NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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 requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

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

(c) Subsidiaries and controlled entities

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates and jointly controlled entities

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

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates and jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less any impairment losses (see note 1(j)).

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

— for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(j)); and

— for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill (continued)

In respect of acquisition of associates and jointly controlled entities, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(j)) is included in the carrying amount of the interest in associates or jointly controlled entities.

Negative goodwill arising on acquisition of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

— for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

— for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

— for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

— for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in securities

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

(i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Securities are presented as short term investments when they were acquired principally for the purpose of generating a profit from short term fluctuations in price.

(iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(g) Fixed assets

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

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

- land and buildings held for own use are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation (see note 1(i)). Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and

- equipment and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fixed assets (continued)

(ii) Changes arising on the revaluation of investment properties and land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to the income statement if, and to the extent that, it exceeds the amount held in the reserve in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to the income statement if, and to the extent that, a deficit on revaluation in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the income statement.

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

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For land and buildings, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(h) Leased assets

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Amortisation and depreciation

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

(ii) Depreciation is calculated to write off the cost or valuation of other fixed assets over their estimated useful lives as follows:

— leasehold land and buildings are depreciated on a straight-line basis over the remaining term of the lease;

— other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Over the shorter of remaining term of the lease and 5 - 6 years
Furniture, fixtures and equipment	3 - 6 years
Communications equipment	6 years
Motor vehicles	3 years

(j) Impairment of assets

The following assets are reviewed at each balance sheet date for any indications of impairment and/or to evaluate the appropriateness of any impairment loss provision previously made:

— property and equipment (other than properties carried at revalued amounts);

— investments in subsidiaries, associates and jointly controlled entities; and

— goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, impairment loss is recognised to the extent of the excess of the carrying amount over its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which reversals are recognised.

(k) Inventories

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

Cost is calculated using the first-in, first-out formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

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

(l) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and defined contribution provident fund scheme and retirement costs in respect of overseas employees according to local requirements are recognised as an expense in the income statement as incurred.

(iii) When the Group grants employees options to acquire shares of the Company, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(n) Deferred taxation

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

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

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition

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

(i) Telecommunications and data bureau services

Revenue from telecommunications and data bureau services, comprising proprietary services and carrier operations, are recognised when the services are rendered on the basis of traffic statistics agreed with international telecommunications carriers to the extent of the amounts expected to be received.

Revenue received from certain international telecommunications carriers is subject to clawback arrangements, whereby the originating/transit international telecommunications carriers may clawback amounts previously paid if subsequently they do not receive the corresponding payments from the end customers/other intermediate carriers respectively. Actual and potential clawbacks are taken into consideration in calculating the amount of revenue to be recognised.

(ii) Recreational club operation

Entrance fees are recognised when the application for club membership is accepted and no significant uncertainty as to collectability exists. Annual subscription fees are recognised over the relevant period of the membership. Revenue from the provision of club facilities, catering and other services is recognised when goods are delivered or services are rendered.

(iii) Consulting and other services

Revenue from the provision of consulting and other services is recognised when the relevant services have been provided and the Group's right to receive payment is established.

(iv) Dividends

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Translation of foreign currencies

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

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

On disposal of a foreign enterprise, the cumulative amount of exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(r) Related parties

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

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Segment reporting (continued)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

2 TURNOVER

The principal activities of the Group are provision of telecommunications services, provision of data bureau services, operation of recreational clubs, and investment holding. The amount of each significant category of revenue recognised in turnover is as follows:

	2002	2001
	$'000	*$'000*
Telecommunications and data bureau services	**117,735**	349,980
Recreational club operation	**24,351**	26,937
Dividend income from listed investments	**40,696**	6,656
Interest income	**10,577**	35,877
	193,359	419,450

3 OTHER REVENUE/OTHER NET LOSS

	2002	2001
	$'000	*$'000*
Other revenue		
Consulting services fees	**1,043**	10,000
Others	**496**	709
	1,539	10,709
Other net loss		
Net realised and unrealised loss on investments in securities	**90,057**	174,797
Net loss on disposal of fixed assets	**56**	2,409
Others	**—**	(52)
	90,113	177,154

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2002	2001
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans and overdrafts	**1,253**	2,826
Factoring fees	**—**	191
Interest on convertible bonds	**—**	2,469
	1,253	5,486
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution plan	**1,060**	1,344
Salaries, wages and other benefits	**43,346**	53,161
	44,406	54,505
(c) Other items:		
Cost of inventories sold	**3,982**	3,757
Depreciation	**13,077**	13,961
Auditors' remuneration	**1,256**	1,232
Amortisation of goodwill included in share of profits less losses of associates	**1,815**	—
Exchange (gain)/loss	**(873)**	313
Deficit on revaluation of investment properties	**—**	400
Deficit on revaluation of land and buildings	**15,038**	16,058
Operating lease charges on land and buildings	**4,354**	5,984
(Write back of provision)/provision for diminution in value of and non-recoverable amounts due from associates	**(306)**	1,707
Provision for diminution in value of and non-recoverable amounts due from jointly controlled entities	**—**	2,904
Impairment loss on fixed assets	**—**	198

5 TAXATION

(a) Taxation in the consolidated income statement represents:

	2002	2001
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**3**	—
Under/(over)-provision of Hong Kong Profits Tax in respect of prior years	**1**	(373)
	4	(373)
Overseas taxation	**307**	215
Under/(over)-provision in respect of prior years	**1**	(244)
Deferred taxation *(note 27(a))*	**(7)**	(1,220)
Share of associates' taxation	**29**	—
	334	(1,622)

The provision for Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year. Overseas taxation is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

(b) Taxation in the consolidated balance sheet represents:

	2002	2001
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**3**	—
Provision for overseas taxation for the year	**307**	215
Hong Kong Profits Tax paid	**(1)**	—
Overseas tax paid	**(275)**	(249)
Balance of tax provision relating to prior years	**5,440**	5,495
	5,474	5,461

6 DIRECTORS' REMUNERATION

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

	2002	2001
	$'000	*$'000*
Fees	**140**	152
Other emoluments paid to executive directors:		
- Salaries and other emoluments	**7,166**	5,997
- Retirement scheme contributions	**46**	48
	7,352	6,197

Included in the directors' remuneration were fees of $40,000 (2001: $40,000) paid to independent non-executive directors during the year.

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme approved in 1997. In the absence of a ready market for the options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors. No options were granted or exercised during the year.

The remuneration of the directors is within the following bands:

	2002	2001
	Number of directors	Number of directors
$Nil - $1,000,000	**4**	6
$1,000,001 - $1,500,000	**1**	2
$1,500,001 - $2,000,000	**1**	—
$2,500,001 - $3,000,000	**—**	1
$3,500,001 - $4,000,000	**1**	—

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 3 (2001: 3) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other 2 (2001: 2) individuals are as follows:

	2002	2001
	$'000	*$'000*
Salaries and other emoluments	**2,429**	3,120
Retirement scheme contributions	**24**	12
	2,453	3,132

The emoluments of the 2 (2001: 2) individuals with the highest emoluments are within the following bands:

	2002 Number of individuals	2001 Number of individuals
$1,000,001 - $1,500,000	**2**	—
$1,500,001 - $2,000,000	**—**	2

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of $119,072,000 (2001: $669,848,000) which has been dealt with in the financial statements of the Company.

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of $119,435,000 (2001: $197,696,000) and the 1,650,658,000 ordinary shares in issue during both years.

(b) Diluted loss per share

The diluted loss per share for the years ended 31 December 2002 and 2001 is the same as the basic loss per share as the exercise of outstanding share options in full would have an anti-dilutive effect on the loss per share.

10 CHANGES IN ACCOUNTING POLICIES

Translation of financial statements of foreign enterprises

In prior years, the results of foreign enterprises were translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. With effect from 1 January 2002, in order to comply with Statement of Standard Accounting Practice 11 (revised) issued by the Hong Kong Society of Accountants, the Group translates the results of foreign enterprises at the average exchange rate for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

11 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Telecommunications and data bureau services:	the provision of telecommunications services and data bureau services
Recreational club operation:	the provision of recreational facilities and catering services
Treasury and investment:	treasury operations and the holding and trading of investments for short term and long term investment returns
e-commerce enabling technologies:	the provision of e-commerce enabling technologies

11 SEGMENT REPORTING (CONTINUED)

Business segments (continued)

	Telecommunications and data bureau services		Recreational club operation		Treasury and investment		e-commerce enabling technologies		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover from external customers	**117,735**	349,980	**24,351**	26,937	**51,273**	42,533	**—**	—	**193,359**	419,450
Other revenue	**1,043**	199	**439**	291	**57**	180	**—**	10,039	**1,539**	10,709
Segment revenue	**118,778**	350,179	**24,790**	27,228	**51,330**	42,713	**—**	10,039	**194,898**	430,159
Segment result	**(2,341)**	(5,305)	**(9,138)**	(13,123)	**(56,120)**	(137,974)	**(428)**	(11,934)	**(68,027)**	(168,336)
Other group expenses									**(2,991)**	(3,016)
Deficit on revaluation of land and buildings									**(15,038)**	(16,058)
Deficit on revaluation of investment properties									**—**	(400)
Loss from operations									**(86,056)**	(187,810)
Finance costs									**(1,253)**	(5,486)
Share of profits less losses of associates	**—**	315	**—**	—	**(1,792)**	90	**—**	—	**(1,792)**	405
Share of losses of jointly controlled entities	**—**	—	**—**	—	**—**	—	**—**	(6,427)	**—**	(6,427)
Impairment loss on goodwill									**(30,000)**	—
Taxation									**(334)**	1,622
Loss attributable to shareholders									**(119,435)**	(197,696)
Depreciation for the year	**6,698**	6,093	**5,806**	6,671	**573**	10	**—**	1,187	**13,077**	13,961
Impairment loss for the year	**—**	—	**—**	—	**—**	—	**—**	198	**—**	198
Significant non-cash expenses (other than depreciation and amortisation)	**12**	2,875	**—**	—	**92,053**	174,815	**—**	4,137	**92,065**	181,827
Segment assets	**122,374**	156,386	**157,524**	174,458	**786,627**	856,279	**128**	2,001	**1,066,653**	1,189,124
Investment in associates and jointly controlled entities	**—**	—	**—**	—	**29,121**	4,636	**—**	—	**29,121**	4,636
Unallocated assets									**3,600**	3,600
Total assets									**1,099,374**	1,197,360
Segment liabilities	**76,369**	75,472	**22,899**	32,730	**3,348**	2,062	**—**	1,290	**102,616**	111,554
Unallocated liabilities									**52,244**	52,242
Total liabilities									**154,860**	163,796
Capital expenditure incurred during the year:										
- in respect of investments	**—**	54,460	**—**	—	**63,222**	85,329	**—**	—	**63,222**	139,789
- in respect of fixed assets	**166**	4,017	**518**	406	**—**	76	**—**	117	**684**	4,616
	166	58,477	**518**	406	**63,222**	85,405	**—**	117	**63,906**	144,405

11 SEGMENT REPORTING (CONTINUED)

Geographical segments

The Group's business is conducted on a worldwide basis, but participates in six principal economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		PRC (excluding Hong Kong)		Japan		Other Asia Pacific regions		Europe		North America		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**72,865**	70,679	**4,042**	2,583	**29,128**	139,371	**6,759**	29,783	**50,813**	104,229	**24,414**	64,698	**5,338**	8,107	**193,359**	419,450
Segment assets	**887,482**	990,425	**85,825**	87,803	**–**	–	**41,110**	35,813	**431**	1,136	**84,526**	79,242	**–**	2,941	**1,099,374**	1,197,360
Capital expenditure incurred during the year:																
- in respect of investments	**29,564**	–	**–**	34,154	**–**	–	**29,767**	30,000	**–**	–	**3,891**	75,635	**–**	–	**63,222**	139,789
- in respect of fixed assets	**184**	3,902	**360**	14	**–**	–	**121**	631	**19**	69	**–**	–	**–**	–	**684**	4,616
	29,748	3,902	**360**	34,168	**–**	–	**29,888**	30,631	**19**	69	**3,891**	75,635	**–**	–	**63,906**	144,405

12 FIXED ASSETS

(a) The Group

	Land and buildings $'000	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Communications equipment $'000	Motor vehicles $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:								
At 1 January 2002	170,000	3,178	15,974	37,638	2,490	229,280	3,600	232,880
Exchange adjustments	–	–	108	1,696	23	1,827	–	1,827
Additions	–	333	351	–	–	684	–	684
Deficit on revaluation	(20,000)	–	–	–	–	(20,000)	–	(20,000)
Disposals	–	(1,275)	(77)	(386)	–	(1,738)	–	(1,738)
At 31 December 2002	**150,000**	**2,236**	**16,356**	**38,948**	**2,513**	**210,053**	**3,600**	**213,653**
Representing:								
Cost	–	2,236	16,356	38,948	2,513	60,053	–	60,053
Valuation - 31 December 2002	150,000	–	–	–	–	150,000	3,600	153,600
	150,000	**2,236**	**16,356**	**38,948**	**2,513**	**210,053**	**3,600**	**213,653**
Aggregate amortisation and depreciation:								
At 1 January 2002	–	1,278	11,951	25,908	1,767	40,904	–	40,904
Exchange adjustments	–	–	84	1,166	23	1,273	–	1,273
Charge for the year	4,962	809	1,860	5,086	360	13,077	–	13,077
Written back on revaluation	(4,962)	–	–	–	–	(4,962)	–	(4,962)
Written back on disposals	–	(1,264)	–	(340)	–	(1,604)	–	(1,604)
At 31 December 2002	**–**	**823**	**13,895**	**31,820**	**2,150**	**48,688**	**–**	**48,688**
Net book value:								
At 31 December 2002	**150,000**	**1,413**	**2,461**	**7,128**	**363**	**161,365**	**3,600**	**164,965**
At 31 December 2001	170,000	1,900	4,023	11,730	723	188,376	3,600	191,976

12 FIXED ASSETS (CONTINUED)

(b) The Company

	Land and buildings *$'000*	Furniture, fixtures and equipment *$'000*	Sub-total *$'000*	Investment properties *$'000*	Total *$'000*
Cost or valuation:					
At 1 January 2002	120,000	3	120,003	3,600	123,603
Deficit on revaluation	(20,000)	—	(20,000)	—	(20,000)
At 31 December 2002	**100,000**	**3**	**100,003**	**3,600**	**103,603**
Representing:					
Cost	—	3	3	—	3
Valuation					
- 31 December 2002	100,000	—	100,000	3,600	103,600
	100,000	**3**	**100,003**	**3,600**	**103,603**
Aggregate amortisation and depreciation:					
At 1 January 2002	—	1	1	—	1
Charge for the year	2,581	1	2,582	—	2,582
Written back on revaluation	(2,581)	—	(2,581)	—	(2,581)
At 31 December 2002	**—**	**2**	**2**	**—**	**2**
Net book value:					
At 31 December 2002	**100,000**	**1**	**100,001**	**3,600**	**103,601**
At 31 December 2001	120,000	2	120,002	3,600	123,602

12 FIXED ASSETS (CONTINUED)

(c) The analysis of net book value of properties is as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
In Hong Kong				
under medium-term lease	**103,600**	123,600	**103,600**	123,600
In the People's Republic of China				
under medium-term lease	**50,000**	50,000	**—**	—
	153,600	173,600	**103,600**	123,600

Investment properties of the Group and the Company were revalued at 31 December 2002 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, on an open market value basis. No revaluation deficit (2001: deficit of $400,000) has been charged to the income statement.

The Group's and the Company's land and buildings held for own use were revalued at 31 December 2002 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, on an open market value basis. The net revaluation deficit of $15,038,000 (2001: $16,058,000) for the Group was charged to the consolidated income statement. The revaluation deficit of $17,419,000 (2001: surplus of $2,526,000) for the Company was charged to the income statement.

The carrying amount of the land and buildings held for own use by the Group and the Company at 31 December 2002 would have been $136,324,000 (2001: $143,956,000) and $34,488,000 (2001: $35,263,000) respectively had they been carried at cost less accumulated depreciation.

13 INTEREST IN SUBSIDIARIES

	The Company	
	2002	2001
	$'000	*$'000*
Unlisted shares, at cost	**12,700**	12,700
Amounts due from subsidiaries	**1,070,758**	1,005,071
	1,083,458	1,017,771
Less: impairment loss	**(914,352)**	(829,694)
	169,106	188,077

Details of principal subsidiaries are shown on pages 61 and 62.

14 INTEREST IN ASSOCIATES

	The Group		The Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
Unlisted shares, at cost	**—**	—	**1**	1
Share of net assets	**13,473**	2,288	**—**	—
Goodwill	**16,334**	—	**—**	—
Amounts due from associates	**9,627**	12,967	**1,402**	4,435
	39,434	15,255	**1,403**	4,436
Less: impairment loss	**(10,313)**	(10,619)	**—**	—
	29,121	4,636	**1,403**	4,436

Details of principal associates are shown on page 63.

15 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2002	2001
	$'000	*$'000*
Share of net liabilities	**(17,913)**	(17,913)
Amounts due from jointly controlled entities	**36,141**	36,141
	18,228	18,228
Less: impairment loss	**(18,228)**	(18,228)
	—	—

Details of principal jointly controlled entities are shown on page 63.

16 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2002	2001
	$'000	*$'000*
Investment securities		
Equity securities listed outside Hong Kong	**2,236**	2,236
Unlisted equity securities	**54,460**	54,460
	56,696	56,696
Other securities		
Equity securities listed outside Hong Kong	**25,066**	21,175
Unlisted equity securities	**26,801**	30,000
	51,867	51,175
	108,563	107,871
Market value of listed securities	**34,295**	66,353

17 SHORT TERM INVESTMENTS

	The Group		The Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
Trading securities (at market value)				
Equity securities listed in Hong Kong	**102,082**	164,067	**100,044**	161,558

Included in trading securities were ordinary shares of $2 each of China Motor Bus Company, Limited, which is incorporated in Hong Kong, as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
Market value of ordinary shares of China Motor Bus Company, Limited	**97,553**	136,990	**96,970**	136,171
Proportion of ownership interest	**4.5%**	4.5%	**4.5%**	4.5%

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**13,647**	26,143	**—**	—
Deposits, prepayments and other receivables	**59,516**	44,943	**31,527**	2,434
	73,163	71,086	**31,527**	2,434

Included in deposits, prepayments and other receivables are deposits of $37,344,000 (2001: $34,154,000) paid in respect of acquisition of equity interests in two companies, and a short term loan to a third party in the amount of $14,448,000 (2001: $Nil).

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in trade debtors are receivables (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2002	2001
	$'000	*$'000*
0 - 1 month	**3,065**	14,474
2 - 3 months	**4,394**	9,724
Over 3 months	**6,188**	1,945
	13,647	26,143

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strengths of and the period of business with individual customers are considered in arriving at the respective credit terms. Reviews of major receivables are conducted regularly.

19 PLEDGED DEPOSITS

Pledges of the Company's fixed deposits of US$6,110,000 (2001: US$6,110,000) were given to bankers to secure short term loans and other general banking facilities to the extent of US$6,110,000 (2001: US$11,600,000).

20 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks and other financial institutions	**538,137**	546,748	**538,137**	546,748
Cash at bank and in hand	**35,439**	62,988	**9,797**	5,000
Cash and cash equivalents in the balance sheet	**573,576**	609,736	**547,934**	551,748

21 TRADE AND OTHER PAYABLES

All trade and other payables are due within one month or on demand.

22 BANK LOANS AND OVERDRAFTS, SECURED

	The Group	
	2002	2001
	$'000	*$'000*
Bank loans	**46,680**	46,680
Bank overdrafts	**—**	6
	46,680	46,686

The bank loans and overdrafts were secured by pledge of fixed deposits and were repayable on demand.

23 DEBENTURES

Each debenture holder is entitled to be a debenture member of the Hilltop Country Club (the "Club") subject to the Club Rules and By-laws for so long as the debentures shall remain outstanding, and has the right to use and enjoy all the facilities of the Club free from monthly subscription. At 31 December 2002, the Group's debentures were redeemable as follows:

	2002	2001
	$'000	*$'000*
Within one year	**4,540**	11,410
In the second year	**480**	4,440
In the third to fifth year	**6,744**	2,110
	7,224	6,550
	11,764	17,960

All redeemable debentures are non-interest bearing and may be renewed upon maturity subject to the Group's prior consent.

24 OTHER LOANS, UNSECURED

The loans are due to a minority shareholder of a subsidiary, and are unsecured, interest free and repayable on demand.

(Expressed in Hong Kong dollars)

25 EMPLOYEE RETIREMENT BENEFITS

(a) Defined contribution provident fund scheme ("PF Scheme")

The PF Scheme is administered by an independent trustee. Under the PF Scheme, both the Group and staff make monthly contributions to the PF Scheme each with an amount of 5% of the employees' basic salaries (capped at $30,000). Any forfeited contributions and related accrued interest are used to reduce the employer's contributions. For the year ended 31 December 2002, the Group's net provident fund contributions charged to the income statement amounted to $201,000 (2001: $118,000), after utilising the aggregate amount of employer's contributions forfeited during the current year of $Nil (2001: $179,000).

(b) Mandatory provident fund scheme ("MPF Scheme")

The MPF Scheme was established in December 2000 under the Hong Kong Mandatory Provident Fund Schemes Ordinance. All new Hong Kong staff join the MPF Scheme. Under the MPF Scheme, the Group and staff are required to contribute each at 5% of the employees' relevant income (capped at $20,000). For the year ended 31 December 2002, the Group's mandatory provident fund contributions charged to the income statement amounted to $728,000 (2001: $1,128,000).

26 SHARE OPTION SCHEME

In an extraordinary general meeting of the Company held on 14 June 2002, the shareholders of the Company formally approved the termination of the share option scheme adopted on 30 December 1997 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"), in compliance with the amended Chapter 17 of the Listing Rules. A summary of the principal terms of the New Scheme was sent to the shareholders of the Company in a circular dated 28 May 2002. All new options shall be granted under the terms and conditions of the New Scheme. No options have yet been granted under the New Scheme.

All outstanding options granted under the Old Scheme shall remain valid and exercisable under the provisions of the Old Scheme.

(a) Movements in share options

	2002 Number	2001 Number
At 1 January	**9,256,000**	16,764,000
Lapsed	**(5,618,000)**	(7,508,000)
At 31 December	**3,638,000**	9,256,000
Options vested at 31 December	**3,638,000**	8,636,000

(Expressed in Hong Kong dollars)

26 SHARE OPTION SCHEME (CONTINUED)

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercise price	2002 Number	2001 Number
11 October 1999	$1.528	**636,000**	4,936,000
22 October 1999	$1.530	**300,000**	300,000
1 December 1999	$1.804	**144,000**	144,000
20 December 1999	$2.316	**—**	800,000
27 March 2000	$1.900	**1,950,000**	1,950,000
1 August 2000	$0.630	**408,000**	576,000
1 September 2000	$0.694	**—**	50,000
18 September 2000	$0.670	**200,000**	500,000
		3,638,000	9,256,000

These share options are exercisable before 29 December 2007.

The exercise in full of the remainder of the share options would, under the present capital structure of the Company, result in the issue of 3,638,000 additional ordinary shares of $0.01 at a total consideration of approximately $5,787,000.

27 DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	The Group	
	2002	2001
	$'000	*$'000*
At 1 January	**95**	1,312
Exchange difference	**1**	3
Transfer to the income statement *(note 5(a))*	**(7)**	(1,220)
At 31 December	**89**	95

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

	2002		2001	
	Provided	**Potential liabilities/ (assets) unprovided**	Provided	Potential liabilities/ (assets) unprovided
	$'000	***$'000***	*$'000*	*$'000*
Depreciation allowances in excess of related depreciation	**89**	**537**	175	1,388
Tax losses	**—**	**(47,096)**	(80)	(32,139)
	89	**(46,559)**	95	(30,751)

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

	2002		2001	
	Provided	**Potential liabilities/ (assets) unprovided**	Provided	Potential liabilities/ (assets) unprovided
	$'000	***$'000***	*$'000*	*$'000*
Tax losses	**—**	**(23,111)**	—	(14,880)

28 SHARE CAPITAL

	2002		2001	
	No. of shares		No. of shares	
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary shares of $0.01 (2001: $0.50) each	**100,000,000**	**1,000,000**	2,000,000	1,000,000
Issued and fully paid:				
At 1 January	**1,650,658**	**825,329**	1,650,658	825,329
Reduction of share capital *(note (a) & note 29)*	**—**	**(808,822)**	—	—
At 31 December	**1,650,658**	**16,507**	1,650,658	825,329

During the year, a capital reorganisation scheme was approved by the shareholders at an extraordinary general meeting on 11 July 2002 and has subsequently been confirmed by the sanction of an order of the High Court of Hong Kong dated 6 August 2002. The details of the capital reorganisation scheme are as follows:

(a) the authorised share capital of the Company was reduced from $1,000,000,000, divided into 2,000,000,000 ordinary shares of $0.50 each, to $20,000,000 divided into 2,000,000,000 ordinary shares of $0.01 each. Such reduction was effected by cancelling paid up capital per share by $0.49 on each of the 1,650,658,676 ordinary shares in issue on 6 August 2002, being the date on which the court petition was heard, and by reducing the nominal value of all the issued and unissued ordinary shares of the Company from $0.50 to $0.01 per ordinary share; and

(b) upon such reduction of capital taking effect:

   (i) the authorised share capital of the Company has been increased to its former amount of $1,000,000,000 by the creation of an additional 98,000,000,000 ordinary shares of $0.01 each; and

   (ii) a special capital reserve has been created and credited with an amount equal to the credit arising from the said reduction of capital as detailed in (a) above, which amounted to $808,822,751. Such reserve shall not be treated as realised profit and shall, for as long as the Company shall remain a listed company, be treated as an undistributable reserve. However, the special capital reserve may be reduced by the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves.

29 RESERVES

(a) The Group

	Share premium	Capital redemption reserve	Special reserve	Exchange reserve	Goodwill reserve	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2001	1,189,721	478	—	1,029	(30,000)	(755,058)	406,170
Exchange differences	—	—	—	(239)	—	—	(239)
Loss for the year	—	—	—	—	—	(197,696)	(197,696)
At 31 December 2001	1,189,721	478	—	790	(30,000)	(952,754)	208,235
At 1 January 2002	1,189,721	478	—	790	(30,000)	(952,754)	208,235
Exchange differences	—	—	—	385	—	—	385
Reduction of share capital *(note 28)*	—	—	808,822	—	—	—	808,822
Impairment loss on goodwill	—	—	—	—	30,000	—	30,000
Loss for the year	—	—	—	—	—	(119,435)	(119,435)
At 31 December 2002	**1,189,721**	**478**	**808,822**	**1,175**	**—**	**(1,072,189)**	**928,007**

The accumulated losses of the Group include profit of $328,000 (2001: profit $200,000) retained by associates.

29 RESERVES (CONTINUED)

(b) The Company

	Share premium $'000	Special reserve $'000	Capital redemption reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2001	1,189,721	—	478	(282,316)	907,883
Loss for the year	—	—	—	(669,848)	(669,848)
At 31 December 2001	1,189,721	—	478	(952,164)	238,035
At 1 January 2002	1,189,721	—	478	(952,164)	238,035
Reduction of share capital *(note 28)*	—	808,822	—	—	808,822
Loss for the year	—	—	—	(119,072)	(119,072)
At 31 December 2002	**1,189,721**	**808,822**	**478**	**(1,071,236)**	**927,785**

The Company did not have any distributable reserves at 31 December 2002.

30 COMMITMENTS

(a) Operating lease commitments

At 31 December 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year	**1,312**	2,967	**880**	2,640
After 1 year but within 5 years	**87**	1,050	**—**	880
	1,399	4,017	**880**	3,520

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

30 COMMITMENTS (CONTINUED)

(b) Acquisition of equity interests

A wholly-owned subsidiary of the Company entered into a subscription agreement with ChinaPay.com Holdings Limited ("ChinaPay") to acquire 666,667 shares (representing approximately 7% of the enlarged share capital) of ChinaPay at a consideration of US$1,000,000 (equivalent to $7,780,000) which was paid into an escrow account in November 2001. Closing of the acquisition is subject to satisfactory completion of the due diligence exercise and other closing conditions.

During the year, a wholly-owned subsidiary of the Company entered into a joint venture contract, upon the terms and conditions set out therein, to form a club and leisure business management company in Shanghai. The Company, in acquiring 20% of the shares, is committed to a US$1,600,000 investment.

(c) Other commitments

As at 31 December 2002, the Company, acting on behalf of Hill Top Country Club Limited, was a party to a co-operative joint venture agreement with a PRC joint venture partner in respect of Shanghai Hilltop Country Club Limited ("SHCCL"). According to the terms of the co-operative joint venture agreement and supplementary agreement signed on 2 September 2002, the Company committed to pay the PRC joint venture partner any shortfall in the profit distributed by SHCCL to the PRC joint venture partner below the amount of RMB1,650,000 and US$268,000 per annum from 2001 to 2008 and from 2009 to 2022 respectively. As at 31 December 2002, the maximum amount payable by the Company to the PRC joint venture partner up to 27 December 2022 in excess of the amount provided for in these financial statements amounted to $38,520,000.

31 CONTINGENT LIABILITIES

At 31 December 2002, there were contingent liabilities in respect of the following:

(a) One of the telecommunications content providers of a subsidiary issued a letter through its solicitors in March 2002 claiming damages of US$1,500,000 from that subsidiary in relation to rate changes applied by that subsidiary for services delivered by the content provider. The claimant also disputes traffic volumes generated in the past and claims to have been underpaid by at least US$2,736,125.

Management has studied the allegations raised and sought legal advice on the subsidiary's legal rights and liabilities. Upon advice, the subsidiary has sought to refute most of the allegations and has raised a counterclaim of US$6,214,708 for the return of sums advanced on account to the content provider due to uncollectibles, discrepancies arising on reconciliation of traffic volumes and other related items. In the meantime, no provision has been made in the financial statements in connection with these claims.

(b) During the year ended 31 December 2002, the Company executed corporate guarantees as part of the security for general banking facilities granted to certain subsidiaries to the extent of US$6,110,000 (2001: US$11,600,000) and for rental payable by a subsidiary to the extent of $264,000 (2001: Nil).

32 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Company received interest income amounting to $138,000 (2001: $398,000) from an associate.

On 27 April 2001, the Company entered into a tenancy agreement with a company controlled by a substantial shareholder of the Company. Rental expense payable under the agreement during the year ended 31 December 2002 amounted to $2,843,000 (2001: $1,218,000). The terms of the tenancy agreement are on an arm's length basis.

During the year, a subsidiary of the Company entered into a subscription agreement with a Taiwanese company, in relation to the subscription of 12 million new ordinary shares to be issued by the investee company, representing approximately a 14.4% equity interest, for a consideration of NT$120 million (equivalent to $26,801,000). The substantial shareholder of the Company is also a substantial shareholder of the Taiwanese company.

33 COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, certain advances from banks and pledged deposit have been excluded from the definition of cash equivalents, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities have been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.