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)***(c) Associated companies**

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

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

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

**(d) Jointly controlled entity**

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

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

Equity accounting is discontinued when the carrying amount of the investment in the jointly controlled entity reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the jointly controlled entity.

**(e) Other investments**

Other investments are investments which are held for the long term strategic purposes. Other investments are stated at cost less provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment should be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (f) Property, plant and equipment

Property, plant and equipment, other than investment properties (note 2(g)), are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is calculated to write off the cost less accumulated impairment losses of the assets over their estimated useful lives, on a straight line basis, at the following annual rates:

Leasehold land and building	over the lease terms
Leasehold improvements	over the lease terms
Computer equipment	33 $\frac{1}{3}$ %
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	20%

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

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of property, plant and equipment other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

### (g) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (h) Deferred taxation

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

### (i) Assets under leases

#### (i) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

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

#### (ii) *Operating leases*

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

Note 25 to the accounts has disclosed lease commitments as defined under SSAP 14 (revised). The revised SSAP 14 requires the aggregate future minimum lease payments analysed into the following periods:

- (i) not later than one year
- (ii) later than one year and not later than five years
- (iii) later than five years

This is a change from previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months, analysed into the periods in which the lease expires within that year, in the second to fifth year inclusive and over five years from the balance sheet date.

Comparative figures have been restated to conform with the current year's presentation.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (j) Accounts receivable

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

### (k) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

### (l) Retirement benefits

A mandatory provident fund scheme ("MPF Scheme") has been established under the Hong Kong Mandatory Provident Fund Scheme Ordinance by which the Group's Hong Kong employees are compulsorily required to join the MPF Scheme. Both the Group and the employees are required to contribute 5% of each individual's relevant income with a maximum amount of HK\$1,000 per month as a mandatory contribution. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme. The Group also makes voluntary contributions, representing 5% of the employees' relevant income less mandatory contributions, which may be reduced by contributions forfeited by those employees who leave employment prior to vesting fully in those contributions. Employees may also elect to contribute more than the minimum as a voluntary contribution.

Contributions for the MPF Scheme are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group and managed by independent professional fund managers.

In addition, the Group also contributes to retirement schemes managed by local municipal authorities in the PRC based on a percentage of the relevant employees' monthly salaries. The Group's contributions under such scheme are charged to the profit and loss account as incurred while the local municipal authorities in the PRC undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC.

### (m) Revenue recognition

#### (i) Sales of properties

Sale of properties is recognised upon the completion of the sale and purchase contracts.

#### (ii) Technology and Powerphone related services

Revenue from the provision of technology and Powerphone related services is recognised when services are rendered.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (m) Revenue recognition *(Continued)*

#### (iii) Rental and management fee income

Operating lease rental income and management fee are recognised on a straight line basis over the period of the leases.

#### (iv) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

## 3. REVENUES AND TURNOVER

The Group is principally engaged in property investments and the provision of technology related services. Revenues recognised during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Gross rental income and management fee	22,615	37,406
Technology related services	44,062	34,404
PowerPhone related services	–	12,592
	66,677	84,402
Other revenue		
Interest income	2,023	15,267
	68,700	99,669

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of property, plant and equipment, operating cash and other current assets. Segment liabilities comprise operating liabilities and exclude items such as short term and long term loans. Capital expenditure represents additions to plant and equipment, including additions resulting from acquisitions through purchase of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customers are located. Total assets and capital expenditure are where the assets are located.

### 3. REVENUES AND TURNOVER *(Continued)*

#### Primary reporting format – business segments

The Group is organised into three main business segments:

Property investment  
Technology related services  
PowerPhone related services

From 1 December 2000, the Group discontinued its operation in respect of the provision of PowerPhone related services (Note 4).

There are no sales or other transactions between business segments.

#### Secondary reporting format - geographical segments

Although the Group's three business segments are managed on a worldwide basis, they operate in two main geographical areas:

Hong Kong:	Property investment and the provision of technology related services
The Mainland China:	Provision of technology related services

There are no sales between geographical segments.

## 3. REVENUES AND TURNOVER (Continued)

## Primary reporting format – business segments

	Property investments 2002 HK\$'000	Technology related 2002 HK\$'000	Total 2002 HK\$'000
Turnover from external customers	22,615	44,062	66,677
Segment results	(13,665)	(50,854)	(64,519)
Unallocated items			(44,179)
Other income/(expenses)			
– Interest income			2,023
– Gain on disposal of subsidiaries	9,396	10,509	19,905
– Provision for impairment losses of other investments			(58,900)
– Provision for impairment losses of associated companies	–	(18,002)	(18,002)
Operating loss			(163,672)
Finance costs			(19,941)
			(183,613)
Share of results of associated companies	–	(7,889)	(7,889)
Loss for the year			(191,502)
Minority interests			2,299
Loss attributable to shareholders			(189,203)
Segment assets	383,878	16,826	400,704
Unallocated assets			61,450
Total assets			462,154
Segment liabilities	4,471	12,150	16,621
Unallocated liabilities			241,130
Total liabilities			257,751
Capital expenditure	–	3,887	3,887
Unallocated capital expenditure			390
			4,277
Depreciation	21	6,179	6,200
Unallocated depreciation			6,013
			12,213
Other non-cash expenses*	30,000	12,737	42,737

\* Non-cash expenses comprises deficit on revaluation of investment properties, impairment loss of goodwill and write-off of property, plant and equipment.

## 3. REVENUES AND TURNOVER (Continued)

## Primary reporting format – business segments (Continued)

	Property investments 2001 HK\$'000	Technology related 2001 HK\$'000	PowerPhone related 2001 HK\$'000	Total 2001 HK\$'000
Turnover from external customers	37,406	34,404	12,592	84,402
Segment results	1,526	(133,428)	(111,060)	(242,962)
Unallocated items				(44,437)
Other income/(expenses)				
– Interest income				15,267
– Loss on disposal of subsidiaries	(187)	(1,272)	(220,490)	(221,949)
– Provision for impairment losses of other investments				(319,284)
– Provision for impairment losses of associated companies	–	(69,217)	–	(69,217)
– Loss on deemed disposal of associated companies	–	(9,214)	–	(9,214)
– Gain on disposal of other investments				177,520
– Impairment of goodwill previously included in capital reserves	–	(602,648)	–	(602,648)
Operating loss				(1,316,924)
Finance costs				(69,046)
				(1,385,970)
Share of results of associated companies	(12,201)	(25,672)	–	(37,873)
Share of results of jointly controlled entities	–	(3,095)	–	(3,095)
Loss before taxation				(1,426,938)
Taxation				85
				(1,426,853)
Minority interests				2,921
Loss attributable to shareholders				(1,423,932)

## 3. REVENUES AND TURNOVER (Continued)

## Primary reporting format – business segments (Continued)

	Property investments 2001 HK\$'000	Technology related 2001 HK\$'000	PowerPhone related 2001 HK\$'000	Total 2001 HK\$'000
Segment assets	541,497	82,201	–	623,698
Associated companies	121,777	31,334	–	153,111
Unallocated assets				215,768
Total assets				992,577
Segment liabilities	14,664	20,885	–	35,549
Unallocated liabilities				568,256
Total liabilities				603,805
Capital expenditure	80	39,085	16,196	55,361
Unallocated capital expenditure				1,411
				56,772
Depreciation	49	23,127	22,739	45,915
Unallocated depreciation				2,241
				48,156
Other non-cash expenses #	23,000	11,405	–	34,405

# Non-cash expenses comprises deficit on revaluation of investment properties and loss on disposal of property, plant and equipment.

## 3. REVENUES AND TURNOVER (Continued)

## Secondary reporting format – geographical segments

	Turnover		Segment results		Segment assets		Capital expenditure	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	47,341	67,378	(87,634)	(255,399)	430,810	754,621	1,201	43,120
The Mainland China	19,103	14,206	(16,567)	(7,349)	31,337	42,625	3,061	13,050
Others	233	2,818	(4,497)	(24,651)	7	42,220	15	602
	<b>66,677</b>	<b>84,402</b>	<b>(108,698)</b>	<b>(287,399)</b>	<b>462,154</b>	<b>839,466</b>	<b>4,277</b>	<b>56,772</b>
Interest income			2,023	15,267				
Gain/(loss) on disposal of subsidiaries			19,905	(221,949)				
Provision for impairment losses of other investments			(58,900)	(319,284)				
Provision for impairment losses of associated companies			(18,002)	(69,217)				
Loss on deemed disposal of associated companies			–	(9,214)				
Gain on disposal of other investments			–	177,520				
Impairment of goodwill previously included in capital reserves			–	(602,648)				
Operating loss			(163,672)	(1,316,924)				
Associated companies						153,111		
						992,577		

## 4. GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of certain subsidiaries which were principally engaged in property investments and investment holdings at a gain of HK\$19,905,000.

In prior year, the loss on disposal of subsidiaries was mainly attributed to the disposal of New World CyberBase (H.K.) Limited ("NWCBBK") to INFA Technologies Holdings Limited, a company wholly owned by a former director of the Company, at a consideration of approximately HK\$62.5 million.

**4. GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES** *(Continued)*

NWCBHK was principally engaged in the provision of PowerPhone services. The loss on disposal of NWCBHK amounted to HK\$220,499,000, representing the difference between the proceeds of the sale and the carrying amount of its net assets together with the attributable goodwill of HK\$127,126,000 which had previously been eliminated against reserves and had not previously been charged to the profit and loss account.

The contribution to turnover and operating loss in respect of the discontinued operation, accounted for up to the date of discontinuance were as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover (Note 3)	–	12,592
Segment results (Note 3)	–	111,060
Interest income	–	(4,921)
Operating loss	–	106,139

**5. OPERATING LOSS**

Operating loss is stated after crediting and charging the following:

	2002 HK\$'000	2001 (Restated) HK\$'000
<b>Crediting</b>		
Gain on disposal of plant and equipment	1,076	–
Gross rental income from investment properties	22,615	32,915
<b>Charging</b>		
Auditors' remuneration	870	1,273
Operating lease rental in respect of:		
Land and buildings	6,652	12,954
Payphone site	–	40,246
Outgoings in respect of investment properties	5,557	2,679
Retirement benefit costs	1,883	2,401
Write-off of plant and equipment	5,034	11,405
Impairment loss of goodwill	7,703	602,648

## 6. RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the profit and loss account represents gross contributions payable by the Group to the retirement schemes of HK\$2,954,000 (2001: HK\$2,786,000) less forfeited contributions utilised of HK\$1,071,000 (2001: HK\$385,000). No contributions were payable to the funds at the year end. At 31 March 2002 there was no unutilised forfeited contributions (2001: Nil).

## 7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees		
– executive directors	–	91
– non-executive directors	210	205
Basic salaries, housing allowances, other allowances and benefits in kind	2,700	2,700
Discretionary bonuses	–	–
Contributions to pension schemes	135	287
	3,045	3,283

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
HK\$ Nil – HK\$1,000,000	10	12
HK\$2,500,001 – HK\$3,000,000	1	1
	11	13

Emoluments paid to the independent non-executive directors amounted to HK\$200,000 for the year (2001: HK\$200,000).

## 7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

## (b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one director (2001: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2001: four) individuals during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	9,593	6,505
Discretionary bonus	–	140
Contributions to pension schemes	446	155
	10,039	6,800

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2002	2001
HK\$ Nil – HK\$1,000,000	–	–
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	1
	4	4

## 8. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts	6,693	23,212
Interest on loan notes	7,295	26,928
Interest on other loans wholly repayable within five years	5,568	16,590
Interest on convertible notes	–	1,857
Interest on amount due to a minority shareholder	385	459
	19,941	69,046

## 9. TAXATION

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2001: HK\$Nil). Taxation credit of HK\$85,000 in 2001 represented overprovision for Hong Kong profits tax in prior years.

There was no material unprovided deferred taxation for the year.

The revaluation deficit attributable to the investment properties does not constitute a timing difference for taxation purposes and deferred tax asset thereon has not been quantified.

## 10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$951,677,000 (2001: HK\$1,598,795,000).

## 11. LOSS PER SHARE

The calculation of the loss per share is based on the loss attributable to shareholders of HK\$189,203,000 (2001 as restated: HK\$1,423,932,000) and on the weighted average number of 3,817,274,564 (2001: 3,503,530,852) shares in issue during the year.

Diluted loss per share is not presented as the exercise of the outstanding share options of the Company would be anti-dilutive.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Investment properties <i>HK\$'000</i>	Other properties <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Furniture fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation							
At 1 April 2001	535,800	5,207	20,277	28,717	6,948	984	597,933
Additions	-	311	860	938	311	-	2,420
Acquisition of subsidiaries	-	-	-	3,345	640	376	4,361
Disposal of subsidiaries	(125,800)	-	(920)	(3,089)	(1,152)	-	(130,961)
Disposals	-	-	(12,844)	(9,759)	(831)	(184)	(23,618)
Written off	-	-	(920)	(11,374)	(2,389)	-	(14,683)
Revaluation deficits	(30,000)	-	-	-	-	-	(30,000)
<b>At 31 March 2002</b>	<b>380,000</b>	<b>5,518</b>	<b>6,453</b>	<b>8,778</b>	<b>3,527</b>	<b>1,176</b>	<b>405,452</b>
Accumulated depreciation							
At 1 April 2001	-	338	7,100	16,067	3,527	301	27,333
Charge for the year	-	108	2,806	4,096	1,010	326	8,346
Additional provision for depreciation	-	1,572	550	924	328	493	3,867
Acquisition of subsidiaries	-	-	-	2,093	269	142	2,504
Disposal of subsidiaries	-	-	(747)	(2,154)	(652)	-	(3,553)
Disposals	-	-	(5,489)	(5,972)	(1,906)	(286)	(13,653)
Written off	-	-	(316)	(8,478)	(855)	-	(9,649)
<b>At 31 March 2002</b>	<b>-</b>	<b>2,018</b>	<b>3,904</b>	<b>6,576</b>	<b>1,721</b>	<b>976</b>	<b>15,195</b>
Net book value							
<b>At 31 March 2002</b>	<b>380,000</b>	<b>3,500</b>	<b>2,549</b>	<b>2,202</b>	<b>1,806</b>	<b>200</b>	<b>390,257</b>
At 31 March 2001	535,800	4,869	13,177	12,650	3,421	683	570,600
The analysis of cost or valuation at 31 March 2002 of the above assets is as follows:							
At cost	-	3,500	2,549	2,202	1,806	200	10,257
At professional valuation - 2002	380,000	-	-	-	-	-	380,000
	380,000	3,500	2,549	2,202	1,806	200	390,257

**12. PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

- (a) The Group's investment properties were revalued on an open market value basis at 31 March 2002 by RHL Appraisal Ltd., an independent professional valuer.
- (b) Investment properties with a net book value totalling HK\$330,000,000 (2001: HK\$410,000,000) have been pledged to secure banking facilities to the extent of HK\$135,000,000 (2001: HK\$153,522,000) granted to the Group.
- (c) The tenure of the Group's properties is as follows:

	2002 HK\$'000	2001 HK\$'000
Investment properties in Hong Kong on medium term lease	380,000	535,800
Other properties outside Hong Kong on medium term lease	5,518	5,207
	385,518	541,007

**13. SUBSIDIARIES**

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	477,068	477,068
Less: Provision	(300,000)	(255,212)
	177,068	221,856
Amounts due from subsidiaries	1,340,997	2,326,586
Less: Provision	(1,239,581)	(1,308,209)
	101,416	1,018,377
Amounts due to subsidiaries	(46,375)	(66,222)
	55,041	952,155
	232,109	1,174,011

**13. SUBSIDIARIES** *(Continued)*

- (a) Except for an amount due from certain subsidiaries of HK\$47,711,000 (2001: HK\$36,652,000) which carries interest at 9% per annum (2001: 9% per annum), the balances with subsidiaries are interest free and have no fixed terms of repayment.
- (b) A list of the principal subsidiaries is set out in Note 30 to the accounts.

**14. ASSOCIATED COMPANIES**

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	–	63,351
Amounts due from associated companies, less provision (note a)	–	89,760
	–	153,111

- (a) At 31 March 2001, except for an amount of HK\$47,381,000 which carried interest at 1.5% above Hong Kong prime rate per annum, the amounts due from associated companies were interest free and had no fixed terms of repayment.
- (b) A list of the principal associated companies is set out in Note 31 to the accounts.

The Group's share of net assets of the associated companies represents the Group's cost of investment plus its share of post-acquisition results and reserves in the associated companies. Under the equity method of accounting, the Group's share of losses of the associated companies is restricted to the cost of investment. As at 31 March 2002, the Group's share of the associated companies' losses exceeded its cost of investment. Accordingly, share of net assets of associated companies is reported at nil value.

## 15. JOINTLY CONTROLLED ENTITY

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	–	–

Particulars of the jointly controlled entity are as follows:

Name	Place of incorporation/ operation	Issued share capital	Percentage of equity interests attributable to the Group	Principal activity
Cyber China Inc.	British Virgin Islands	100 shares of US\$1.00 each	50%	Investment holding

The Group's share of net assets of the jointly controlled entity represents the Group's cost of investment plus its share of post-acquisition results and reserves in the jointly controlled entity. Under the equity method of accounting, the Group's share of losses of the jointly controlled entity is restricted to the cost of investment. As at 31 March 2002 and 31 March 2001, the Group's share of the jointly controlled entity's losses exceeded its cost of investment. Accordingly, share of net assets of the jointly controlled entity is reported at nil value.

## 16. OTHER INVESTMENTS

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed investments in Hong Kong, at cost	21,767	21,767	–	–
Less: Provision	(9,879)	(1,993)	–	–
	11,888	19,774	–	–
Unlisted investments, at cost	344,006	475,708	250	250
Less: Provision	(328,960)	(320,103)	–	–
	15,046	155,605	250	250
Loans to investee companies	26,934	175,379	250	250
	6,918	20,713	–	–
	33,852	196,092	250	250
Market value of listed investments	113,090	155,305		

**17. ACCOUNTS RECEIVABLE**

The Group's credit terms on the provision of services range from 30 to 60 days. The ageing analysis of trade receivables of the Group is as follows:

	2002 HK\$'000	2001 HK\$'000
Trade receivables		
Current to 30 days	3,164	3,890
31 to 60 days	612	1,170
61 to 90 days	563	148
Over 90 days	1,360	1,080
	5,699	6,288

**18. BANK BALANCES AND CASH**

Included in bank balances and cash was an amount of HK\$16,610,000 (2001: HK\$Nil) which has been pledged as security for banking facilities granted to the Group.

**19. CREDITORS, DEPOSITS AND ACCRUALS**

Included in the Group's creditors, deposits and accruals are trade payables and their ageing analysis is as follows:

	2002 HK\$'000	2001 HK\$'000
Trade payables		
Current to 30 days	362	5,031
31 to 60 days	119	2,315
61 to 90 days	148	279
Over 90 days	2,139	2,209
	2,768	9,834

## 20. LONG TERM LOANS

	2002 HK\$'000	2001 HK\$'000
Secured		
Bank loans (note a)	135,000	153,522
Loan notes (note b)	–	230,300
	135,000	383,822
Unsecured		
Other loans wholly repayable within five years (note c)	1,308	139,475
Loan from a minority shareholder (note d)	7,741	7,741
	9,049	147,216
	144,049	531,038
Amounts due within one year included under current liabilities	(8,500)	(185,404)
	135,549	345,634

## Notes:

- (a) The Group's secured bank loans are wholly repayable within seven years. The maturity of the Group's secured bank loans is as follows:

	2002 HK\$'000	2001 HK\$'000
Secured bank loans repayable		
– within one year	8,500	47,237
– in the second year	10,500	47,237
– in the third to seventh years inclusive	116,000	59,048
	135,000	153,522

- (b) The secured loan notes carried interest at 0.5% over Hong Kong prime rate and had no fixed terms of repayment. During the year, the Group disposed of certain subsidiaries to a third party purchaser (the "Purchaser"). Pursuant to the sale and purchase agreement, the loan notes were also assigned to the Purchaser upon disposal of the subsidiaries.

- (c) At 31 March 2001, included in other loans was a loan of HK\$121,680,000 from New World Finance Company Limited ("NWF"), a wholly-owned subsidiary of New World Development Company Limited, a former substantial shareholder of the Company. The loan from NWF, which carried interest at 2% over the HIBOR, was assigned to a purchaser upon disposal of a subsidiary during the year.

At 31 March 2001, included in other loans was also a loan of HK\$16,487,000 from Paul Y. - ITC Management Limited ("PYITC"), a former fellow subsidiary of the Group. The loan from PYITC, which carried interest at 2% over Hong Kong prime rate, was fully repaid during the year.

- (d) The loan from a minority shareholder carries interest at 5% per annum and has no fixed terms of repayment.

## 21. SHORT TERM LOANS

	2002 HK\$'000	2001 HK\$'000
Secured		
Bank loan	9,435	–
Unsecured		
Other loan (note)	57,400	–
	66,835	–

*Note:* Other short term loan represents a new loan obtained from NWF during the year which carries interest at 2% over the HIBOR and is repayable on or before 1 October 2002.

## 22. SHARE CAPITAL

	2002 HK\$'000	2001 HK\$'000
<i>Authorised:</i>		
7,500,000,000 shares of HK\$0.02 each	150,000	150,000
<i>Issued and fully paid:</i>		
3,883,307,441 (2001: 3,805,307,441) shares of HK\$0.02 each	77,666	76,106

## 22. SHARE CAPITAL (Continued)

- (a) Details of the movements in the issued and fully paid up share capital of the Company are summarised as follows:

	Note	Number of shares	HK\$'000
At 1 April 2000		2,141,265,318	42,825
Issue of shares for the acquisition of associated companies	(i), (iii)	109,053,032	2,181
Issue of shares for the acquisition of an associated company by a jointly controlled entity	(ii)	90,909,091	1,818
Issue of shares for the acquisition of other investment	(iv)	20,330,000	407
Issue of shares for the acquisition of subsidiaries	(v)	193,750,000	3,875
Conversion of convertible notes	(vi)	1,250,000,000	25,000
At 31 March 2001 and at 1 April 2001		3,805,307,441	76,106
Issue of shares for the acquisition of subsidiaries	(vii)	78,000,000	1,560
<b>At 31 March 2002</b>		<b>3,883,307,441</b>	<b>77,666</b>

## Notes:

- (i) On 17 April 2000, 51,746,442 new shares of HK\$0.02 each were issued at HK\$1.546 per share as partial consideration for the acquisition of 20% equity interest in Asia V-Sat Co. Ltd. The premium on issue of shares of approximately HK\$78,965,000 was credited to the share premium account.
- (ii) On 23 May 2000, 90,909,091 new shares of HK\$0.02 each were issued at HK\$1.65 per share as partial consideration for the acquisition of 27.9% equity interest in PRC Youth Holdings Limited by Cyber China Inc., a jointly controlled entity of the Group. The premium on issue of shares of approximately HK\$148,182,000 was credited to the share premium account.
- (iii) On 15 June 2000, 57,306,590 new shares of HK\$0.02 each were issued at HK\$0.698 per share as partial consideration for the acquisition of 20% equity interest in Cyber On-Air Limited. The premium on issue of shares of approximately HK\$38,854,000 was credited to the share premium account.
- (iv) On 9 August 2000, 20,330,000 new shares of HK\$0.02 each were issued at HK\$0.7378 per share as partial consideration for the acquisition of 10% equity interest in China10k.com (BVI) Company Limited. The premium on issue of shares of approximately HK\$14,593,000 was credited to the share premium account.

## 22. SHARE CAPITAL (Continued)

Notes: (Continued)

- (v) On 5 September 2000, 193,750,000 new shares of HK\$0.02 each were issued at HK\$0.48 per share as consideration for the acquisition of 100% equity interest in Jetco Technologies Limited. The premium on issue of shares of approximately HK\$89,125,000 was credited to the share premium account.
- (vi) On 19 May 2000 and 15 June 2000, 1,000,000,000 and 250,000,000 new shares of HK\$0.02 each were issued respectively at HK\$0.2 per share upon conversion of the convertible notes of the Company. The premium on issue of shares of approximately HK\$225,000,000 was credited to the share premium account.
- (vii) On 4 February 2002, 78,000,000 new shares of HK\$0.02 each were issued at HK\$0.1 per share as consideration for the acquisition of 100% equity interest in City Internet Holdings Corporation Limited. The premium on issue of shares of approximately HK\$6,240,000 was credited to the share premium account.

## (b) Share options

- (i) The share option scheme adopted by the Company on 24 July 1990 (the "Former Share Option Scheme") expired on 23 July 2000. Any share options which were granted under the Former Share Option Scheme and for the time being subsisting are exercisable during the option period of three years commencing from the date of grant subject to such conditions as the directors may have determined notwithstanding that the scheme period of the Former Share Option Scheme has expired.

A new share option scheme (the "New Share Option Scheme") has been adopted by the shareholders of the Company at a special general meeting held on 22 September 2000. Under the New Share Option Scheme, options may be granted by the Company to any employees and executive directors of the Company and its subsidiaries to subscribe for shares of the Company in accordance with the terms of the New Share Option Scheme. The share options granted under the New Share Option Scheme may be exercised during the option period of seven years commencing from the date of grant subject to such conditions as the directors may determine.

Movements of share options granted under the above schemes during the year were as follows:

Date of grant	Exercise price HK\$	Number of outstanding share options at 1 April 2001	Granted during the year	Lapsed during the year	Number of outstanding share options at 31 March 2002
17 August 1999	0.5664	73,000,000	-	(18,000,000)	55,000,000
2 May 2000	0.5328	800,000	-	-	800,000
22 May 2000	0.5888	3,000,000	-	(3,000,000)	-
22 July 2000	0.3592	8,000,000	-	(2,000,000)	6,000,000
16 November 2000	0.2328	2,900,000	-	-	2,900,000
					<u>64,700,000</u>

No share options were exercised during the year.

## 22. SHARE CAPITAL (Continued)

## (b) Share options (Continued)

- (ii) Pursuant to a sale and purchase agreement dated 23 January 2002 relating to the acquisition of the entire issued share capital of a subsidiary, the Company has granted on 4 February 2002 options to subscribe for such number of new shares of the Company as shall have the value of up to HK\$15,600,000 in aggregate. Such options are exercisable during the period from 4 February 2002 up to and including 31 December 2005 at the subscription prices of: (i) HK\$0.15 per share from 4 February 2002 up to and including 31 December 2004; and (ii) HK\$0.20 per share from 1 January 2005 up to and including 31 December 2005.

None of such options has been exercised during the year.

## 23. RESERVES

## (a) Group

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2000	1,062,369	1,040,649	(279,376)	(963,496)	860,146
Issue of shares for the acquisition of					
– a subsidiary	89,125	–	–	–	89,125
– associated companies	117,819	–	–	–	117,819
– jointly controlled entity	148,182	–	–	–	148,182
– other investments	14,593	–	–	–	14,593
Conversion of convertible notes	225,000	–	–	–	225,000
Share issue expenses	(542)	–	–	–	(542)
Goodwill arising from current year's acquisitions	–	–	(517,766)	–	(517,766)
Realisation of goodwill on disposal of subsidiaries, associated companies and other investments	–	–	194,497	–	194,497
Loss for the year ended 31 March 2001					
– as previously reported	–	–	–	(821,284)	(821,284)
– effect of adopting SSAP 31 (Note 2(b))	–	–	602,648	(602,648)	–
– as restated				(1,423,932)	
At 31 March 2001, as restated	1,656,546	1,040,649	3	(2,387,428)	309,770

## 23. RESERVES (Continued)

## (a) Group

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001					
– as previously reported	1,656,546	1,040,649	(602,645)	(1,784,780)	309,770
– effect of adopting SSAP 31 (Note 2(b))	–	–	602,648	(602,648)	–
– as restated	1,656,546	1,040,649	3	(2,387,428)	309,770
Issue of shares for the acquisition of subsidiaries	6,240	–	–	–	6,240
Share issue expenses	(265)	–	–	–	(265)
Realisation of capital reserve on disposal of subsidiaries	–	–	(3)	–	(3)
Loss for the year	–	–	–	(189,203)	(189,203)
At 31 March 2002	1,662,521	1,040,649	–	(2,576,631)	126,539

## 23. RESERVES (Continued)

## (b) Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2000	1,062,369	1,040,649	(15,167)	2,087,851
Issue of shares for the acquisition of :				
– a subsidiary	89,125	–	–	89,125
– associated companies	117,819	–	–	117,819
– jointly controlled entity	148,182	–	–	148,182
– other investments	14,593	–	–	14,593
Conversion of convertible notes	225,000	–	–	225,000
Shares issue expenses	(542)	–	–	(542)
Loss for the year	–	–	(1,598,795)	(1,598,795)
At 31 March 2001	1,656,546	1,040,649	(1,613,962)	1,083,233
Issue of shares for the acquisitions of subsidiaries	6,240	–	–	6,240
Share issue expenses	(265)	–	–	(265)
Loss for the year	–	–	(951,677)	(951,677)
At 31 March 2002	1,662,521	1,040,649	(2,565,639)	137,531

In the opinion of the directors, the Company did not have distributable reserves at 31 March 2002 (2001: HK\$Nil).

## 24. CONTINGENT LIABILITIES

	Group		Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Guarantees in respect of credit facilities granted to a subsidiary	–	–	57,400	121,680
Guarantees in respect of credit facilities granted to a former associated company	86,000	86,000	86,000	86,000
	86,000	86,000	143,400	207,680

## 25. COMMITMENTS

## (a) Capital commitments

	2002	2001
	HK\$'000	HK\$'000
Contracted but not provided for in respect of other investments	125,180	138,795

## (b) Commitments under operating leases

At 31 March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Others	
	2002	2001	2002	2001
		(Restated)		(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	3,914	12,977	–	1,651
Later than one year and not later than five years	–	8,345	–	432
	3,914	21,322	–	2,083

## (c) Future minimum rental payments receivable

The Group's operating leases are for terms of 1 to 3 years. The future minimum rental payments receivable under non-cancellable leases are as follows:

	2002	2001
	HK\$'000	HK\$'000
Not later than one year	14,176	19,618
Later than one year and not later than five years	17,088	10,841
	31,264	30,459

## 26. CONSOLIDATED CASH FLOW STATEMENT

## (a) Reconciliation of loss before taxation to net cash outflow from operating activities

	2002	2001
		(Restated)
	HK\$'000	HK\$'000
Loss before taxation	(191,502)	(1,426,938)
Share of results of associated companies	7,889	37,873
Share of results of jointly controlled entities	–	3,095
Interest income	(2,023)	(15,267)
Interest expense	19,941	69,046
Depreciation	12,213	48,156
(Profit)/loss on disposal of subsidiaries	(19,905)	221,949
Provision for impairment losses of other investments	58,900	319,284
Deficit on revaluation of investment properties	30,000	23,000
Profit on disposal of other investments	–	(177,520)
Provision for impairment losses of associated companies	18,002	69,217
Loss on deemed disposal of associated companies	–	9,214
Recovery of doubtful debts	(1,638)	(177)
Impairment loss of goodwill	7,703	–
(Gain)/loss on disposal of plant and equipment	(1,076)	11,405
Write-off of plant and equipment	5,034	–
Decrease in accounts receivable, other receivables, prepayments and deposits	7,591	726
(Decrease)/increase in creditors, deposits and accruals	(19,089)	11,180
Impairment of goodwill previously included in capital reserve	–	602,648
Net cash outflow from operating activities	(67,960)	(193,109)

## 26. CONSOLIDATED CASH FLOW STATEMENT (Continued)

## (b) Disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets disposed:		
Debtors, deposits and prepayments	1,294	12,383
Properties held for sale	–	51,780
Property, plant and equipment	127,408	184,386
Bank balances and cash	19,928	11,382
Other investments and loan to an investee company	117,000	44,281
Investment in associated company	133,816	–
Creditors, deposits and accruals	(5,842)	(3,597)
Bank loan	(45,000)	(23,000)
Minority interest	(126)	–
Loan notes	(230,300)	–
Other loans	(121,680)	–
	(3,502)	277,615
Goodwill	(3)	128,490
Gain/(loss) on disposal of subsidiaries	19,905	(221,949)
	16,400	184,156
Satisfied by:		
Cash consideration	16,400	184,156

The subsidiaries disposed of during the year contributed HK\$ 3,178,000 to the Group's net operating cash outflows (2001: inflow of HK\$168,028,000), paid HK\$6,230,000 (2001: received HK\$1,777,000) in respect of net returns on investments and servicing of finance, utilised HK\$1,820,000 (2001: contributed HK\$245,390,000) in the Group's investing activities, received HK\$ 28,513,000 (2001: paid HK\$5,000,000) for financing activities and paid HK\$Nil (2001: HK\$6,000) in respect of taxation.

Analysis of net inflow of cash and cash equivalents in respect of disposals of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Cash consideration	16,400	184,156
Cash not yet received	(800)	–
Bank balances and cash disposed of	(19,928)	(11,382)
Net (outflow)/inflow of cash and cash equivalents in respect of disposal of subsidiaries	(4,328)	172,774

## 26. CONSOLIDATED CASH FLOW STATEMENT (Continued)

## (c) Acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	1,857	11,602
Debtors, deposits and prepayments	548	8,461
Bank balances and cash	545	41,857
Creditors, deposits and accruals	(2,745)	(15,517)
Minority interests	–	(5,817)
	205	40,586
Less: Interest originally held by the Group as jointly controlled entity	–	(33,674)
	205	6,912
Goodwill	7,595	108,763
	7,800	115,675
Satisfied by:		
Issue of shares*	7,800	93,000
Cash	–	22,675
	7,800	115,675

\* The acquisition of certain subsidiaries during the year was satisfied by the issuance of 78,000,000 new shares of HK\$0.02 each at HK\$0.1 per share and options to subscribe for such number of new shares of the Company as shall have the value of up to HK\$15,600,000 in aggregate. These share options are exercisable from 4 February 2002 up to and including 31 December 2005 at the subscription prices of: (i) HK\$0.15 per share from 4 February 2002 to 31 December 2004; and (ii) HK\$0.20 per share from 1 January 2005 to 31 December 2005. In determining the fair value of these options attributable to the consideration for the acquisition, the directors have assigned no value on these share options with reference to the market price of the Company's shares.

26. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*(c) Acquisition of subsidiaries *(Continued)*

The subsidiaries acquired during the year contributed HK\$387,000 (2001: HK\$55,000) to the Group's net operating cash outflows, paid HK\$Nil (2001: HK\$942,000) in respect of the net returns on investments and servicing of finance of the Group, contributed HK\$Nil (2001: HK\$1,601,000) to the Group's investing activities, paid HK\$Nil (2001: HK\$2,921,000) for financing activities and HK\$Nil (2001: HK\$63,000) in respect of taxation.

Analysis of net inflow of cash and cash equivalents in respect of acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Cash consideration	–	(22,675)
Deposit paid in prior year	–	12,500
Bank balances and cash acquired	545	41,857
Net inflow of cash and cash equivalents in respect of acquisition of subsidiaries	545	31,682

## 26. CONSOLIDATED CASH FLOW STATEMENT (Continued)

## (d) Analysis of changes in financing during the year

	Share capital (including premium) HK\$'000	Short term and long term loans HK\$'000	Convertible notes HK\$'000	Minority Interests HK\$'000	Restricted bank balances and cash deposits HK\$'000	Total HK\$'000
Balance at 1 April 2000	1,105,194	662,002	250,000	7,741	(76,068)	1,948,869
Net cash (outflow)/inflow						
from financing	(542)	(115,705)	-	-	76,068	(40,179)
Conversion of convertible notes	250,000	-	(250,000)	-	-	-
Issue of shares for the acquisition of						
- a subsidiary	93,000	-	-	5,817	-	98,817
- associated companies	120,000	-	-	-	-	120,000
- jointly controlled entity	150,000	-	-	-	-	150,000
- other investments	15,000	-	-	-	-	15,000
Disposal of subsidiaries	-	(23,000)	-	-	-	(23,000)
Minority interests' share of losses	-	-	-	(2,921)	-	(2,921)
Balance at 31 March 2001	1,732,652	523,297	-	10,637	-	2,266,586
Net cash (outflow)/inflow from financing	(265)	76,826	-	-	(16,610)	59,951
Acquisition of additional interest						
in a subsidiary	-	-	-	(381)	-	(381)
Goodwill written off on acquisition						
of additional interest in a subsidiary	-	-	-	108	-	108
Issue of shares for the acquisition						
of subsidiaries	7,800	-	-	-	-	7,800
Disposal of subsidiaries	-	(396,980)	-	(126)	-	(397,106)
Minority interests' share of losses	-	-	-	(2,299)	-	(2,299)
Balance at 31 March 2002	1,740,187	203,143	-	7,939	(16,610)	1,934,659

## (e) Major non-cash transactions

During the year, the Group acquired certain subsidiaries at a consideration satisfied by issuance of the Company's shares and share options. Further details of the acquisition is set out in Note 26(c) above.

## 27. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	2002 HK\$'000	2001 HK\$'000
Interest income from an associated company (note a)	1,648	5,085
Services rendered to related companies (note b)	10,362	–
Interest expense to a related company (note c)	4,554	7,808
Rental expenses to related companies (note d)	4,883	11,039
Portal development charge and facility management fee from a related company (note e)	791	3,817
Service fees to a related company (note f)	–	2,292
Purchase of equipment from a related company (note g)	–	1,007
Advertising income from a related company (note h)	–	127
Card access income from a related company (note h)	–	530
Renovation expenses to a related company (note i)	–	886
Service rendered to associated companies (note j)	270	2,290

## Notes:

- (a) The amount represents interest income in respect of amount due from a former associated company. The amount carries interest at 1.5% over the Hong Kong prime rate and have no fixed terms of repayment.
- (b) Services rendered to related companies are charged on prices and terms no less favorable than those charged to and contracted with other third party customers.
- (c) Interest expense was paid to NWF, a former related company of the Group, in respect of a loan to the Group at 2% over the HIBOR in accordance with the loan agreement.
- (d) Rental expenses were charged based on a fixed rate in accordance with the tenancy agreements.
- (e) Certain wholly-owned subsidiaries of the Company have entered into a development agreement and a facility management contract with New World BioSciences Co. Limited, a former related company of the Group, to create, develop, implement and integrate the "Fulintang" Portal and provide facility management and network services for the "Fulintang" Portal. The portal development charge and facility management fee were charged at prices and terms no less favorable than those charged to and contracted with other third party customers.
- (f) Service fees were charged for the provision of office space, general and administrative and accounting services, repair and maintenance services, professional expenses, and other office facilities. The terms and prices were negotiated at arm's length basis.
- (g) Purchase of equipment were conducted in the normal course of business at prices and in accordance with the terms of contracts.
- (h) Advertising income and card access income were charged on prices and terms no less favorable than those charged to and contracted with other third party customers.
- (i) Renovation expenses were paid on normal commercial terms and in the ordinary course of business.
- (j) Service rendered to associated companies are charged on prices and terms no less favorable than those charged to and contracted with other third party customers.

## 28. SUBSEQUENT EVENTS

Subsequent to the year end, the Company completed a rights issue of 1,941,653,720 shares at a subscription price of HK\$0.05 per share (the 'Rights Issue'). Accordingly, the issued share capital of the Company has been increased from HK\$77,666,000 to HK\$116,499,000 by allotment of 1,941,653,720 new shares of HK\$0.02 each at a premium of HK\$0.03 per share. These new shares rank pari passu in all respect with the existing shares. Details of the Rights Issue have been published in the Prospectus of the Company dated 20 March 2002. The proceeds from the Rights Issue is approximately HK\$97 million.

## 29. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 16 July 2002.

## 30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries as at 31 March 2002 are as follows:

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Interest Held	Principal activities
* Aldgate Agents Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
**Beijing Jetco Electronic Technologies Co., Ltd.	People's Republic of China	US\$500,000	100%	Computer software development
**Beijing New World CyberBase Company Limited	People's Republic of China	RMB80,000,000	100%	Software development and system integration
* Blue Velvet Venture Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
City Internet Holdings Corporation Limited	Cayman Islands	109,356,725 ordinary shares, 60,000,000 series A preference shares and 17,777,780 series A plus preference shares, of US\$0.01 each	100%	Investment holding
* Cyber Network Technology Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
Darierian Worldwide Limited	British Virgin Islands	100 shares of US\$1.00 each	51%	Investment holding
eHongKong.com (H.K.) Limited	Hong Kong	2 shares of HK\$1.00 each	51%	Internet content provider
EHongKong.com, Inc	United States of America	1 share of US\$1.00	51%	Internet content provider
* Gamerian Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding

## 30. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Interest Held	Principal activities
Jadesails Investments Limited	Hong Kong	10,000 shares of HK\$1.00 each	100%	Property investment
Jetco Technologies Limited	Hong Kong	1,250,000 shares of HK\$1.00 each	100%	Investment holding
* Joyworth Investments Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
* New View Venture Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
* New World CyberBase (Greater China) Limited	Hong Kong	2 shares of HK\$1.00 each	100%	Management services
New World CyberBase Services Limited	Hong Kong	2 shares of HK\$1.00 each	100%	Provision of secretarial and nominee services
**New World CyberBase (Shanghai) Limited	People's Republic of China	US\$1,200,000 (Note)	100%	Software development and system integration
New World CyberBase Solutions (HK) Limited	Hong Kong	2 shares of HK\$1.00 each	100%	e-Business solutions services
New World CyberBase Solutions (US) Limited	United States of America	4,000 shares of US\$1.00 each	100%	Facilities-managed data centre and Internet related services
PacLink Communications International Inc.	United States of America	4,000 shares of US\$1.00 each	48.45%	Internet and worldwide web services
Quinway Company Limited	Hong Kong	10,000 shares of HK\$1.00 each	100%	Property investment
* Shanghai Jetco Technologies Ltd.	People's Republic of China	US\$300,000	92%	Computer software development
Smart Strategy Investments Limited	British Virgin Islands	1 share of US\$1.00	51%	Investment holding
* Viewnet Assets Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
* Zetland International Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
** 上海城市通網絡信息技術有限公司	People's Republic of China	US\$5,480,000	100%	Software development

**30. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)**

\* *Subsidiaries directly held by the Company.*

# *The company is a sino-foreign equity joint venture established in the People's Republic of China, in which the Group is entitled to 100% of the company's results pursuant to the shareholders agreement.*

## *The company is a wholly owned foreign enterprise established in the People's Republic of China.*

*Note:* As at 31 March 2002, US\$380,000 (2001: US\$180,000) of the registered capital has been paid up.

**31. PARTICULARS OF PRINCIPAL ASSOCIATED COMPANIES**

Details of the Group's principal associated companies as at 31 March 2002 are as follows:

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Interest Held	Principal activities
Asia V-Sat Co. Ltd.	British Virgin Islands	5,850,000 shares of US\$1.00 each	20%	Internet and e-commerce services
beenz.com Greater China Limited (in members' voluntary liquidation)	Hong Kong	100 shares of HK\$1.00 each	45%	Establishment and operation of Internet rewards and direct marketing services
eGuanxi (Cayman) Limited	Cayman Islands	6,667,000 shares of US\$1.00 each	25%	Software research and development, Internet and information technology and investment related activities