

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries and the jointly controlled entity are set out in notes 40 and 41, respectively.

## 2. Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these standards has resulted in changes in the presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### *Presentation of financial statements*

The adoption of SSAP 1 (Revised) "Presentation of Financial Statements" has resulted in a change in the format of presentation of the statement of changes in equity. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

### *Foreign currencies*

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

### *Cash flow statements*

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest and dividends paid and interest received, which were previously presented under a separate heading, are classified as operating and investing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

### *Employee benefits*

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

## **Notes to the Financial Statements**

For the Year Ended 31 December 2002

### **3. Significant Accounting Policies**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, land and buildings, and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

#### ***Goodwill***

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or a jointly controlled entity or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, associate or a jointly controlled entity, the attributable amount of unamortised goodwill/ goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

#### ***Negative goodwill***

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions of subsidiaries prior to 1 January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions of subsidiaries after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

**3. Significant Accounting Policies (continued)**

***Negative goodwill (continued)***

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition but which do not represent identifiable liabilities at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill not exceeding aggregate fair values of acquired identified non-monetary assets is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

***Revenue recognition***

Trading of securities is recognised when the relevant transaction is executed.

Sales of goods are recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the lease terms.

***Investment properties***

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a revaluation decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided in respect of investment properties except where the unexpired term, including the renewable period, of the relevant lease is twenty years or less.

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 3. Significant Accounting Policies (continued)

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost or valuation less depreciation, amortisation and any identified impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the asset revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of land and buildings is dealt with as an expense to the extent that it exceeds the balance, if any, held in asset revaluation reserve relating to a previous revaluation of that particular property. On the subsequent sale of land and buildings, the attributable revaluation increase not yet transferred to retained profits in prior years is transferred to retained profits.

Depreciation and amortisation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining lease terms
Buildings	Over the shorter of the lease terms or 30-50 years
Computer and electronic equipment	20%
Furniture and fixtures	20% - 50%
Motor vehicles	20% - 50%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in net profit or loss for the period.

#### *Subsidiaries*

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### *Associates*

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

**3. Significant Accounting Policies (continued)**

***Jointly controlled entity***

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

***Investments in securities***

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

***Inventories***

Inventories, representing trade merchandise, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

***Impairment***

At each balance sheet date, the Group 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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

***Derivatives used for trading and investment***

Derivatives used in the Group's trading activities are recorded at fair value, and unrealised gains and losses are reflected in the income statement. The fair values of the trading positions generally are based on listed market prices. If listed market prices are not available or if the liquidation of the Group positions would reasonably be expected to impact market prices, fair value is determined based on other relevant factors, including dealer price quotations and price quotations for similar instruments traded in different markets, including markets located in different geographic areas. Fair values for certain derivative contracts are derived from pricing models which consider current market and contractual prices for the underlying financial instruments or commodities, as well as time value and yield curve or volatility factors underlying the positions.

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 3. Significant Accounting Policies (continued)

#### *Taxation*

The charge for taxation is based on the results for the year after adjusting 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 the resulting 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 an asset will crystallise in the foreseeable future.

#### *Operating leases*

Rentals payable under operating leases are charged as expenses on a straight line basis over the terms of the relevant lease.

#### *Retirement benefits scheme*

Payments to the Group's defined contribution scheme or Mandatory Provident Fund scheme or the central pension scheme are charged as an expense as they fall due.

#### *Foreign currencies*

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates prevailing on the balance sheet date. Income and expense items denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

### 4. Turnover

	2002 HK\$'000	2001 HK\$'000
Sales of mobile phones	168,241	227,636
Net proceeds from sales of listed trading investments	1,102,900	2,086,281
Dividend income from listed investments	10,493	11,149
Other communication products	11,218	14,400
	<b>1,292,852</b>	<b>2,339,466</b>

**5. Business and Geographical Information**

**Business segments**

For management purposes, the Group is currently organised into two main operating divisions — mobile phone distribution, and securities trading and investments. Others mainly represent sales of other communication products and rental income earned during the year. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 December 2002

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>Revenue</i>				
External sales	168,241	1,113,393	11,218	1,292,852
Others	2,412	—	6,652	9,064
	170,653	1,113,393	17,870	1,301,916
<i>Result</i>				
Segment result	(21,015)	(537,490)	(4,925)	(563,430)
Unallocated other operating income				10,420
Unallocated corporate expenses				(29,345)
Loss from operations				(582,355)
Finance costs				(603)
Impairment loss recognised in respect of goodwill	—	(2,250)	—	(2,250)
Loss on disposal of an associate	—	(9,085)	—	(9,085)
Share of results of associates	—	(9,005)	—	(9,005)
Share of result of a jointly controlled entity	—	—	(119)	(119)
Loss before taxation				(603,417)
Tax credit				198
Loss before minority interests				(603,219)
Minority interests				305
Loss for the year				(602,914)

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 5. Business and Geographical Information (continued)

#### Business segments (continued)

For the year ended 31 December 2002

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>Balance sheet</i>				
<i>Assets</i>				
Segment assets	27,888	736,641	47,931	812,460
Interest in a jointly controlled entity	—	—	1,926	1,926
Unallocated corporate assets	—	—	—	96,387
Consolidated total assets				910,773
<i>Liabilities</i>				
Segment liabilities	39,039	45,830	19,165	104,034
Amount due to a jointly controlled entity	—	—	1,200	1,200
Unallocated corporate liabilities	—	—	—	6,773
Consolidated total liabilities				112,007

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Others HK\$'000	Unallocated segment HK\$'000	Consolidated HK\$'000
<i>Other information</i>					
Capital expenditure	88	—	211	996	1,295
Depreciation and amortisation	2,287	—	1,339	423	4,049
Impairment losses recognised in consolidated income statement	3,711	88,879	2,334	517	95,441
Other non-cash expenses	13	279,975	438	689	281,115

## 5. Business and Geographical Information (continued)

*Business segments (continued)*

For the year ended 31 December 2001

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>Revenue</i>				
External sales	227,636	2,097,430	14,400	2,339,466
Others	4,626	—	5,281	9,907
	232,262	2,097,430	19,681	2,349,373
<i>Result</i>				
Segment result	(53,341)	(556,666)	(3,040)	(613,047)
Unallocated other operating income				4,120
Unallocated corporate expenses				(69,097)
Loss from operations				(678,024)
Finance costs				(7,360)
Impairment loss recognised in respect of goodwill	—	(30,035)	—	(30,035)
Loss on deemed acquisition of additional interest in a subsidiary	—	(4,458)	—	(4,458)
Shares of results of associates	—	(12,593)	—	(12,593)
Share of result of a jointly controlled entity	—	—	(170)	(170)
Loss before taxation				(732,640)
Tax credit				2,002
Loss before minority interests				(730,638)
Minority interests				13,384
Loss for the year				(717,254)

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 5. Business and Geographical Information (continued)

#### Business segments (continued)

For the year ended 31 December 2001

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
<i>Balance sheet</i>				
<i>Assets</i>				
Segment assets	52,114	1,131,341	57,627	1,241,082
Interests in associates	—	54,379	—	54,379
Interest in a jointly controlled entity	—	—	2,045	2,045
Unallocated corporate assets	—	—	—	216,245
Consolidated total assets				1,513,751
<i>Liabilities</i>				
Segment liabilities	81,798	51,637	21,557	154,992
Unallocated corporate liabilities	—	—	—	35,167
Consolidated total liabilities				190,159

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Others HK\$'000	Unallocated segment HK\$'000	Consolidated HK\$'000
<i>Other information</i>					
Capital expenditure	949	—	2,105	1,563	4,617
Depreciation and amortisation	2,572	—	1,415	358	4,345
Impairment loss recognised in consolidated income statement	—	52,886	—	—	52,886
Other non-cash expenses	766	30,154	3,656	4,458	39,034

5. Business and Geographical Information (continued)

*Geographical segments*

The Group's operations are located in Hong Kong and Mainland China ("China").

The Group's distribution of mobile phones is carried out in Hong Kong and China. Securities trading and investment are carried out in Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market:

	Revenue by geographical market	
	2002 HK\$'000	2001 HK\$'000
Hong Kong	1,229,841	2,166,996
China	72,075	182,377
	<b>1,301,916</b>	<b>2,349,373</b>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	At 31.12.2002 HK\$'000	At 31.12.2001 HK\$'000	Year ended 31.12.2002 HK\$'000	Year ended 31.12.2001 HK\$'000
	Hong Kong	879,698	1,452,684	731
China	31,075	61,067	564	474
	<b>910,773</b>	<b>1,513,751</b>	<b>1,295</b>	<b>4,617</b>

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 6. Net Losses on Investments

	2002 HK\$'000	2001 HK\$'000
Gain on realisation of other listed investments	8,091	5,292
Net realised loss on equity linked notes	—	(60,815)
Net realised loss on derivatives	(48,167)	(122,312)
Net unrealised loss on trading investments	(200,017)	(25,223)
Net unrealised loss on derivatives	(79,958)	(4,931)
Impairment loss recognised in respect of other investments ( <i>Note</i> )	(86,629)	(22,851)
Net realised gain on corporate bonds	2,446	—
	<b>(404,234)</b>	<b>(230,840)</b>

*Note:*

As described in note 39, pursuant to the Repurchase Offer, the Group undertook to tender at least 152,760,720 shares in SHK (as defined in note 39) in November 2002 and subsequently realised 212,782,450 shares of SHK at a price of HK\$1.3 per share of SHK. The directors determined that the value of these 212,782,450 shares of SHK was impaired and the impairment loss was transferred from the asset revaluation reserve to income statement during the year.

### 7. Other Operating Income

	2002 HK\$'000	2001 HK\$'000
Rental income from properties under operating leases after outgoings of HK\$162,000 (2001: HK\$75,000)	6,308	4,828
Interest income	1,910	3,868
Service income	2,412	4,878
Maintenance income	344	453
Write back of long outstanding payables	5,166	—
Others	2,575	—
	<b>18,715</b>	<b>14,027</b>

**8. Loss from Operations**

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	700	1,200
Cost of inventories recognised as expenses	173,628	229,945
Redundancy and severance payments	1,243	—
Revaluation decrease of investment properties	270	2,200
Revaluation decrease of leasehold land and buildings	48	713
Depreciation and amortisation	4,049	4,345
Impairment loss recognised in respect of property, plant and equipment	6,562	—
Loss on disposal of property, plant and equipment	822	1,509
Staff costs, inclusive of directors' emoluments	19,080	28,753
Allowance for bad debts	13,180	16,855
Write back of:		
– provision for litigation costs	(7,459)	—
– allowance for bad debts	(10,000)	—

**9. Finance Costs**

The amounts represent interest on bank and other borrowings wholly repayable within five years.

**10. Directors' Emoluments and Highest Paid Individuals****Directors' emoluments**

The directors' emoluments are analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive directors	—	60
Non-executive directors	63	—
Independent non-executive directors	200	200
	263	260
Other emoluments to executive directors:		
Salaries and other benefits	848	1,578
Retirement benefit scheme contributions	36	—
Total directors' emoluments	1,147	1,838

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 10. Directors' Emoluments And Highest Paid Individuals (continued)

#### *Directors' emoluments (continued)*

The emoluments of the directors are within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	8	4
HK\$1,500,001 to HK\$2,000,000	—	1

There was no compensation for loss of office paid to directors or former directors and no directors waived any emoluments for the year ended 31 December 2002 (2001: Nil).

#### *Highest paid individuals*

During the year, the five highest paid individuals did not include director (2001: one director), details of which are set out above. The emoluments for the five (2001: four) highest paid individuals of the Group are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	3,686	3,365
Retirement benefit scheme contributions	160	122
	<b>3,846</b>	<b>3,487</b>

The emoluments are within the following bands:

	2002 Number of employees	2001 Number of employees
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	1	1

**11. Discontinuing Operations**

The Group's mobile phone distribution and the intelligent building system integration business in China (collectively the "China Telecommunication Operations") were disposed of to an independent third party in March 2003.

The results of the China Telecommunication Operations for the year were as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover	68,115	176,029
Other operating income	3,456	5,410
Operating costs	(100,309)	(226,874)
Finance costs	(430)	(155)
Share of result of a jointly controlled entity	(119)	(170)
Loss for the year	(29,287)	(45,760)

During the year, the China Telecommunication Operations used HK\$11 million (2001: HK\$24 million) from the Group's net operating cash flows, received HK\$0.5 million (2001: paid HK\$0.4 million) in respect of investing activities and paid HK\$27 million (2001: received HK\$37 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of the China Telecommunication Operations at 31 December 2002 and 2001 are as follows:

	2002 HK\$'000	2001 HK\$'000
Total assets	35,183	76,328
Total liabilities	(59,734)	(71,593)

**12. Impairment Loss Recognised in Respect of Goodwill**

The directors have assessed the recoverable amount of the goodwill arising from the acquisition of additional interest in a subsidiary amounting to HK\$2,250,000 during the year. The directors identified that goodwill to be impaired since the subsidiary has sustained losses for several years and continued suffering losses from its operations. Accordingly, the entire amount has been charged to the income statement in the current year.

In last year, the directors had assessed the recoverable amount of the goodwill arising from acquisition of an associate amounting to HK\$30,035,000 and identified that the goodwill was impaired. The Group subscribed for the shares in the associate in May 2000, and as announced by the associate on 6 May 2000, the net proceeds from the subscription would be used as working capital for its information technology related businesses. However, as revealed in the associate's annual report 2001, the associate has terminated and made provisions for some of these projects. Accordingly, the carrying amount of the goodwill had been charged to the income statement in last year.

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 13. Share of Results of Associates

The share of results of associates for the year ended 31 December 2002 mainly included the results of Millennium Group Limited ("MGL") up to 30 June 2002 in accordance with the Group's accounting policy. In August 2002, the Group realised the entire interest in MGL, for consideration of HK\$37,494,000 (net of expenses) at a loss of approximately HK\$9,085,000.

### 14. Tax Credit

	2002 HK\$'000	2001 HK\$'000
The credit (charge) comprises:		
Hong Kong Profits Tax for the current year	—	(195)
Share of taxation of associates	198	2,197
	198	2,002

No provision for Hong Kong Profits Tax had been made in the financial statements for the year ended 31 December 2002 as the Group had no assessable profit.

Hong Kong Profits Tax was calculated at 16% on the estimated assessable profits for 2001.

Details of the unprovided deferred taxation are set out in note 31.

### 15. Dividend

	2002 HK\$'000	2001 HK\$'000
Final dividend paid in 2001 in respect of the year ended 31 December 2000 of 0.5 HK cents per ordinary share	—	46,432

**16. Loss Per Share**

The calculation of basic and diluted loss per share is based on the following data:

	2002 HK\$'000	2001 HK\$'000
Loss for the purpose of basic and diluted loss per share	(602,914)	(717,254)

  

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	9,286,462,340	9,286,462,072

The computation of diluted loss per share for the current year does not assume the exercise of the Company's outstanding warrants because their exercise price was higher than the average market price for shares for both years.

**17. Investment Properties**

	THE GROUP HK\$'000
VALUATION	
At 1 January 2002	32,880
Revaluation decrease	(270)
At 31 December 2002	32,610

The Group's investment properties are analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Properties held under medium term leases:		
– in Hong Kong	15,610	15,880
– in China	17,000	17,000
	32,610	32,880

The Group's investment properties were revalued at 31 December 2002 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, at HK\$32,610,000 on an open market, existing use basis. The resulting revaluation decrease of HK\$270,000 (2001: HK\$2,200,000) has been charged to the consolidated income statement.

All the investment properties of the Group are rented out under operating leases.

## Notes to the Financial Statements

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### 18. Property, Plant and Equipment

	Leasehold land and buildings HK\$'000	Computer and electronic equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
<b>COST OR VALUATION</b>					
At 1 January 2002	11,230	12,261	8,341	2,317	34,149
Reclassification	—	(54)	54	—	—
Additions	—	300	995	—	1,295
Disposals	—	(940)	(1,431)	(521)	(2,892)
Revaluation decrease	(295)	—	—	—	(295)
At 31 December 2002	10,935	11,567	7,959	1,796	32,257
Comprising:					
At cost	—	11,567	7,959	1,796	21,322
At valuation - 2002	10,935	—	—	—	10,935
	10,935	11,567	7,959	1,796	32,257
<b>DEPRECIATION AND AMORTISATION AND IMPAIRMENT LOSS</b>					
At 1 January 2002	—	5,148	2,806	1,427	9,381
Reclassification	—	(11)	11	—	—
Provided for the year	247	2,008	1,448	346	4,049
Impairment loss	—	3,070	3,300	192	6,562
Eliminated on disposals	—	(676)	(648)	(358)	(1,682)
Eliminated on revaluation	(247)	—	—	—	(247)
At 31 December 2002	—	9,539	6,917	1,607	18,063
<b>NET BOOK VALUES</b>					
At 31 December 2002	10,935	2,028	1,042	189	14,194
At 31 December 2001	11,230	7,113	5,535	890	24,768

In the opinion of the directors, certain assets with carrying value of HK\$2,566,000 (2001: Nil) are impaired since the directors have decided to discontinue the operating leases in respect of some of the office premises on which the assets are located. On the other hand, certain assets with carrying value of HK\$3,996,000 (2001: Nil) are impaired due to physical damage and technical obsolescence.

**18. Property, Plant and Equipment (continued)**

The land and buildings of the Group are analysed as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Properties situated in Hong Kong, held under medium term leases	4,505	4,600
Properties situated in China, held under:		
– long leases	2,800	2,930
– medium term leases	3,630	3,700
	<b>10,935</b>	11,230

All the land and buildings of the Group were revalued at 31 December 2002 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, on an open market value basis. The resulting revaluation decrease arising on the revaluation of HK\$48,000 (2001: HK\$713,000) has been charged to the consolidated income statement.

Had all the land and buildings of the Group been carried at cost less accumulated depreciation and amortisation, the carrying values of these properties would have been stated at HK\$18,963,000 (2001: HK\$19,443,000).

**19. Interests in Subsidiaries**

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	32,168	32,168
Amounts due from subsidiaries	4,132,179	3,135,122
	<b>4,164,347</b>	3,167,290
Less: Allowances on amounts due from subsidiaries	<b>(1,887,081)</b>	(94,524)
	<b>2,277,266</b>	3,072,766

Particulars of the principal subsidiaries as at 31 December 2002 are set out in note 40.

In the opinion of the directors, the amounts due from subsidiaries will not be repaid within twelve months from the balance sheet date. Accordingly, it is classified as non-current.

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 20. Interests in Associates

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	—	54,379

During the year, the Group acquired additional interest in MGL amounting to HK\$1,007,000. Then, the entire interest in this associate was realised by the Group at a consideration of HK\$37,494,000 net of expenses in August 2002.

At 31 December 2001, it represented the share of net assets of MGL.

### 21. Interest in A Jointly Controlled Entity

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	1,926	2,045

Particulars of the jointly controlled entity as at 31 December 2002 are set out in note 41.

### 22. Investments in Securities

THE GROUP	Trading investments		Other investments		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities						
– listed in Hong Kong	333,179	665,685	295,991	285,409	629,170	951,094
– unlisted	104,607	127,319	—	—	104,607	127,319
	437,786	793,004	295,991	285,409	733,777	1,078,413
Carrying amount analysed for reporting purposes as						
– Non-current	—	—	284,306	264,984	284,306	264,984
– Current	437,786	793,004	11,685	20,425	449,471	813,429
	437,786	793,004	295,991	285,409	733,777	1,078,413
Market value of listed securities	333,179	665,685	295,991	285,409	629,170	951,094

**22. Investments in Securities (continued)**

As at 31 December 2002, particulars of the Group's investments in the equity securities which exceed 10% of the assets of the Group disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of incorporation	Class of shares	Percentage of issued share capital held by the Group
Sun Hung Kai & Co. Limited	Hong Kong	Ordinary	17.99%
Allied Group Limited	Hong Kong	Ordinary	9.75%

**23. Inventories**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Inventories held for resale	10,315	12,911

At 31 December 2002, inventories of HK\$782,000 (2001: HK\$9,278,000) were carried at net realisable value.

**24. Debtors, Deposits and Prepayments**

The Group has a policy of allowing an average credit period of 30-90 days to its trade debtors.

An aged analysis of trade debtors is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within 90 days	10,454	18,397
91 - 180 days	3,352	132
181 - 360 days	—	434
Over 360 days	—	684
	<b>13,806</b>	19,647
Other debtors, deposits and prepayments	6,849	26,726
Net premium paid for derivatives	2,448	45,724
	<b>23,103</b>	92,097

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 25. Loan Receivable

The loan bears interest at 15% per annum and is repayable on 26 May 2003.

### 26. Creditors and Accrued Charges

An aged analysis of trade creditors is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within 90 days	4,057	8,071
91 - 180 days	377	37
181 - 360 days	117	501
Over 360 days	8,541	8,928
	13,092	17,537
Other creditors and accrued charges	46,558	112,858
	59,650	130,395

### 27. Amount Due to A Jointly Controlled Entity

The amount due to a jointly controlled entity of the Group is unsecured, interest free and has no fixed terms of repayment.

### 28. Amounts Due to Subsidiaries

The amounts due to subsidiaries of the Company are unsecured, interest free and have no fixed terms of repayment. The subsidiaries confirmed that the repayment of the amounts will not be demanded within the next twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

### 29. Share Capital

	Number of shares		Value	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning and end of the year	30,000,000,000	30,000,000,000	300,000	300,000
Issued and fully paid:				
At beginning of the year	9,286,462,340	9,286,461,740	92,865	92,865
Warrants exercised ( <i>Note</i> )	—	600	—	—
At end of the year	9,286,462,340	9,286,462,340	92,865	92,865

*Note:*

During the year ended 31 December 2001, warrants were exercised to subscribe for 600 ordinary shares of the Company at an exercise price of HK\$0.30 per share.

**29. Share Capital (continued)****Warrants**

During the year ended 31 December 2000, 1,856,688,098 warrants in the value of HK\$557,006,000 were issued at HK\$0.05 on the basis of one warrant for every five ordinary shares held on 15 May 2000. Each warrant entitles the holder to subscribe in cash at a price of HK\$0.30 each, subject to adjustment, for one ordinary share in the Company, at any time from the date of issue up to 6 June 2003 (both days inclusive).

At 31 December 2002, the Company had outstanding 1,856,666,248 warrants in the value of HK\$557,000,000. Exercise in full of such warrants would result in the issue of 1,856,666,248 additional ordinary shares of HK\$0.01 each.

**30. Reserves**

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
<b>THE COMPANY</b>						
At 1 January 2001	1,135,685	32,883	1,922	90,381	80,908	1,341,779
Loss for the year	—	—	—	—	(65,008)	(65,008)
Dividend paid ( <i>note 15</i> )	—	—	—	—	(46,432)	(46,432)
At 31 December 2001	1,135,685	32,883	1,922	90,381	(30,532)	1,230,339
Loss for the year	—	—	—	—	(435,358)	(435,358)
At 31 December 2002	<b>1,135,685</b>	<b>32,883</b>	<b>1,922</b>	<b>90,381</b>	<b>(465,890)</b>	<b>794,981</b>

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued at the date on which the group reorganisation became effective, in exchange for the shares of the subsidiaries, and the underlying net assets of the subsidiaries acquired, less distributions subsequently made by the Company.

In addition to retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) 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 account.

In the opinion of the directors, the Company had no reserves available for distribution to shareholders at 31 December 2002. The reserves available for distribution to shareholders at 31 December 2001 amounted to HK\$2,351,000.

## **Notes to the Financial Statements**

For the Year Ended 31 December 2002

### **31. Deferred Taxation**

The unrecognised potential deferred tax credit of the Group for the year is HK\$61,833,000 (2001: HK\$237,500,000), which comprises mainly the tax effect of timing differences arising from tax losses.

As at 31 December 2002, the potential deferred tax asset not recognised in the financial statements of the Group is HK\$322,947,000 (2001: HK\$261,114,000), which comprises mainly the tax effect of timing differences arising from tax losses available to set off against future assessable profit.

The potential deferred taxation in respect of timing differences has not been recognised in the financial statements as it is not certain that the tax losses will be utilised in the foreseeable future.

The Company did not have any significant unprovided deferred taxation at the balance sheet date.

### **32. Contingent Liabilities**

(a) The Company has given guarantees to banks in respect of general facilities granted to a subsidiary. As at 31 December 2002 and 2001, no facilities were utilised by the subsidiary.

In addition, the Company has also provided guarantees to several securities houses in respect of the facilities granted to subsidiaries. As at 31 December 2002 and 2001, no facilities were utilised by the subsidiaries.

(b) In respect of the disposal of a subsidiary in prior years, the Group has given an indemnity to the purchaser against all liabilities, losses, costs and expenses suffered and/or incurred by the purchaser in relation to or arising out of the assignment of certain of the subsidiary's business contracts.

(c) In 1997, the Company had given a counter-indemnity to a former substantial shareholder and the ex-chairman of Pacific Century Cyberworks Limited (formerly Tricom Holdings Limited "Tricom"), and Chambord Investment Inc. in respect of certain indemnities given to Tricom at the time of and to facilitate the listing of Tricom's shares on the Stock Exchange. These indemnities related to the use of the Tricom tradename, the infringement of the permitted use of properties, the guarantees granted to Tricom to secure banking facilities and tax liabilities.

In respect of (b) and (c) above, the directors were not able to estimate the financial effect of the indemnities and warranty given.

**33. Litigation**

- (a) In November 1998, a writ was issued against the Company's subsidiaries, Hongkong Digital Television Limited ("Digital TV", formerly Star Interactive Television Limited) and Star Telecom Services Limited ("STSL", formerly Hong Kong Star Internet Limited) by nCube Corporation ("nCube"), claiming the sum of approximately US\$1,980,000 (equivalent to approximately HK\$15,305,000) plus interest in relation to the alleged purchase of two MediaCube 3000 systems by Digital TV from nCube. The claim of nCube against STSL was on the basis of a chop of STSL on the contract between Digital TV and nCube. STSL had taken legal advice and had been advised that it was very unlikely that STSL would be held liable to the claim of nCube. Digital TV was also opposing the claim of nCube and had taken legal advice.

As advised by its lawyers, Digital TV had reasonable grounds in defending the claim and, accordingly, had not made any provision in the financial statements in connection with the claim. Digital TV filed a defence in this section on 14 December 1998 and nCube had failed to take further action since that date. There was no progress during the year in respect of the litigation.

- (b) Stellar One Corporation ("Stellar One") served a statutory demand under Section 178 of the Hong Kong Companies Ordinance for the sum of approximately US\$1,152,000 (equivalent to approximately HK\$8,983,000) upon Digital TV in November 1998. Stellar One filed a winding up petition against Digital TV in December 1998 which was vigorously opposed by Digital TV. Digital TV applied for an order for security for the costs against Stellar One. On 4 May 1999, the Court ordered Stellar One to pay HK\$200,000 to the court as security for the costs of Digital TV on or before 7 May 1999. Stellar One failed to pay that amount to the court.

The petition was dismissed in November 1999 and Stellar One was to pay Digital TV its cost of the petition, which amounted to HK\$254,000. Stellar One had indicated that it would proceed to arbitration in Honolulu to recover the alleged amount.

Digital TV took legal advice and was advised that the arbitration proceedings had not commenced as of the date of approval of these financial statements. As advised by its lawyers, Digital TV had reasonable grounds in defending the claims and, accordingly, had not made any provision in the financial statements in connection with the claims.

Save and except for the matters specified above, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and, so far as the directors of the Company are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 34. Pledge of Assets

At the balance sheet date, the following assets of the Group were pledged to banks to secure short term banking facilities:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Marketable securities	164,554	218,368
Bank deposits	7,567	—
	172,121	218,368

### 35. Operating Lease Arrangements

*The Group as lessee:*

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Minimum lease payments paid under operating leases in respect of premises	10,515	16,149

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	3,945	11,524
In the second to fifth year inclusive	1,173	5,049
	5,118	16,573

Operating lease payments represent rentals payable by the Group for certain of its office premises and warehouses. Leases are negotiated for an average term of two to five years and rentals are fixed for an average term of two to five years.

*The Group as lessor:*

Property rental income earned during the year was HK\$6,470,000 (2001: HK\$4,903,000). The investment properties are expected to generate rental yields of 5.7% (2001: 5.7%). The properties held have committed tenants for an average of two to five years.

**35. Operating Lease Arrangements (continued)**

*The Group as lessor: (continued)*

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	4,033	5,666
In the second to fifth year inclusive	1,185	6,110
	<b>5,218</b>	11,776

At 31 December 2002, the Company had no commitments under operating leases (2001: Nil).

**36. Share Option Scheme**

Pursuant to the Company's share option scheme adopted on 10 July 1991 (the "Share Option Scheme"), the Board of Directors may, at its discretion, grant options to eligible employees, including directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price which is 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of granting the options or the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

The options previously granted were exercisable during the one-year period commencing one year after the date on which the options were accepted. An amendment was passed at a special general meeting of the Company on 2 April 1997 to alter the definition of the option period as up to a maximum of ten years, as may be decided by the Board of Directors, after the date of acceptance of the options.

Pursuant to an ordinary resolution passed on 29 July 1999, the issued and unissued shares of the Company were subdivided from the one share of HK\$0.10 each into the ten shares of HK\$0.01 each with effect from 30 July 1999. The share options were subdivided in the same manner accordingly.

The Share Option Scheme expired on 9 July 2001.

**37. Retirement Benefit Schemes**

The Group operates a defined contribution retirement benefit scheme for its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustee.

The retirement benefit scheme contributions charged to the income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group or will be refunded to the Group upon request.

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 37. Retirement Benefit Schemes (continued)

As at 31 December 2002, there were forfeited contributions of HK\$17,000 (2001: Nil), which arose upon employees leaving the scheme and which were available to reduce the contributions payable by the Group in future years.

In addition to the defined contribution retirement benefit scheme, the Group is required to contribute to Mandatory Provident Fund and central pension scheme for certain employees in Hong Kong and China, respectively, based on applicable rates of monthly salary in accordance with the relevant regulations.

During the year, the retirement benefits scheme contributions net of forfeited contributions of HK\$43,000 (2001: HK\$201,000), amounting to HK\$136,000 (2001: HK\$165,000).

### 38. Related Party Transactions

During the year ended 31 December 2002, the Company paid a reimbursement of expenses of HK\$4,000,000 (2001: HK\$6,000,000) to China Sci-Tech Holdings Limited ("CST"), a former substantial shareholder of the Company. The reimbursement includes (i) salaries of two directors of the Company, both of them are also directors of CST, (ii) other staff costs, and (iii) daily operating expenses. The reimbursement is based on the actual costs incurred by CST.

### 39. Post Balance Sheet Events

(a) In November 2002, Sun Hung Kai & Co. Limited ("SHK") made an offer to its shareholders to repurchase up to 325,600,000 shares of SHK at a price of HK\$1.3 per share of SHK to be paid by cash of HK\$0.3 and by loan notes of HK\$1.0 (the "Repurchase Offer"). Gold Chopsticks Limited ("Gold Chopsticks"), an indirect wholly owned subsidiary of the Company, which held 270,535,000 shares of SHK, made an irrevocable undertaking to SHK to tender at least 152,760,720 shares of SHK or additional number of shares in respect of its current shareholding pursuant to the term of the Repurchase Offer to ensure its shareholding percentage in SHK would be reduced to not more than 9.9% of the issued share capital of SHK as a result of the Repurchase Offer.

In February 2003, pursuant to the Repurchase Offer, Gold Chopsticks realised 212,782,450 shares of SHK at a price of HK\$1.3 per share of SHK to SHK.

(b) In March 2003, Fulltime Profits Limited, an indirect wholly owned subsidiary of the Company, and its subsidiaries, were disposed of for a consideration of HK\$1 to a third party.

(c) In March 2003, Sincere Way Limited ("Sincere Way"), an indirect wholly owned subsidiary of the Company, made a voluntary conditional offer to all the shareholders of Fortuna International Holdings Limited ("Fortuna"), a company listed on the Stock Exchange, to acquire all the issued shares of Fortuna other than those held by Sincere Way and parties acting in concert with it at an offer price of HK\$0.02 per share in cash (the "Offer").

Assuming there are 3,993,409,113 shares of Fortuna in issue (as set out in the Interim Report of Fortuna as at 30 June 2002), based on HK\$0.02 per share of Fortuna, the Offer values the entire issued share capital of Fortuna at approximately HK\$79.87 million.

The Group considers the Offer represented an opportunity for the Group to widen its business scope and to participate in the production and distribution of wines in China.

**40. Particulars of Principal Subsidiaries**

Particulars of the principal subsidiaries as at 31 December 2002 are as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation/ registration</b>	<b>Nominal value of issued ordinary share/ registered capital</b>	<b>Percentage of equity attributable to the Company</b>	<b>Principal activities</b>
<b>Directly held</b>				
Energetic Resources Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Star Paging (BVI) Limited	British Virgin Islands	Ordinary US\$400	100%	Investment holding
Superior Team Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
<b>Indirectly held</b>				
China Online Nominees Limited	Hong Kong	Ordinary HK\$200	100%	Investment holding
Dualiane Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Focus Clear Limited	British Virgin Islands	Ordinary US\$1	100%	Securities trading in Hong Kong
Forepower Limited	British Virgin Islands	Ordinary US\$1	100%	Property investment in Hong Kong
Fulltime Profits Limited	British Virgin Islands	Ordinary US\$700	100%	Investment holding
Genwo Limited	Hong Kong	Ordinary HK\$200,000	100%	Property holding
Gold Chopsticks Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 40. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
<b>Indirectly held (continued)</b>				
Honest Opportunity Limited	British Virgin Islands	Ordinary US\$1	100%	Securities trading in Hong Kong
Kintic Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Konnac Limited	Hong Kong	Ordinary HK\$2	100%	Property holding
Natural Flair Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Pro Leader Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Rich Investments Limited	Hong Kong	Ordinary HK\$2	100%	Property holding
上海得信佳通信設備有限公司 (Shanghai Tricom Telecom Equipment Co., Ltd.)*	China	Registered US\$4,500,000	93.3%	Sale and distribution of telecommunication equipment and provision of intelligent building system integration services
上海星際通電子通訊產品連鎖銷售有限公司 (Shanghai Tristar Telecom Co., Ltd.) <sup>Δ</sup>	China	Registered RMB2,000,000	93.3%	Sale and distribution of telecommunication equipment
Sparkling Summer Limited	British Virgin Islands	Ordinary US\$6,500,000	100%	Securities trading in Hong Kong

## 40. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
<b>Indirectly held (continued)</b>				
Star Telecom (China Investment) Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Star Telecom Holding Limited	Hong Kong	Ordinary HK\$200 Deferred# HK\$4,000,000	100%	Investment holding
Star Telecom Limited	Hong Kong	Ordinary HK\$3,000,000	100%	Telecom and IT products and services
Star Telecom Properties Limited	Hong Kong	Ordinary HK\$200	100%	Investment and property holding
Taskwell Limited	British Virgin Islands	Ordinary US\$1	100%	Investment holding
Tricom Shanghai Communications Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Tricom Tianchi Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Vinka Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Widerich Limited	Hong Kong	Ordinary HK\$2	100%	Property investment

\* Sino-foreign equity joint venture

△ Registered in China with limited liability

# The deferred shares, which are not held by the Group, practically carry no rights to any dividend or any distribution in winding up or to receive notice of or to attend or vote at any general meeting of the company

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 40. Particulars of Principal Subsidiaries (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting at 31 December 2002 or at any time during the year.

### 41. Particulars of A Jointly Controlled Entity

As at 31 December 2002, the Group had an interest in the following jointly controlled entity:

Name	Business structure	Place of incorporation/ registration	Principal place of operation	Percentage of interest attributable to the Group	Principal activities
泰州得信佳通信設備有限公司 (Taizhou Tricom Telecom Equipment Co., Ltd.) <sup>###</sup>	Corporate	China	China	74.6%	Sale and distribution of telecommunication equipment

<sup>###</sup> The Group does not have effective control over the company, and accordingly, the company has not been accounted for as a subsidiary