

NOTES TO THE ACCOUNTS

1 BASIS OF PREPARATION OF ACCOUNTS

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. The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties, certain other properties, and other investments.

2 PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. 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 or 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 goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

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 any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and businesses acquired and is taken to reserves in the year of acquisition.

Where the fair values of net assets of the subsidiaries and businesses acquired exceed the purchase consideration, such differences, being discounts on acquisition, are dealt with in the reserves in the year of acquisition.

NOTES TO THE ACCOUNTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

Property, plant and equipment other than investment properties (note 2(d)) and other properties are stated at cost less accumulated depreciation. Other properties are interest in land and buildings. Other properties acquired before 12th September 1991 are stated at gross carrying amount less accumulated depreciation. Other properties acquired on or after 12th September 1991 are stated at cost less accumulated depreciation. Gross carrying amount represents the professional valuation, on an open market value basis, made in 1991.

Leasehold land is depreciated over the remaining period of the lease. Buildings are amortised over fifty years or remaining term of the lease, whichever is the shorter.

Plant and equipment are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight line basis at the following annual rates:

	Over the terms of individual leases or 5 years, whichever is shorter	
Leasehold improvements		
Computer equipment		33 $\frac{1}{3}$ %
Furniture and fixtures		20%
Station equipment		20%
Pagers and other equipment		33 $\frac{1}{3}$ %

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

The carrying amounts of property, plant and equipment are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amounts.

The gain or loss arising from the retirement or disposal of property, plant and equipment is the difference between the net disposal proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profit and is shown as a movement in reserves.

NOTES TO THE ACCOUNTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) 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.

Investment properties held on leases with unexpired periods greater than twenty years are valued each year 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 property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are charged 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 property revaluation reserve to the profit and loss account.

(e) Assets under leases

(i) *Finance leases*

Leases that substantially transfer to the group all the rewards and risks of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(ii) *Operating leases*

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

NOTES TO THE ACCOUNTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) **Deferred taxation**

Deferred taxation is accounted for at the current tax 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 receivable in the foreseeable future.

(g) **Investment securities**

Investment securities are listed and unlisted investments and are stated at cost or effective cost less provision for diminution in value. Effective cost is defined as historical cost plus share of post-acquisition profits less losses attributable to the Group up to the date when the investee company ceased to be associated company of the Group.

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 securities will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(h) **Other investments**

Other investments are carried at fair value.

In determining the fair value the directors will consider the market value, the trading volume and other factors that may affect the realisability of the investments. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) **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.

NOTES TO THE ACCOUNTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term, highly liquid investments, which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(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 arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

(l) Research and development costs

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

(m) Retirement benefits

The Group continues to operate an occupational retirement scheme registered under the Hong Kong Occupational Retirement Scheme Ordinance (Cap. 426). This scheme has been granted exemption pursuant to Section 5 of the Hong Kong Mandatory Provident Fund Schemes Ordinance (Cap.485) (“the MPF Ordinance”). The employees are either not required to make contribution or required to contribute an amount equal to 5% of the basic monthly salary and the employer’s annual contribution is at a range of 5% to 10% of employees’ basic monthly salary. The Group’s contributions to the scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

NOTES TO THE ACCOUNTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Retirement benefits *(Continued)*

In December 2000, a mandatory provident fund scheme (“the MPF Scheme”) has also been established under the MPF Ordinance. All staff were offered the choice of switching to the MPF Scheme or staying in the existing occupational retirement scheme. Where staff elected to join the MPF Scheme, both the Group and staff are required to contribute 5% of the employees’ relevant income (capped at HK\$2,000 per month). Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to certain exceptions. Staff may elect to contribute more than the minimum as a voluntary contribution.

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

(n) Revenue recognition

- (i) Financial information and internet subscription fee income is recognised on a straight line basis over the subscription period.
- (ii) Revenue from sales of data receivers is recognised when the goods are delivered to customers.
- (iii) Revenue from software licensing, facility management consultancy and solutions is recognised when services are rendered.
- (iv) Dividend income is recognised when the company’s right to receive payment is established.
- (v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (vi) Rental income is recognised on a straight line basis over the lease term.

NOTES TO THE ACCOUNTS *(Continued)*

3 REVENUE AND TURNOVER

The Group is principally engaged in the provision of financial quotation, software licensing, facility management consultancy and solutions, and internet and related services. Revenues recognised during the year are as follows:

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Turnover		
Income from financial quotation and software licensing	50,412,818	26,744,955
Income from internet and related services	3,167,858	7,815,837
Income from facility management consultancy and solutions	548,557	–
Gross value of goods invoiced less discount to customers	316,473	2,890,169
Income from paging and related services	–	18,839,652
	<u>54,445,706</u>	<u>56,290,613</u>
Other revenues		
Bank interest income	11,323,314	26,890,335
Rental income from investment properties	240,000	285,000
Rental income from other properties	120,000	–
Dividend income from investment securities	88,000	653,600
	<u>11,771,314</u>	<u>27,828,935</u>
	<u>66,217,020</u>	<u>84,119,548</u>

NOTES TO THE ACCOUNTS *(Continued)*

3 REVENUE AND TURNOVER *(Continued)*

An analysis of the Group's turnover and operating (loss)/profit by principal activities is as follows:–

	Turnover		Operating (loss)/profit	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Financial quotation, software licensing and sales of related products	50,729,291	26,744,955	(26,454,516)	(16,009,424)
Internet and related services	3,167,858	7,815,837	(11,888,114)	(8,781,900)
Facility management consultancy and solutions	548,557	–	(1,146,145)	–
Paging and related services	–	18,839,652	–	(4,281,255)
Sale of mobile phones	–	2,890,169	–	(656,782)
Investment holding and technology development activities	–	–	(11,069,324)	(7,377,214)
	<u>54,445,706</u>	<u>56,290,613</u>		
Interest income			11,323,314	26,890,335
Unrealised (loss)/gain on revaluation of other investments			(34,346,033)	24,429,807
Loss on deemed disposal of a subsidiary			(5,748,089)	–
Gain on disposal of listed investment securities and other investments			–	26,695,233
			<u>(79,328,907)</u>	<u>40,908,800</u>

The Group's turnover and operating (loss)/profit are mainly derived in Hong Kong.

NOTES TO THE ACCOUNTS *(Continued)*

4 OPERATING (LOSS)/PROFIT

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Operating (loss)/profit is stated after crediting and charging the following:		
Crediting		
Recovery of bad debts previously written-off	4,849,086	–
Gain on liquidation of associated company	–	35,057
Gain on disposal of property, plant and equipment	–	98,018
Surplus on revaluation of investment properties	–	400,000
Gain on disposal of other investments	–	4,159,932
Gain on disposal of listed investment securities	–	22,535,301
Unrealised gain on revaluation of other investments	–	24,429,807
	<u><u> </u></u>	<u><u> </u></u>
Charging		
Auditors' remuneration	1,004,329	681,000
Depreciation:		
– Owned property, plant and equipment	9,839,251	11,726,878
– Leased equipment	212,209	29,682
Exchange loss	951,153	458,874
Loss on disposal of property, plant and equipment	35,154	–
Operating leases – land and buildings	3,463,900	6,280,851
Retirement benefit costs (Note 6)	1,195,705	613,687
Staff costs	44,378,700	23,547,026
Write-off of property, plant and equipment	128,643	1,016,012
Loss on deemed disposal of a subsidiary	5,748,089	–
Provision for diminution in value of investment properties	350,000	–
Research and development costs	4,135,528	–
Unrealised loss on revaluation of other investments	34,346,033	–
Additional provision for depreciation on property, plant and equipment	–	4,553,281
Amortisation of deferred expenses	–	539,100
Loss on disposal of personal paging operations (<i>note</i>)	–	1,426,635
Write-off of deferred expenses	–	1,033,273
Write-off of inventories	–	711,895
	<u><u> </u></u>	<u><u> </u></u>

NOTES TO THE ACCOUNTS *(Continued)*

4 OPERATING (LOSS)/PROFIT *(Continued)*

Note: ABC Communications Limited, a wholly-owned subsidiary of the Group, disposed of its personal paging operations on 1st July 1999 and discontinued its mobile phone sales from 1st September 1999. A loss of HK\$1,426,635, which represents the difference between the net sales proceeds and the net carrying amount of the assets and liabilities of the personal paging operations at the date of sale, is included in other operating expenses for the year ended 31st March 2000. The contribution to turnover and the loss from ordinary activities in respect of the discontinued operations, accounted for up to the date of discontinuance, were HK\$21,729,821 and HK\$4,938,037 respectively.

5 FINANCE COSTS

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank loans and overdrafts	2,197,520	2,064
Interest element of finance leases	24,700	6,434
	<u>2,222,220</u>	<u>8,498</u>

6 RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the profit and loss account represents gross contributions payable by the Group to the retirement scheme of HK\$1,706,919 (2000: HK\$1,430,193) less forfeited contributions utilised of HK\$511,214 (2000: HK\$816,506). No contributions were payable to the fund at the year end. As at 31st March 2001 there is no unutilised forfeited contributions (2000: Nil).

7 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

(i) *Chairman and non-executive directors*

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Fees	60,000	60,000
Salaries, housing allowances, other allowances and benefits in kind	768,000	848,000
	<u>828,000</u>	<u>908,000</u>

NOTES TO THE ACCOUNTS *(Continued)*

7 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

(ii) Executive directors

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Fees	20,000	20,000
Salaries, housing allowances, other allowances and benefits in kind	1,680,000	2,060,000
Contributions to retirement scheme	168,000	206,000
	<u>1,868,000</u>	<u>2,286,000</u>

(iii) The emoluments were paid to the directors as follows:

Emoluments Band	Number of directors	
	2001	2000
HK\$0 – HK\$1,000,000	7	7
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	–	1
	<u>–</u>	<u>1</u>

Emoluments paid to independent non-executive directors amounted to HK\$20,000 for the year (2000: HK\$20,000).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year include one (2000: three) director whose emoluments are reflected in the analysis in note (a) above. The emoluments payable to the remaining four (2000: two) individuals during the year are as follows:

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Salaries, housing allowances, other allowances and benefits in kind	3,510,869	1,381,900
Contributions to retirement scheme	169,923	127,560
Bonuses	245,158	–
	<u>3,925,950</u>	<u>1,509,460</u>

NOTES TO THE ACCOUNTS *(Continued)*

7 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands

Emoluments Band	Number of individuals	
	2001	2000
HK\$0 – HK\$1,000,000	3	2
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>–</u>

8 TAXATION

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2000: 16%).

	2001	2000
	HK\$	HK\$
Company and subsidiaries:		
Hong Kong profits tax	–	360,938
Deferred taxation (Note 22)	–	<u>(2,487,639)</u>
	–	(2,126,701)
Associated company:		
Hong Kong profits tax	–	<u>(78,752)</u>
	–	<u>(2,205,453)</u>
Deferred tax (charge)/credit for the year has not been provided in the accounts in respect of the following:		
Accelerated depreciation allowances	(684,584)	639,260
Tax losses	6,099,739	<u>5,478,566</u>
	<u>5,415,155</u>	<u>6,117,826</u>

NOTES TO THE ACCOUNTS *(Continued)*

9 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$60,335,073 (2000: profit of HK\$86,504,022).

10 DIVIDENDS

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Interim, paid, of 1.0 cent (2000: 2.0 cents) per share	4,668,860	7,964,800
Final, proposed, of Nil cents (2000: 2.0 cents) per share	–	9,337,720
	<u>4,668,860</u>	<u>17,302,520</u>

11 (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share is calculated based on the loss attributable to shareholders of HK\$81,169,079 (2000: profit of HK\$43,098,316) and on the weighted average number of 466,886,000 (2000: 408,837,584) shares in issue during the year.

Diluted earnings per share for the year ended 31st March 2000 was calculated based on the weighted average number of ordinary shares in issue as adjusted to assume conversion of all dilutive potential ordinary shares. The weighted average number of ordinary shares during the year ended 31st March 2000 for calculation of diluted earnings per share was 408,855,187 shares.

Diluted loss per share for the year ended 31st March 2001 is not presented as the exercise of the outstanding shares options of the Company would be anti-dilutive.

NOTES TO THE ACCOUNTS *(Continued)*

12 PROPERTY, PLANT AND EQUIPMENT

Group

	Investment properties in Hong Kong HK\$	Other properties in Hong Kong HK\$	Leasehold improve- ments HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Station equipment HK\$	Pagers and other equipment HK\$	Total HK\$
Cost, gross carrying amount, or valuation								
At 1st April 2000	2,200,000	49,351,330	422,647	21,093,610	3,364,240	10,181,285	2,617,118	89,230,230
Additions	–	–	15,468,091	11,298,563	5,638,208	34,300	86,045	32,525,207
Acquisition of businesses	–	–	–	217,481	71,946	–	310,853	600,280
Exchange adjustments	–	–	–	(24,154)	(7,529)	–	(33,909)	(65,592)
Disposals	–	–	–	(26,364)	(147,395)	–	(6,040)	(179,799)
Written off	–	–	(123,000)	(277,770)	(52,451)	–	–	(453,221)
Provision for diminution in value <i>(note (a))</i>	(350,000)	–	–	–	–	–	–	(350,000)
At 31st March 2001	1,850,000	49,351,330	15,767,738	32,281,366	8,867,019	10,215,585	2,974,067	121,307,105
Accumulated depreciation								
At 1st April 2000	–	5,132,629	332,761	14,604,244	2,992,671	10,181,285	2,617,118	35,860,708
Charge for the year	–	725,021	2,304,809	5,942,534	1,011,266	5,717	62,113	10,051,460
Disposals	–	–	–	(3,525)	(82,676)	–	(4,741)	(90,942)
Written off	–	–	(95,667)	(191,456)	(37,455)	–	–	(324,578)
At 31st March 2001	–	5,857,650	2,541,903	20,351,797	3,883,806	10,187,002	2,674,490	45,496,648
Net book value								
At 31st March 2001	1,850,000	43,493,680	13,225,835	11,929,569	4,983,213	28,583	299,577	75,810,457
At 31st March 2000	2,200,000	44,218,701	89,886	6,489,366	371,569	–	–	53,369,522

NOTES TO THE ACCOUNTS *(Continued)*

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

- (a) The analysis of cost, gross carrying amount or valuation of the Group's investment properties and other properties is as follows:

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Investment properties		
– At open market value	1,850,000	–
– At professional valuation 2000	–	2,200,000
Other properties		
– At cost	1,351,330	1,351,330
– At gross carrying amount – professional valuation 1991	48,000,000	48,000,000
	<u>51,201,330</u>	<u>51,551,330</u>

The investment properties were revalued on an open market value basis at 31st March 2000 by Vigers Hong Kong Limited, independent professional valuers. In February 2001, the Group entered into a sale and purchase agreement with a third party to dispose of the properties at HK\$1,850,000. The disposal was completed in May 2001 and consequently, a provision was made to write down the carrying amount of the investment properties to the sales consideration.

Other properties acquired before 12th September 1991 are stated at gross carrying amount less accumulated depreciation. Gross carrying amount represents the professional valuation, on an open market value basis, made in 1991. In the preparation of the accounts, the directors place reliance on the transitional provision set out in paragraph 72 of the Statement of Standard Accounting Practice Number 17 “Property, Plant and Equipment” issued by the Hong Kong Society of Accountants. Accordingly, these properties are not revalued regularly.

The carrying amount of other properties stated at professional valuation 1991 would have been HK\$41,906,842 (2000: HK\$42,588,152) had they been stated at cost less accumulated depreciation.

All other property, plant and equipment are stated at cost.

NOTES TO THE ACCOUNTS *(Continued)*

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The tenure of the Group's properties is as follows:

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Investment properties		
Medium term leasehold land	<u>1,850,000</u>	<u>2,200,000</u>
Other properties		
Medium term leasehold land	<u>1,351,330</u>	1,351,330
Long term leasehold land	<u>48,000,000</u>	<u>48,000,000</u>
	<u>49,351,330</u>	<u>49,351,330</u>
	<u>51,201,330</u>	<u>51,551,330</u>

(c) At 31st March 2001, the net book value of property, plant and equipment held by the Group under finance leases amounted to HK\$54,275 (2000: HK\$266,484).

(d) At 31st March 2001, the net book value of other properties pledged as security for a bank loan of the Group amounted to HK\$42,326,833 (2000: Nil).

13 SUBSIDIARIES

	Company	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Unlisted shares, at cost	253,304,040	253,304,045
Less: Provision for diminution in value	<u>(40,468,814)</u>	<u>(39,259,104)</u>
	212,835,226	214,044,941
Loan to a subsidiary	36,194,294	5,900,000
Amounts due from subsidiaries	<u>274,935,258</u>	<u>160,290,036</u>
	523,964,778	380,234,977
Amounts due to subsidiaries	<u>(2,058,065)</u>	<u>(13,905,919)</u>
	<u>521,906,713</u>	<u>366,329,058</u>

The balances with subsidiaries are interest free and have no fixed terms of repayment.

NOTES TO THE ACCOUNTS *(Continued)*

13 SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries at 31st March 2001:

Name	Place of incorporation/ operation	Principal activities	Issued and paid up capital	Class of shares held	Interest held	
					Directly	Indirectly
ABC Communications Limited	Hong Kong	Investment holding	HK\$1,000 HK\$23,300,000 (non-voting deferred shares)	Ordinary	100%	–
ABC Communications (CT2) Limited	Hong Kong	Property investment	HK\$1,000	Ordinary	–	100%
ABC Communications (Cellular) Limited	Hong Kong	Investment holding	HK\$2	Ordinary	–	100%
ABC Communications (Investments) Limited	Hong Kong	Investment holding	HK\$2	Ordinary	–	100%
ABC Communications (Investments) Limited	Cook Islands	Investment holding	US\$1	Ordinary	100%	–
ABC Financial Information Services Limited	Hong Kong	Financial information paging services and sales of pagers and data receivers	HK\$30	Ordinary	–	96.66%
ABC Global Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$1	Ordinary	100%	–
ABC Net Limited	Hong Kong	Internet services	HK\$2	Ordinary	100%	–

NOTES TO THE ACCOUNTS *(Continued)*

13 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Principal activities	Issued and paid up capital	Class of shares held	Interest held	
					Directly	Indirectly
ABC QuickSilver Limited	British Virgin Islands/ Hong Kong	Wireless applications development	US\$10	Ordinary	–	80%
Abcomm Realty Limited	Hong Kong	Property investment	HK\$10,000	Ordinary	–	100%
Abcom Technology Limited (Formerly known as ABC Vietnam Paging (Holdings) Limited)	British Virgin Islands/ Hong Kong	Investment holding	US\$1	Ordinary	100%	–
Briary Holdings Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$2	Ordinary	100%	–
Choudary Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$10,003	Ordinary	100%	–
Deptford Holdings Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$2	Ordinary	100%	–
Gine Well Properties Limited	Hong Kong	Property investment	HK\$2	Ordinary	–	100%
Hon Wing Investment Inc.	Taiwan	Investment holding	NTD1,000,000	Ordinary	–	100%
Leader Associates Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$2	Ordinary	100%	–

NOTES TO THE ACCOUNTS *(Continued)*

13 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Principal activities	Issued and paid up capital	Class of shares held	Interest held	
					Directly	Indirectly
Lexos Limited	Hong Kong	Facility management consultancy and solutions services	HK\$2,625,000	Ordinary	–	66.67%
On Smart Enterprises Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$1	Ordinary	100%	–
QuotePower International Limited	Hong Kong	Financial information services and software licensing	HK\$1,007,500	Ordinary	–	96.66%
QPI (Philippines) Inc.	Philippines	Financial information services and software licensing	Peso 9,027,343	Ordinary	–	96.66%
QPI (Shenzhen) Company Limited	The People's Republic of China	Research and development	HK\$1,000,000	Ordinary	100%	–
QPI (Thailand) Company Limited	Thailand	Financial information services and software licensing	Baht 2,000,000	Ordinary	–	96.66%

NOTES TO THE ACCOUNTS *(Continued)*

14 INVESTMENT SECURITIES

	Group	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Equity securities, at cost		
Listed in Hong Kong, at cost	11,508,248	11,508,248
Unlisted outside Hong Kong, at cost	204,540,478	74,931,978
Less: Provision for diminution in value	(20,267,501)	(20,267,501)
	184,272,977	54,664,477
	195,781,225	66,172,725
Other investments		
Unlisted outside Hong Kong, at cost	13,645,250	–
	209,426,475	66,172,725
Market value of listed shares		
Listed in Hong Kong	17,160,000	50,072,000

At 31st March 2001, the carrying amounts of interests in the following investment exceeded 10% of the total assets of the Group:

Name	Place of incorporation	Principal activities	Equity interest
Far EastOne Telecommunications Co., Ltd.	Taiwan	Digital Cellular services	1.6%

NOTES TO THE ACCOUNTS *(Continued)*

15 OTHER INVESTMENTS

	Group	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Equity securities listed outside Hong Kong, at fair value	<u>4,261,236</u>	<u>38,607,269</u>
At market value	<u>4,261,236</u>	<u>46,107,269</u>

Particulars of the other investments are as follows:

Name	Place of incorporation/ operation	Principal activities	Equity interest
Easycall International Limited	Bermuda/Asia	Paging and internet network services	4.5%

16 ACCOUNTS RECEIVABLE

The Group has granted credit to substantially all its trade debtors ranging from 14 to 90 days. The ageing analysis of accounts receivable is as follows:

	0-3 months	4-6 months	Over 6 months	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Balance at				
31st March 2001	<u>4,367,678</u>	<u>302,299</u>	<u>660,185</u>	<u>5,330,162</u>
31st March 2000	<u>6,925,894</u>	<u>36,078</u>	<u>2,422</u>	<u>6,964,394</u>

17 PLEDGED DEPOSITS

Fixed deposits amounting to HK\$107,262,880 (2000: HK\$1,800,000) have been placed in a bank as security against a bank loan and certain guarantees provided by the bank.

NOTES TO THE ACCOUNTS *(Continued)*

18 AMOUNT DUE TO A HOLDING COMPANY

The amount due to a holding company is interest free and has no fixed terms of repayment.

19 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and their ageing analysis is as follows:

	0-3 months <i>HK\$</i>	4-6 months <i>HK\$</i>	Over 6 months <i>HK\$</i>	Total <i>HK\$</i>
Balance at 31st March 2001	<u><u>2,433,364</u></u>	<u><u>447,983</u></u>	<u><u>417,534</u></u>	<u><u>3,298,881</u></u>
31st March 2000	<u><u>2,991,263</u></u>	<u><u>1,568</u></u>	<u><u>–</u></u>	<u><u>2,992,831</u></u>

20 SHARE CAPITAL

	Group and Company	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Authorised:		
600,000,000 ordinary shares of HK\$0.1 each	<u><u>60,000,000</u></u>	<u><u>60,000,000</u></u>
Issued and fully paid:		
466,886,000 (2000: 466,886,000) ordinary shares of HK\$0.1 each	<u><u>46,688,600</u></u>	<u><u>46,688,600</u></u>

(a) Share options

On 12th September 1991, the Company established a Share Option Scheme (“the Scheme”) pursuant to which the directors may, at their discretion, invite full-time employees, including executive directors of the Company, to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme. Each share option entitles the holder to subscribe for one share of HK\$0.10 each in the Company at a predetermined price.

NOTES TO THE ACCOUNTS *(Continued)*

20 SHARE CAPITAL *(Continued)*

(a) Share options *(Continued)*

The movements in share options granted pursuant to the scheme are as follows:

	Number of share options granted on		Total
	4th October 1999	23rd February 2000	
Balance at beginning of the year	400,000	2,500,000	2,900,000
Cancelled during the year	(400,000)	–	(400,000)
	<u> </u>	<u> </u>	<u> </u>
Balance at end of the year	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>
Exercise price per share	<u> </u> <u> </u>	<u> </u> <u> </u>	

Details of outstanding share options granted and being accepted under the Scheme as of 31st March 2001 were as follows:

Date of share options granted	Unexercised options as at 31st March 2001	Exercise price HK\$	Exercise period
23rd February 2000	1,000,000	1.41	23rd March 2000 to 22nd February 2010
23rd February 2000	1,000,000	1.41	23rd February 2001 to 22nd February 2010
23rd February 2000	250,000	1.41	23rd March 2000 to 22nd February 2010
23rd February 2000	250,000	1.41	23rd February 2001 to 22nd February 2010
	<u> </u> <u> </u>		
	<u> </u> <u> </u>		

No share options were exercised during the year.

NOTES TO THE ACCOUNTS *(Continued)*

21 RESERVES

	General reserve <i>HK\$</i>	Asset replacement reserve <i>HK\$</i>	Property revaluation reserve <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Share premium <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Capital reserve <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Retained profit <i>HK\$</i>	Total <i>HK\$</i>
(a) Group										
At 1st April 1999	2,000,000	5,150,000	514,758	23,211,664	76,470,297	176,000	1,919,077	-	213,346,899	322,788,695
Profit for the year	-	-	-	-	-	-	-	-	43,098,316	43,098,316
Realisation of reserve upon disposal of investment securities	-	-	-	-	-	-	(3,003,623)	-	-	(3,003,623)
Issue of new shares	-	-	-	-	164,750,400	-	-	-	-	164,750,400
Goodwill written off	-	-	-	-	-	-	(172,098,468)	-	-	(172,098,468)
Dividends (<i>Note 10</i>)	-	-	-	-	-	-	-	-	(17,302,520)	(17,302,520)
At 31st March 2000 and at 1st April 2000	2,000,000	5,150,000	514,758	23,211,664	241,220,697	176,000	(173,183,014)	-	239,142,695	338,232,800
Loss for the year	-	-	-	-	-	-	-	-	(81,169,079)	(81,169,079)
Exchange differences arising on translation of subsidiaries	-	-	-	-	-	-	-	(108,234)	-	(108,234)
Goodwill written off	-	-	-	-	-	-	(1,689,808)	-	-	(1,689,808)
Goodwill realised on deemed disposal of a subsidiary	-	-	-	-	-	-	5,748,089	-	-	5,748,089
Dividends (<i>Note 10</i>)	-	-	-	-	-	-	-	-	(4,668,860)	(4,668,860)
At 31st March 2001	2,000,000	5,150,000	514,758	23,211,664	241,220,697	176,000	(169,124,733)	(108,234)	153,304,756	256,344,908
Reserves retained by associated company										
At 1st April 1999	-	-	-	-	-	-	-	-	25,918	25,918
Profit for the year retained	-	-	-	-	-	-	-	-	71,313	71,313
Disposal of associated company	-	-	-	-	-	-	-	-	(97,231)	(97,231)
At 31st March 2000 and 31st March 2001	-	-	-	-	-	-	-	-	-	-

NOTES TO THE ACCOUNTS *(Continued)*

21 RESERVES *(Continued)*

	General reserve HK\$	Asset replacement reserve HK\$	Property revaluation reserve HK\$	Contributed surplus HK\$	Share premium HK\$	Capital redemption reserve HK\$	Capital reserve HK\$	Exchange reserve HK\$	Retained profit HK\$	Total HK\$
(b) Company										
At 1st April 1999	-	-	-	73,267,499	76,470,297	176,000	-	-	150,516,227	300,430,023
Issue of new shares	-	-	-	-	164,750,400	-	-	-	-	164,750,400
Profit for the year	-	-	-	-	-	-	-	-	86,504,022	86,504,022
Dividends (<i>Note 10</i>)	-	-	-	-	-	-	-	-	(17,302,520)	(17,302,520)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,267,499</u>	<u>76,470,297</u>	<u>176,000</u>	<u>-</u>	<u>-</u>	<u>133,213,707</u>	<u>300,430,023</u>
At 31st March 2000 and at 1st April 2000	-	-	-	73,267,499	241,220,697	176,000	-	-	219,717,729	534,381,925
Loss for the year	-	-	-	-	-	-	-	-	(60,335,073)	(60,335,073)
Dividends (<i>Note 10</i>)	-	-	-	-	-	-	-	-	(4,668,860)	(4,668,860)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,267,499</u>	<u>241,220,697</u>	<u>176,000</u>	<u>-</u>	<u>-</u>	<u>(65,003,933)</u>	<u>469,377,992</u>
At 31st March 2001	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,267,499</u>	<u>241,220,697</u>	<u>176,000</u>	<u>-</u>	<u>-</u>	<u>154,713,796</u>	<u>469,377,992</u>

(c) The contributed surplus of the Company which arose as a result of a group reorganisation in 1991 is distributable to shareholders under the Companies Act 1981 of Bermuda (as amended).

22 DEFERRED TAXATION

	Group	
	2001	2000
	HK\$	HK\$
At 1st April	-	2,487,639
Transfer to profit and loss account (<i>Note 8</i>)	-	(2,487,639)
	<u>-</u>	<u>-</u>
At 31st March	<u>-</u>	<u>-</u>

Properties revaluation surpluses do not constitute a timing difference for taxation purposes because the realisation of these surpluses would not be subject to taxation. Therefore the above deferred taxation does not include deferred taxation related to the revaluation surpluses.

NOTES TO THE ACCOUNTS *(Continued)*

22 DEFERRED TAXATION *(Continued)*

The potential (asset)/liability for deferred taxation for which no provision has been made in the accounts amounts to:

	Group	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Accelerated depreciation allowances	1,604,850	920,266
Tax losses	(16,105,157)	(10,005,418)
	<u>(14,500,307)</u>	<u>(9,085,152)</u>

23 OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Wholly repayable within five years	73,764	262,257
Current portion of long-term liabilities	(73,764)	(188,493)
	<u>–</u>	<u>73,764</u>

All obligations under finance leases are wholly repayable within five years and are repayable in various instalments up to December 2001. Interest is charged on the outstanding balances at a range from 13% to 14.34% (2000: 13% to 14.34%) per annum.

NOTES TO THE ACCOUNTS *(Continued)*

24 CAPITAL COMMITMENTS

	Group	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Authorised but not contracted for in respect of		
– property, plant and equipment	–	2,724,541
– others	–	39,000,000
	<u>–</u>	<u>41,724,541</u>
	<u><u>–</u></u>	<u><u>41,724,541</u></u>
Contracted but not provided for in respect of		
– property, plant and equipment	–	9,231,136
– others	25,354,750	–
	<u>25,354,750</u>	<u>–</u>
	<u><u>25,354,750</u></u>	<u><u>9,231,136</u></u>
	Company	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Contracted but not provided for		
– in respect of property, plant and equipment	–	8,409,054
	<u>–</u>	<u>8,409,054</u>
	<u><u>–</u></u>	<u><u>8,409,054</u></u>

NOTES TO THE ACCOUNTS *(Continued)*

25 LEASE COMMITMENTS

Operating lease commitments at 31st March payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:

	Group	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Land and buildings		
Within one year	110,000	974,788
In the second to fifth year inclusive	1,890,469	999,039
	<u>2,000,469</u>	<u>1,973,827</u>
	<u>2,000,469</u>	<u>1,973,827</u>
Others		
Within one year	73,764	84,000
In the second to fifth year inclusive	143,443	-
	<u>217,207</u>	<u>84,000</u>
	<u>217,207</u>	<u>84,000</u>
	<u>2,217,676</u>	<u>2,057,827</u>
	<u>2,217,676</u>	<u>2,057,827</u>

NOTES TO THE ACCOUNTS *(Continued)*

26 CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before taxation to net cash outflow from operating activities:

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
(Loss)/profit before taxation	(81,551,127)	40,892,863
Depreciation	10,051,460	11,756,560
Dividend income from investment securities	(88,000)	(653,600)
Interest element of finance leases	24,700	6,434
Interest expenses	2,197,520	2,064
Interest income	(11,323,314)	(26,890,335)
Loss/(gain) on disposal of property, plant and equipment	35,154	(98,018)
Loss/(gain) on revaluation of other investments	34,346,033	(24,429,807)
Write-off of property, plant and equipment	128,643	1,016,012
Loss on deemed disposal of a subsidiary	5,748,089	–
Provision for diminution in value of investment properties	350,000	–
Additional provision for depreciation on property, plant and equipment	–	4,553,281
Amortisation of deferred expenses	–	539,100
Exchange loss	–	319,923
Gain on disposal of investment securities	–	(22,535,301)
Gain on disposal of other investments	–	(4,159,932)
Loss on disposal of personal paging operations	–	1,426,635
Profit on disposal of associated company	–	(35,057)
Share of loss of associated company	–	7,439
Surplus on revaluation of investment properties	–	(400,000)
Write-off of deferred expenses	–	1,033,273
Write-off of inventories	–	711,895
Decrease in amount due from associated company	–	1,097,363
Decrease in inventories	–	1,668,408
Decrease/(increase) in accounts receivable	1,635,726	(5,417,067)
Decrease/(increase) in sundry debtors, deposits and prepayments	14,072,760	(21,356,369)
Decrease in amount due to a fellow subsidiary	–	(125,767)
(Decrease)/increase in advance subscriptions and licence fees received	(2,402,288)	950,638
Decrease in customer deposits	(1,327,540)	(935,408)
Increase/(decrease) in trade and other payables	140,737	(8,643,337)
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(27,961,447)</u>	<u>(49,698,110)</u>

NOTES TO THE ACCOUNTS *(Continued)*

26 CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Share capital including premium and contributed surplus		
Balance at 1st April	311,120,961	139,505,961
Shares issued for non-cash consideration	–	171,615,000
	<u> </u>	<u> </u>
Balance at 31st March	<u>311,120,961</u>	<u>311,120,961</u>
Obligations under finance leases		
Balance at 1st April	262,257	–
Arising from acquisition of a subsidiary	–	291,251
Net cash outflow from financing	(188,493)	(28,994)
	<u> </u>	<u> </u>
Balance at 31st March	<u>73,764</u>	<u>262,257</u>
Bank loan		
Balance at 1st April	–	–
Net cash inflow from financing	35,511,000	–
	<u> </u>	<u> </u>
Balance at 31st March	<u>35,511,000</u>	<u>–</u>
Minority interests		
Cash inflow from capital contribution	875,000	–
Share of loss for the year	(382,048)	–
	<u> </u>	<u> </u>
	<u>492,952</u>	<u>–</u>

NOTES TO THE ACCOUNTS *(Continued)*

26 CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Pledged deposits	107,262,880	1,800,000
Cash and bank balances	42,856,319	228,399,110
Bank loans and overdrafts	(94,097,500)	(10,258)
	<u>56,021,699</u>	<u>230,188,852</u>

(d) Purchase of businesses/subsidiaries

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Net assets/(liabilities) acquired		
Property, plant and equipment	600,280	2,846,041
Accounts receivable	1,597	1,745,231
Sundry debtors, deposits and prepayments	445,285	420,061
Bank balances and cash	–	52,399
Sundry creditors and accrued expenses	(121,078)	(3,532,818)
Customer deposits	(240,123)	(560,000)
Advanced subscriptions	(331,430)	(623,926)
Bank overdrafts	–	(539,205)
Obligations under finance leases	–	(291,251)
	<u>354,531</u>	<u>(483,468)</u>
Goodwill	<u>1,689,808</u>	<u>128,328,468</u>
	<u>2,044,339</u>	<u>127,845,000</u>
Satisfied by		
Cash	2,044,339	–
Allotment of shares	–	127,845,000
	<u>2,044,339</u>	<u>127,845,000</u>

NOTES TO THE ACCOUNTS *(Continued)*

26 CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Purchase of businesses/subsidiaries *(Continued)*

The businesses/subsidiaries acquired during the year paid HK\$3,013,646 (2000: HK\$1,801,441) in respect of the Group's net operating cash flows and paid HK\$1,269,252 (2000: HK\$1,314,336) in respect of the net cash flows from investing activities. In 2000, the subsidiaries acquired paid HK\$6,441 in respect of the net returns on investments and servicing of finance.

Analysis of the net cash outflow in respect of the purchase of businesses/subsidiaries:

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Cash consideration	(2,044,339)	–
Bank balances and cash acquired	–	52,399
Bank overdrafts	–	(539,205)
	<hr/>	<hr/>
Net cash outflow in respect of the purchase of businesses/subsidiaries	<u>(2,044,339)</u>	<u>(486,806)</u>

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties which were carried out in the normal course of the Group's business during the year.

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Royalty to a fellow subsidiary	212,783	315,239
Acquisition of a business from a shareholder of a subsidiary	<u>3,890,000</u>	<u>–</u>

These transactions are also connected transactions for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, details of which were disclosed in the directors' report.

NOTES TO THE ACCOUNTS *(Continued)*

28 ULTIMATE HOLDING COMPANY

The directors regard H.C.B.C. Enterprises (BVI) Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

29 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of directors on 13th July 2001.