

For the year ended 31 March 2003

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36.

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 ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the adoption of these SSAPs has resulted in a change in the format of presentation of cash flow statement and the inclusion of the statement of changes in equity. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas subsidiaries and operations 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.

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 received and dividends paid, which were previously presented under a separate heading, are classified as appropriate cash flows this year. 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 and operations 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 significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, leasehold 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 March 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 have been 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 at the date of acquisition.

Goodwill arising on acquisition of subsidiary is capitalised and amortised on a straight line basis over its useful economic life and is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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

Service income arising from repairs, installation, maintenance, connection and consultancy are recognised when the relevant services are rendered.

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

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

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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 loss.

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 leasehold property 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 charged as an expense to the extent that it exceeds the surplus, if any, held in the leasehold property revaluation reserve relating to previous revaluation of that particular property. On the subsequent sale of land and buildings, the attributable revaluation surplus not yet transferred to retained profits in prior years is transferred to retained profits.

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 recognised in the income statement.

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

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease or 40 years
Leasehold improvements	20%
Furniture and fixtures	10% – 20%
Office equipment	10% – 20%
Computer equipment	33 $\frac{1}{3}$ %
Motor vehicles	20%

3. SIGNIFICANT ACCOUNTING POLICIES — continued

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 arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On subsequent disposal of an investment property, any revaluation surplus attributable to that property is included in the determination of the profit or loss on disposal.

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than twenty years.

Subsidiaries

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

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories, representing merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

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3. SIGNIFICANT ACCOUNTING POLICIES — continued

Assets under finance leases

Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to income statement as expense over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

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 these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as 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.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes 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 to the income statement on a straight line basis over the terms of the relevant leases.

Foreign currencies

Transactions in foreign currencies are translated at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES — continued**Foreign currencies — continued**

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at the rates prevailing on the balance sheet date. Income and expense items are translated at the average rates for the year. All exchange differences arising on consolidation are dealt with in the translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

4. TURNOVER

	2003	2002
	HK\$'000	HK\$'000
Sale of goods	789,072	677,400
Repair service	14,877	7,161
Maintenance service	9,891	9,079
Installation service	3,403	4,584
Connection service	1,817	22,912
Consultancy service	—	3,059
Rental income	2,345	2,522
	<u>821,405</u>	<u>726,717</u>

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions – sales of mobile phones, sales of office telephone systems, connection services, property investment, and installation, repair and maintenance services. 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 March 2003

	Sales of mobile phones HK\$'000	Sales of office telephone systems HK\$'000	Connection services HK\$'000	Property investment HK\$'000	Installation, repair and maintenance services HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue							
External sales	758,477	30,595	1,817	2,345	28,171	–	821,405
Inter-segment sales	64,453	4,310	–	1,980	–	(70,743)	–
Total revenue	<u>822,930</u>	<u>34,905</u>	<u>1,817</u>	<u>4,325</u>	<u>28,171</u>	<u>(70,743)</u>	<u>821,405</u>

Inter-segment sales are charged at prevailing market rates.

Result

Segment result	<u>6,731</u>	<u>778</u>	<u>189</u>	<u>1,608</u>	<u>6,160</u>	<u>–</u>	15,466
Interest income from bank deposits							265
Unallocated other revenue							489
Impairment loss on investments in securities		(2,000)					(2,000)
Impairment loss recognised in respect of goodwill		(471)					<u>(471)</u>
Profit from operations							13,749
Finance costs							<u>(267)</u>
Profit before taxation							13,482
Taxation							<u>(2,604)</u>
Profit before minority interests							10,878
Minority interests							<u>93</u>
Net profit for the year							<u>10,971</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS — continued

Business segments — continued

At 31 March 2003

Balance sheet

	Sales of mobile phones	Sales of office telephone systems	Connection services	Installation, repair and Property maintenance investment	Consolidated	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets						
Segment assets	84,733	45,642	2,479	85,993	19,411	238,258
Unallocated corporate assets						38,722
						<u>38,722</u>
Consolidated total assets						<u><u>276,980</u></u>
Liabilities						
Segment liabilities	37,569	6,280	–	206	254	44,309
Unallocated corporate liabilities						34,071
						<u>34,071</u>
Consolidated total liabilities						<u><u>78,380</u></u>
Other information						
Capital expenditure	2,886	1,288	–	50,636	14	54,824
Depreciation and amortisation	1,859	548	–	428	27	2,862
Impairment loss recognised	–	2,471	–	–	–	2,471

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS — continued

Business segments — continued

For the year ended 31 March 2002

	Sales of mobile phones	Sales of office telephone systems	Sales of Connection services	Installation, repair and Property investment	Installation, repair and services	Other activities	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
External sales	639,136	38,264	22,912	2,522	20,824	3,059	–	726,717
Inter-segment sales	–	4,723	–	2,542	–	–	(7,265)	–
Total revenue	<u>639,136</u>	<u>42,987</u>	<u>22,912</u>	<u>5,064</u>	<u>20,824</u>	<u>3,059</u>	<u>(7,265)</u>	<u>726,717</u>

Inter-segment sales are charged at prevailing market rates.

Result

Segment result	<u>11,553</u>	<u>1,233</u>	<u>2,566</u>	<u>1,705</u>	<u>5,175</u>	<u>505</u>	<u>–</u>	22,737
Gain on disposal of an investment property								2,911
Interest income from bank deposits								439
Unallocated other revenue								<u>54</u>
Profit from operations								26,141
Finance costs								<u>(91)</u>
Profit before taxation								26,050
Taxation								<u>(3,668)</u>
Profit before minority interests								22,382
Minority interests								<u>(1,470)</u>
Net profit for the year								<u>20,912</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS — continued**Business segments — continued****At 31 March 2002****Balance sheet**

	Sales of mobile phones	Sales of telephone systems	Connection services	Property investment	Installation, repair and maintenance services	Other activities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets							
Segment assets	80,601	38,682	4,307	33,234	15,544	1,647	174,015
Unallocated corporate assets							58,707
							<u>174,015</u>
Consolidated total assets							<u><u>232,722</u></u>
Liabilities							
Segment liabilities	24,757	6,265	–	232	14	–	31,268
Unallocated corporate liabilities							2,397
							<u>2,397</u>
Consolidated total liabilities							<u><u>33,665</u></u>
Other information							
Capital expenditure	3,137	118	–	17	6	11	3,289
Depreciation and amortisation	1,538	623	–	529	15	25	2,730

Geographical segments

More than 90% of the Group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments are presented.

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6. OTHER OPERATING INCOME

	2003	2002
	HK\$'000	HK\$'000
Interest income from bank deposits	265	439
Sundry income	489	54
	<hr/>	<hr/>
	754	493
	<hr/> <hr/>	<hr/> <hr/>

7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INVESTMENTS IN SECURITIES

The directors of the Company have reviewed the carrying amounts of the assets of the Group as at 31 March 2003 and have determined that the investment securities amounting to HK\$2,000,000 to be impaired as the investee has continued losses in the current and prior years.

8. PROFIT FROM OPERATIONS

	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	593	687
Depreciation and amortisation		
– owned assets	2,836	2,716
– assets under finance leases	26	14
Loss on disposal of property, plant and equipment	–	106
Rental payments in respect of properties under operating leases	10,004	5,262
Staff costs inclusive of directors' emoluments	44,233	48,236
Retirement benefits scheme contribution	2,410	2,316
	<hr/>	<hr/>
Total staff costs	46,643	50,552
	<hr/>	<hr/>
and after crediting:		
Gross rental income from properties under operating leases after outgoings of HK\$48,000 (2002: HK\$60,000)	2,297	2,462
Gain on disposal of property, plant and equipment	80	–
	<hr/> <hr/>	<hr/> <hr/>

9. FINANCE COSTS

	2003	2002
	HK\$'000	HK\$'000
Interest on:		
– bank borrowings wholly repayable within five years	40	78
– bank borrowings with instalments repayable after five years	220	–
– interest on obligations under finance leases	7	13
	<u>267</u>	<u>91</u>

10. DIRECTORS' EMOLUMENTS

	2003	2002
	HK\$'000	HK\$'000
Directors' fees to independent non-executive directors	<u>60</u>	–
Other emoluments to executive directors:		
Salaries and other benefits	3,870	4,131
Bonus	1,314	1,565
Retirement benefit schemes contributions	62	56
	<u>5,246</u>	<u>5,752</u>
Total directors' emoluments	<u>5,306</u>	<u>5,752</u>

The remunerations of the directors were within the following bands:

	2003	2002
	Number of directors	Number of directors
Nil to HK\$1,000,000	9	9
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	2
	<u>11</u>	<u>11</u>

There was no compensation for loss of office paid to directors.

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11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included four directors (2002: three directors), details of whose emoluments are included in the amounts disclosed in note 10 above. The emoluments of the remaining highest paid employee(s), other than directors of the Company, are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	130	369
Bonus	441	1,126
Retirement benefit schemes contributions	12	24
	<u>583</u>	<u>1,519</u>

Their emoluments were within the following bands:

	2003 Number of employees	2002 Number of employees
Nil to HK\$1,000,000	<u>1</u>	<u>2</u>

12. TAXATION

	2003 HK\$'000	2002 HK\$'000
Hong Kong Profits Tax		
– current year	2,950	4,203
– overprovision in prior years	(346)	(535)
	<u>2,604</u>	<u>3,668</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

No provision for profits tax has been made in the financial statements for subsidiaries incorporated/registered elsewhere outside Hong Kong as they have no assessable profit for the year.

There is no significant unprovided deferred taxation as at 31 March 2002 and 2003 for the Group and the Company.

12. TAXATION — continued

Deferred tax has not been provided on the revaluation increase arising on the revaluation of investment properties and leasehold land and buildings as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation increase does not constitute a timing difference for tax purposes.

13. DIVIDEND

	2003	2002
	HK\$'000	HK\$'000
		(Note)
Final dividend for the year 2002 of 2 cents per share	<u><u>8,660</u></u>	<u><u>N/A</u></u>

The final dividend of 1 cent for the year ended 31 March 2003 per share has been proposed by the directors and is subject to the approval by the shareholders in general meeting.

Note: In 2002, a subsidiary of the Company, Generalvestor (H.K.) Limited paid dividend of HK\$30,000,000 to the then shareholders prior to the group reorganisation to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation") on 12 September 2001.

14. EARNINGS PER SHARE

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Net profit for the year	<u><u>10,971</u></u>	<u><u>20,912</u></u>
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	434,020,171	384,342,466
Effect of dilutive potential ordinary shares:		
Options	<u><u>346,091</u></u>	—
Weighted average number of ordinary shares for the purposes of diluted earnings per shares	<u><u>434,366,262</u></u>	<u><u>384,342,466</u></u>

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14. EARNINGS PER SHARE — continued

The weighted average number of shares for 2002 was based on the assumption that the issue of shares of the Company upon the Group Reorganisation and the capitalisation issue, other than those attributable to the acquisition of minority interests in certain subsidiaries, and details of which are set out in the prospectus issued by the Company on 30 October 2001, had been taken place on 1 April 1998.

The computation of diluted earnings per share for 2002 has not assumed the exercise of the Company's options since the exercise price was higher than the average market price of share for 2002.

15. GOODWILL

Arising on capital injection in a subsidiary
Impairment loss recognised

At end of the year

2003
HK\$'000
471
<u>(471)</u>
-
<u><u>-</u></u>

16. INVESTMENT PROPERTIES

VALUATION

At 1 April 2002

Additions

Transfer from property, plant and equipment

Deficit arising on revaluation

At 31 March 2003

THE GROUP HK\$'000

32,760

50,601

5,818

(3,841)

85,338

16. INVESTMENT PROPERTIES — continued

The Group's investment properties comprise:

	2003	2002
	HK\$'000	HK\$'000
Properties in Hong Kong		
– Long lease	75,858	22,800
– Medium-term lease	9,480	9,960
	<u> </u>	<u> </u>
	85,338	32,760
	<u> </u>	<u> </u>

All of the investment properties of the Group were revalued at 31 March 2003 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting decrease arising on revaluation, which amounted to HK\$3,841,000, has been charged to the investment property revaluation reserve.

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

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Office equipment, leasehold improvements, and furniture and fixtures HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP					
COST OR VALUATION					
At 1 April 2002	49,320	17,159	3,414	1,729	71,622
Currency realignment	29	30	17	8	84
Additions	–	2,484	1,208	531	4,223
Disposals	–	–	–	(379)	(379)
Transfer to investment properties	(5,818)	–	–	–	(5,818)
Eliminated on revaluation	(269)	–	–	–	(269)
	<u>43,262</u>	<u>19,673</u>	<u>4,639</u>	<u>1,889</u>	<u>69,463</u>
At 31 March 2003	<u>43,262</u>	<u>19,673</u>	<u>4,639</u>	<u>1,889</u>	<u>69,463</u>
Comprising:					
At cost	–	19,673	4,639	1,889	26,201
At valuation	<u>43,262</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>43,262</u>
	<u>43,262</u>	<u>19,673</u>	<u>4,639</u>	<u>1,889</u>	<u>69,463</u>
DEPRECIATION AND AMORTISATION					
At 1 April 2002	–	13,017	2,457	1,559	17,033
Currency realignment	5	23	17	8	53
Provided for the year	571	1,499	698	94	2,862
Eliminated on disposals	–	–	–	(379)	(379)
Eliminated on revaluation	(576)	–	–	–	(576)
	<u>–</u>	<u>14,539</u>	<u>3,172</u>	<u>1,282</u>	<u>18,993</u>
At 31 March 2003	<u>–</u>	<u>14,539</u>	<u>3,172</u>	<u>1,282</u>	<u>18,993</u>
NET BOOK VALUES					
At 31 March 2003	<u><u>43,262</u></u>	<u><u>5,134</u></u>	<u><u>1,467</u></u>	<u><u>607</u></u>	<u><u>50,470</u></u>
At 31 March 2002	<u><u>49,320</u></u>	<u><u>4,142</u></u>	<u><u>957</u></u>	<u><u>170</u></u>	<u><u>54,589</u></u>

17. PROPERTY, PLANT AND EQUIPMENT — continued

All of the leasehold land and buildings of the Group were revalued at 31 March 2003 by LCH (Asia Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting increase arising on revaluation, which amounted to HK\$307,000 has been credited to the leasehold property revaluation reserve.

At 31 March 2003, had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of these properties would have been stated at HK\$16,725,000 (2002: HK\$21,464,000).

The Group's leasehold land and buildings comprise:

	2003 HK\$'000	2002 HK\$'000
Properties held under long leases		
– in Hong Kong	39,842	45,780
– overseas	3,420	3,540
	43,262	49,320
The net book value of office equipment, and furniture and fixtures held under finance leases	216	52

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	163,654	163,654
Amounts due from subsidiaries	23,039	10,955
	186,693	174,609

Particulars of the subsidiaries at 31 March 2003 are set out in note 36.

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19. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP						
Unlisted investment, at cost	4,000	4,000	–	–	4,000	4,000
Impairment loss recognised	(2,000)	–	–	–	(2,000)	–
	<u>2,000</u>	<u>4,000</u>	<u>–</u>	<u>–</u>	<u>2,000</u>	<u>4,000</u>
Unlisted debt securities	–	–	7,741	–	7,741	–
Total	<u><u>2,000</u></u>	<u><u>4,000</u></u>	<u><u>7,741</u></u>	<u><u>–</u></u>	<u><u>9,741</u></u>	<u><u>4,000</u></u>
Carrying amount analysed for reporting purposes as:						
Non-current	2,000	4,000	–	–	2,000	4,000
Current	–	–	7,741	–	7,741	–
	<u><u>2,000</u></u>	<u><u>4,000</u></u>	<u><u>7,741</u></u>	<u><u>–</u></u>	<u><u>9,741</u></u>	<u><u>4,000</u></u>
THE COMPANY						
Unlisted debt securities, current	–	–	7,741	–	7,741	–
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>7,741</u></u>	<u><u>–</u></u>	<u><u>7,741</u></u>	<u><u>–</u></u>

The Group's unlisted investment represents 5% equity interest in HKC Technology Limited (formerly known as BIA Technology Limited), a company incorporated in Hong Kong with the principal activities of trading in telecommunication equipment and engaging in research and development.

The debt securities represent the certificates of deposit issued by a bank.

20. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Inventories stated at net realisable value	<u><u>4,951</u></u>	<u><u>4,754</u></u>

21. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period ranging from 2 weeks to one month to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The aged analysis of trade debtors of HK\$29,444,000 (2002: HK\$35,214,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 – 30 days	17,527	20,348
31 – 60 days	2,808	3,335
61 – 90 days	2,866	2,504
91 – 120 days	140	859
Over 120 days	6,103	8,168
	29,444	35,214

22. AMOUNTS DUE FROM RELATED COMPANIES**THE GROUP**

Particulars of the amounts due from related companies, are as follows:

Name of related entity	2003	Maximum amount outstanding during the year	
		2002	2002
	HK\$'000	HK\$'000	HK\$'000
HKC Technology Limited	6,051	1,631	6,051
HKC Intown Limited	–	179	179
Hong Kong Communications Computer Company Limited	140	239	239
	6,191	2,049	

The directors' interests in the above companies are set out in note 35.

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22. AMOUNTS DUE FROM RELATED COMPANIES — continued

The amounts due from related companies were unsecured, interest free and are repayable on demand.

On 27 June 2003, the amount due from HKC Technology Limited is capitalised as investment cost and the Group's equity interest in HKC Technology Limited has been increased from 5% to 100%.

23. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK\$37,081,000 (2002: HK\$24,787,000) which are included in the Group's creditors and accrued charges are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	37,057	24,774
31 – 60 days	24	8
61 – 90 days	–	5
	<u>37,081</u>	<u>24,787</u>

24. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under finance leases				
Within one year	51	15	44	14
More than one year but not exceeding two years	55	–	49	–
	<u>106</u>	<u>15</u>	<u>93</u>	<u>14</u>
Less: future finance charges	(13)	(1)		
Present value of finance leases	<u>93</u>	<u>14</u>		
Less: Amount due for settlement within one year shown under current liabilities			(44)	(14)
Amount due for settlement after one year			<u>49</u>	<u>–</u>

25. BANK BORROWINGS – SECURED

Bank borrowings comprise:

Bank overdrafts

Bank loans

THE GROUP

2003	2002
HK\$'000	HK\$'000

–	752
33,406	462
33,406	1,214

The maturity of the bank borrowings is as follows:

Due within one year

Due more than one year, but not exceeding two years

Due more than two years, but not exceeding five years

Due more than five years

3,098	843
3,404	371
9,769	–
17,135	–
33,406	1,214

Less: amount due within one year shown under
current liabilities

3,098	843
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Amount due after one year

30,308	371
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26. SHARE CAPITAL

	Number of shares		Amount	
	2003	2002	2003 HK\$	2002 HK\$
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning of the year/ on the date of incorporation at HK\$0.1 each	2,000,000,000	1,000,000	20,000	100
Subdivision of shares	-	9,000,000	-	-
Increase during the year	-	1,990,000,000	-	19,900
At end of the year	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>20,000</u>	<u>20,000</u>
Issued and fully paid:				
At beginning of the year/ on the date of incorporation at HK\$0.1 each	433,000,000	1	4,330	-
Issued at HK\$0.1 each before subdivision of shares	-	999,999	-	-
Subdivision of shares	-	9,000,000	-	-
Issue of shares before Group Reorganisation	-	10,000,000	-	200
Issue of shares by capitalisation of share premium account	-	333,000,000	-	3,330
Issue of shares for placing and public offer	-	80,000,000	-	800
Issued pursuant to scrip dividend scheme for 2002 final dividend	1,825,306	-	18	-
At end of the year	<u>434,825,306</u>	<u>433,000,000</u>	<u>4,348</u>	<u>4,330</u>

27. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted by a written resolution passed on 23 October 2001 for the purpose of providing incentives or rewards to selected participants for their contribution to the Group. Under the Scheme, the directors may, at their discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares of the Company:

- (i) any eligible employee of the Company, any of its subsidiaries or any entity ("Invested Entity");
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- (vii) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of shares of the Company or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the directors otherwise determined, be construed as a grant of option under the Scheme.

The eligibility of any of the above class of participants to the grant of any options shall be determined by the directors from time to time.

An option may be accepted by a participant upon payment of HK\$1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors at the time of such grant to each grantee, which period may commence on the date of acceptance of the offer for the grant of option but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The subscription price for shares under the Scheme shall be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in daily quotations sheet of the Stock Exchange on the date of the offer for grant; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

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27. SHARE OPTION SCHEME — continued

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or any of its subsidiaries) in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Group is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any participant in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to directors, chief executives or substantial shareholders of the Company or any of their respective associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) must be approved by independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee of the options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

At 31 March 2003, the number of shares in respect of which options had been granted under the scheme was 23,600,000 (2002: 22,400,000), representing 5% (2002: 5%) of shares of the Company in issue at that date.

No charge is recognised in the consolidated income statement in respect of the value of option granted in the year:

27. SHARE OPTION SCHEME — continued

Movements in the options to subscribe for shares of the year ended 31 March 2003 are as follows:

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 April 2002	Lapsed during the year	Granted during the year	Outstanding at 31 March 2003
Directors	23.5.2002 – 22.11.2002	0.38	12,100,000	(12,100,000)	–	–
	21.2.2003 – 20.2.2005	0.17	–	–	13,300,000	13,300,000
			<u>12,100,000</u>	<u>(12,100,000)</u>	<u>13,300,000</u>	<u>13,300,000</u>
Employees	23.5.2002 – 22.11.2003	0.38	3,800,000	–	–	3,800,000
Customers	23.5.2002 – 30.6.2003	0.38	6,500,000	–	–	6,500,000
			<u>22,400,000</u>	<u>(12,100,000)</u>	<u>13,300,000</u>	<u>23,600,000</u>

Movements in the options to subscribe for shares for the year ended 31 March 2002 are as follows:

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 April 2001	Lapsed during the year	Granted during the year	Outstanding at 31 March 2002
Directors	23.5.2002 – 22.11.2002	0.38	–	–	12,100,000	12,100,000
Employees	23.5.2002 – 22.11.2003	0.38	–	–	3,800,000	3,800,000
Customers	23.5.2002 – 30.6.2003	0.38	–	–	6,500,000	6,500,000
			<u>–</u>	<u>–</u>	<u>22,400,000</u>	<u>22,400,000</u>

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28. RESERVES

	Share premium HK\$'000	Special reserve HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
THE COMPANY				
Premium arising from placing and public offer of shares	39,200	–	–	39,200
Shares issue expenses	(8,970)	–	–	(8,970)
Capitalisation issue	(3,330)	–	–	(3,330)
Shares exchange upon Group Reorganisation	–	163,453	–	163,453
Net loss for the period	–	–	(184)	(184)
At 31 March 2002	26,900	163,453	(184)	190,169
Share issue pursuant to scrip dividend scheme	339	–	–	339
Net profit for the year	–	–	9,252	9,252
Dividend paid	–	–	(8,660)	(8,660)
At 31 March 2003	27,239	163,453	408	191,100

The special reserve of the Company represents the difference between the aggregate net assets of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the Company's shares issued for the acquisition prior to the listing of the Company's shares in 2001.

The Company's reserves available for distribution represent the share premium, special reserve and retained profits. Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. The Company's reserves available for distribution to shareholders as at 31 March 2003 amounted to HK\$191,100,000 (2002: HK\$190,169,000).

29. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Capital expenditure contracted for but not provided in the financial statements:				
– acquisition of property, plant and equipment	435	–	–	–
– investment in a subsidiary	–	–	1,623	–
	<u>435</u>	<u>–</u>	<u>1,623</u>	<u>–</u>
	<u><u>435</u></u>	<u><u>–</u></u>	<u><u>1,623</u></u>	<u><u>–</u></u>

30. OPERATING LEASE ARRANGEMENTS**The Group as lessee:**

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	7,833	7,758
In the second to fifth year inclusive	672	3,553
	<u>8,505</u>	<u>11,311</u>
	<u><u>8,505</u></u>	<u><u>11,311</u></u>

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

The Group as lessor:

Property rental income earned during the year was HK\$2,345,000 (2002: HK\$2,522,000). The properties held have committed tenants in the range from the next half year to two years.

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30. OPERATING LEASE ARRANGEMENTS — 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	
	2003	2002
	HK\$'000	HK\$'000
Within one year	1,962	1,305
In the second to fifth year inclusive	126	355
	<u>2,088</u>	<u>1,660</u>

31. NON-CASH TRANSACTIONS

During the year ended 31 March 2003, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the contract of HK\$190,000.

32. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Banking facilities to subsidiaries in respect of which guarantees were given	—	—	86,740	48,000
Credit facilities from third parties in respect of which guarantees were given	31,000	27,000	—	—
	<u>31,000</u>	<u>27,000</u>	<u>86,740</u>	<u>48,000</u>

33. PLEDGE OF ASSETS

At 31 March 2003, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4,220,000 (2002: HK\$4,340,000) and HK\$54,400,000 (2002: HK\$7,200,000) respectively were pledged to banks to secure banking facilities granted to the Group.

34. RETIREMENT BENEFITS SCHEME

- (i) The subsidiary in Singapore participates in a central provident scheme, whereby the Group is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the scheme are calculated based on 16% of the applicable payroll costs.

- (ii) The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefits cost charged to the consolidated income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

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35. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions, which were conducted in the ordinary course of the Group's business, with its related companies:

Name	Notes	Nature of transactions	2003	2002
			HK\$'000	HK\$'000
HKC Intown Limited	(i)	Sales to	11	9
	(i)	Internet access fee	79	17
	(ii)	Rental income	-	30
Hong Kong Communications Computer Company Limited	(i)	Sales to	-	7
	(i)	Computer software maintenance fee and purchase of computer hardwares	1,038	1,665
	(ii)	Rental income	250	310
	(iii)	Repairs and maintenance fees	215	167
Hong Kong Communications Industrial Company Limited	(i)	Purchase from	-	147
	(ii)	Rental income	-	760
Hong Kong Communications Holdings Limited	(iv)	Disposal of leasehold property	-	1,430
Hong Kong Communications Investment Limited	(iv)	Disposal of an investment property	-	13,300
HKC eFinance28 Limited	(ii)	Rental income	-	63
In Publishing Limited	(ii)	Rental income	-	10
Webradio Limited	(ii)	Rental income	72	108
	(i)	Commission income	11	-
HKC Technology Limited	(v)	Sales to	347	-
	(i)	Purchase from	2,076	-
	(ii)	Rental income	180	-
			180	-

Mr. Chan Chung Yee, Hubert and Mr. Chan Chung Yin, Roy, directors of the Company, have beneficial interests in all the above companies.

35. RELATED PARTY TRANSACTIONS — continued

Mr. Tsui Hon Wing, a director of the Company, has a beneficial interest in Hong Kong Communications Industrial Company Limited.

Mr. Chan Man Min, a director of the Company has a beneficial interest in HKC Intown Limited, Hong Kong Communications Computer Company Limited and Hong Kong Communications Industrial Company Limited.

The Group has 5% equity interest in HKC Technology Limited.

Notes:

- (i) The transactions are based on cost plus a percentage of profit mark-up.
- (ii) Rental income was charged based on the area used, which management considered to be an appropriate basis of allocation.
- (iii) Repairs and maintenance fees are based on actual cost incurred.
- (iv) The sale proceeds are based on the market value of the property.
- (v) The sales of obsolete inventories are based on cost.

36. SUBSIDIARIES

Particulars of the subsidiaries at 31 March 2003 are as follows:

Name	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital	Percentage of issued/registered capital held by the Company	Principal activities
亞衛通智能系統 (上海) 有限公司 ASCT Technology Company Limited (Note)	PRC	PRC	Registered capital US\$610,000	80%	Development and sales of telecommunication system and other high-tech products
Generalvestor (H.K.) Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000,000	100%	Property investment
HKC Group Limited	The British Virgin Islands	Hong Kong	Ordinary shares US\$100,000	100%	Investment holding

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36. SUBSIDIARIES — continued

Name	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital	Percentage of issued/registered capital held by the Company	Principal activities
HKC Properties Limited	The British Virgin Islands	Hong Kong	Ordinary shares US\$30	100%	Investment holding
Hong Kong Communications Equipment Company Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,560	100%	Sales and distribution of mobile phones and office telephone systems
Circle Mobile Communications Limited (formerly known as Hong Kong Communications Equipment Distribution Company Limited)	Hong Kong	Hong Kong	Ordinary shares HK\$1,000,000	100%	Sale of mobile phones and other electronic products
Singapore Communications Equipment Co (Pte) Ltd.	The Republic of Singapore	Singapore	Ordinary shares S\$160,000	100%	Sales and distribution of intercom telephone systems
Superior Charm Limited	The British Virgin Islands	Hong Kong	Ordinary shares US\$1,200	100%	Investment holding

The Company directly holds the interest in HKC Group Limited. All other interests shown above are indirectly held by the Company.

None of the subsidiaries had any debt securities subsisting at 31 March 2003 or at any time during the year.

Note: The subsidiary is a sino-foreign owned enterprise.