



### 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### Goodwill on consolidation

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. Positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is carried as an asset in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

Negative goodwill arising on acquisitions of subsidiaries and associates 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. 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, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill up to the fair values of the non-monetary assets acquired is recognised in the consolidated income statement over the weighted average useful life of depreciable non-monetary assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

On disposal of a subsidiary or an associate 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.

#### Subsidiaries

A subsidiary is an enterprise, in which the Group or the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. Investments in subsidiaries in the Company's balance sheet are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

### 2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The consolidated income statement includes the Group's share of the results of the associates for the year, and the consolidated balance sheet includes the Group's share of net assets of the associates and also goodwill or negative goodwill on acquisition net of accumulated amortisation.

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

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful life.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as an income or expense in the income statement.

### 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### Property, plant and equipment (Cont'd)

Depreciation is provided to write off the cost less accumulated impairment loss of property, plant and equipment over their estimated useful life from the date on which they become fully operational and after taking into account of their estimated residual values, using the straight-line method at the following rates per annum:

|  |                               |
|--|-------------------------------|
| Leasehold improvement                    | Over the remaining lease term |
| Machinery and equipment                  | 20% – 33%                     |
| Office equipment, furniture and fittings | 20% – 33%                     |

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

#### Investments in securities

Investment securities held on a continuing basis with an identified long-term purpose are stated at cost and subject to impairment review at each reporting date to reflect any diminution in their value, which is expected to be other than temporary. The amount of provisions is recognised in the income statement in the period in which the decline occurs.

Securities not classified as investment securities are classified as other investments, which are stated at fair value in the balance sheet. The unrealised holding gains and losses for other investments are included in the income statement.

The gain or loss on disposal of investment securities and other investments is the difference between net sales proceeds and the carrying amount of the securities and is accounted for in the period in which the disposal occurs.

#### Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

### 2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### Impairment *(Cont'd)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Income in respect of telecommunications services provided to customers is recognised when the services are rendered.

Income in respect of corporate management services is recognised when the event management services are rendered.

Other income includes internet security solution services income, sale of computer hardware and software, and insurance and management consulting income. Internet security solution services income, and insurance and management consulting income are recognised in the period when the services are rendered. Sale of computer hardware and software is recognised when goods are delivered and title has passed.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### 2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### Leasing *(Cont'd)*

Assets held under finance leases are recognised as assets at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are recognised as an expense on the straight-line basis over the lease terms.

#### Foreign currencies

Transactions in foreign currencies are translated at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the approximate rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the balance sheet of overseas subsidiaries denominated in currencies other than Hong Kong dollars is translated at the approximate rates of exchange ruling at the balance sheet date while the income statement is translated at average rates for the year. All exchange differences arising on consolidation are dealt with in the exchange reserve.

#### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### Retirement benefits schemes

The obligations for contributions to retirement benefits schemes are recognised as expenses in the income statement as incurred. The assets of the schemes are held separately from those of the Group in independent trustees.

### 3. TURNOVER AND REVENUE

Turnover and revenue recognised by category are analysed as follows:

|                                      | <b>Group</b>                   |                         |
|--------------------------------------|--------------------------------|-------------------------|
|                                      | <b>2002</b><br><i>HK\$'000</i> | 2001<br><i>HK\$'000</i> |
| <b>Turnover</b>                      |                                |                         |
| Telecommunication services income    | <b>298,543</b>                 | 224,162                 |
| Corporate management services income | <b>11,420</b>                  | 34,912                  |
| Others                               | <b>6,783</b>                   | 4,822                   |
|                                      | <b>316,746</b>                 | 263,896                 |
| <b>Other revenue</b>                 |                                |                         |
| Interest income                      | <b>313</b>                     | 4,216                   |
| <b>Revenue</b>                       | <b>317,059</b>                 | 268,112                 |

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| <b>(a) Finance costs</b>  |                  |                  |
| Finance charges on obligations under finance leases                                   | 1,080            | 1,216            |
| <b>(b) Other items</b>  |                  |                  |
| Amortisation of intangible assets included in other operating expenses                | –                | 2,471            |
| Auditors' remuneration:   |                  |                  |
| Current year  | 1,061            | 1,182            |
| Overprovision in prior years  | (581)            | –                |
| Bad debts written off   | 6,266            | 27,237           |
| Provision for doubtful debts  | 1,238            | 6,170            |
| Cost of inventories and services provided   | 226,986          | 214,038          |
| Depreciation of property, plant and equipment:  |                  |                  |
| Owned assets  | 41,385           | 29,937           |
| Assets held under finance leases  | 5,537            | 2,197            |
| Intangible assets and goodwill written off:   |                  |                  |
| Intangible assets   | –                | 44,208           |
| Goodwill  | –                | 70,587           |
| Loss on disposal of other investments   | 13,865           | 3,807            |
| Loss on disposal of property, plant and equipment                                     | 1,630            | 1,471            |
| Loss on disposal of properties held for sale  | –                | 2,111            |
| Operating lease charges on premises   | 2,619            | 12,612           |
| Staff costs, including retirement benefits schemes contributions                      | 107,583          | 122,423          |
| Retirement benefits schemes contributions   | 2,983            | 3,577            |
| Impairment loss on property, plant and equipment included in other operating expenses | 210              | –                |



## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 5. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

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

|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| Fees  | 3,200            | –                |
| Salaries, other emoluments and other benefits in kind | 3,842            | 4,211            |
| Retirement benefits schemes contributions             | 70               | 12               |
|   | <b>7,112</b>     | <b>4,223</b>     |

Included in the directors' remuneration were fees of HK\$200,000 (2001: HK\$Nil) paid to the independent non-executive directors during the year.

In additions to the above emoluments, certain directors were granted share options under the Company's employee share option scheme. During the year, all of the share options granted to directors were cancelled. Details of these benefits in kind are disclosed under the paragraph "Arrangement to enable directors to acquire shares or debentures" in the Directors' Report.

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.

The remuneration of directors was within the following bands:

| HK\$                  | Number of directors |           |
|-----------------------|---------------------|-----------|
|                       | 2002                | 2001      |
| Nil to 1,000,000      | 3                   | 12        |
| 1,500,001 – 2,000,000 | 3                   | 1         |
| 2,000,001 – 2,500,000 | 1                   | 1         |
|                       | <b>7</b>            | <b>14</b> |

No director waived or agreed to waive any remuneration during the year.

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 5. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (Cont'd)

#### Individuals with highest emoluments

Of the six (2001: five) individuals with the highest emoluments, four (2001: two) were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other two (2001: three) individuals were as follows:

|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| Salaries and other emoluments             | 3,486            | 4,981            |
| Retirement benefits schemes contributions | 5                | –                |
| Severance payment                         | –                | 325              |
|   | <b>3,491</b>     | <b>5,306</b>     |

|                       | Number of individuals |      |
|-----------------------|-----------------------|------|
| HK\$                  | 2002                  | 2001 |
| 1,500,001 – 2,000,000 | 2                     | 3    |

### 6. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the year.

The major components of deferred taxation not (credited)/provided for the year are as follows:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Excess of tax allowances over depreciation | (1,528)          | 504              |
| Tax losses                                 | (93,291)         | (60,412)         |
|  | <b>(94,819)</b>  | <b>(59,908)</b>  |



# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 9. PROPERTY, PLANT AND EQUIPMENT

| Group                           | Machinery<br>and<br>equipment<br><i>HK\$'000</i> | Leasehold<br>improvement<br><i>HK\$'000</i> | Office<br>equipment,<br>furniture<br>and fittings<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------|--|---|--|--------------------------|
| <b>Cost</b>                     |  |   |  |                          |
| As at 1 January 2002            | 231,993  | 938   | 22,209   | 255,140                  |
| Additions                       | 21,496   | 32  | 3,249  | 24,777                   |
| Disposals                       | (5,630)  | (237)                                       | (1,494)  | (7,361)                  |
| <b>As at 31 December 2002</b>   | <b>247,859</b>                                   | <b>733</b>                                  | <b>23,964</b>  | <b>272,556</b>           |
| <b>Accumulated depreciation</b> |  |   |  |                          |
| As at 1 January 2002            | 31,634   | 232   | 7,846  | 39,712                   |
| Charge for the year             | 40,753   | 152   | 6,017  | 46,922                   |
| Impairment loss                 | –  | –   | 210  | 210                      |
| Disposals                       | (4,226)  | (198)                                       | (594)  | (5,018)                  |
| <b>As at 31 December 2002</b>   | <b>68,161</b>                                    | <b>186</b>                                  | <b>13,479</b>  | <b>81,826</b>            |
| <b>Net book value</b>           |  |   |  |                          |
| <b>As at 31 December 2002</b>   | <b>179,698</b>                                   | <b>547</b>                                  | <b>10,485</b>  | <b>190,730</b>           |
| As at 31 December 2001          | 200,359  | 706   | 14,363   | 215,428                  |

The net book value of the Group's property, plant and equipment includes an amount of HK\$5,537,000 (2001: HK\$22,262,000) in respect of assets held under finance leases.

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| Company                         | Leasehold<br>improvement<br><i>HK\$'000</i> | Office<br>equipment,<br>furniture<br>and fittings<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------|---|--|--------------------------|
| <b>Cost</b>                     |   |  |                          |
| As at 1 January 2002            | 11  | 2,029  | 2,040                    |
| Disposals                       | (11)  | (97)   | (108)                    |
| <b>As at 31 December 2002</b>   | <b>–</b>                                    | <b>1,932</b>   | <b>1,932</b>             |
| <b>Accumulated depreciation</b> |   |  |                          |
| As at 1 January 2002            | 11  | 914  | 925                      |
| Charge for the year             | –   | 559  | 559                      |
| Disposals                       | (11)  | (80)   | (91)                     |
| <b>As at 31 December 2002</b>   | <b>–</b>                                    | <b>1,393</b>   | <b>1,393</b>             |
| <b>Net book value</b>           |   |  |                          |
| <b>As at 31 December 2002</b>   | <b>–</b>                                    | <b>539</b>   | <b>539</b>               |
| As at 31 December 2001          | –   | 1,115  | 1,115                    |

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 10. INTERESTS IN SUBSIDIARIES

|                          | Company          |                  |
|--------------------------|------------------|------------------|
|                          | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Unlisted shares, at cost | 7,855            | –                |
| Due from subsidiaries    | 901,509          | 816,300          |
| Less: Provisions         | (724,800)        | (301,000)        |
|                          | <b>184,564</b>   | <b>515,300</b>   |

Details of the principal subsidiaries at the balance sheet date are as follows:

| Name of subsidiary         | Place of incorporation/<br>operation | Issued and fully paid up share capital | Percentage of share capital held by the Company |            | Principal activities                    |
|----------------------------|--------------------------------------|--|---|------------|---|
|                            |                                      |  | Directly  | Indirectly |   |
| ZONE Global Limited        | British Virgin Islands               | US\$1                                  | 100%  | –          | Investment holding                      |
| ZONE Limited               | Hong Kong                            | HK\$2                                  | –   | 100%       | Provision of telecommunication services |
| ZONE Telecom Pte Ltd       | Singapore                            | S\$100,000                             | –   | 100%       | Provision of telecommunication services |
| ZONE USA, Inc.             | United States of America             | US\$10                                 | –   | 100%       | Investment holding                      |
| ZONE Telecom, Inc.         | United States of America             | US\$10                                 | –   | 100%       | Provision of telecommunication services |
| E-Force Limited            | Hong Kong                            | HK\$2                                  | –   | 100%       | Asset holding                           |
| EventClicks Global Limited | British Virgin Islands               | US\$1,075,269                          | 93%   | –          | Investment holding                      |

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 10. INTERESTS IN SUBSIDIARIES (Cont'd)

| Name of subsidiary                | Place of incorporation/<br>operation | Issued and fully paid up share capital | Percentage of share capital held by the Company |            | Principal activities                        |
|-----------------------------------|--------------------------------------|--|---|------------|---|
|                                   |                                      |  | Directly  | Indirectly |   |
| EventClicks Limited               | Hong Kong                            | HK\$500,000                            | –   | 93%        | Provision of corporate management services  |
| EventClicks Singapore Pte Limited | Singapore                            | S\$2                                   | –   | 93%        | Provision of corporate management services  |
| speedinsure Global Limited        | British Virgin Islands               | US\$10,000                             | 70%   | –          | Investment holding                          |
| speedinsure.com Limited           | Hong Kong                            | HK\$10,000                             | –   | 70%        | Provision of sales and fulfillment solution |
| Cyber Insurance Brokers Limited   | Hong Kong                            | HK\$5,000,000                          | –   | 70%        | Insurance brokerage                         |
| NETdefence Company Limited        | Hong Kong                            | HK\$10,000                             | –   | 51%        | Provision of internet security solution     |
| e-Kong Pillars Limited            | British Virgin Islands               | US\$1                                  | 100%  | –          | Investment holding                          |
| e-Kong Ventures Limited           | British Virgin Islands               | US\$1                                  | 100%  | –          | Investment holding                          |

The above summary includes those subsidiaries of the Company which, in the opinion of the Company's directors, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 11. INTERESTS IN ASSOCIATES

|                     | Group            |                  | Company          |                  |
|---------------------|------------------|------------------|------------------|------------------|
|                     | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Share of net assets | -                | (1,911)          | -                | -                |
| Due from associates | -                | 6,749            | -                | 6,806            |
|                     | -                | 4,838            | -                | 6,806            |

Investment in an associate as at the balance sheet date represented 28% of the issued share capital of CIB (Holdings) Limited, an inactive company which is incorporated in the British Virgin Islands.

### 12. INVESTMENT SECURITIES

|                             | Group            |                  |
|-----------------------------|------------------|------------------|
|                             | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| At cost less provision:     |                  |                  |
| Equity securities, unlisted | 3,452            | 31,434           |

### 13. OTHER INVESTMENTS

|   | Group            |                  |
|---|------------------|------------------|
|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| At market value:                            |                  |                  |
| Equity securities, listed outside Hong Kong | 91               | 16,560           |
| Securities portfolio, unlisted              | -                | 31,177           |
|   | 91               | 47,737           |



## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 14. TRADE AND OTHER RECEIVABLES

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Trade receivables                          | 44,976           | 37,943           | –                | –                |
| Other receivables                          |                  |                  |                  |                  |
| Deposits, prepayments<br>and other debtors | 6,932            | 16,287           | 2,168            | 843              |
|  | <b>51,908</b>    | 54,230           | <b>2,168</b>     | 843              |

The Group's credit terms on credit sales mainly range from 30 days to 90 days. Included in trade and other receivables are trade debtors (net of provision for bad and doubtful debts) with the following ageing analysis.

|  | Group            |                  |
|--|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Current                                    | 43,402           | 29,048           |
| 1 to 3 months                              | 432              | 5,922            |
| More than 3 months but less than 12 months | 1,142            | 2,973            |
|  | <b>44,976</b>    | 37,943           |

### 15. PLEDGED DEPOSITS

At the balance sheet date, the Group and the Company had pledged deposits amounting HK\$7,740,000 (2001: HK\$7,107,000) and HK\$3,045,000 (2001: HK\$3,007,000) respectively to banks for guarantee made by the banks to certain telecommunication carriers for due payment by the Group.

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

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### 16. TRADE AND OTHER PAYABLES

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Trade payables                         | 45,067           | 42,041           | –                | –                |
| <b>Other payables</b>                  |                  |                  |                  |                  |
| Accrued charges and<br>other creditors | 36,143           | 56,515           | 5,492            | 2,816            |
| Due to subsidiaries                    | –                | –                | 4,602            | 4,521            |
|  | <b>81,210</b>    | <b>98,556</b>    | <b>10,094</b>    | <b>7,337</b>     |

Included in trade and other payables are trade creditors with the following ageing analysis.

|  | Group            |                  |
|--|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Current                                    | 25,300           | 12,617           |
| 1 to 3 months                              | 7,877            | 16,580           |
| More than 3 months but less than 12 months | 11,890           | 12,844           |
|  | <b>45,067</b>    | <b>42,041</b>    |

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 17. OBLIGATIONS UNDER FINANCE LEASES

The obligations under finance leases are repayable as follows:

|                                       | Group                     |                   |   |                  |
|---------------------------------------|---------------------------|-------------------|---|------------------|
|                                       | Minimum<br>lease payments |                   | Present value<br>of minimum<br>lease payments |                  |
|                                       | 2002<br>HK\$'000          | 2001<br>HK\$'000  | 2002<br>HK\$'000                              | 2001<br>HK\$'000 |
| Within one year                       | 6,744                     | 12,555            | 6,566   | 11,372           |
| After one year<br>but within 2 years  | 900                       | 5,123             | 830   | 4,885            |
| Future finance charges                | 7,644<br>(248)            | 17,678<br>(1,421) | 7,396<br>–                                    | 16,257<br>–      |
| Present value<br>of lease obligations | <b>7,396</b>              | 16,257            | <b>7,396</b>                                  | 16,257           |

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 18. ISSUED CAPITAL

|  | 2002                  |                 | 2001                 |                 |
|--|-----------------------|-----------------|----------------------|-----------------|
|  | Number of shares      | Amount HK\$'000 | Number of shares     | Amount HK\$'000 |
| <b>Authorised</b>  |                       |                 |                      |                 |
| <i>Preference shares</i>                                   |                       |                 |                      |                 |
| As at 1 January and<br>as at 31 December,<br>at HK\$1 each | <u>288,929,402</u>    | <u>288,929</u>  | <u>288,929,402</u>   | <u>288,929</u>  |
| <i>Ordinary shares</i>                                     |                       |                 |                      |                 |
| As at 1 January,<br>at HK\$0.02 each                       | <u>6,000,000,000</u>  | <u>120,000</u>  | 3,000,000,000        | 60,000          |
| Increase in ordinary<br>shares                             | -                     | -               | 3,000,000,000        | 60,000          |
| Subdivision of ordinary<br>shares                          | <u>6,000,000,000</u>  | <u>-</u>        | <u>-</u>             | <u>-</u>        |
| As at 31 December,<br>at HK\$0.01 (2001:<br>HK\$0.02) each | <u>12,000,000,000</u> | <u>120,000</u>  | <u>6,000,000,000</u> | <u>120,000</u>  |
|  |                       | <u>408,929</u>  |                      | <u>408,929</u>  |

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 18. ISSUED CAPITAL (Cont'd)

|  | 2002             |                 | 2001             |                 |
|--|------------------|-----------------|------------------|-----------------|
|  | Number of shares | Amount HK\$'000 | Number of shares | Amount HK\$'000 |
| <b>Issued and fully paid</b>   |                  |                 |                  |                 |
| <i>Preference shares</i>   |                  |                 |                  |                 |
| As at 1 January,<br>at HK\$1 each                                      | 9,680,000        | 9,680           | 9,680,000        | 9,680           |
| Converted to ordinary<br>shares  | (9,680,000)      | (9,680)         | —                | —               |
| As at 31 December,<br>at HK\$1 each                                    | —                | —               | 9,680,000        | 9,680           |
| <i>Ordinary shares</i>   |                  |                 |                  |                 |
| As at 1 January,<br>at HK\$0.02 each                                   | 4,699,262,008    | 93,985          | 1,559,959,336    | 31,199          |
| Converted from<br>preference shares                                    | 9,680,000        | 194             | —                | —               |
| Reduction of nominal<br>value from HK\$0.02<br>each to HK\$0.0005 each | —                | (91,824)        | —                | —               |
| Consolidation of shares  | (4,473,494,908)  | —               | —                | —               |
| Issue of ordinary shares   | 235,447,100      | 2,354           | 3,139,294,672    | 62,786          |
| Exercise of share options  | —                | —               | 8,000            | —               |
| As at 31 December,<br>at HK\$0.01 (2001:<br>HK\$0.02) each             | 470,894,200      | 4,709           | 4,699,262,008    | 93,985          |
| <b>Total</b>   |                  | <b>4,709</b>    |                  | <b>103,665</b>  |

### 18. ISSUED CAPITAL (Cont'd)

Details of changes in the share capital of the Company during the year are as follows:

- (a) In October 2002, an aggregate of 9,680,000 preference shares of HK\$1 each were compulsorily converted into 9,680,000 ordinary shares of HK\$0.02 each at a premium of HK\$0.98 per share.
- (b) On 21 November 2002, a special general meeting was convened and the shareholders approved the capital reorganisation and the subdivision of authorised share capital as follows:

#### (i) Capital reorganisation

The nominal value of all the then existing issued shares was reduced from HK\$0.02 per share to HK\$0.0005 per share (the "Reduced Share") by way of cancellation of HK\$0.0195 per share.

The credit amount of HK\$91,824,000 arising from the capital reduction and the credit amount of HK\$1,196,239,000 standing to the credit of the share premium account of the Company were used to set-off against the accumulated losses of the Company of HK\$680,601,000 as at 31 December 2001 and the remaining balance of HK\$607,462,000 was credited to the contributed surplus account of the Company.

Every 20 issued Reduced Shares of HK\$0.0005 each were consolidated into one ordinary share of HK\$0.01 (the "Consolidated Share").

#### (ii) Subdivision of authorised share capital

All of the authorised but unissued ordinary shares of HK\$0.02 in the capital of the Company were sub-divided into two new ordinary shares of HK\$0.01 each in the capital of the Company.

- (c) In December 2002, 235,447,100 new ordinary shares of HK\$0.01 each were issued by way of a rights issue on the basis of one rights share for every one new ordinary share of HK\$0.01 each, at an issue price of HK\$0.12 per share ("the Right Issue").

The directors intended to apply the net proceeds of the rights issue as to about HK\$25 million as the Company's working capital.

All the new ordinary shares issued during the year rank pari passu in all aspects with the existing ordinary shares of the Company.

### 19. SHARE OPTIONS

#### (a) Company

Pursuant to the employee share option scheme of the Company (the “Old Share Option Scheme”) adopted in a special general meeting held on 25 October 1999, the directors of the Company might, at their discretion, invite eligible employees of the Group, including executive directors of the Company, to take up options to subscribe for shares in the Company under the terms and conditions stipulated therein. The Old Share Option Scheme was subsequently terminated by the Company in a special general meeting held on 28 June 2002 but the share options granted but not yet exercised thereunder would however remain effective and are bound by terms therein.

On 28 June 2002, the Company adopted a new share option scheme (the “New Share Option Scheme”) to comply with the new requirements of Chapter 17 of the Listing Rules. Under the New Share Option Scheme, the Board may at its discretion grant share options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser of or contractor to any company in the Group or any affiliate; and/or (ii) any discretionary trust the discretionary objects of which include any of the foregoing, under the terms and conditions stipulated therein. No share options have ever been granted by the Company under the New Share Option Scheme since adoption.

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 19. SHARE OPTIONS (Cont'd)

#### (a) Company (Cont'd)

Details of the share options granted and remained outstanding under the Old Share Option Scheme at the balance sheet date were as follows:

| Date of grant | Exercisable period        | Adjusted exercise price<br>HK\$ | Number of share options |                   |                         |                           |                                  | As at 31 December 2002 |
|---------------|---------------------------|---------------------------------|-------------------------|-------------------|-------------------------|---------------------------|----------------------------------|------------------------|
|               |                           |                                 | As at 1 January 2002    | Adjusted          | Granted during the year | Exercised during the year | Cancelled/lapsed during the year |                        |
| 25.10.1999    | 25.10.2000–<br>24.10.2009 | 1.40                            | 42,111,235              | 4,211,124         | –                       | –                         | (2,846,124)                      | 1,365,000              |
| 16.11.1999    | 16.11.2000–<br>24.10.2009 | 1.60                            | 4,825,000               | 482,500           | –                       | –                         | (475,000)                        | 7,500                  |
| 23.12.1999    | 23.12.2000–<br>24.10.2009 | 2.00                            | 3,950,000               | 395,000           | –                       | –                         | (25,000)                         | 370,000                |
| 03.01.2000    | 03.01.2001–<br>24.10.2009 | 2.30                            | 3,025,000               | 302,500           | –                       | –                         | (2,500)                          | 300,000                |
| 24.01.2000    | 24.01.2000–<br>24.10.2009 | 2.30                            | 28,700,000              | 2,870,000         | –                       | –                         | (2,870,000)                      | –                      |
| 24.01.2000    | 21.02.2000–<br>24.10.2009 | 2.30                            | 7,500,000               | 750,000           | –                       | –                         | (150,000)                        | 600,000                |
| 25.01.2000    | 01.03.2000–<br>24.10.2009 | 2.30                            | 2,500,000               | 250,000           | –                       | –                         | (50,000)                         | 200,000                |
| 03.03.2000    | 03.04.2000–<br>24.10.2009 | 7.60                            | 19,000,000              | 1,900,000         | –                       | –                         | (380,000)                        | 1,520,000              |
| 03.03.2000    | 03.03.2001–<br>24.10.2009 | 7.60                            | 3,150,000               | 315,000           | –                       | –                         | –                                | 315,000                |
| 28.04.2000    | 28.04.2001–<br>24.10.2009 | 3.30                            | 4,915,000               | 491,500           | –                       | –                         | –                                | 491,500                |
| 09.08.2000    | 09.08.2001–<br>24.10.2009 | 2.30                            | 550,000                 | 55,000            | –                       | –                         | –                                | 55,000                 |
| 25.10.2000    | 25.10.2001–<br>24.10.2009 | 1.20                            | 9,932,274               | 993,226           | –                       | –                         | (953,226)                        | 40,000                 |
| 16.05.2001    | 16.05.2001–<br>01.04.2003 | 0.80                            | 200,000                 | 20,000            | –                       | –                         | –                                | 20,000                 |
| <b>TOTAL</b>  |                           |                                 | <b>130,358,509</b>      | <b>13,035,850</b> | <b>–</b>                | <b>–</b>                  | <b>(7,751,850)</b>               | <b>5,284,000</b>       |





# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 20. RESERVES

|   | Share<br>premium<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Goodwill on<br>consolidation<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|---------------------------------|--|--|------------------------------------|-----------------------------------|-------------------|
| <b>Group</b>  |                              |                                 |  |  |                                    |                                   |                   |
| As at 1 January 2001  | 1,122,734                    | (388)                           | 6  | (69,335)                                 | -                                  | (252,280)                         | 800,737           |
| Shares issue  | 70,638                       | -                               | -  | -  | -                                  | -                                 | 70,638            |
| Shares issue expenses   | (6,131)                      | -                               | -  | -  | -                                  | -                                 | (6,131)           |
| Exchange difference on<br>translation of<br>foreign subsidiaries                    | -                            | 381                             | -  | -  | -                                  | -                                 | 381               |
| Goodwill on consolidation<br>written off  | -                            | -                               | -  | 69,335                                   | -                                  | -                                 | 69,335            |
| Net loss attributable<br>to shareholders  | -                            | -                               | -  | -  | -                                  | (681,315)                         | (681,315)         |
| As at 31 December 2001  | 1,187,241                    | (7)                             | 6  | -  | -                                  | (933,595)                         | 253,645           |
| Shares issued at premium upon<br>preference shares conversion                       | 9,486                        | -                               | -  | -  | -                                  | -                                 | 9,486             |
| Reduction of nominal value<br>of shares from<br>HK\$0.02 each<br>to HK\$0.0005 each | -                            | -                               | 91,824                                       | -  | -                                  | -                                 | 91,824            |
| Capital reorganisation  | (1,196,239)                  | -                               | (91,824)                                     | -  | 607,462                            | 680,601                           | -                 |
| Shares issued at premium<br>on rights issue   | 25,899                       | -                               | -  | -  | -                                  | -                                 | 25,899            |
| Shares issue expenses   | (2,926)                      | -                               | -  | -  | -                                  | -                                 | (2,926)           |
| Exchange difference<br>on translation of<br>foreign subsidiaries                    | -                            | 7                               | -  | -  | -                                  | -                                 | 7                 |
| Net loss attributable<br>to shareholders  | -                            | -                               | -  | -  | -                                  | (186,274)                         | (186,274)         |
| <b>As at 31 December 2002</b>   | <b>23,461</b>                | <b>-</b>                        | <b>6</b>                                     | <b>-</b>                                 | <b>607,462</b>                     | <b>(439,268)</b>                  | <b>191,661</b>    |

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 20. RESERVES (Cont'd)

|   | Share<br>premium<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|--|------------------------------------|-----------------------------------|-------------------|
| <b>Company</b>  |                              |  |                                    |                                   |                   |
| As at 1 January 2001  | 1,122,734                    | 6  | –                                  | (220,782)                         | 901,958           |
| Shares issue  | 70,638                       | –  | –                                  | –                                 | 70,638            |
| Shares issue expenses   | (6,131)                      | –  | –                                  | –                                 | (6,131)           |
| Net loss attributable<br>to shareholders  | –                            | –  | –                                  | (459,819)                         | (459,819)         |
| As at 31 December 2001  | 1,187,241                    | 6  | –                                  | (680,601)                         | 506,646           |
| Shares issued at premium upon<br>preference share conversion                        | 9,486                        | –  | –                                  | –                                 | 9,486             |
| Reduction of nominal value<br>of shares from<br>HK\$0.02 each<br>to HK\$0.0005 each | –                            | 91,824                                       | –                                  | –                                 | 91,824            |
| Capital reorganisation  | (1,196,239)                  | (91,824)                                     | 607,462                            | 680,601                           | –                 |
| Shares issued at premium<br>on rights issue   | 25,899                       | –  | –                                  | –                                 | 25,899            |
| Shares issue expenses   | (2,926)                      | –  | –                                  | –                                 | (2,926)           |
| Net loss attributable<br>to shareholders  | –                            | –  | –                                  | (439,080)                         | (439,080)         |
| <b>As at 31 December 2002</b>   | <b>23,461</b>                | <b>6</b>                                     | <b>607,462</b>                     | <b>(439,080)</b>                  | <b>191,849</b>    |

Contributed surplus represents the amounts transferred from share premium account as a result of the capital reorganisation underwent by the Company in November 2002, as mentioned in note 18 to the financial statements. Under the Company Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 20. RESERVES (Cont'd)

As at 31 December 2002, the Company had the following reserves available for distribution to shareholders:

|                     | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---------------------|------------------|------------------|
| Contributed surplus | 607,462          | –                |
| Accumulated losses  | (439,080)        | –                |
|                     | <b>168,382</b>   | –                |

### 21. CASH USED IN OPERATIONS

|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|--|------------------|------------------|
| Loss before taxation                                       | (186,274)        | (682,025)        |
| Interest income  | (313)            | (4,216)          |
| Interest on obligations under finance leases               | 1,080            | 1,216            |
| Depreciation   | 46,922           | 32,134           |
| Loss on disposal of property, plant and equipment          | 1,630            | 1,471            |
| Impairment loss on property, plant and equipment           | 210              | –                |
| Intangible assets and goodwill written off                 | –                | 114,795          |
| Unrealised holding loss on other investments               | 3,117            | 240,476          |
| Provision for diminution in value of investment securities | 27,982           | 72,021           |
| Loss on disposal of other investments                      | 13,865           | 3,807            |
| Share of results of associates                             | (1,911)          | 752              |
| Bad debts written off                                      | 6,266            | 27,237           |
| Provision for doubtful debts                               | 1,238            | 6,170            |
| Waiver of amount due from associates                       | 6,764            | –                |
| Amortisation of intangible assets                          | –                | 2,471            |
| Changes in working capital:                                |                  |                  |
| Properties held for sale                                   | –                | 3,734            |
| Inventories  | –                | 978              |
| Trade and other receivables                                | (5,182)          | (13,185)         |
| Trade and other payables                                   | (17,346)         | 491              |
| Effect of exchange rate changes                            | 7                | 381              |
| <b>Cash used in operations</b>                             | <b>(101,945)</b> | <b>(191,292)</b> |

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 22. COMMITMENTS UNDER OPERATING LEASES

At the balance sheet date, total outstanding commitments in respect of land and buildings under non-cancellable operating leases are payable as follows:

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Within one year                           | 6,925            | 10,361           | –                | 651              |
| In the second to<br>fifth years inclusive | 3,717            | 4,144            | –                | –                |
|   | <b>10,642</b>    | <b>14,505</b>    | <b>–</b>         | <b>651</b>       |

### 23. DEFERRED TAXATION

At the balance sheet date, the major components of the deferred taxation liabilities/ (assets) unprovided are as follows:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
| Excess of tax allowances over depreciation | 1,163            | 2,691            |
| Tax losses carried forward                 | (182,124)        | (88,833)         |
|  | <b>(180,961)</b> | <b>(86,142)</b>  |

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 24. POST BALANCE SHEET EVENT

In January 2003, the Group entered into a sale and purchase agreement with an independent third party to dispose of two of the Company's wholly-owned subsidiaries at a consideration of HK\$1.5 million. The consideration of HK\$1.5 million had been settled before the date of these financial statements.

Upon disposal of the two subsidiaries, which were engaged in the business of provision of event management services, the corporate management services segment of the Group has been discontinued since January 2003.

The turnover, results and net cash flows of the corporate management services operations for the current year, which have been included in the financial statements are as follow:

|  | <b>2002</b><br><i>HK\$'000</i> | 2001<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Turnover                                     | <b>11,420</b>                  | 34,912                  |
| Operating costs                              | <b>(22,990)</b>                | (57,524)                |
| Loss before taxation                         | <b>(11,570)</b>                | (22,612)                |
| Taxation                                     | -                              | -                       |
| Loss from ordinary activities after taxation | <b>(11,570)</b>                | (22,612)                |
| Net cash flow                                |                                |                         |
| Operating activities                         | <b>(9,304)</b>                 | (19,052)                |
| Investing activities                         | <b>17</b>                      | (4,469)                 |
| Financing activities                         | <b>7,717</b>                   | 23,077                  |
|  | <b>(1,570)</b>                 | (444)                   |

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 24. POST BALANCE SHEET EVENT (Cont'd)

The assets and liabilities of the corporate management services operations to be disposed of are as follows:

|                   | <b>2002</b><br><i>HK\$'000</i> | 2001<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Total assets      | <b>2,849</b>                   | 7,715                   |
| Total liabilities | <b>(41,065)</b>                | (34,361)                |
| Net liabilities   | <b>(38,216)</b>                | (26,646)                |

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 25. SEGMENTAL INFORMATION

The analysis of the principal business activities and geographical area of operations of the Group during the year are as follows:

#### (a) By business segments

##### Year ended 31 December 2002

|   | Telecom-<br>munication<br>services<br>HK\$'000 | Corporate<br>management<br>services<br>HK\$'000 | Others<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---|--|---|--------------------|--------------------------|
| <b>Turnover</b>   |  |   |                    |                          |
| External sales  | 298,543  | 11,420  | 6,783              | 316,746                  |
| <b>Results</b>  |  |   |                    |                          |
| Loss from operations  | (103,493)                                      | (11,570)  | (9,789)            | (124,852)                |
| Finance costs   |  |   |                    | (1,080)                  |
| Other operating income and expenses   |  |   |                    | (31,154)                 |
| Unrealised holding loss on other investment                                 |  |   |                    | (3,117)                  |
| Provision for diminution in value of<br>investment securities               |  |   |                    | (27,982)                 |
| Share of results of associates  |  |   |                    | 1,911                    |
| Net loss attributable to shareholders                                       |  |   |                    | (186,274)                |
| <b>Other information</b>  |  |   |                    |                          |
| Capital expenditure   | 24,652   | 25  | 100                |                          |
| Depreciation  | 43,039   | 1,401   | 1,921              |                          |
| Significant non-cash expenses<br>(other than depreciation and amortisation) | 7,804  | 821   | 77                 |                          |
| <b>Assets</b>   |  |   |                    |                          |
| Segment assets  | 254,432  | 2,849   | 3,711              | (77)                     |
| Unallocated assets  |  |   |                    | 24,061                   |
|   |  |   |                    | 284,976                  |
| <b>Liabilities</b>  |  |   |                    |                          |
| Segment liabilities   | 79,562   | 3,013   | 1,557              | (77)                     |
| Unallocated liabilities   |  |   |                    | 4,551                    |
|   |  |   |                    | 88,606                   |



## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 25. SEGMENTAL INFORMATION (Cont'd)

#### (a) By business segments (Cont'd)

Year ended 31 December 2001

|   | Telecom-<br>munication<br>services<br>HK\$'000           | Corporate<br>management<br>services<br>HK\$'000           | Others<br>HK\$'000         | Consolidated<br>HK\$'000        |                                  |
|---|--|---|----------------------------|---------------------------------|----------------------------------|
| <b>Turnover</b>   |  |   |                            |                                 |                                  |
| External sales  | 224,162  | 34,912  | 4,822                      | 263,896                         |                                  |
| <b>Results</b>  |  |   |                            |                                 |                                  |
| Loss from operations  | (163,391)  | (22,612)  | (16,107)                   | (202,110)                       |                                  |
| Intangible assets and goodwill written off                                  | (105,628)  | (2,508)   | (6,659)                    | (114,795)                       |                                  |
|   | (269,019)  | (25,120)  | (22,766)                   | (316,905)                       |                                  |
| Finance costs   |  |   |                            | (1,216)                         |                                  |
| Other operating income and expenses   |  |   |                            | (50,655)                        |                                  |
| Unrealised holding loss on other investments                                |  |   |                            | (240,476)                       |                                  |
| Provision for diminution in value of<br>investment securities               |  |   |                            | (72,021)                        |                                  |
| Share of results of associates  |  |   |                            | (752)                           |                                  |
| Loss from ordinary activities   |  |   |                            | (682,025)                       |                                  |
| Minority interests  |  |   |                            | 710                             |                                  |
| Net loss attributable to shareholders                                       |  |   |                            | (681,315)                       |                                  |
| <b>Other information</b>  |  |   |                            |                                 |                                  |
| Capital expenditure   | 158,635  | 3,076   | 1,234                      |                                 |                                  |
| Depreciation and amortisation   | 30,725   | 1,286   | 2,076                      |                                 |                                  |
| Significant non-cash expenses<br>(other than depreciation and amortisation) | 7,678  | –   | 271                        |                                 |                                  |
|   | <b>Telecom-<br/>munication<br/>services<br/>HK\$'000</b> | <b>Corporate<br/>management<br/>services<br/>HK\$'000</b> | <b>Others<br/>HK\$'000</b> | <b>Elimination<br/>HK\$'000</b> | <b>Consolidated<br/>HK\$'000</b> |
| <b>Assets</b>   |  |   |                            |                                 |                                  |
| Segment assets  | 268,899  | 8,134   | 9,715                      | (382)                           | 286,366                          |
| Interests in associates   |  |   |                            |                                 | 4,838                            |
| Unallocated assets  |  |   |                            |                                 | 180,919                          |
|   |  |   |                            |                                 | 472,123                          |
| <b>Liabilities</b>  |  |   |                            |                                 |                                  |
| Segment liabilities   | 106,417  | 4,405   | 804                        | (382)                           | 111,244                          |
| Unallocated liabilities   |  |   |                            |                                 | 3,569                            |
|   |  |   |                            |                                 | 114,813                          |

# e-KONG Group Limited

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 25. SEGMENTAL INFORMATION (Cont'd)

#### (b) By geographical segments

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

#### Year ended 31 December 2002

|  | Asia Pacific<br>HK\$'000 | North America<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|--------------------------|---------------------------|--------------------------|
| <b>Turnover</b>  |                          |                           |                          |
| External sales   | 139,282                  | 177,464                   | 316,746                  |
| <b>Results</b>   |                          |                           |                          |
| Loss from operations                                       | (43,105)                 | (81,747)                  | (124,852)                |
| Finance costs  |                          |                           | (1,080)                  |
| Other operating income and expenses                        |                          |                           | (31,154)                 |
| Unrealised holding loss on other investments               |                          |                           | (3,117)                  |
| Provision for diminution in value of investment securities |                          |                           | (27,982)                 |
| Share of results of associates                             |                          |                           | 1,911                    |
| Net loss attributable to shareholders                      |                          |                           | (186,274)                |
| <b>Other information</b>                                   |                          |                           |                          |
| Segment assets   | 45,503                   | 215,412                   | 260,915                  |
| Unallocated assets   |                          |                           | 24,061                   |
|  |                          |                           | 284,976                  |
| Capital expenditure  | 2,257                    | 22,520                    |                          |

## Notes to the Financial Statements (Cont'd)

For the year ended 31 December 2002

### 25. SEGMENTAL INFORMATION (Cont'd)

#### (b) By geographical segments (Cont'd)

Year ended 31 December 2001

|  | Asia Pacific<br>HK\$'000 | North America<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|--------------------------|---------------------------|--------------------------|
| <b>Turnover</b>  |                          |                           |                          |
| External sales   | 150,319                  | 113,577                   | 263,896                  |
| <b>Result</b>  |                          |                           |                          |
| Loss from operations                                       | (105,181)                | (96,929)                  | (202,110)                |
| Intangible assets and<br>goodwill written off              | (79,102)                 | (35,693)                  | (114,795)                |
|  | (184,283)                | (132,622)                 | (316,905)                |
| Finance costs  |                          |                           | (1,216)                  |
| Other operating income and expenses                        |                          |                           | (50,655)                 |
| Unrealised holding loss on other investments               |                          |                           | (240,476)                |
| Provision for diminution in value of investment securities |                          |                           | (72,021)                 |
| Share of results of associates                             |                          |                           | (752)                    |
| Loss from ordinary activities                              |                          |                           | (682,025)                |
| Minority interests   |                          |                           | 710                      |
| Net loss attributable to shareholders                      |                          |                           | (681,315)                |
| <b>Other information</b>                                   |                          |                           |                          |
| Segment assets   | 132,632                  | 153,734                   | 286,366                  |
| Interests in associates                                    |                          |                           | 4,838                    |
| Unallocated assets   |                          |                           | 180,919                  |
|  |                          |                           | 472,123                  |
| Capital expenditure  | 92,311                   | 71,167                    |                          |

## Notes to the Financial Statements *(Cont'd)*

For the year ended 31 December 2002

### 26. COMPARATIVE FIGURES

Following the adoption of the SSAP15 (revised) “Cash flow statements” issued by the Hong Kong Society of Accountants, the comparative information in the consolidated cash flow statements and related notes have been reclassified to conform to the current year’s presentation.