

# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICES

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

### (a) Basis of preparation

As at 31st December 2002, the Group had a deficit on net tangible assets of HK\$40,583,000 (2001: HK\$47,752,000) and a net current liability of HK\$47,213,000 (2001: HK\$55,609,000) (inclusive of amounts due to related companies of HK\$19,983,000 (2001: HK\$47,526,000)). The directors of the Company recognise that in view of operating loss and the uncertainty in the market in the immediate future, the continuation of the Group's business will depend on the financial support of the chairman and major shareholder of the Company, Mr Chan Chak Shing, who has confirmed that he will provide the necessary funding to the Group. Accordingly, the accounts have been prepared on a going concern basis.

Included in the Group's consolidated balance sheet are, inter alia, goodwill of HK\$59,116,000, fixed assets of approximately HK\$4,791,000 and other operating assets totalling approximately HK\$7,220,000, which are directly attributable to the business of the provision of digital video broadcasting ("DVB") related services to cable television and telecommunication services operators carried out by the Group's subsidiary, Shenzhen DIC Information Technology Co. Ltd. ("DICO"), in the People's Republic of China (the "PRC") (the "DICO Operations"). The DVB industry in the PRC has continued to be stagnant during the year due to uncertainty over government regulations. As a result, the turnover derived from DICO Operations was minimal for the year. The viability of the DICO Operations is dependent on the Group's ability to sustain a profitable operation as and when the market re-activates, as well as to expand into other potential markets. In this connection, the Group has plans to apply the technology and know-how of DICO Operations in the provision of installation and consultancy services to developers of luxury residential real estate projects. The potential future customers of the Group in this new initiative is likely to include certain related parties in the real estate business. Taking into account these initiatives, the directors are confident that the DICO Operations are viable, and that the carrying value of these assets in the accounts does not exceed their recoverable amounts.

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

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statement
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICES *(continued)*

### (a) Basis of preparation *(continued)*

The adoption of these revised SSAPs has no significant effect to the financial statements of the Group except for the presentation of consolidated statement of changes in equity and the presentational changes in the consolidated cash flow statement.

### (b) Group accounting

#### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Company has the power to govern the financial and operating policies; controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the disposal and the Group's share of its net assets together with any unamortised goodwill/negative goodwill taken to reserve which was not previously charged/recognised in the consolidated profit and loss account and also any related accumulated foreign currency translation reserve.

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

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

#### (ii) Translation of foreign currencies

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

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as movements in reserves.

# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICES *(continued)*

### (c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over a maximum period of 20 years.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously taken to reserves, are assessed and written-down immediately to its recoverable amount.

### (d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write-off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvement	2%
Computer equipment, furniture and fixtures	20%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition to allow continued use of the overall asset are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

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

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the profit and loss account.

### (e) Operating leases

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

# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICES *(continued)*

### **(f) Inventories**

Inventories comprise stocks that are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### **(g) Contract work in progress**

Contract work in progress is stated at cost plus attributable profit less provisions for foreseeable losses and progress payments on accounts. Cost includes direct materials, direct labour and an appropriate proportion of overhead.

Where contract costs incurred to date plus recognised profits less losses exceed progress payments on account, the net amount is shown as amounts due from customers for contract work.

Where progress payments on account exceed contract costs incurred to date plus recognised profits less losses, the net amount is shown as amounts due to customers for contract work.

### **(h) Accounts receivable**

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

### **(i) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposit held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdraft.

### **(j) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### **(k) Employee benefits**

#### *(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICES *(continued)*

### **(k) Employee benefits** *(continued)*

#### *(ii) Pension obligations*

The Group operates a mandatory provident fund scheme (“MPF”) for the eligible employees in Hong Kong. The Group’s contributions to MPF are set at 5% of employees’ salaries, including basic salaries and other cash allowances, up to a maximum of HK\$1,000 per employee per month, and are expensed as incurred. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

The Group’s subsidiaries operated in the PRC participate in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The contributions to these schemes are calculated based on certain percentage of the salaries of employees.

### **(l) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

### **(m) Deferred taxation**

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



# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICES *(continued)*

### **(n) Revenues recognition**

- (i) Revenue from system integration contracts is recognised using the stage of completion method, based on the stage of completion of the contract work by reference to terms of the respective contracts in relation to the delivery of goods and the rendering of services. Provision is made for foreseeable losses as soon as they are anticipated.
- (ii) Revenue from sale of Transonline membership cards is recognised when services are provided.
- (iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

### **(o) Borrowing costs**

Borrowing costs are charged to the profit and loss account in the period in which they are incurred.

### **(p) Research and development costs**

Research and development costs are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that it is probable that it will be profitable. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than three years to reflect the pattern in which the related economic benefits are recognised.

### **(q) Segment reporting**

The Group presents business segments analysis only. No geographical segment analysis is prepared as less than 10% of the consolidated turnover and results of the Group are attributable to markets outside the PRC.

Unallocated costs represent corporate expenses. Segment assets consist primarily of goodwill, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets.

# NOTES TO THE ACCOUNTS

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group was previously engaged in property development, investment and management in the PRC and Hong Kong, the operation of network based transport logistic services (“Tranonline”) and the provision of gas installation services in the PRC. In October 2001, the Group disposed of its property and gas related operations in the PRC, and acquired a 70% interest in DICO. Commencing November 2001, the principal activities of the Group comprise the operation of Tranonline and the provision of fully-integrated broadband and cable television related platform and equipment for cable television and telecommunication services operators.

Revenues recognised during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Continuing operations		
System integration services income	466	770
Sale of Tranonline membership cards	242	222
Sales of goods	–	2,025
	<u>708</u>	<u>3,017</u>
Discontinued operations		
Sale of properties	–	215,910
Gas installation service income	–	14,469
Rental income	–	4,598
Property management fee income	–	2,382
	<u>–</u>	<u>237,359</u>
	–	240,376
Other revenue		
Interest income	6	4,031
Total revenues	<u>714</u>	<u>244,407</u>



# NOTES TO THE ACCOUNTS

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

### Business segment analysis

	Continuing operations		
	System integration 2002 HK\$'000	Tranonline 2002 HK\$'000	Group 2002 HK\$'000
Turnover	<u>466</u>	<u>242</u>	<u>708</u>
Segment results	<u>(23,717)</u>	<u>(4,850)</u>	<u>(28,567)</u>
Unallocated costs			<u>(16,409)</u>
Operating loss			<u>(44,976)</u>
Finance costs			<u>(3,279)</u>
Loss before taxation			<u>(48,255)</u>
Taxation			<u>-</u>
Loss after taxation			<u>(48,255)</u>
Minority interests			<u>1,078</u>
Loss attributable to shareholders			<u>(47,177)</u>
Segment assets	<b>71,126</b>	<b>4,068</b>	<b>75,194</b>
Unallocated assets			<b>1,089</b>
Total assets			<b>76,283</b>
Segment liabilities	<b>44,990</b>	<b>7,718</b>	<b>52,708</b>
Unallocated liabilities			<b>5,042</b>
Total liabilities			<b>57,750</b>
Capital expenditure	<b>145</b>	<b>108</b>	<b>253</b>
Unallocated capital expenditure			<b>118</b>
			<b>371</b>
Depreciation	<b>3,730</b>	<b>930</b>	<b>4,660</b>
Unallocated depreciation			<b>43</b>
			<b>4,703</b>
Amortisation of goodwill	<u><b>3,139</b></u>	<u>-</u>	<u><b>3,139</b></u>



# NOTES TO THE ACCOUNTS

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

### Business segment analysis *(continued)*

	Continuing operations		Discontinued operations		Group
	System integration	Tranonline	Property operations	Gas installation	
	2001	2001	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>2,795</u>	<u>222</u>	<u>222,890</u>	<u>14,469</u>	<u>240,376</u>
Operating results by segments	(41,324)	(6,125)	36,267	2,998	(8,184)
Provision for impairment loss of goodwill	(382,331)	–	–	–	(382,331)
Loss on disposal of investment properties	–	–	(32,000)	–	(32,000)
Loss on disposal of leasehold land and buildings	–	–	(6,383)	–	(6,383)
Segment results	<u>(423,655)</u>	<u>(6,125)</u>	<u>(2,116)</u>	<u>2,998</u>	<u>(428,898)</u>
Gain on disposal of subsidiaries					8,756
Unallocated costs					<u>(18,996)</u>
Operating loss					(439,138)
Finance costs					<u>(32,433)</u>
Loss before taxation					(471,571)
Taxation					<u>(10,821)</u>
Loss after taxation					(482,392)
Minority interests					<u>2,992</u>
Loss attributable to shareholders					<u>(479,400)</u>
Segment assets	95,772	4,753	–	–	100,525
Unallocated assets					<u>1,613</u>
Total assets					<u>102,138</u>
Segment liabilities	44,168	1,142	–	–	45,310
Unallocated liabilities					41,247
Minority interests					<u>1,078</u>
Total liabilities					<u>87,635</u>
Capital expenditure	20	261	1,548	587	2,416
Depreciation	670	868	2,667	92	4,297
Amortisation of goodwill	<u>3,736</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,736</u>

No geographical analysis is provided as less than 10% of the consolidated turnover and results of the Group are attributable to markets outside the PRC.

# NOTES TO THE ACCOUNTS

## 3 OPERATING LOSS

Operating loss is stated after (crediting)/charging the following:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Cost of properties sold	–	149,647
Auditors' remuneration	<b>500</b>	550
Depreciation of fixed assets	<b>4,703</b>	4,297
Staff costs (including directors' remuneration) (note 9)	<b>13,472</b>	22,313
Operating leases	<b>2,672</b>	3,497
Amortisation of goodwill (note 11)	<b>3,139</b>	3,736
Other operating expenses, net		
Provision for slow moving inventories	<b>7,674</b>	11,152
Provision for doubtful debt	<b>1,661</b>	21,497
Loss on disposal of investment properties	–	32,000
Provision for amount due from customers for contract work	<b>1,579</b>	–
Loss on disposal of fixed assets, other than land and building	<b>1,087</b>	1,742
Loss on disposal of leasehold land and building	–	6,383
Gain on disposal of subsidiaries	–	(8,756)
Provision for impairment loss on goodwill (note 11)	–	382,331
	<b>–</b>	<b>–</b>

## 4 FINANCE COSTS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Interests on loans and overdrafts from banks and financial institutions	<b>2,215</b>	46,252
Interests on other loans wholly repayable within five years	<b>1,064</b>	243
Interest element of finance leases	–	40
Mortgage loan interest	–	10,934
Total borrowing costs incurred	<b>3,279</b>	57,469
Less: Amount capitalised in properties held for/under development and properties held for sale	–	(25,036)
Amount charged to the profit and loss account	<b>3,279</b>	32,433

## 5 TAXATION

No provision for profits tax has been made in the accounts as the Group has no assessable profit in Hong Kong and PRC for the year.

The amount of taxation charged to the consolidated profit and loss account in 2001 represented the PRC income tax calculated based on the estimated assessable profits of the PRC subsidiaries in 2001 at the rates of taxation prevailing in the PRC.

# NOTES TO THE ACCOUNTS

## 6 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$47,177,000 (2001: HK\$479,400,000).

## 7 DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31st December 2002 (2001: Nil).

## 8 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$47,177,000 (2001: HK\$479,400,000) and the weighted average of 1,319,645,000 (2001: 1,077,509,000 as restated) ordinary shares in issue during the year, as adjusted to reflect the right issue during the year.

The exercise of the share options granted under the share options scheme of the Company would not have a dilutive effect on the loss per share for the year ended 31st December 2002 and 2001.

## 9 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2002 HK\$'000	2001 HK\$'000
Wages and salaries	12,300	21,614
Compensation for termination	799	–
Retirement benefit contributions	373	699
	<u>13,472</u>	<u>22,313</u>

## 10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments paid to directors of the Company during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Directors' fees	360	360
Basic salaries, housing allowances, other allowances and benefits in kind	2,781	3,828
Contributions to pension schemes	34	44
	<u>3,175</u>	<u>4,232</u>

# NOTES TO THE ACCOUNTS

## 10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

The emoluments of the directors of the Company fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
HK\$Nil – HK\$1,000,000	7	9
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	–
	<b>8</b>	<b>10</b>

The directors' fees paid to independent non-executive directors of the Company for the year ended 31st December 2002 amounted to HK\$360,000 (2001: HK\$360,000).

None of the directors of the Company has waived any emolument in respect of the year ended 31st December 2002 (2001: Nil).

- (b) The five individuals whose emoluments were the highest in the Group for the year include three (2001: four) directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining two individual (2001: one) during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,248	2,568
Contributions to pension schemes	24	12
	<b>3,272</b>	<b>2,580</b>

The emoluments of the highest paid individuals fell within the following bands:

Emolument bands	Number of individuals	
	2002	2001
HK\$Nil – HK\$1,000,000	1	–
HK\$2,500,000 to HK\$3,000,000	1	1
	<b>2</b>	<b>1</b>

# NOTES TO THE ACCOUNTS

## 11 GOODWILL

	Group	
	2002 HK\$'000	2001 HK\$'000
Opening net book amount	62,255	–
Acquisition of subsidiaries	–	448,322
Amortisation charge	(3,139)	(3,736)
Impairment charge	–	(382,331)
Closing net book amount	<u>59,116</u>	<u>62,255</u>
At 31st December		
Cost	448,322	448,322
Accumulated amortisation and impairment losses	(389,206)	(386,067)
Net book amount	<u>59,116</u>	<u>62,255</u>

## 12 FIXED ASSETS

	Group		
	Leasehold improvement, computer equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost			
At 1st January 2002	13,075	2,605	15,680
Additions at cost	253	118	371
Disposals	(3,142)	–	(3,142)
<b>At 31st December 2002</b>	<u>10,186</u>	<u>2,723</u>	<u>12,909</u>
Accumulated depreciation			
At 1st January 2002	1,244	463	1,707
Charge for the year	4,205	498	4,703
Disposals	(1,589)	–	(1,589)
<b>At 31st December 2002</b>	<u>3,860</u>	<u>961</u>	<u>4,821</u>
Net book value			
<b>At 31st December 2002</b>	<u>6,326</u>	<u>1,762</u>	<u>8,088</u>
At 31st December 2001	<u>11,831</u>	<u>2,142</u>	<u>13,973</u>

The fixed assets of the Company represent furniture and fixtures.

# NOTES TO THE ACCOUNTS

## 13 INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	<b>776,208</b>	751,788
Amounts due to subsidiaries	<b>(188)</b>	–
	<b>776,020</b>	751,788
Less: Provisions	<b>(745,129)</b>	(711,945)
	<b>30,891</b>	39,843

Particulars of the subsidiaries of the Group as at 31st December 2002 are set out in note 27 to the accounts.

The amounts due from and to subsidiaries are unsecured, interest free and have no fixed repayment terms.

## 14 INVENTORIES

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>6,842</b>	9,547
Finished goods	<b>11,042</b>	13,522
	<b>17,884</b>	23,069
Provision for slow moving stock	<b>(15,088)</b>	(11,152)
	<b>2,796</b>	11,917

At 31st December 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK\$2,573,000 (2001: HK\$10,891,000).



# NOTES TO THE ACCOUNTS

## 15 CONTRACT WORK IN PROGRESS

	<b>Group</b>	
	<b>2002</b> HK\$'000	2001 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses	<b>5,393</b>	5,393
Less: progress payment on account	<b>(2,964)</b>	(2,322)
Less: provisions	<b>(1,579)</b>	–
	<b>850</b>	3,071
Represented by:		
Amounts due from customers for contract work	<b>1,580</b>	3,772
Amounts due to customers for contract work	<b>(730)</b>	(701)
	<b>850</b>	3,071

## 16 TRADE AND OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2002</b> HK\$'000	2001 HK\$'000	<b>2002</b> HK\$'000	2001 HK\$'000
Trade receivables	<b>1,787</b>	3,912	–	–
Other receivables and prepayments	<b>1,903</b>	3,333	<b>233</b>	28
	<b>3,690</b>	7,245	<b>233</b>	28

The Group's revenues from the provision of system integration services are billed based on terms of the sale and purchase contracts and are normally receivable upon issue of invoices.

At 31st December 2002, the ageing analysis of the trade receivables was as follows:

	<b>Group</b>	
	<b>2002</b> HK\$'000	2001 HK\$'000
Current to 90 days	<b>5</b>	2,777
91 to 180 days	–	133
Over one year	<b>1,782</b>	1,002
	<b>1,787</b>	3,912

# NOTES TO THE ACCOUNTS

## 17 AMOUNTS DUE TO RELATED COMPANIES

This represents the amounts due to the ultimate holding company, Winsan International Holdings Limited, and other companies beneficially owned by the chairman of the Company, Mr Chan Chak Shing. The amounts are unsecured and interest bearing at prime rates. The balances are repayable on demand.

## 18 TRADE AND OTHER PAYABLES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade payables	2,058	3,004	–	–
Other payables and accrued charges	9,333	13,963	1,073	1,689
	<b>11,391</b>	<b>16,967</b>	<b>1,073</b>	<b>1,689</b>

At 31st December 2002, the ageing analysis of the trade payables was as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Current to 90 days	–	231
91 to 180 days	–	127
181 to 365 days	–	329
Over one year	2,058	2,317
	<b>2,058</b>	<b>3,004</b>

## 19 SHORT-TERM LOANS, UNSECURED

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank loans, unsecured (note (a))	8,486	9,429
Government loans, unsecured (note (b))	3,583	3,771
	<b>12,069</b>	<b>13,200</b>



# NOTES TO THE ACCOUNTS

## 19 SHORT-TERM LOANS, UNSECURED (continued)

Notes:

- (a) The bank loan as at 31st December 2002 is guaranteed by 連盛(福建)地產有限公司 (Winsan (Fujian) Estate Co. Ltd.), a related company beneficially owned by the chairman of the Company, Mr. Chan Chak Shing.
- (b) The government loans comprise a loan of HK\$755,000 (2001: HK\$943,000) granted by Shenzhen Futian District Science and Technology Bureau, the PRC, which is interest bearing at 2.5% (2001: 2.5%) per annum and an interest free loan of HK\$2,828,000 (2001: HK\$2,828,000) granted by Shenzhen Finance Bureau, the PRC. Each of these loans is guaranteed, respectively, by a third party.

## 20 SHARE CAPITAL

	Number of shares	Total HK\$'000
Ordinary shares of HK\$0.01 (2001: HK\$0.10) each		
Authorised:		
At 31st December 2001	1,500,000,000	150,000
Increase during the year (note (a))	1,500,000,000	150,000
Sub-division of share capital from HK\$0.10 each to HK\$0.01 each (note (c)(ii))	27,000,000,000	–
At 31st December 2002	<u>30,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1st January 2001	1,068,100,000	106,810
Issue of shares	45,100,000	4,510
At 31st December 2001	<u>1,113,200,000</u>	<u>111,320</u>
<b>At 1st January 2002</b>	<b>1,113,200,000</b>	<b>111,320</b>
<b>Open offer during the year (note (b))</b>	<b>445,280,000</b>	<b>44,528</b>
<b>Capital reduction of issued shares (note (c)(i))</b>	<b>–</b>	<b>(140,263)</b>
<b>At 31st December 2002</b>	<b><u>1,558,480,000</u></b>	<b><u>15,585</u></b>

- (a) At an Extraordinary General Meeting of the Company held on 20th June 2002, the authorised share capital of the Company was increased from HK\$150,000,000 to HK\$300,000,000 by the creation of an additional 1,500,000,000 shares of HK\$0.10 each.
- (b) On 10th July 2002, the Company made an open offer of 445,280,000 ordinary shares of HK\$0.115 each on the basis of an allotment of two offer shares for every five existing ordinary shares held by the qualifying shareholders. The proceeds from the open offer amounted to HK\$51,207,000, comprising share capital of HK\$44,528,000 and share premium of HK\$6,679,000.

# NOTES TO THE ACCOUNTS

## 20 SHARE CAPITAL (continued)

- (c) By a special resolution passed at an extraordinary general meeting of the Company on 7th November 2002, the shareholders of the Company approved the Company's change of domicile from Cayman Islands to Bermuda and the reorganisation of the Company's share capital which involved, inter alia:
- (i) the reduction of the nominal and paid up value of each ordinary share in the issued share capital of the Company from HK\$0.10 to HK\$0.01 each and the credit arising from the capital reduction of HK\$140,263,200 was applied to the contributed surplus account of the Company;
  - (ii) the nominal value for each of the authorised shares of the Company was reduced to HK\$0.01 each, such that the authorised share capital remained as HK\$300,000,000 consisting of 30,000,000,000 shares of HK\$0.01 each.
- (d) At the Annual General Meeting of the Company held on 20th June 2002, the shareholders approved the termination of the share option scheme adopted by the Company on 5th July 1997 (the "Share Option Scheme") and the adoption of a new share option scheme ("New Scheme"). No options have been granted under the New Scheme.

At 31st December 2002, the share options outstanding under the Share Option Scheme were as follows:

<b>Year granted</b>	<b>Number of options</b>	<b>Exercise price</b> HK\$	<b>Expiry date</b>
1997	18,600,000	1.53	August 2007
1998	55,500,000	0.36	March 2008
2000	6,380,000	0.173 to 0.24	February 2010 to October 2010
	<u>80,480,000</u>		



# NOTES TO THE ACCOUNTS

## 21 RESERVES

### Group

	Share premium account HK\$'000	Contributed surplus HK\$'000	Reserve on consolidation HK\$'000	Surplus reserves HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1st January 2002</b>	<b>616,669</b>	-	-	-	<b>17</b>	<b>(713,503)</b>	<b>(96,817)</b>
Issue of shares, net of expenses	6,679	-	-	-	-	-	6,679
Loss for the year	-	-	-	-	-	(47,177)	(47,177)
Set-off against accumulated losses (note 21 (a))	(623,348)	-	-	-	-	623,348	-
Contributed surplus arising from reduction of share capital (note 21(b))	-	140,263	-	-	-	-	140,263
<b>At 31st December 2002</b>	<b>-</b>	<b>140,263</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>(137,332)</b>	<b>2,948</b>
At 1st January 2001	622,554	-	30,000	22,382	(6,860)	(290,857)	377,219
Issue of shares, net of expenses	5,364	-	-	-	-	-	5,364
Loss for the year	-	-	-	-	-	(479,400)	(479,400)
Disposal of subsidiaries	(11,249)	-	(30,000)	(22,382)	6,877	56,754	-
At 31st December 2001	616,669	-	-	-	17	(713,503)	(96,817)

### Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1st January 2002</b>	<b>934,212</b>	-	<b>(1,031,029)</b>	<b>(96,817)</b>
Issue of shares, net of expenses	6,679	-	-	6,679
Loss for the year	-	-	(47,177)	(47,177)
Set-off against accumulated losses (note 21 (a))	(940,891)	-	940,891	-
Contributed surplus arising from reduction of share capital (note 21(b))	-	140,263	-	140,263
<b>At 31st December 2002</b>	<b>-</b>	<b>140,263</b>	<b>(137,315)</b>	<b>2,948</b>
At 1st January 2001	928,848	-	(551,629)	377,219
Issue of shares, net of expenses	5,364	-	-	5,364
Loss for the year	-	-	(479,400)	(479,400)
At 31st December 2001	934,212	-	(1,031,029)	(96,817)

# NOTES TO THE ACCOUNTS

## 21 RESERVES (continued)

- (a) By a special resolution passed on an extraordinary general meeting of the Company on 7th November 2002, the shareholders of the Company approved the set-off of the entire amount of HK\$940,891,000 standing to the credit of the share premium account against the accumulated losses of the Company. In the consolidated account of the Group, the amount of share premium account available to be applied towards the set off against accumulated losses amounted to HK\$623,348,000.
- (b) The contributed surplus of the Group and the Company arose from the reduction of share capital (note 20(c)(i)). Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances described by Section 54 thereof.
- (c) As at 31st December 2002, the Company has reserves available for distribution to the shareholders amounting to HK\$2,948,000, inclusive of the contributed surplus of HK\$140,263,000 (note 21(b)).

## 22 LONG-TERM BANK LOANS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Long-term bank loans, unsecured	<b>8,686</b>	8,163	<b>3,658</b>	–
Amounts repayable within one year	<b>(7,228)</b>	(3,125)	<b>(2,200)</b>	–
	<b>1,458</b>	5,038	<b>1,458</b>	–

At 31st December 2002, the long-term bank loans were repayable as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	<b>7,228</b>	3,125	<b>2,200</b>	–
In the second year	<b>1,458</b>	2,616	<b>1,458</b>	–
In the third to fifth year	–	2,422	–	–
	<b>8,686</b>	8,163	<b>3,658</b>	–

# NOTES TO THE ACCOUNTS

## 23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of operating loss to net cash outflow from operations

	2002 HK\$'000	2001 HK\$'000
Operating loss	<b>(44,976)</b>	(439,138)
Gain on disposal of subsidiaries	–	(8,756)
Loss on disposal of investment properties and leasehold land and building	–	38,383
Provision for impairment of goodwill	–	382,331
Provision for slow moving inventories	<b>7,674</b>	11,152
Provision for amounts due from customers for contract works	<b>1,579</b>	–
Provision for doubtful debts	<b>1,661</b>	21,497
Amortisation of goodwill	<b>3,139</b>	3,736
Depreciation of fixed assets	<b>4,703</b>	4,297
Loss on disposal of fixed assets, other than land and building	<b>1,087</b>	1,742
Interest income	<b>(6)</b>	(4,031)
Decrease in amount due to an associated company	–	(29,005)
Increase in properties held for sale	–	(26,390)
Decrease in inventories	<b>1,447</b>	2,622
Decrease in net amounts due from customers for contract work	<b>613</b>	1,680
Decrease/(increase) in trade and other receivables	<b>1,894</b>	(23,943)
Decrease/(increase) in net amounts due to customers for contract work	<b>29</b>	(5,923)
(Decrease)/increase in amounts due to related companies	<b>(27,543)</b>	28,917
Decrease in trade and other payables	<b>(5,576)</b>	(6,038)
Net cash outflow from operations	<b>(54,275)</b>	(46,867)



# NOTES TO THE ACCOUNTS

## 23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

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

	Share capital, share premium and contributed surplus		Obligation under finance leases		Short-term and long-term loans		Minority interests	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	<b>727,989</b>	729,364	-	535	<b>21,363</b>	790,565	<b>1,078</b>	250,841
<i>Cash items:</i>								
Open offer	<b>51,207</b>	-	-	-	-	-	-	-
Share placement	-	9,338	-	-	-	-	-	-
Options exercised by directors and employees	-	536	-	-	-	-	-	-
New loans raised	-	-	-	-	<b>13,794</b>	8,163	-	-
Repayment of loans	-	-	-	-	<b>(14,402)</b>	(76,967)	-	-
Repayment of capital element of finance leases	-	-	-	(223)	-	-	-	-
<i>Non-cash items:</i>								
Set-off against accumulated losses	<b>(623,348)</b>	-	-	-	-	-	-	-
Minority's share of losses of subsidiaries	-	-	-	-	-	-	<b>(1,078)</b>	(2,992)
Purchase of subsidiaries	-	-	-	-	-	13,200	-	9,461
Disposal of subsidiaries	-	(11,249)	-	(312)	-	(713,598)	-	(256,232)
At 31st December	<b>155,848</b>	727,989	-	-	<b>20,755</b>	21,363	-	1,078



# NOTES TO THE ACCOUNTS

## 24 COMMITMENTS UNDER OPERATING LEASES

At 31st December 2002, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of land and buildings as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Not later than one year	833	2,155
In the second to fifth years	–	577
	<u>833</u>	<u>2,732</u>

## 25 CONTINGENT LIABILITIES

At 31st December 2002, a subsidiary of the Company provided a corporate guarantee in respect of banking facilities granted by banks to a third party, to the extent of HK\$6,675,000 (31st December 2001: HK\$18,857,000).

## 26 RELATED PARTY TRANSACTIONS

Apart from those disclosed in notes 17 and 19 above, other significant related party transactions carried out during the year in the normal course of the Group's business were as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest payable to related companies	<u>1,064</u>	<u>2,781</u>

This represents interests calculated at prime rates on the amounts due to companies beneficially owned by Mr Chan Chak Shing, Chairman of the Company (note 17).



# NOTES TO THE ACCOUNTS

## 27 SUBSIDIARIES

At 31st December 2002, the Company held interest in the following principal subsidiaries which, in the opinion of the directors, were significant to the results of the year and/or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

<b>Company</b>	<b>Place of incorporation and kind of legal entity</b>	<b>Principal activities and place of operation</b>	<b>Particulars of issued/registered capital</b>	<b>Effective interest held</b>
Indirectly held:				
Evergrow High Technology Investment Group Ltd.	Hong Kong, limited liability company	Investment holding in Hong Kong	2 ordinary shares of HK\$1 each	100%
Cheeryork Investment Ltd.	Hong Kong, limited liability company	Property investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
Shenzhen DIC Information Technologies Co., Ltd.	PRC, limited liability company	Provision for broadband and cable television related platform and equipment for television and telecommunication services in PRC	RMB40,000,000	70%
Evergrow Trans China Beijing Information Technology Co., Ltd.	PRC, limited liability company	Provision of network based transport logistics services in PRC	RMB10,000,000	70%
Evergrow Trans China Network Beijing Information Technology Co., Ltd.	PRC, limited liability company	Provision of network based transport logistics services in PRC	RMB30,000,000	70%





# NOTES TO THE ACCOUNTS

## 28 ULTIMATE HOLDING COMPANY

The directors regard Winsan International Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

## 29 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 24th April 2003.

