

1 PRINCIPAL ACCOUNTING POLICIES

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

(a) 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"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain leasehold land and buildings, investments in securities and club debentures are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30th September. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed 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 taken to reserves and 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 or liabilities of subsidiaries. The share of net liabilities of subsidiaries by minority shareholders may exceed their share of capital portion of those subsidiaries if the minority shareholders have undertaken to make good any losses incurred by the subsidiaries. Provision is made against receivables from minority shareholders to the extent which they are considered to be doubtful.

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.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(c) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

(d) Goodwill

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

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is generally amortised over a maximum period of 10 years.

Goodwill on acquisitions that occurred prior to 1st January, 2001 was written off against reserves by the Group. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31. In accordance with the transitional provisions of SSAP 30, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was not a policy to recognise such impairment losses, this change in accounting policy has been applied retrospectively and the impairment losses have been recognised as a prior year adjustment to opening retained earnings in accordance with SSAP 2.

The Group has performed an assessment of the fair value of goodwill that had previously been written off against reserves. As a result, the comparative accounts for 2001 have been restated to conform to the changed policy. As detailed in note 22 to the accounts, the closing retained earnings for 2001 have been reduced by approximately HK\$120,226,000 which is the amount of the adjustment in respect of impairment losses relating to the financial year ended 30th September, 2001.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(e) Fixed assets

(i) Leasehold land and buildings

Leasehold land and buildings are stated at valuation less accumulated depreciation and accumulated impairment losses. Independent valuations are performed on a regular basis. In the intervening years, the directors of the Company review the carrying value of the leasehold land and buildings and adjustment is made where there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit.

(ii) Depreciation of leasehold land and buildings

Leasehold land and buildings are depreciated over the period of the leases or their expected useful lives to the Group, whichever is shorter, to write off their valuation less accumulated impairment losses on a straight-line basis. The principal annual rate used for this purpose is 2%.

(iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their expected useful lives to the Group on the straight-line basis. The principal annual rates used for this purpose are:

Leasehold improvements	20%
Furniture and fixtures	20%
Computers and equipment	20 to 30%
Motor vehicles	30%

(iv) Impairment of fixed assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that any fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(v) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and shown as a movement in reserves.

(vi) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets 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.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(f) Leased assets

(i) Hire purchase contracts

Hire purchase contracts that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Hire purchase contracts 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 the long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under hire purchase contracts are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

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

(g) Investment in securities

(i) Investment securities

Investments which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss, representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Where there is objective evidence that individual investments are impaired, the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(ii) Trading investments

Trading investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits or losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Club debentures

Club debentures are carried at fair value.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost represents the invoiced cost of inventories, less volume discounts. In general, costs are assigned to individual items on a weighted average basis. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation.

(j) Trade receivables

Provision is made against trade receivables to the extent which they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(l) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(m) Contingent liabilities

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

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

(n) 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.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(o) Translation of foreign currencies

Transactions in foreign currencies, including investment 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 balance sheets of subsidiaries and a jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(p) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

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

Service and commission income are recognised when the services are rendered.

Dividend income is recognised when the right to receive payment is established.

(q) Retirement benefit costs

The Group's contributions payable to the Mandatory Provident Fund Scheme are charged to the profit and loss account.

(r) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(s) Segment reporting

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 costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables, deposits, prepayments and operating cash, and mainly exclude investment in a jointly controlled entity, investments in securities and club debentures. Segment liabilities comprise operating liabilities and exclude items such as deferred taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(t) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy.

As detailed in note 22 to the accounts, this change has resulted in an increase in opening retained earnings at 1st October, 2001 by approximately HK\$95,046,000 (1st October, 2000: HK\$100,628,000) which is the reversal of the provision for 2001 (2000) proposed final dividend previously recorded as a liability as at 30th September, 2001 (30th September, 2000) although not declared until after the balance sheet date.

2 TURNOVER, REVENUES AND SEGMENT INFORMATION

The Company is engaged in investment holding and its subsidiaries are principally engaged in trading of telecommunications products. Revenues recognised during the year are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Turnover		
Sale of goods	5,190,767	4,369,111
Others	5,255	3,470
	5,196,022	4,372,581
Other revenues		
Interest income	19,004	33,846
Commission income	475	2,908
Dividend income from trading investments	200	399
Others	—	58
	19,679	37,211
Total revenues	5,215,701	4,409,792

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (cont'd)

Primary reporting format - business segments

The Group is principally engaged in the trading of telecommunications products. Other operations of the Group mainly comprise provision of repair services of telecommunications products, and television programme syndication and events management.

There are no sales or other transactions between the business segments.

	Trading of telecommunications products 2002 HK\$'000	Other operations 2002 HK\$'000	Group 2002 HK\$'000
Turnover	5,190,767	5,255	5,196,022
Segment results	(118,913)	(34,240)	(153,153)
Finance costs			(11,003)
Share of loss of a jointly controlled entity			(835)
Provision for receivables from minority shareholders of a subsidiary		(39,615)	(39,615)
Loss before taxation			(204,606)
Taxation			(29,987)
Loss after taxation			(234,593)
Minority interests			—
Loss attributable to shareholders			(234,593)
Segment assets	2,171,559	12,227	2,183,786
Jointly controlled entity			1,168
Club debentures			12,301
Other unallocated assets			262,101
Total assets			2,459,356
Segment liabilities	1,387,264	12,001	1,399,265
Unallocated liabilities			235,405
Total liabilities			1,634,670
Capital expenditure	5,158	2,528	7,686
Depreciation	3,711	1,504	5,215
Impairment charges			59,878
Other non-cash expenses			469,445

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (cont'd)

Primary reporting format - business segments (cont'd)

	Trading of telecommunications products 2001 HK\$'000	Other operations 2001 HK\$'000	As restated (notes 1(d) & (t)) Group 2001 HK\$'000
Turnover	4,369,111	3,470	4,372,581
Segment results	559,295	(19,539)	539,756
Finance costs			(529)
Share of loss of a jointly controlled entity			(249)
Impairment of goodwill	(672)	(119,554)	(120,226)
Profit before taxation			418,752
Taxation			(84,500)
Profit after taxation			334,252
Minority interests		20,830	20,830
Profit attributable to shareholders			355,082
Segment assets	2,247,799	22,167	2,269,966
Jointly controlled entity			2,003
Investment securities			56,962
Club debentures			12,301
Other unallocated assets			62,404
Total assets			2,403,636
Segment liabilities	998,471	10,609	1,009,080
Unallocated liabilities			281,780
Total liabilities			1,290,860
Capital expenditure	5,451	943	6,394
Depreciation	3,315	1,394	4,709
Impairment charge			21,803
Other non-cash expenses			36,794

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (cont'd)

Secondary reporting format - geographical segments

The Group operates in two main geographical areas:

Mainland China - trading of telecommunications products, and television programme syndication and events management.

Hong Kong, Macau and Taiwan - trading of telecommunications products, provision of repair services of telecommunications products, and television programme syndication and events management.

The Group's inter-segment transactions mainly consist of trading of telecommunications products between different subsidiaries located in different geographical areas. The transactions were entered into at similar terms as that contracted with independent third parties and were eliminated on consolidation.

	Turnover 2002 HK\$'000	Segment results 2002 HK\$'000	Total assets 2002 HK\$'000	Capital expenditure 2002 HK\$'000
Mainland China	1,484,784	(62,010)	77,259	—
Hong Kong, Macau and Taiwan	3,711,238	(91,143)	2,106,527	7,686
	5,196,022	(153,153)	2,183,786	7,686
Jointly controlled entity			1,168	
Club debentures			12,301	
Other unallocated assets			262,101	
Total assets			2,459,356	
	Turnover 2001 HK\$'000	Segment results 2001 HK\$'000	Total assets 2001 HK\$'000	Capital expenditure 2001 HK\$'000
Mainland China	3,804,622	487,898	524,640	440
Hong Kong, Macau and Taiwan	567,959	51,858	1,745,326	5,954
	4,372,581	539,756	2,269,966	6,394
Jointly controlled entity			2,003	
Investment securities			56,962	
Club debentures			12,301	
Other unallocated assets			62,404	
Total assets			2,403,636	

3 OPERATING (LOSS)/PROFIT

	Group	
	2002 HK\$'000	As restated (note 1(d)) 2001 HK\$'000
Operating (loss)/profit is stated after crediting and charging the following:		
Crediting		
Gain on disposal of trading investments	—	1,147
Gain on the early redemption of a bank loan (note 24(b))	5,980	—
Net unrealised gain on trading investments	252	—
Realised exchange gain on investments in foreign currencies	6,968	39,482
Charging		
Auditors' remuneration	2,527	947
Bad debts written off	—	2,093
Cost of inventories sold, including provision for slow moving inventories of HK\$256,754,000 (2001: HK\$10,000,000)	4,757,805	3,642,937
Deficit on revaluation of leasehold land and buildings	569	—
Depreciation of owned fixed assets	5,156	4,645
Depreciation on fixed assets held under hire purchase contracts	59	64
Exchange loss	1,303	2,115
Impairment on investment securities (notes 13 and 22)	57,380	21,803
Impairment of fixed assets	2,498	—
Loss on disposal of trading investments	56	—
Loss on disposal of fixed assets	2,087	2,968
Net unrealised loss on trading investments	—	4,402
Operating lease on land and buildings	16,773	15,260
Provision for bad and doubtful debts	209,979	17,331
Retirement benefit costs	1,072	394
Staff costs including directors' remuneration (note 9)	89,046	94,613

4 FINANCE COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest on bank loans wholly repayable within five years	10,980	502
Interest element of hire purchase contracts	23	27
	11,003	529

5 TAXATION

- (a) The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax (note (i))	24,698	36,780
Overseas taxation (note (ii))	5,289	47,720
	29,987	84,500

- (i) Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year.
- (ii) The overseas tax provision is made in respect of Macau Complementary Income Tax by overseas subsidiaries. The applicable tax rate for the year is 15.75% (2001: 15.75%)
- (b) Taxation payable in the balance sheet represents liabilities of the Group in respect of Hong Kong profits tax and overseas taxation provided for the current and prior years less provisional tax paid.
- (c) In October 2002, the Inland Revenue Department of Hong Kong (the "IRD") issued estimated assessments to certain subsidiaries of the Group in respect of their potential taxation liabilities for the years of assessment from 1996/1997 to 2001/2002. The concerned subsidiaries have formally objected to the estimated assessments as, in the opinion of the Directors of the Company, these estimated assessments are incorrect. The outcome of the objections has yet to be determined. The Directors of the Company consider appropriate provision for taxation has already been made in the accounts and no further provision is required to be made in the accounts for the year ended 30th September, 2002.

Before the outcome of the objections can be determined, the Company has reached an agreement with the IRD to hold over payment of part of the estimated assessments. Pursuant to the agreement, the Company agreed to purchase certain amounts of tax reserve certificates of which a payment was made in December 2002 and the remaining balance is required to be settled by instalments before the end of 2003.

6 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of profit of approximately HK\$58,461,000 (2001 as restated: profit of HK\$202,591,000).

7 DIVIDENDS

	Group	
	2002 HK\$'000	2001 HK\$'000
Interim, paid, by the Company of HK\$0.018* (2001: HK\$0.017*) per ordinary share	93,000	78,446
Final, proposed, by the Company of HK\$ Nil (2001: HK\$0.020*) per ordinary share	—	95,046
	93,000	173,492

* The dividend per share has been adjusted for the effect of the share subdivision as described in note 20(a) to the accounts.

The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 30th September, 2000 and 2001 were HK\$100,628,000 and HK\$95,046,000 respectively. Under the Group's new accounting policy as described in note 1(t) to the accounts, these have been written back against opening reserves as at 1st October, 2000 and 2001 respectively in note 22 to the accounts and now charged in the period in which they were proposed.

8 (LOSS)/EARNINGS PER SHARE – GROUP

The calculation of basic and fully diluted (loss)/earnings per share are based on the Group's loss attributable to shareholders of HK\$234,593,000 (2001: restated profit of HK\$355,082,000).

The basic (loss)/earnings per share is based on the weighted average of 4,963,574,523 (2001: 4,610,861,287) ordinary shares in issue during the year.

The fully diluted (loss)/earnings per share is based on 5,057,264,545 (2001: 4,867,609,203) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 93,690,022 (2001: 256,747,916) ordinary shares deemed to be issued at no consideration if all outstanding warrants and options had been exercised.

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Independent Non-executive Directors fees	315	338
Executive Directors		
Basic salaries and allowances	16,523	6,343
Contributions to retirement fund	791	238
Discretionary bonuses	—	53,514
Commitment fees for existing Executive Directors entering into new service contracts	41,000	—
	58,629	60,433

During the year, none of the Directors of the Company had exercised their share options to subscribe ordinary shares of the Company.

As at 30th September, 2002, the outstanding options granted by the Company to an Executive Director of the Company were as follows:

Date of grant	Exercise price* HK\$	Exercisable period	Number of ordinary shares eligible for subscription under the share options*
26th April, 1999	0.150	25th May, 1999 to 24th May, 2009	100,000,000

* The number of share options and the exercise price have been adjusted following the share subdivision as described in note 20(a) to the accounts.

The closing market price of the Company's shares as at 30th September, 2002 was HK\$0.218 per share.

Apart from the aforesaid, no other emoluments have been paid to the Directors for the years ended 30th September, 2002 and 2001.

9 DIRECTORS' AND SENIOR MANAGERMENTS' EMOLUMENTS (cont'd)

(a) Directors' emoluments (cont'd)

The emoluments of the Directors fell within the following bands:

Emolument bands	Number of Directors	
	2002	2001
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$4,500,000	—	—
HK\$4,500,001 to HK\$5,000,000	1	—
HK\$5,000,001 to HK\$8,000,000	—	—
HK\$8,000,001 to HK\$8,500,000	—	1
HK\$8,500,001 to HK\$11,000,000	—	—
HK\$11,000,001 to HK\$11,500,000	—	2
HK\$11,500,001 to HK\$12,500,000	—	—
HK\$12,500,001 to HK\$13,000,000	1	—
HK\$13,000,001 to HK\$28,500,000	—	—
HK\$28,500,001 to HK\$29,000,000	—	1
HK\$29,000,001 to HK\$38,500,000	—	—
HK\$38,500,001 to HK\$39,000,000	1	—

No Directors have waived emoluments for the years ended 30th September, 2002 and 2001.

During the year, no amounts have been paid by the Group to the Directors as inducement to join the Group or as compensation for loss of office except for the commitment fees paid to certain existing Executive Directors for entering into new service contracts with the Company as disclosed above (2001: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four Directors (2001: four) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2001: one) individual during the year are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Basic salaries and allowances	1,262	817
Contributions to retirement fund	41	35
Bonuses	169	114
	1,472	966

The emoluments of the individual fall within the following bands:

	Number of individuals	
	2002	2001
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	1	—

10 FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Computers and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation						
At 1st October, 2001	8,000	1,470	4,204	9,506	5,299	28,479
Additions	—	5,893	401	1,392	—	7,686
Revaluation	(1,200)	—	—	—	—	(1,200)
Disposals	—	(2,235)	(438)	(1,540)	(347)	(4,560)
At 30th September, 2002	6,800	5,128	4,167	9,358	4,952	30,405
Accumulated depreciation and impairment						
At 1st October, 2001	471	413	2,352	3,437	2,445	9,118
Charge for the year	160	1,008	494	2,100	1,453	5,215
Impairment charges	—	672	281	1,545	—	2,498
Revaluation	(631)	—	—	—	—	(631)
Disposals	—	(878)	(210)	(806)	(85)	(1,979)
At 30th September, 2002	—	1,215	2,917	6,276	3,813	14,221
Net book value						
At 30th September, 2002	6,800	3,913	1,250	3,082	1,139	16,184
At 30th September, 2001	7,529	1,057	1,852	6,069	2,854	19,361

The analysis of the cost or valuation at 30th September, 2002 of the above assets is as follows:

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Computers and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	—	5,128	4,167	9,358	4,952	23,605
At 2002 professional revaluation	6,800	—	—	—	—	6,800
	6,800	5,128	4,167	9,358	4,952	30,405

10 FIXED ASSETS (cont'd)

Group (cont'd)

- (a) Leasehold land and buildings are situated in Hong Kong under long leases. The leasehold land and buildings are pledged to a bank to secure banking facilities granted to certain subsidiaries of the Group (note 24(a) to the accounts).
- (b) Leasehold land and buildings were revalued on an open market value basis as at 30th September, 2002 by DTZ Debenham Tie Leung, an independent firm of professional valuers. The deficit on revaluation of approximately HK\$569,000 was charged to the consolidated profit and loss account (note 3 to the accounts). The revaluation of the leasehold land and buildings does not constitute a timing difference for tax purposes.
- (c) The carrying amount of the leasehold land and buildings that would be included in the accounts had they been carried at cost less depreciation is HK\$9,953,000 (2001: HK\$10,179,000).
- (d) At 30th September, 2002, net book value of fixed assets held by the Group under hire purchase contracts amounted to approximately HK\$146,000 (2001: HK\$268,000).

Company

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Computers and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1st October, 2001	—	—	—	1,794	1,794
Additions	328	40	228	—	596
Disposals	(30)	—	—	—	(30)
At 30th September, 2002	298	40	228	1,794	2,360
Accumulated depreciation					
At 1st October, 2001	—	—	—	628	628
Charge for the year	57	4	56	538	655
Disposals	(7)	—	—	—	(7)
At 30th September, 2002	50	4	56	1,166	1,276
Net book value					
At 30th September, 2002	248	36	172	628	1,084
At 30th September, 2001	—	—	—	1,166	1,166

11 SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	191,093	191,093
Due from subsidiaries (note b)	719,274	709,117
Due to a subsidiary (note c)	(46,000)	—
	864,367	900,210

(a) Details of the principal subsidiaries are set out in note 27 to the accounts.

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(c) The amount due to a subsidiary is unsecured, interest bearing at HIBOR plus 1.5% and has no fixed terms of repayment.

12 JOINTLY CONTROLLED ENTITY

	Group	
	2002 HK\$'000	2001 HK\$'000
Unlisted investment, at cost	2,797	2,797
Share of post-acquisition loss and exchange differences	(1,629)	(794)
Share of net assets	1,168	2,003

Name	Place of establishment and operation	Principal activities	Percentage of interest
Shenzhen Kejian Samsung Mobile Communication Technology Co., Ltd. ("SKSMCT")	The People's Republic of China	Research and development on mobile phone technologies	30%

SKSMCT was established as an equity joint venture company with a joint venture period of 5 years. SKSMCT has a financial accounting period of 31st December which is not coterminous with the Group.

13 INVESTMENT SECURITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Equity securities, at fair value:		
Listed outside Hong Kong	—	1,110
Unlisted in Hong Kong (note)	—	55,852
	—	56,962
Market value of overseas listed equity securities	—	1,110

Note:

The investment securities held by the Group mainly represented equity interests in two unlisted companies engaged in software development businesses. Due to their poor financial results and the present difficult economic climates, the Directors of the Company have provided for full impairment charges for these investment securities during the current year.

The revaluation of investment securities does not constitute a timing difference for tax purposes.

14 INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Merchandise, at cost	674,742	605,605
Less: provision	(266,754)	(10,000)
	407,988	595,605

At 30th September, 2002, the carrying amount of inventories that are carried at net realisable value amounted to approximately HK\$180,583,000 (2001: HK\$ Nil).

15 TRADING INVESTMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Listed equity securities, at fair value:		
Hong Kong	648	11,424
Unlisted debt securities, at fair value:		
Hong Kong	261,453	50,980
	262,101	62,404
Market value of Hong Kong listed equity securities	648	11,424

16 TRADE RECEIVABLES

As at 30th September, 2002, the ageing analysis of the trade receivables was analysed as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within 30 days	427,815	391,648
31 - 60 days	147,537	238,728
61 - 90 days	68,464	105,725
Over 90 days	268,872	38,626
Less: provision	(238,107)	(28,128)
	674,581	746,599

The normal credit period granted to the customers of the Group is up to 90 days, except for sales made to certain creditworthy customers as approved by senior management of the Company of which a slightly longer credit period may be granted.

17 TRADE AND BILLS PAYABLES

	Group	
	2002 HK\$'000	2001 HK\$'000
Trade payables	28,523	105,413
Bills payables	1,026,407	651,216
	1,054,930	756,629

All of the trade payables of the Group as at 30th September, 2002 and 2001 were aged less than 30 days.

18 LONG-TERM LIABILITIES

	Note	Group	
		2002 HK\$'000	2001 HK\$'000
Long-term bank loans repayable:	18(a) & 24		
Within one year		78,634	325
In the second year		156,465	93,891
In the third to fifth year		—	187,208
		235,099	281,424
Obligations under hire purchase contracts repayable:	18(b)		
Within one year		73	73
In the second year		73	73
In the third to fifth year		82	155
Less: future finance charges on hire purchase contracts		(53)	(76)
		175	225
Total long-term liabilities		235,274	281,649
Less: current portion of long-term liabilities		(78,688)	(375)
		156,586	281,274

18 LONG-TERM LIABILITIES (cont'd)

	Note	Company	
		2002 HK\$'000	2001 HK\$'000
Long-term bank loans repayable:	18(c) & 24		
Within one year		78,232	—
In the second year		156,465	93,566
In the third to fifth year		—	187,131
Total long-term liabilities		234,697	280,697
Less: current portion of long-term liabilities		(78,232)	—
		156,465	280,697

(a) Included in the long-term bank loans is a balance of approximately HK\$402,000 (2001: HK\$727,000) which is secured by the leasehold land and buildings of the Group (note 10(a)). The remaining balance of HK\$234,697,000 (2001: HK\$280,697,000) is secured by a corporate guarantee given by a subsidiary of the Company.

(b) The present value of obligations under hire purchase contracts is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	54	50
In the second year	58	54
In the third to fifth year	63	121
	175	225

(c) The balance is secured by a corporate guarantee given by a subsidiary of the Company.

19 DEFERRED TAXATION

The deferred taxation was provided for accelerated depreciation allowances of the Group. There was no material unprovided deferred taxation for the year.

20 SHARE CAPITAL

	Authorised			
	Ordinary shares of HK\$0.01 each		Ordinary shares of HK\$0.10 each	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
At 1st October, 2000	—	—	2,000,000	200,000
Subdivision of each share of HK\$0.10 each into ten shares of HK\$0.01 each (note a)	20,000,000	200,000	(2,000,000)	(200,000)
At 30th September, 2001 and 30th September, 2002	20,000,000	200,000	—	—
	Issued and fully paid			
	Ordinary shares of HK\$0.01 each		Ordinary shares of HK\$0.10 each	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
At 1st October, 2000	—	—	454,283	45,428
Exercise of warrants	—	—	1,074	107
Exercise of options	—	—	19,800	1,980
Sub-division of each share of HK\$0.10 each into ten shares of HK\$0.01 each (note a)	4,751,568	47,515	(475,157)	(47,515)
Exercise of warrants	305	3	—	—
At 30th September, 2001	4,751,873	47,518	—	—
At 1st October, 2001	4,751,873	47,518	—	—
Exercise of warrants (note b)	414,101	4,141	—	—
At 30th September, 2002	5,165,974	51,659	—	—

- (a) By an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 22nd August, 2001, every ordinary share of HK\$0.10 in the issued and unissued share capital of the Company is subdivided into ten ordinary shares of HK\$0.01 each.
- (b) During the year, 414,100,705 and 111 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.23 and HK\$0.68 per share respectively to certain warrant holders on the exercise of their warrants at a total cash consideration of approximately HK\$95,243,000.

21 SHARE OPTIONS AND WARRANTS

(a) Share options

Under a share option scheme approved by the shareholders of the Company on 16th March, 1999, the Directors of the Company may, at their discretion, invite employees, including Executive Directors of the Company, to take up options to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein.

Details of share options granted by the Company pursuant to the share option scheme and the options outstanding at 30th September, 2002 were as follows:

Date of grant	Exercise price* HK\$	Exercisable period	Balance outstanding as at 1st October, 2001*	Share options granted during the year*	Share options exercised during the year*	Share options lapsed during the year*	Balance outstanding as at 30th September, 2002*
Executive Director							
26th April, 1999	0.150	25th May, 1999 to 24th May, 2009	100,000,000	—	—	—	100,000,000
Employees							
15th November, 2000	0.715	15th November, 2000 to 14th November, 2010	3,300,000	—	—	1,500,000#	1,800,000

* The number of share options and the exercise price have been adjusted following the share subdivision as described in note 20(a) to the accounts.

These share options lapsed during the year upon the resignation of certain employees.

(b) Warrants

On 31st March, 1999, the Company issued warrants ("2002 Warrants"), at nil consideration, to the Company's shareholders on that day conferring rights to subscribe for a total of 80,000,000 ordinary shares (before the adjustment for the effect of share subdivision as described in note 20(a)) at the initial subscription price of HK\$2.34 per share.

Upon the share subdivision on 22nd August, 2001 (note 20(a)), the exercise price of the outstanding 2002 Warrants was changed from HK\$2.34 per one ordinary share of HK\$0.10 each to HK\$0.23 per one ordinary share of HK\$0.01 each.

21 SHARE OPTIONS AND WARRANTS (cont'd)

(b) Warrants (cont'd)

These 2002 Warrants are exercisable from 31st March, 1999 to 8th April, 2002, both dates inclusive. The total number of outstanding 2002 Warrants on 1st October, 2001 was 415,189,353.

During the year, 414,100,705 ordinary shares of HK\$0.01 each of the Company were issued at a subscription price of HK\$0.23 per share to certain warrant holders on the exercise of their 2002 Warrants at a total cash consideration of approximately HK\$95,243,000 (see note 20(b)). On 8th April, 2002, the remaining total of 1,088,648 2002 Warrants lapsed on the expiry of the exercisable period.

On 27th August, 2001, the Company issued warrants ("2004 Warrants"), at nil consideration, to the Company's shareholders on that day conferring rights to subscribe for a total of 527,951,988 ordinary shares of HK\$0.01 each (after the adjustment for the effect of share subdivision as described in note 20(a) to the accounts) at the initial subscription price of HK\$0.68 per share. These 2004 Warrants are exercisable from 27th August, 2001 to 26th August, 2004, both dates inclusive. None of the 2004 Warrants were exercised up to 30th September, 2001.

During the year, 111 ordinary shares of HK\$0.01 each of the Company were issued at a subscription price of HK\$0.68 per share to certain warrant holders on the exercise of their 2004 Warrants at a total cash consideration of approximately HK\$80.

As at 30th September, 2002, the Company had outstanding 527,951,877 2004 Warrants, amounting to approximately HK\$359,007,000. Exercise in full of such warrants would result in the issue of 527,951,877 additional ordinary shares of HK\$0.01 each in the Company.

22 RESERVES - GROUP

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st October, 2000, as previously reported	216,374	2,450	160	(11,303)	(95)	459,439	667,025
Effect of adopting SSAP 9 (revised) (note 1(t))	—	—	—	—	—	100,628	100,628
At 1st October, 2000, as restated	216,374	2,450	160	(11,303)	(95)	560,067	767,653
Issue of shares pursuant to the exercise of warrants	2,472	—	—	—	—	—	2,472
Issue of shares pursuant to the exercise of options	28,302	—	—	—	—	—	28,302
Deficit on revaluation of investment securities	—	—	—	(10,918)	—	—	(10,918)
Goodwill eliminated	(672)	—	—	—	—	—	(672)
Impairment of goodwill during the year (note 1(d))	120,226	—	—	—	—	—	120,226
Investment revaluation reserve transferred to profit and loss account upon impairment of investment securities	—	—	—	21,803	—	—	21,803
Exchange differences	—	—	—	—	188	—	188
Profit for the year, restated	—	—	—	—	—	355,082	355,082
Additional final dividend for previous year	—	—	—	—	—	(189)	(189)
2000 final dividend paid (note 7)	—	—	—	—	—	(100,628)	(100,628)
2001 interim dividend paid (note 7)	—	—	—	—	—	(78,446)	(78,446)
At 30th September, 2001	366,702	2,450	160	(418)	93	735,886	1,104,873
Representing:							
2001 final dividend proposed						95,046	95,046
Others						640,840	1,009,827
Retained earnings at 30th September, 2001						735,886	1,104,873
Company and subsidiaries	366,702	2,450	160	(418)	97	736,676	1,105,667
A jointly controlled entity	—	—	—	—	(4)	(790)	(794)
At 30th September, 2001	366,702	2,450	160	(418)	93	735,886	1,104,873

22 RESERVES - GROUP (cont'd)

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st October, 2001, as previously reported	246,476	2,450	160	(418)	93	761,066	1,009,827
Effect of adopting SSAP 9 (revised) (note 1(t))	—	—	—	—	—	95,046	95,046
Effect of adopting SSAP 30 (note 1(d))	120,226	—	—	—	—	(120,226)	—
At 1st October, 2001, as restated	366,702	2,450	160	(418)	93	735,886	1,104,873
Issue of shares pursuant to the exercise of warrants (note 21(b))	91,102	—	—	—	—	—	91,102
Investment revaluation reserve transferred to profit and loss account upon impairment of investment securities	—	—	—	418	—	—	418
Exchange differences	—	—	—	—	8	—	8
Loss for the year	—	—	—	—	—	(234,593)	(234,593)
Additional final dividend for previous year	—	—	—	—	—	(735)	(735)
2001 final dividend paid (note 7)	—	—	—	—	—	(95,046)	(95,046)
2002 interim dividend paid (note 7)	—	—	—	—	—	(93,000)	(93,000)
At 30th September, 2002	457,804	2,450	160	—	101	312,512	773,027
Representing:							
2002 final dividend proposed						—	—
Others						312,512	773,027
Retained earnings at 30th September, 2002						312,512	773,027
Company and subsidiaries	457,804	2,450	160	—	105	314,137	774,656
A jointly controlled entity	—	—	—	—	(4)	(1,625)	(1,629)
At 30th September, 2002	457,804	2,450	160	—	101	312,512	773,027

22 RESERVES - COMPANY (cont'd)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st October, 2000, as previously reported	527,021	160	—	24,073	551,254
Effect of adopting SSAP 9 (revised) (note (a))					
2000 final dividend receivable from subsidiaries	—	—	—	(120,000)	(120,000)
2000 final dividend proposed	—	—	—	100,628	100,628
At 1st October, 2000, as restated	527,021	160	—	4,701	531,882
Issue of shares pursuant to the exercise of warrants	2,472	—	—	—	2,472
Issue of shares pursuant to the exercise of options	28,302	—	—	—	28,302
Profit for the year, as restated	—	—	—	202,591	202,591
Additional final dividend for the previous year (note (c))	—	—	—	(189)	(189)
2000 final dividend paid	—	—	—	(100,628)	(100,628)
2001 interim dividend paid	—	—	—	(78,446)	(78,446)
At 30th September, 2001	557,795	160	—	28,029	585,984

22 RESERVES - COMPANY (cont'd)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings/ (Accumulated loss) HK\$'000	Total HK\$'000
At 1st October, 2001, as previously reported	557,795	160	—	32,983	590,938
Effect of adopting SSAP 9 (revised) (note (a))					
2001 final dividend receivable from subsidiaries	—	—	—	(100,000)	(100,000)
2001 final dividend proposed	—	—	—	95,046	95,046
At 1st October, 2001, as restated	557,795	160	—	28,029	585,984
Issue of shares pursuant to the exercise of warrants (note 21(b))	91,102	—	—	—	91,102
Exchange differences	—	—	17	—	17
Profit for the year	—	—	—	58,461	58,461
Additional final dividend for the previous year (note (c))	—	—	—	(735)	(735)
2001 final dividend paid	—	—	—	(95,046)	(95,046)
2002 interim dividend paid	—	—	—	(93,000)	(93,000)
At 30th September, 2002	648,897	160	17	(102,291)	546,783

Note:

- (a) After the balance sheet date at 30th September, 2001 (30th September, 2000), the Company's subsidiaries and the Company declared 2001 (2000) final dividend of approximately HK\$100,000,000 (2000: HK\$120,000,000) and HK\$95,046,000 (2000: HK\$100,628,000) respectively. In accordance with the revised SSAP 9 (note 1(t)), the Group no longer recognises such dividend income and liability at the balance sheet date and as such the opening retained earnings at 1st October, 2001 (1st October, 2000) has been restated as above.
- (b) The Company had a distributable reserve, of approximately HK\$547 million as at 30th September, 2002 (2001 as restated: HK\$586 million), represented by share premium less accumulated loss of the Company. Under the Companies Law (2001 Second Revision) of the Cayman Islands, share premium of the Company is distributable to the members, subject to a solvency test.
- (c) Additional final dividend for previous year represented dividend payment for ordinary shares issued, on the date after the final dividend for previous year was declared, under the exercise of warrants.

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK\$'000	As restated (note 1(d)) 2001 HK\$'000
(Loss)/Profit before taxation	(204,606)	418,752
Deficit on revaluation of leasehold land and buildings	569	—
Depreciation of owned fixed assets	5,156	4,645
Depreciation of fixed assets held under hire purchase contracts	59	64
Share of loss of a jointly controlled entity	835	249
Impairment on investment securities	57,380	21,803
Impairment of fixed assets	2,498	—
Net unrealised (gain)/loss on trading investments	(252)	4,402
Loss/(Gain) on disposal of trading investments	56	(1,147)
Loss on disposal of fixed assets	2,087	2,968
Decrease/(Increase) in inventories	187,617	(261,197)
Decrease/(Increase) in trade receivables, deposits, prepayments and other receivables	97,088	(257,064)
Increase/(Decrease) in trade and bills payables, other payables and accrued charges	384,754	(113,350)
Decrease in time deposits pledged for banking facilities	318,308	434,857
Dividend income from trading investments	(200)	(399)
Interest income	(19,004)	(33,846)
Interest on bank loans	10,980	502
Interest element of hire purchase contracts	23	27
Realised exchange gain on investments in foreign currencies	(6,968)	(39,482)
Impairment of goodwill	—	120,226
Gain on the early redemption of a bank loan	(5,980)	—
Provision for receivables from minority shareholders	39,615	—
Net cash inflow from operating activities	870,015	302,010

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

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

	As restated (note 1(d)) Share capital including share premium HK\$'000	Minority interests HK\$'000	Bank loans HK\$'000	Obligations under hire purchase contracts HK\$'000
At 1st October, 2000	261,802	(18,284)	1,052	250
Goodwill eliminated	(672)	—	—	—
Purchase of interest in a subsidiary	—	257	—	—
Minority interests in share of loss	—	(20,830)	—	—
Cash inflow/(outflow) from financing	32,864	(758)	280,372	(25)
Impairment of goodwill for the year	120,226	—	—	—
At 30th September, 2001	414,220	(39,615)	281,424	225
At 1st October, 2001	414,220	(39,615)	281,424	225
Provision for receivables from minority shareholders	—	39,615	—	—
Gain on the early redemption of a bank loan	—	—	(5,980)	—
Cash inflow/(outflow) from financing	95,243	—	(40,345)	(50)
At 30th September, 2002	509,463	—	235,099	175

24 BANKING FACILITIES

(a) As at 30th September, 2002, banking facilities of approximately HK\$1,366 million (2001: HK\$2,306 million) were granted by banks to the Group, of which approximately HK\$1,350 million (2001: HK\$1,156 million) have been utilised by the Group and were secured by the following:

- (i) first legal charges over the Group's leasehold land and buildings in Hong Kong (note 10);
- (ii) nil charges on time deposits of the Group (2001: HK\$318 million);
- (iii) charges on debt securities held by the Group amounting to approximately HK\$261million (2001: HK\$51 million); and
- (iv) corporate guarantees given by the Company and certain subsidiaries of the Group.

24 BANKING FACILITIES (cont'd)

(a) (cont'd)

In addition, as part of the on-going conditions for granting banking facilities for trade finance amounting to approximately HK\$655 million (2001: HK\$435 million), included in the banking facilities mentioned above, to the Group by certain banks, a former Executive Director, Mr. SZE Tsang Fai, Johnny and an Executive Director, Mr. SY Ethan, Timothy, have undertaken to jointly maintain beneficial holding of not less than 35% of the Company's issued shares.

Subsequent to the year end, the banking facilities of the Group were reduced to approximately HK\$196 million and certain conditions and charges for granting banking facilities were released accordingly.

- (b) In September 2001, the Company entered into a Transferable Term Loan Agreement (the "Agreement") with certain banks (the "Banks") and borrowed approximately HK\$280,697,000 which is repayable in six equal quarterly instalments starting from June 2003.

On 30th September, 2002, one of the Banks decided to withdraw its operations and business from Hong Kong and therefore transferred its participation of HK\$46,000,000 in the Agreement to a wholly owned subsidiary of the Group at a consideration of HK\$40,020,000. Accordingly, a gain on the early redemption of the loan of HK\$5,980,000 is recognised by the Group during the current year.

- (c) As at 30th September, 2002, certain financial covenants and undertakings of the Agreement described in note 24(b) above were breached by the Company.

Pursuant to the Agreement, if the Company breaches any of its obligations and undertakings under the Agreement and the breach remains unremedied, the Banks may, by notice to the Company,:

- (i) cancel the facilities and require the Company immediately to repay the advances together with accrued interest and all other sums payable under the Agreement, whereupon they shall become immediately due and payable; or
- (ii) place the facilities on demand, whereupon the advances together with accrued interest and all other sums payable under the Agreement shall become repayable on demand by the Banks.

The Directors are in the process of negotiation with the Banks for ratification of such breaches. In the opinion of the Directors, the above matter will not have significant adverse financial impact to the Group. In any event, the Directors believe that the Group has sufficient financial resources to cover obligations under the Agreement.

25 CONTINGENT LIABILITIES

- (a) The Company provided corporate guarantees in favour of certain banks to secure banking facilities granted to certain subsidiaries of the Group (note 24 to the accounts).
- (b) (i) Included in the terms of the sale and purchase agreement in connection with the acquisition of Calaview Assets Limited and Sino Media Group (SMG) Limited (the "Acquired Companies") in 2000, the Group is liable to pay the vendor HK\$35 million, contingent on the successful listing on any recognised stock exchange by any one of the Acquired Companies.
- (ii) Sino Media Group (SMG) Limited and its wholly owned subsidiary, Chinese Infobank Company Limited (the "Companies") entered into an agreement with China Sports Film & Television Company Limited relating to the syndication of television programme on China Sports Broadcasting Network on 1st October, 1999. The Companies have made an annual license fee commitment amounting to RMB15 million for eight years from 1st January, 2000 to 31st December, 2007. As at today, the Companies have accrued but yet to settle the license fee payable of approximately RMB15 million overdue since September 2001.

As described in note 28 to the accounts, the shareholders and directors of the Acquired Companies have decided to wind up the Companies subsequent to year end and as such, the Directors of the Company are of the opinion that the contingent liabilities as mentioned in (b) (i) and (ii) above will not be crystallised.

26 COMMITMENTS

(a) Operating lease commitment

As at 30th September, 2002, the Group had future aggregate minimum lease payments under non-cancellable operating lease as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Not later than one year	23,939	14,624
Later than one year and not later than five years	11,654	12,067
	35,593	26,691

(b) Other commitment

Saved as disclosed in note 25(b)(ii), the Group has no other commitment as at 30th September, 2002.

27 PRINCIPAL SUBSIDIARIES

As at 30th September 2002, the principal subsidiaries of the Company are as follows:

Subsidiary	Country/place of incorporation/ establishment and operation	Issued/ registered and fully paid up capital	Percentage of equity held by the Company		Principal activities
			Direct	Indirect	
Chinese Infobank Company Limited (notes (a), (b), (c) & 28)	The People's Republic of China	Ordinary US\$3,000,000	—	51	Television programme syndication and events management
Charm Glory International Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Trading of telecommunications products
Eastjet Enterprises Limited	British Virgin Islands/ Taiwan	Ordinary US\$1	—	100	Trading of telecommunications products
Linkcorp Technologies Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Trading of telecommunications products
Linktech Hong Kong Limited	Hong Kong	Ordinary HK\$2	—	100	Provision of repairing services
New Eagle Technology Limited	Hong Kong	Ordinary HK\$10,000	—	100	Trading of telecommunications products
New Focus Technology Limited	Hong Kong	Ordinary HK\$100	—	100	Trading of telecommunications products
Prosperous Fields Limited	Niue/The People's Republic of China	Ordinary US\$1,000	—	100	Provision of liaison services to group companies
Sino Media Group (SMG) Limited (notes (a), (b) & 28)	Hong Kong	Ordinary HK\$2	—	51	Television programme syndication and events management
Sun Brilliant Development Limited	Hong Kong	Ordinary HK\$2	—	100	Trading of telecommunications products

27 PRINCIPAL SUBSIDIARIES (cont'd)

Subsidiary	Country/place of incorporation/ establishment and operation	Issued/ registered and fully paid up capital	Percentage of equity held by the Company		Principal activities
			Direct	Indirect	
Techglory International (China) Limited	British Virgin Islands/ Macau	Ordinary US\$3,000	—	100	Trading of telecommunications products
Techglory International Limited	Hong Kong	Ordinary HK\$1,388,000	—	100	Trading of telecommunications products
Top Marks Technology Limited	British Virgin Islands	Ordinary US\$1	—	100	Investment holding
Wah Fai (Holdings) Limited	Hong Kong	Ordinary HK\$1,000,000	—	100	Property holding

- (a) These subsidiaries have financial accounting period of 31st March which are not coterminous with the Group.
- (b) Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net liabilities of subsidiaries not audited by PricewaterhouseCoopers were not material to the Group's total net assets.
- (c) This subsidiary was a foreign wholly-owned enterprise established in the People's Republic of China.

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

28 SUBSEQUENT EVENTS

Saved as disclosed in other notes to the accounts, significant event after the balance sheet date is as follows:

Pursuant to the resolutions passed in an Extraordinary General Meeting of Sino Media Group (SMG) Limited and a Directors' Meeting of Chinese Infobank Company Limited on 6th January, 2003, these two subsidiary companies of the Company will be under members' voluntary liquidation.

29 ULTIMATE HOLDING COMPANY

The Directors regard Optimum Pace International Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

30 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 28th January, 2003.