

1. BASIS OF PREPARATION

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

In preparing these accounts, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the directors consider that it is proper to prepare the accounts on a going concern basis notwithstanding that at 31 March 2003, the accumulated losses of the Group amounted to HK\$2,621,297,000 and that its current liabilities exceeded its current assets by HK\$52,102,000.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in the principal accounting policies adopted in the preparation of these accounts.

(a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill and any related accumulated foreign currency translation reserve.

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2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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

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

(b) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

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

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associated company or jointly controlled entity at the date of acquisition, and is amortised using the straight-line method over its estimated useful life of not more than 20 years in general.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Investments

(i) *Held-to-maturity securities*

Dated debt securities that the Group has the ability and expressed intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less provision for impairment losses.

The carrying amounts of individual held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account as an expense immediately.

(ii) *Other investments*

Other investments are investments which are held for the long term strategic purposes. Other investments are stated at cost less provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment should be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(e) Property, plant and equipment

Property, plant and equipment, other than investment properties (Note 2(f)), are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is calculated to write off the cost less accumulated impairment losses of the assets over their estimated useful lives, on a straight-line basis, at the following annual rates:

Other properties	over the lease terms
Leasehold improvements	over the lease terms
Computer equipment	33 $\frac{1}{3}$ %
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	20%

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) **Property, plant and equipment** *(Continued)*

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

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

The gain or loss on disposal of property, plant and equipment other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) **Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(g) **Accounts receivable**

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Bonus plans*

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) *Retirement benefits*

For employees in Hong Kong, a mandatory provident fund scheme ("MPF Scheme") has been established pursuant to the Hong Kong Mandatory Provident Fund Scheme Ordinance under which the Group's Hong Kong employees are compulsorily required to join the MPF Scheme. The Group, as employers, and the employees are each required to contribute 5% of each individual's relevant income with a maximum amount of HK\$1,000 per month as a mandatory contribution. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme. The Group also makes voluntary contributions, representing 5% of the employees' relevant income less mandatory contributions, which may be reduced by contributions forfeited by those employees who leave employment prior to vesting fully in those contributions.

Contributions made by the Group under the MPF Scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the MPF Scheme are held separately from those of the Group and managed by independent professional fund managers.

44 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits *(Continued)*

(iii) Retirement benefits *(Continued)*

For employees in the Mainland China, the Group contributes to retirement schemes managed by local municipal authorities in the Mainland China based on a percentage of the relevant employees' monthly salaries. The Group's contributions under such schemes are charged to the profit and loss account as incurred while the relevant local municipal authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group in the Mainland China.

(iv) Equity compensation benefits

Share options are granted to certain directors and employees as an incentive. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or lapsed, are removed from the register of outstanding options.

(i) Deferred taxation

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

(j) Operating leases

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

(k) Translation of foreign currencies

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(k) Translation of foreign currencies** *(Continued)*

The balance sheets of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst their profit and loss accounts are translated at average rates. Exchange differences arising in these cases are dealt with as a movement in reserves. In prior years, the profit and loss accounts of these group companies were translated at closing rates. This is a change in accounting policy, however, the profit and loss accounts of these group companies in prior years have not been restated as the effect is not material.

(l) Revenue recognition*(i) Technology related services*

Revenue from the provision of technology related services is recognised when services are rendered.

(ii) Rental and management fee income

Operating lease rental income and management fee are recognised on a straight-line basis over the period of the leases.

(iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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3. REVENUES AND TURNOVER

The Group is principally engaged in property investments and the provision of technology related services. Revenues recognised during the year are as follows:

	2003	2002
	HK\$'000	HK\$'000
Turnover		
Gross rental income and management fee	17,678	22,615
Technology related services	18,505	44,062
	36,183	66,677
Other revenue		
Interest income	1,379	2,023
Total revenues	37,562	68,700

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated items represent corporate expenses. Segment assets consist primarily of property, plant and equipment, operating cash and other current assets. Segment liabilities comprise operating liabilities and exclude items such as long term and short term loans. Capital expenditure represents additions to plant and equipment, including additions resulting from acquisitions through purchase of subsidiaries.

In respect of geographical segment reporting, revenues recognised are based on the country in which the customers are located. Total assets and capital expenditure are where the assets are located.

Primary reporting format – business segments

The Group is organised into two main business segments:

Property investments
Technology related services

There are no sales or other transactions between business segments.

Secondary reporting format – geographical segments

The Group's business segments are operating in two main geographical areas:

Hong Kong: Property investments and the provision of technology related services
The Mainland China: Provision of technology related services

There are no sales between geographical segments.

3. REVENUES AND TURNOVER (Continued)

Primary reporting format – business segments

	Property investments		Technology related		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers	17,678	22,615	18,505	44,062	36,183	66,677
Segment results	(12,910)	(13,665)	4,124	(50,854)	(8,786)	(64,519)
Unallocated items					(9,645)	(44,179)
Other income/(expenses)					1,379	2,023
– Interest income					1,379	2,023
– Gain on disposal of subsidiaries	-	9,396	-	10,509	-	19,905
– Provision for impairment losses of other investments					(17,427)	(58,900)
– Provision for amount due from an associated company	-	-	(15,217)	(18,002)	(15,217)	(18,002)
– Gain on disposal of other investment					23,663	-
– Provision for long term receivable					(13,006)	-
Operating loss					(39,039)	(163,672)
Finance costs					(5,825)	(19,941)
					(44,864)	(183,613)
Share of results of associated companies					-	(7,889)
Loss for the year					(44,864)	(191,502)
Minority interests					198	2,299
Loss attributable to shareholders					(44,666)	(189,203)

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3. REVENUES AND TURNOVER *(Continued)*

Primary reporting format – business segments *(Continued)*

	Property investments		Technology related		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	358,228	383,878	12,807	16,826	371,035	400,704
Unallocated assets					52,588	61,450
Total assets					423,623	462,154
Segment liabilities	3,362	4,471	4,654	12,150	8,016	16,621
Unallocated liabilities					161,512	241,130
Total liabilities					169,528	257,751
Capital expenditure	-	-	422	3,887	422	3,887
Unallocated capital expenditure					25	390
					447	4,277
Depreciation	-	21	2,397	8,170	2,397	8,191
Unallocated depreciation					1,852	4,022
					4,249	12,213
Other non-cash expenses #	24,000	30,000	1,857	12,737	25,857	42,737

Non-cash expenses comprises deficit on revaluation of investment properties and write-off of plant and equipment.

3. REVENUES AND TURNOVER *(Continued)*

Secondary reporting format – geographical segments

	Turnover		Segment results		Segment assets		Capital expenditure	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	17,678	47,341	(22,555)	(87,634)	410,816	430,810	25	1,201
The Mainland China	18,505	19,103	(13,698)	(16,567)	12,807	31,337	422	3,061
The United States	-	233	17,822	(4,497)	-	7	-	15
	36,183	66,677	(18,431)	(108,698)	423,623	462,154	447	4,277
Interest income			1,379	2,023				
Provision for impairment losses of other investments			(17,427)	(58,900)				
Provision for amount due from an associated company			(15,217)	(18,002)				
Gain on disposal of subsidiaries			-	19,905				
Gain on disposal of other investment			23,663	-				
Provision for long term receivable			(13,006)	-				
Operating loss			(39,039)	(163,672)				

4. GAIN ON DISPOSAL OF OTHER INVESTMENT

In prior years, the Group acquired approximately 3% interests in Draper Fisher Jurvetson ePlanet Ventures L.P. ("DFJ"), an unlisted Limited Partnership incorporated in the United States principally engaged in the investments in securities, at a cost of approximately HK\$44.2 million which had been fully provided for as of 31 March 2002.

During the year, the Group disposed of its entire interests in DFJ to the General Partner of DFJ, which is not a related party, at a consideration of approximately HK\$23.7 million, which was calculated with reference to the fair value of the Group's attributable interest in DFJ. Accordingly, a gain on disposal of other investment of the same amount was recognised. The proceeds shall be settled not later than six months after the dissolution of DFJ, which was determined, subject to other terms in the partnership agreement of DFJ, to be in December 2009 (Note 16).

5. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Gross rental income from investment properties	17,678	22,615
Gain on disposal of plant and equipment	527	1,076
Gain on liquidation of an associated company	2,061	–
Management fee from an associated company	4,671	–
Write-back of over accruals/provision for liabilities on liquidation of subsidiaries*	17,793	–
Charging		
Auditors' remuneration	596	870
Operating lease rental in respect of land and buildings	3,650	6,652
Outgoings in respect of investment properties	5,693	5,557
Write-off of plant and equipment	1,857	5,034
Impairment loss of goodwill	–	7,703

* During the year, certain subsidiaries of the Group were voluntarily liquidated. Over accrued expenses and provision for liabilities made in previous years by these subsidiaries totalling HK\$17.8 million approximately were taken to the profit and loss account.

6. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	16,924	43,261
Retirement benefit costs – defined contribution plan	323	547
Social security costs	1,587	1,336
	18,834	45,144

The retirement benefit costs under MPF Scheme charged to the profit and loss account represent gross contributions payable by the Group to the MPF Scheme of HK\$624,000 (2002: HK\$1,618,000) less forfeited employer's contributions utilised of HK\$301,000 (2002: HK\$1,071,000). No contributions were payable to the funds at the year end. At 31 March 2003, there was no unutilised forfeited contributions (2002: Nil).

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees		
– executive directors	–	–
– non-executive directors	210	210
Basic salaries, housing allowances, other allowances and benefits in kind	2,700	2,700
Discretionary bonuses	–	–
Contributions to pension schemes	135	135
	3,045	3,045

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2003	2002
HK\$ Nil – HK\$1,000,000	5	10
HK\$2,500,001 – HK\$3,000,000	1	1
	6	11

Emoluments paid to the independent non-executive directors amounted to HK\$200,000 for the year (2002: HK\$200,000).

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one director (2002: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2002: four) individuals during the year are as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	6,279	6,893
Discretionary bonus	-	-
Contributions to pension schemes	203	311
	6,482	7,204

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2003	2002
HK\$ Nil – HK\$1,000,000	-	-
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	1
	4	4

8. FINANCE COSTS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts		
– wholly repayable within five years	371	639
– not wholly repayable within five years	3,352	6,054
Interest on other loans wholly repayable within five years	2,102	5,568
Interest on loan notes	–	7,295
Interest on amount due to a minority shareholder	–	385
	5,825	19,941

9. TAXATION

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit for the year (2002: Nil).

There was no material unprovided deferred taxation for the year.

The revaluation deficit attributable to the investment properties does not constitute a timing difference for taxation purposes and deferred tax asset thereon has not been quantified.

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately HK\$71,531,000 (2002: HK\$951,677,000).

11. LOSS PER SHARE

The calculation of the loss per share is based on the loss attributable to shareholders of HK\$44,666,000 (2002: HK\$189,203,000) and on the weighted average number of 5,766,445,569 (2002: 3,817,274,564) shares in issue during the year.

Diluted loss per share is not presented as the exercise of the outstanding share options of the Company would be anti-dilutive.

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12. PROPERTY, PLANT AND EQUIPMENT

	Investment properties	Other properties	Leasehold improvements	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation							
At 1 April 2002	380,000	5,518	6,453	8,778	3,527	1,176	405,452
Additions	-	-	-	252	195	-	447
Disposals	-	-	-	(582)	(84)	-	(666)
Written off	-	-	(5,962)	(1,009)	(1,573)	-	(8,544)
Revaluation deficits	(24,000)	-	-	-	-	-	(24,000)
At 31 March 2003	356,000	5,518	491	7,439	2,065	1,176	372,689
Accumulated depreciation							
At 1 April 2002	-	2,018	3,904	6,576	1,721	976	15,195
Charge for the year	-	77	1,584	1,615	773	200	4,249
Disposals	-	-	-	(519)	(39)	-	(558)
Written off	-	-	(4,997)	(769)	(921)	-	(6,687)
At 31 March 2003	-	2,095	491	6,903	1,534	1,176	12,199
Net book value							
At 31 March 2003	356,000	3,423	-	536	531	-	360,490
At 31 March 2002	380,000	3,500	2,549	2,202	1,806	200	390,257
The analysis of cost or valuation at 31 March 2003 of the above assets is as follows:							
At cost	-	5,518	491	7,439	2,065	1,176	16,689
At professional valuation – 2003	356,000	-	-	-	-	-	356,000
	356,000	5,518	491	7,439	2,065	1,176	372,689

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

- (a) The Group's investment properties were revalued on an open market value basis at 31 March 2003 by RHL Appraisal Ltd., an independent professional valuer.
- (b) Investment properties with a carrying amount totalling HK\$310,000,000 (2002: HK\$330,000,000) have been pledged to secure banking facilities to the extent of HK\$104,500,000 (2002: HK\$135,000,000) granted to the Group.
- (c) The tenure of the Group's properties is as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties in Hong Kong on leases between 10 to 50 years	356,000	380,000
Other properties outside Hong Kong on leases between 10 to 50 years	5,518	5,518
	361,518	385,518

13. SUBSIDIARIES

	Company	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	477,068	477,068
Less: Provision	(310,400)	(300,000)
	166,668	177,068
Amounts due from subsidiaries	1,426,077	1,398,397
Less: Provision	(1,309,147)	(1,239,581)
	116,930	158,816
Amounts due to subsidiaries	(44,754)	(103,775)
	72,176	55,041
	238,844	232,109

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13. SUBSIDIARIES *(Continued)*

- (a) Except for an aggregate amount of HK\$75,437,000 (2002: HK\$47,711,000) due from certain subsidiaries which carries interest at 9% per annum (2002: 9% per annum), the balances with subsidiaries are interest free and have no fixed terms of repayment.
- (b) A list of the principal subsidiaries is set out in Note 29 to the accounts.

14. ASSOCIATED COMPANIES

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets (<i>note a</i>)	-	-
Amounts due from associated companies (<i>note b</i>)	33,219	18,002
Less: Provision	(33,219)	(18,002)
	-	-
	-	-

Notes:

- (a) The Group's share of net assets of the associated companies represents the Group's cost of investment plus its share of post-acquisition results and reserves in the associated companies. Under the equity method of accounting, the Group's share of losses of the associated companies is restricted to the cost of investment. As at 31 March 2003, the Group's share of the associated companies' losses exceeded its cost of investment. Accordingly, share of net assets of associated companies is reported at nil value.
- (b) The amounts due from associated companies are interest free and have no fixed terms of repayment.
- (c) A list of the principal associated companies is set out in Note 30 to the accounts.

15. INVESTMENTS

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Held-to-maturity securities (note a)	10,025	–	–	–
Other investments (note b)	19,025	33,852	250	250
	29,050	33,852	250	250

Notes:

- (a) Held-to-maturity securities represent the convertible notes issued by ITC Corporation Limited ("ITC"), a company incorporated in Bermuda and listed in Hong Kong, on 3 March 2003 pursuant to a placing agreement dated 20 September 2002 and a supplemental agreement dated 4 October 2002. These convertible notes are repayable on 3 March 2006 and bear interest at prevailing commercial rate. Interests are repayable semi-annually in arrears. The Group has an option to convert the notes into ordinary shares of ITC at an initial conversion price of HK\$0.3 per share, subject to the terms of the convertible notes.
- (b) The Group's other investments are analysed as follows:

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed investments in Hong Kong, at cost	21,767	21,767	–	–
Less: Provision	(12,218)	(9,879)	–	–
	9,549	11,888	–	–
Unlisted investments, at cost	306,735	344,006	250	250
Less: Provision	(297,359)	(328,960)	–	–
	9,376	15,046	250	250
	18,925	26,934	250	250
Loans to investee companies	2,600	6,918	–	–
Less: Provision	(2,500)	–	–	–
	100	6,918	250	250
	19,025	33,852	250	250
Market value of listed investments	42,175	113,090		

NOTES TO THE ACCOUNTS

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16. LONG TERM RECEIVABLE

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proceeds on sale of investment in DFJ (<i>Note 4</i>)	23,663	–
Less: Provision for impairment	(13,006)	–
Balance at 31 March 2003	10,657	–

17. ACCOUNTS RECEIVABLE

The Group's credit terms on the provision of services mainly range from 30 to 60 days. The ageing analysis of trade receivables of the Group is as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
Current to 30 days	1,577	3,164
31 to 60 days	220	612
61 to 90 days	498	563
Over 90 days	1,746	1,360
	4,041	5,699

18. BANK BALANCES AND CASH

Included in bank balances and cash was an amount of HK\$6,068,000 (2002: HK\$16,610,000) which has been pledged as security for banking facilities granted to the Group.

19. CREDITORS, DEPOSITS AND ACCRUALS

Included in the Group's creditors, deposits and accruals were trade payables and their ageing analysis is as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
Current to 30 days	237	362
31 to 60 days	64	119
61 to 90 days	12	148
Over 90 days	1,348	2,139
	1,661	2,768

20. LONG TERM LOANS

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured		
Bank loans not wholly repayable within five years	104,500	135,000
Unsecured		
Other loans wholly repayable within five years	-	1,308
Loan from a minority shareholder	-	7,741
	-	9,049
	104,500	144,049
Amounts due within one year included under current liabilities	(10,500)	(8,500)
	94,000	135,549

NOTES TO THE ACCOUNTS

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20. LONG TERM LOANS *(Continued)*

The Group's secured bank loans were repayable as follows:

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
– within one year	10,500	8,500
– in the second year	12,500	10,500
– in the third to fifth year	43,250	40,750
– after the fifth year	38,250	75,250
	104,500	135,000

21. SHORT TERM LOANS

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured		
Bank loan	–	9,435
Unsecured		
Other loan	48,763	57,400
	48,763	66,835

Other short term loan represents a loan obtained from New World Finance Company Limited, a wholly-owned subsidiary of New World Development Company Limited, a former substantial shareholder of the Company, which carries interest at 2% over the HIBOR. The loan was originally repayable on or before 1 October 2002. During the year, the credit period has been extended for a period of one year up to 1 October 2003.

22. SHARE CAPITAL

(a) Authorised and issued share capital

		Number of shares at HK\$0.02 each	
	Note		HK\$'000
<i>Authorised:</i>			
At 1 April 2001 and 31 March 2002		7,500,000,000	150,000
Increase in authorised share capital	(i)	7,500,000,000	150,000
At 31 March 2003		15,000,000,000	300,000
<i>Issued and fully paid:</i>			
At 1 April 2001		3,805,307,441	76,106
Issue of shares for the acquisition of subsidiaries	(ii)	78,000,000	1,560
At 31 March 2002		3,883,307,441	77,666
Issue of shares – rights issue	(iii)	1,941,653,720	38,833
At 31 March 2003		5,824,961,161	116,499

Notes:

- (i) On 28 August 2002, the authorised share capital of the Company was increased from HK\$150,000,000 to HK\$300,000,000 by the creation of 7,500,000,000 new shares of HK\$0.02 each. These new shares rank pari passu in all respect with the existing shares.
- (ii) On 4 February 2002, 78,000,000 new shares of HK\$0.02 each were issued at HK\$0.1 per share as consideration for the acquisition of 100% equity interest in City Internet Holdings Corporation Limited. The premium on issue of shares of approximately HK\$6,240,000 was credited to the share premium account (Note 23(a)).
- (iii) On 12 April 2002, the Company completed a rights issue of 1,941,653,720 shares at a subscription price of HK\$0.05 per share (the "Rights Issue") for raising working capital of the Group. Accordingly, 1,941,653,720 shares of HK\$0.02 each were issued at a premium of HK\$0.03 each. The premium on issue of shares of approximately HK\$58,250,000 was credited to the share premium account (Note 23(a)). These new shares rank pari passu in all respect with the existing shares.

22. SHARE CAPITAL (Continued)

(b) Share options

- (i) Under the share option schemes adopted by the Company on 24 July 1990 (the “Expired Option Scheme”) and 22 September 2000 (the “Terminated Option Scheme”), options were granted to certain directors and employees of the Company entitling them to subscribe for shares of HK\$0.02 each of the Company. These share option schemes are valid for a term of ten years commencing on the respective adoption date. The Expired Option Scheme expired on 23 July 2000 while the Terminated Option Scheme was terminated on 28 August 2002 upon the adoption of a new share option scheme (the “Existing Option Scheme”).

However, the outstanding share options granted under the Expired Option Scheme and the Terminated Option Scheme are exercisable during the option period of three years and seven years respectively, commencing from the respective date of grant subject to such conditions as the directors of the Company may have determined notwithstanding that these two schemes have already been expired or terminated. Details of the share options outstanding as of 31 March 2003 granted under the said share option schemes were as follows:

Date of grant	Exercise price		Number of shares subject to options				
	As at the	As	As at	Rights	Granted	Lapsed	As at
	date of	adjusted by	1 April	Issue	during	during	31 March
	grant	Rights Issue	2002	adjustment	the year	the year	2003
	HK\$	HK\$					
17 August 1999	0.5664	0.3776	55,000,000	27,500,000	-	(82,500,000)	-
2 May 2000	0.5328	0.3552	800,000	400,000	-	(1,200,000)	-
22 July 2000	0.3592	0.2395	6,000,000	3,000,000	-	(3,000,000)	6,000,000
16 November 2000	0.2328	0.1552	2,900,000	1,450,000	-	-	4,350,000
17 April 2002	0.0520	N/A	-	-	108,564,000	(37,288,000)	71,276,000
							81,626,000

No share options were exercised during the year.

At a special general meeting of the Company held on 28 August 2002, the Existing Option Scheme was adopted in compliance with the new requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. No share options have been granted under the Existing Option Scheme.

22. SHARE CAPITAL *(Continued)*(b) Share options *(Continued)*

- (ii) Pursuant to a sale and purchase agreement dated 23 January 2002 relating to the acquisition of the entire issued share capital of a subsidiary, the Company has granted options to the then shareholders of that subsidiary to subscribe for such number of new shares of the Company as shall have the value of up to HK\$15,600,000 in aggregate. Such options are exercisable during the period from 4 February 2002 up to and including 31 December 2005 at the subscription prices of: (i) HK\$0.15 per share from 4 February 2002 up to and including 31 December 2004; and (ii) HK\$0.20 per share from 1 January 2005 up to and including 31 December 2005.

None of these options have been exercised during the year.

23. RESERVES

(a) Group

	Share premium	Contributed surplus	Capital reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	1,656,546	1,040,649	3	(2,387,428)	309,770
Issue of shares for the acquisition of subsidiaries <i>(Note 22(a)(iii))</i>	6,240	–	–	–	6,240
Share issue expenses	(265)	–	–	–	(265)
Realisation of capital reserve on disposal of subsidiaries	–	–	(3)	–	(3)
Loss for the year	–	–	–	(189,203)	(189,203)
At 31 March 2002	1,662,521	1,040,649	–	(2,576,631)	126,539
Issue of shares <i>(Note 22(a)(iii))</i>	58,250	–	–	–	58,250
Share issue expenses	(2,527)	–	–	–	(2,527)
Loss for the year	–	–	–	(44,666)	(44,666)
At 31 March 2003	1,718,244	1,040,649	–	(2,621,297)	137,596

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23. RESERVES (Continued)

(b) Company

	Share premium	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	1,656,546	1,040,649	(1,613,962)	1,083,233
Issue of shares for the acquisition of subsidiaries (Note 22(a)(ii))	6,240	–	–	6,240
Share issue expenses	(265)	–	–	(265)
Loss for the year	–	–	(951,677)	(951,677)
At 31 March 2002	1,662,521	1,040,649	(2,565,639)	137,531
Issue of shares (Note 22(a)(iii))	58,250	–	–	58,250
Shares issue expenses	(2,527)	–	–	(2,527)
Loss for the year	–	–	(71,531)	(71,531)
At 31 March 2003	1,718,244	1,040,649	(2,637,170)	121,723

The Company did not have distributable reserves at 31 March 2003 (2002: Nil).

24. CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees in respect of credit facilities granted to a subsidiary	–	–	48,763	57,400
Guarantees in respect of credit facilities granted to a former associated company	–	86,000	–	86,000
	–	86,000	48,763	143,400

25. COMMITMENTS

(a) Capital commitments

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contracted but not provided for in respect of other investments	4,201	125,180
Contracted but not provided for in respect of investment in an associated company	1,676	–
	5,877	125,180

(b) Commitments under operating leases

At 31 March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Not later than one year	2,143	3,914
Later than one year and not later than five years	1,786	–
	3,929	3,914

(c) Future minimum rental payments receivable

The Group's operating leases are for terms of 1 to 3 years. The future minimum rental payments receivable under non-cancellable leases are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Not later than one year	25,366	14,176
Later than one year and not later than five years	6,483	17,088
	31,849	31,264

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26. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss for the year to net cash outflow from operations

	2003	2002
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(44,864)	(191,502)
Share of results of associated companies	–	7,889
Interest income	(1,379)	(2,023)
Interest expense	5,825	19,941
Depreciation	4,249	12,213
Deficit on revaluation of investment properties	24,000	30,000
Provision for impairment losses of other investments	17,427	58,900
Provision for amount due from an associated company	15,217	18,002
Recovery of doubtful debts	(3,434)	(1,638)
Gain on disposal of subsidiaries	–	(19,905)
Gain on disposal of other investment	(23,663)	–
Provision for long term receivable	13,006	–
Gain on liquidation of an associated company	(2,061)	–
Write-off of plant and equipment	1,857	5,034
Gain on disposal of plant and equipment	(527)	(1,076)
Impairment loss of goodwill	–	7,703
Operating profit/(loss) before working capital changes	5,653	(56,462)
Decrease in accounts receivable, other receivables, prepayments and deposits, and amount due from a related company	6,910	7,591
Decrease in creditors, deposits and accruals	(31,150)	(19,089)
Net cash outflow from operations	(18,587)	(67,960)

26. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

	2002
	HK\$'000
Net assets/(liabilities) disposed of:	
Debtors, deposits and prepayments	1,294
Property, plant and equipment	127,408
Bank balances and cash	19,928
Other investments and loan to an investee company	117,000
Investment in associated company	133,816
Creditors, deposits and accruals	(5,842)
Bank loan	(45,000)
Minority interests	(126)
Loan notes	(230,300)
Other loans	(121,680)
	(3,502)
Goodwill	(3)
Gain on disposal of subsidiaries	19,905
	16,400
Satisfied by:	
Cash consideration	16,400

The subsidiaries disposed of in 2002 contributed HK\$3,178,000 to the Group's net operating cash outflows, paid HK\$6,230,000 in respect of net returns on investments and servicing of finance, utilised HK\$1,820,000 in the Group's investing activities and received HK\$28,513,000 for financing activities.

68 26. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries (Continued)

Analysis of net inflow of cash and cash equivalents in respect of disposals of subsidiaries

	2002
	HK\$'000
Cash consideration	16,400
Cash not yet received	(800)
Bank balances and cash disposed of	(19,928)
Net outflow of cash and cash equivalents in respect of disposal of subsidiaries	(4,328)

(c) Acquisition of subsidiaries

	2002
	HK\$'000
Net assets acquired:	
Property, plant and equipment	1,857
Debtors, deposits and prepayments	548
Bank balances and cash (Note (i))	545
Creditors, deposits and accruals	(2,745)
	205
Goodwill	7,595
	7,800
Satisfied by:	
Issue of shares (Note (ii))	7,800

Notes:

- (i) The net inflow of cash and cash equivalents in respect of acquisition of the subsidiaries, representing bank balances and cash acquired, amounted to approximately HK\$545,000.
- (ii) The acquisition of certain subsidiaries during the year 2002 was satisfied by the issuance of 78,000,000 new shares of HK\$0.02 each at HK\$0.1 per share and options to subscribe for such number of new shares of the Company as shall have the value of up to HK\$15,600,000 in aggregate. These share options are exercisable from 4 February 2002 up to and including 31 December 2005 at the subscription prices of (i) HK\$0.15 per share from 4 February 2002 to 31 December 2004 and (ii) HK\$0.20 per share from 1 January 2005 to 31 December 2005. In determining the fair value of these options attributable to the consideration for the acquisition, the directors have assigned no value on these share options with reference to the market price of the Company's shares.
- (iii) The subsidiaries acquired in 2002 contributed HK\$387,000 to the Group's net operating cash outflows.

26. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Analysis of changes in financing during the year

	Share capital (including premium)	Long term and short term loans	Minority interests	Restricted bank balances and cash deposits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2001	1,732,652	523,297	10,637	–	2,266,586
Net cash (outflow)/inflow from financing	(265)	76,826	–	(16,610)	59,951
Acquisition of additional interest in a subsidiary	–	–	(381)	–	(381)
Goodwill written off on acquisition of additional interest in a subsidiary	–	–	108	–	108
Issue of shares for the acquisition of subsidiaries	7,800	–	–	–	7,800
Disposal of subsidiaries	–	(396,980)	(126)	–	(397,106)
Minority interests' share of losses	–	–	(2,299)	–	(2,299)
Balance at 31 March 2002	1,740,187	203,143	7,939	(16,610)	1,934,659
Net cash inflow/(outflow) from financing	94,556	(48,572)	–	10,542	56,526
Liquidation of subsidiaries	–	(1,308)	(7,741)	–	(9,049)
Minority interests' share of losses	–	–	(198)	–	(198)
Balance at 31 March 2003	1,834,743	153,263	–	(6,068)	1,981,938

NOTES TO THE ACCOUNTS

70 26. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(e) Analysis of the balances of cash and cash equivalents

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	6,270	6,898
Restricted bank balances and cash deposits	6,068	16,610
	12,338	23,508

27. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee from an associated company (<i>note a</i>)	4,671	–
Rental and office administrative expenses reimbursed from a related company (<i>note b</i>)	2,369	–
Rental expenses to former related companies (<i>note c</i>)	–	4,883
Services rendered to former related companies (<i>note d</i>)	–	10,362
Interest income from a former associated company (<i>note e</i>)	–	1,648

Notes:

- (a) Management fee was charged to Asia V-Sat Co., Ltd, an associated company of the Group, for the provision of general and administrative services at a pre-determined monthly fee.
- (b) Rental and office administrative expenses were reimbursed from Asia Logistics Technologies Limited, a substantial shareholder of the Company, for sharing the Group's office premises and utilities. Such expenses reimbursed were calculated in proportion to the office space occupied.
- (c) Rental expenses were charged by certain subsidiaries of New World Development Company Limited ("NWD"), a former substantial shareholder of the Company, based on commercial rates.
- (d) Services rendered to certain subsidiaries of NWD were charged on prices and terms no less favorable than those charged to and contracted with other third party customers.
- (e) The amount represented interest income in respect of amount due from Get Rich Enterprises Limited, a former associated company of the Group. The amount carried interest at prevailing commercial rate.

28. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18 July 2003.

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries are as follows:

Name	Place of incorporation/operation	Particulars of issued/registered share capital	Interest Held	Principal activities
* Aldgate Agents Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
##Beijing New World CyberBase Company Limited	People's Republic of China	RMB80,000,000	100%	Software development and system integration
* Blue Velvet Venture Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
City Internet Holdings Corporation Limited	Cayman Islands	109,356,725 ordinary shares, 60,000,000 series A preference shares and 17,777,780 series A plus preference shares, of US\$0.01 each	100%	Investment holding
* Cyber Network Technology Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
Darierian Worldwide Limited	British Virgin Islands	100 shares of US\$1.00 each	51%	Investment holding
* Gamerian Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
Jadesails Investments Limited	Hong Kong	10,000 shares of HK\$1.00 each	100%	Property investment
Jetco Technologies Limited	Hong Kong	1,250,000 shares of HK\$1.00 each	100%	Investment holding

NOTES TO THE ACCOUNTS

72 29. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Interest Held	Principal activities
* Joyworth Investments Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
* New View Venture Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
* New World CyberBase (Greater China) Limited	Hong Kong	2 shares of HK\$1.00 each	100%	Management services
New World CyberBase Services Limited	Hong Kong	2 shares of HK\$1.00 each	100%	Provision of secretarial and nominee services
## New World CyberBase (Shanghai) Limited	People's Republic of China	US\$1,200,000	100%	Software development and system integration
New World CyberBase Solutions (HK) Limited	Hong Kong	2 shares of HK\$1.00 each	100%	e-Business solutions services
Quinway Company Limited	Hong Kong	10,000 shares of HK\$1.00 each	100%	Property investment
# Shanghai Jetco Technologies Ltd.	People's Republic of China	US\$300,000	92%	Computer software development
Smart Strategy Investments Limited	British Virgin Islands	1 share of US\$1.00	51%	Investment holding
* Viewnet Assets Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Interest Held	Principal activities
* Zetland International Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
** 上海城市通網路信息技術有限公司	People's Republic of China	US\$5,480,000	100%	Software development

* Subsidiaries directly held by the Company.

The company is a sino-foreign equity joint venture established in the People's Republic of China, in which the Group is entitled to 100% of the company's results pursuant to the shareholders agreement.

** The companies are wholly-owned foreign enterprises established in the People's Republic of China.

30. PARTICULARS OF PRINCIPAL ASSOCIATED COMPANIES

Details of the Group's principal associated companies are as follows:

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Interest Held	Principal activities
Asia V-Sat Co. Ltd.	British Virgin Islands	5,850,000 shares of US\$1.00 each	20%	Internet and e-commerce services
eGuanxi (Cayman) Limited	Cayman Islands	6,667,000 shares of US\$1.00 each	25%	Software research and development, Internet and information technology and investment related activities