(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants ("HKSA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

As at 31 March 2003, the Group's current liabilities exceeded its current assets by approximately $6,184,000. The sustainability of the Group is dependent on its ability to successfully implement its business development plans, which are dependent on, among other things, adequate financing being continuously available to the Group to fund the developing operations, before sufficient cash flows are generated from such operations. The directors of the Company have evaluated all the relevant facts available to them, including the undertaking from a major shareholder to provide financial support to the Group, and are of the opinion that there does not exist any material adverse conditions precluding the Group from implementing its business development plans. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might be necessary should the going concern basis not be applicable.

The measurement basis used in the preparation of the financial statements is historical cost modified by the marking to market of investment securities as explained in the accounting policies set out in 1(e)(iii).

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries *(continued)*

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(h)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

(d) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over an estimated useful life of 20 years. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(h)).

On disposal of a controlled subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account is included in the calculation of the profit or loss on disposal.

(e) Investments in securities

The Group's policies for investments in securities other than investments in subsidiaries are as follows:

(i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuation in price or dealer's margin.

(iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Fixed assets

(i) Fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(g)) and impairment losses (see note 1(h)).

(ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(g) Depreciation

Depreciation is calculated to write off the cost of fixed assets in use on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	4 to 10 years or over the remaining term of the respective leases, whichever is shorter
Fibre-optic network	20 years
Plant and machinery	7 years
Furniture, fixtures and equipment	4 to 5 years or over the remaining term of the respective leases, whichever is shorter
Motor vehicles	4 to 5 years

(h) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets;
– investments in subsidiaries; and
– positive goodwill.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of assets *(continued)*

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

(i) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments are charged to the profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets *(continued)*

(ii) Operating leases charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(k) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

(iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Rental income of fibre-optic network

Rental income receivable under operating leases in respect of fibre-optic network is recognised on a straight-line basis over the periods of the respective leases.

(ii) Servicing fees

Servicing fees receivable in respect of telecommunications and technology-related services are recognised upon the rendering of the services.

(iii) Sales of trading securities

Proceeds from disposal of trading securities are accounted for on a trade date basis.

(iv) Investment advisory fees

Investment advisory fee income is recognised when the service is rendered, the income can be reliably estimated and it is probable that the revenue will be received.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Revenue recognition *(continued)*

(v) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the interest rate applicable.

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses arising on foreign currency translation are dealt with in the profit and loss account.

The results of companies outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a company outside Hong Kong, the cumulative amount of the exchange differences which relate to that company is included in the calculation of the profit or loss on disposal.

(p) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(q) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

2 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 35.

Turnover represents the aggregate of servicing fees receivable from the provision of telecommunications and technology-related services, proceeds from sales of trading securities and investment advisory fees receivable from the provision of capital market advisory services for the year. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2003	2002
	$'000	$'000
Telecommunications and technology-related services	**2,304**	5,543
Strategic investments and capital market activities	**89,332**	–
	91,636	5,543

3 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Telecommunications and technology-related services : Provision of telecommunications and technology-related services

Strategic investments and capital market activities : Participation in primary securities market and provision of capital market advisory services

	Telecommunications and technology-related services		Strategic investments and capital market activities		Unallocated		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**2,304**	5,543	**89,332**	–	**–**	–	**91,636**	5,543
Segment result	**2,779**	(19,402)	**13,171**	–	**–**	–	**15,950**	(19,402)
Unallocated operating income and expenses							**(4,481)**	(3,260)
Profit/(loss) from operations							**11,469**	(22,662)
Finance costs							**(5,796)**	(18,613)
Non-operating income/(expenses), net	**–**	(305,000)	**–**	–	**275**	(18,600)	**275**	(323,600)
Profit/(loss) from ordinary activities before taxation							**5,948**	(364,875)
Taxation							**18**	–
Profit/(loss) attributable to shareholders							**5,966**	(364,875)
Depreciation and amortisation for the year	**701**	3,509	**938**	–	**29**	378	**1,668**	3,887
Impairment losses for the year	**–**	305,000	**–**	–	**–**	–	**–**	305,000
Segment assets	**395,039**	397,285	**63,273**	–	**10,942**	1,122	**469,254**	398,407
Segment liabilities	**(322)**	(10,998)	**(3,579)**	–	**(92,205)**	(189,070)	**(96,106)**	(200,068)
Capital expenditure incurred during the year	**270**	1,550	**80,000**	–	**8**	8	**80,278**	1,558

The Group does not have any inter-segment sales.

3 SEGMENT REPORTING *(continued)*

Geographical segments

The Group participates in two principal economic environments: Hong Kong and other areas of China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		**Other areas of China**		**Consolidated**	
	2003	2002	**2003**	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**4,784**	5,543	**86,852**	–	**91,636**	5,543
Segment result	**(5,190)**	(14,693)	**21,140**	(4,709)	**15,950**	(19,402)
Segment assets	**68,914**	3,389	**400,340**	395,018	**469,254**	398,407
Segment liabilities	**(92,910)**	(192,401)	**(3,196)**	(7,667)	**(96,106)**	(200,068)
Capital expenditure incurred during the year	**80,278**	1,551	**–**	7	**80,278**	1,558

4 OTHER NET INCOME

	2003	2002
	$'000	$'000
Bank interest income	**2**	12
Other interest income	**–**	4,698
Loss on disposal of fixed assets	**(1,178)**	(7,079)
Bad debts recovery	**–**	10,199
Write back of provision for closure of data centres	**7,471**	–
Others	**293**	306
	6,588	8,136

(Expressed in Hong Kong dollars)

5 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging:

		2003	2002
		$'000	$'000
(a)	Finance costs:		
	Interest on bank loans and overdrafts, convertible bonds and other loans repayable within five years	**5,450**	18,594
	Loans arrangement fee	**345**	–
	Finance charges on obligation under finance lease	**1**	19
		5,796	18,613
(b)	Staff costs:		
	Contributions to defined contribution plan	**57**	430
	Salaries, wages and other benefits	**5,712**	10,295
		5,769	10,725
(c)	Other items:		
	Auditors' remuneration	**794**	1,330
	Depreciation		
	– owned assets	**756**	3,780
	– assets held under finance lease	**8**	107
	Operating lease charges in respect of properties, data centres and leaselines	**2,812**	3,947
	Unrealised loss on trading securities carried at fair value	**1,680**	–
	Amortisation of goodwill	**904**	–
	Bad debts provision	**377**	451

6 NON-OPERATING INCOME/(EXPENSES), NET

		2003	2002
	Note	**$'000**	$'000
Gain on disposal of subsidiaries	6(a)	**275**	3,395
Impairment losses on fixed assets	13(b)	**–**	(305,000)
Provision for diminution in value of investment securities	16	**–**	(33,150)
Gain on disposal of investment securities		**–**	11,155
		275	(323,600)

6 NON-OPERATING INCOME/(EXPENSES), NET *(continued)*

(a) In order to rationalise its business structure and performance, the Group disposed of certain subsidiaries during the year and recorded an aggregate gain of $275,000 (2002: $3,395,000) on disposal of these subsidiaries. The net liabilities of these subsidiaries as at the date of disposal were $16,561,000, including an amount due to the Group of $13,843,000. The carrying value of goodwill relating to disposed subsidiaries as at the date of disposal was $2,443,000.

Aggregate turnover and loss from ordinary activities after taxation of the disposed subsidiaries for the period from 1 April 2002 to the dates of disposals amounted to $1,011,000 and $1,430,000 respectively.

7 TAXATION

(a) **Taxation in the consolidated profit and loss account represents:**

	2003	2002
	$'000	$'000
Over-provision for Hong Kong Profits Tax in respect of prior years	**18**	–

The provision for Hong Kong Profits Tax is calculated at 16% (2002: 16%) on the estimated assessable profits. No provision for Hong Kong Profits Tax has been made as the subsidiaries either sustained a loss for taxation purposes or did not earn any assessable income during the year.

For the years ended 31 March 2003 and 2002, no provision for taxation outside Hong Kong has been made as the subsidiaries outside Hong Kong either sustained a loss for taxation purpose or had a tax exemption.

(b) **Tax recoverable in the consolidated balance sheet represents:**

	The Group	
	2003	2002
	$'000	$'000
Provisional Hong Kong Profits Tax paid	**505**	–

(c) No deferred tax asset in respect of the unutilised tax losses carried forward, which are available to set off against future assessable profits, has been recognised as it is uncertain that these tax losses will be utilised in the foreseeable future.

(Expressed in Hong Kong dollars)

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003	2002
	$'000	$'000
Fees	**240**	360
Salaries and other emoluments	**635**	581
Retirement scheme contributions	**13**	83
	888	1,024

Included in directors' remuneration were fees of $240,000 (2002: $360,000) paid to the independent non-executive directors during the year.

The remuneration of the directors is within the following bands:

	Number of directors	
	2003	2002
$Nil – $1,000,000	**8**	6

There were no amounts paid during the years ended 31 March 2003 and 2002 to directors in connection with their retirement from employment with the Company, or inducement to join the Company. No directors' emoluments was waived during the year ended 31 March 2003 (2002: $747,000).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2002: one) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2002: four) individuals are as follows:

	2003	2002
	$'000	$'000
Salaries and other emoluments	**2,935**	2,606
Retirement scheme contributions	**15**	91
	2,950	2,697

The emoluments of the four (2002: four) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2003	2002
$Nil – $1,000,000	**4**	4

10 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit/(loss) attributable to shareholders includes a loss of $27,177,000 (2002: loss of $634,609,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 March 2003 (2002: $Nil).

12 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit attributable to shareholders of $5,966,000 (2002: loss of $364,875,000) and the weighted average of 999,328,000 ordinary shares (2002: 566,381,000) in issue during the year.

The weighted average number of shares outstanding for the year ended 31 March 2002 has been restated for the effects of the open offer (note 24(c)) and capital reorganisation (note 24(d)) during the year ended 31 March 2003.

(b) Diluted earnings per share

The calculation of diluted earnings per share for 2003 is based on the profit attributable to ordinary shareholders of $6,231,000 and the weighted average number of ordinary shares of 1,082,136,000 shares after adjusting for the effects of all dilutive potential ordinary shares.

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 March 2002.

(c) Reconciliations

	2003
	$'000
Net profit attributable to shareholders used in calculating basic earnings per share	**5,966**
Deemed interest expense saved as a result of the conversion of the diluted potential ordinary shares	**265**
Net profit attributable to shareholders used in calculating diluted earnings per share	**6,231**

12 EARNINGS/(LOSS) PER SHARE *(continued)*

(c) Reconciliations *(continued)*

	2003 Number of shares ('000)
Weighted average number of ordinary shares used in calculating basic earnings per share	**999,328**
Deemed issue of ordinary shares for no consideration	**82,808**
Weighted average number of ordinary shares used in calculating diluted earnings per share	**1,082,136**

13 FIXED ASSETS

(a) The Group

	Leasehold improvements	Fibre-optic network under construction	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
At 1 April 2002	186	947,723	2,340	24	395	950,668
Additions						
– through acquisition of subsidiaries	–	–	122	833	–	955
– others	199	–	56	23	–	278
Disposals	(385)	–	(2,518)	(123)	(395)	(3,421)
At 31 March 2003	–	947,723	–	757	–	948,480
Accumulated depreciation and impairment losses:						
At 1 April 2002	167	552,723	385	6	231	553,512
Charge for the year	218	–	443	95	8	764
Through acquisition of subsidiaries	–	–	8	719	–	727
Written back on disposal	(385)	–	(836)	(81)	(239)	(1,541)
At 31 March 2003	–	552,723	–	739	–	553,462
Net book value:						
At 31 March 2003	–	395,000	–	18	–	395,018
At 31 March 2002	19	395,000	1,955	18	164	397,156

13 FIXED ASSETS *(continued)*

(b) The fibre-optic network is owned by certain wholly-owned subsidiaries of the Group. The directors had performed an assessment of the recoverable amount of the fibre-optic network. Based on this assessment, the directors are of the opinion that the recoverable amount of the fibre-optic network as at 31 March 2003 exceeds the carrying amount. The estimate of the recoverable amount as at 31 March 2003 has been arrived at after taking into account the consideration receivable in respect of the disposal of a 12.5% equity interest in the fibre-optic network on 18 July 2003 at a consideration of $50,000,000 (note 32(b)) and the expected future cash flows from the fibre-optic network.

As at 31 March 2002, the carrying amount of the fibre-optic network was written down from $700 million to $395 million (included in "Non-operating income/(expenses)").

(c) At 31 March 2003, no fixed assets was held under finance leases (2002: $164,000).

14 GOODWILL

	Note	**Positive goodwill** $'000
Cost:		
At 1 April 2002		–
Addition through acquisition of subsidiaries	26(a)	56,661
Disposal of subsidiaries	26(b)	(2,443)
At 31 March 2003		54,218
Accumulated amortisation:		
At 1 April 2002		–
Amortisation for the year		904
At 31 March 2003		904
Carrying amount:		
At 31 March 2003		53,314
At 31 March 2002		–

Positive goodwill is recognised as expenses on a straight-line basis over 20 years. The amortisation of positive goodwill for the year is included in "Other operating expenses" in the consolidated profit and loss account.

15 INTERESTS IN SUBSIDIARIES

	The Company	
	2003	2002
	$'000	$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**1,162,158**	1,078,152
Less: Provision	**(671,538)**	(660,716)
	490,620	417,436
Amounts due to subsidiaries	**(50,544)**	(19,333)
	440,077	398,104

Balances with subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of the principal subsidiaries are set out in note 35 on the financial statements.

16 INVESTMENTS IN SECURITIES

(a) Investment securities

	The Group	
	2003	2002
	$'000	$'000
Unlisted equity securities, at cost	**109,200**	109,200
Less: Provision for diminution in value	**(109,200)**	(109,200)
	–	–

(b) Trading securities

	The Group	
	2003	2002
	$'000	$'000
Equity securities listed in Hong Kong, at market value	**5,320**	–

At 31 March 2003, equity securities listed in Hong Kong of $5,320,000 (2002: $Nil) were pledged as security for other loan of $1,009,000 (2002: $Nil) (note 22).

Subsequent to the year end, the Company disposed of certain trading securities with market value of $2,280,000 as at 31 March 2003 at a consideration of $2,340,000. On the date of the financial statements approved by the Board, the market value of the above remaining trading securities was approximately $1,800,000.

17 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	The Group	
	2003	2002
	$'000	$'000
Accounts receivable	**4,135**	284
Deposits, prepayments and other receivables	**25**	780
	4,160	1,064

All of the accounts receivable and other receivables are expected to be recovered within one year.

Included in accounts receivable and other receivables are accounts receivable (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2003	2002
	$'000	$'000
Within 3 months	**595**	44
More than 3 months but less than 1 year	**233**	240
More than 1 year	**3,307**	–
	4,135	284

The credit terms granted to customers by the Group range from 30 days to 90 days.

Accounts receivable of $3,307,000 which was aged more than 1 year as at 31 March 2003 has been subsequently settled after the year end.

18 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents in the balance sheet	**10,937**	187	10,047	133
Bank overdrafts (note 20)	**(2,840)**	(7,992)		
Cash and cash equivalents in the cash flow statement	**8,097**	(7,805)		

19 ACCOUNTS PAYABLE AND OTHER PAYABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Accounts payable	**27**	126	**–**	–
Other payables and accrued charges	**5,186**	18,303	**2,128**	8,542
	5,213	18,429	**2,128**	8,542

All of the accounts payable and other payables are expected to be settled within one year.

Included in accounts payable and other payables are accounts payable with the following ageing analysis:

	The Group	
	2003	2002
	$'000	$'000
Due after 1 month but within 3 months	**27**	126

20 BANK LOANS AND OVERDRAFTS

Bank loans and overdrafts are unsecured and repayable within 1 year or on demand as follows:

	The Group	
	2003	2002
	$'000	$'000
Bank overdrafts (note 18)	**2,840**	7,992
Bank loans	**–**	3,115
	2,840	11,107

21 OBLIGATION UNDER FINANCE LEASE

At 31 March 2003, the Group did not have any obligation under finance lease after the termination of the finance lease during the year.

At 31 March 2002, the Group had obligation under finance lease repayable as follows:

	The Group		
	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	$'000	$'000	$'000
2002			
Within 1 year	91	7	98
After 1 year but within 2 years	32	1	33
	123	8	131

22 OTHER LOANS

Other loans are repayable within 1 year or on demand as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Secured (note 16(b))	**1,009**	–	**–**	–
Unsecured	**17,413**	97,164	**17,413**	97,164
	18,422	97,164	**17,413**	97,164

At 31 March 2003 and 2002, other loans are interest bearing at prime rate plus 3% per annum and have no fixed repayment terms. All outstanding other loans at 31 March 2003 were fully repaid after the year end.

23 CONVERTIBLE BONDS

	The Group and the Company	
	2003	2002
	$'000	$'000
Current		
4% convertible bonds (note 23(a))	**631**	23,614
Non-current		
4% convertible bonds (note 23(a))	**–**	631
5% convertible bonds (note 23(b))	**7,000**	49,000
2% convertible bonds (note 23(c))	**62,000**	–
	69,000	49,631

(a) The convertible bonds ("4% Bonds") bear interest at a fixed rate of 4% per annum payable bi-annually. During the year, part of the 4% Bonds of $23,614,000 were repaid in full to bondholders as none of them were converted into ordinary shares of the Company.

The remaining of $631,000 are convertible after 14 April 2002 but on or before 13 April 2003 into ordinary shares of the Company at the fixed conversion price, subject to adjustment in certain events, of $0.10 per share (the "4% Conversion Price"). As a result of the capital reorganisation and the open offer in August 2001 and May 2002 (note 24(c)) respectively, the 4% Conversion Price has been adjusted to $0.05 per share. Following the capital reorganisation on 30 July 2002 (note 24(d)), the 4% Conversion Price was adjusted to $1 per ordinary share.

In the event of full conversion of the 4% Bonds at the adjusted 4% Conversion Price, 631,000 new ordinary shares of the Company would be issued. These 4% Bonds of $631,000 were repaid in full to the bondholder after the year end as none of them were converted into ordinary shares of the Company.

(b) The convertible bonds ("5% Bonds") of $100,000,000, which were issued on 26 June 2001, bear interest at a fixed rate of 5% per annum payable bi-annually.

The 5% Bonds are convertible on any business day, prior to 5 business days before 25 June 2004 into ordinary shares of the Company. The 5% Bonds were convertible into ordinary shares of the Company at the lower of the fixed conversion price, subject to adjustment in certain events, of $0.10 per share (the "5% Conversion Price"), and the floating conversion price (being 93% of the arithmetic average of any 4 closing prices per share during the 20 consecutive trading days immediately prior to the relevant exercise date), provided that such price shall exceed the nominal value of the ordinary share, otherwise the conversion price shall be the nominal value of the ordinary shares.

After the capital reorganisation in August 2001, the 5% Conversion Price was adjusted to $0.05 per ordinary share.

23 CONVERTIBLE BONDS *(continued)*

As a result of the open offer in May 2002 (note 24(c)), the 5% Conversion Price was further adjusted to $0.04 per ordinary share. Following the capital reorganisation on 30 July 2002 (note 24(d)), the 5% Conversion Price was adjusted to $0.80 per ordinary share.

Up to 31 March 2003, the conversion rights of the 5% Bonds in the aggregate amount of $93,000,000 were exercised as follows:

	Value of conversion rights $'000	**Number of ordinary shares** ('000)	**Range of conversion price**
During the year ended 31 March 2002	51,000	2,163,235	$0.015 -$0.10
During the year ended 31 March 2003	42,000	262,500	$0.16
	93,000	2,425,735	

In the event of full conversion of the remaining $7,000,000 5% Bonds at the adjusted 5% Conversion Price after taking into account the placing undertaken in May 2003 (note 32(a)), 9,790,000 new ordinary shares of the Company would be issued at the adjusted 5% Conversion Price of $0.715 per ordinary share. These 5% Bonds, if not converted into ordinary shares on or by 5 business days before 25 June 2004, will be repaid to the bondholder.

(c) The convertible bonds ("2% Bonds") of $80,000,000, which were issued to a related party (note 30(c)) on 13 December 2002, bear interest at a fixed rate of 2% per annum payable bi-annually.

The 2% Bonds are convertible on any business day, prior to 5 business days before 12 December 2004 into ordinary shares of the Company. The 2% Bonds are convertible into ordinary shares of the Company at the lower of the fixed conversion price, subject to adjustment in certain events, of $0.36 per share (the "2% Conversion Price"), and the floating conversion price (being 92% of the arithmetic average of the 4 lowest closing prices per share during the 20 consecutive trading days immediately prior to the relevant exercise date), provided that such price shall exceed the nominal value of the ordinary share, otherwise the conversion price shall be the nominal value of the ordinary shares.

On 13 January 2003, the conversion rights of the 2% Bonds in the aggregate amount of $18,000,000 were exercised and 112,500,000 ordinary shares were allotted and issued to the bondholder at $0.16 per ordinary share.

In the event of full conversion of the remaining $62,000,000 2% Bonds at the adjusted 2% Conversion Price after taking into account the placing undertaken in May 2003 (note 32(a)), 188,450,000 new ordinary shares of the Company would be issued at the adjusted 2% Conversion Price of $0.329 per ordinary share. These 2% Bonds, if not converted into ordinary shares on or by 5 business days before 12 December 2004, will be repaid to the bondholder.

24 SHARE CAPITAL

	2003 Number of shares ('000)	2003 $'000	2002 Number of shares ('000)	2002 $'000
Authorised:				
Ordinary shares of $0.01 each	**100,000,000**	**1,000,000**	100,000,000	1,000,000
Issued and fully paid:				
At 1 April	**12,438,299**	**124,383**	5,037,532	503,753
Capital reorganisation	**–**	**–**	5,237,532	(419,002)
Issue of shares on conversion of bonds	**–**	**–**	2,163,235	39,632
Shares issued on subscription (note 24(c))	**6,219,150**	**62,192**	–	–
Capital reorganisation (note 24(d))	**(17,724,576)**	**(177,246)**	–	–
Issue of shares on conversion of 5% Bonds (note 23(b))	**262,500**	**2,625**	–	–
Issue of shares on conversion of 2% Bonds (note 23(c))	**112,500**	**1,125**	–	–
At 31 March	**1,307,873**	**13,079**	12,438,299	124,383

(a) Warrants subscription rights

Pursuant to an ordinary resolution passed on 10 January 2000, a bonus issue of warrants was issued to the Company's shareholders at 31 January 2000, in the proportion of one warrant for every five ordinary shares of $0.10 each, entitling the holders thereof to subscribe in cash for new ordinary shares at an initial subscription price of $0.38 per ordinary share up to 3 February 2003.

Effective from the latest capital reorganisation on 30 July 2002 (note 24(d)), the subscription price was adjusted to $3.60 per ordinary share.

These subscription rights which have not been exercised on or before 30 January 2003 have lapsed and the warrants have ceased its validity for any purpose. None of these warrants were exercised during the year.

(b) Share options

At a special general meeting held on 29 July 2002, the Company passed a resolution to terminate the 2000 Scheme, which was adopted on 30 June 2000. The 2002 Scheme was adopted in order to comply with recent changes to the Listing Rules with respect to share option scheme.

Upon termination of the 2000 Scheme, 9,829,000 outstanding share options lapsed as the relevant grantees have unconditionally and irrevocably consent to waive their exercise rights previously granted by the Company.

24 SHARE CAPITAL *(continued)*

(b) Share options *(continued)*

Under the 2002 Scheme, the directors are authorised, at their discretion, to offer eligible participants, being employees (whether full time or part time), business consultants, agents, financial or legal advisors whom the directors consider, in sole discretion, have contributed to the Group, options to subscribe for new shares. The directors are authorised to determine the subscription price for an ordinary share granted to eligible participants. Such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of offer, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of offer; and (c) the nominal value of an ordinary share.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any requirements at the time of granting any particular option. Upon acceptance of the option, the grantee is required to pay a consideration of $1.00 for each lot of share options granted on or before the 30 days after the option is offered.

The period within which the shares must be taken up under an option will be determined by the directors at their discretion but will not be later than 10 years after the date of adoption of the 2002 Scheme.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme, and any other schemes, if any, must not exceed 30% of the number of shares of the Company in issue from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2002 Scheme and any other share option scheme(s) of the Company (including exercised and outstanding options) to each eligible participants in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

The 2002 Scheme expires on 29 July 2012. No option has been granted by the Company pursuant to the terms of the 2002 Scheme since the inception of the 2002 Scheme.

(c) Open offer

On 8 May 2002, an open offer of 6,219,150,000 new ordinary shares of $0.01 each was made to the Company's qualifying shareholders at a subscription price of $0.018 per ordinary share and on the basis of one offer share for every two existing ordinary shares held on 23 April 2002, for an aggregate consideration after expenses of approximately $108,843,000. The new ordinary shares under this open offer were fully subscribed.

24 SHARE CAPITAL *(continued)*

(d) Capital reorganisation

Pursuant to a special resolution passed on 29 July 2002, a capital reorganisation was undertaken on 30 July 2002 which involved:

– share consolidation on the basis that every twenty issued and unissued shares of $0.01 each in the capital of the Company were consolidated into one consolidated share of $0.20 each.

– The nominal value of each of the consolidated shares in issue was reduced from $0.20 to $0.01 by cancelling $0.19 paid up on each issued consolidated share and the subdivision of each unissued consolidated share of $0.20 each into twenty new shares of $0.01 each and as a result, an amount of $177,246,000 was credited to the contributed surplus account pursuant to the Companies Act 1981 of Bermuda and the bye-laws of the Company.

– An amount of $1,701,352,000 was applied to eliminate part of the accumulated losses of the Company.

25 RESERVES

(a) The Group

	Share premium	**Contributed surplus**	**Accumulated losses**	**Total**
	$'000	$'000	$'000	$'000
At 1 April 2001	1,973,962	–	(1,965,501)	8,461
Issue of shares on conversion of 5% Bonds	11,368	–	–	11,368
Capital reorganisation	–	419,002	–	419,002
Loss for the year	–	–	(364,875)	(364,875)
At 31 March 2002	1,985,330	419,002	(2,330,376)	73,956
At 1 April 2002	1,985,330	419,002	(2,330,376)	73,956
Shares issued on subscription (note 24(c))	46,651	–	–	46,651
Issue of shares on conversion of 5% Bonds (note 23(b))	39,375	–	–	39,375
Capital reorganisation (note 24(d))	(1,701,352)	177,246	1,701,352	177,246
Issue of shares on conversion of 2% Bonds (note 23(c))	16,875	–	–	16,875
Profit for the year	–	–	5,966	5,966
At 31 March 2003	386,879	596,248	(623,058)	360,069

25 RESERVES *(continued)*

(b) The Company

	Share premium $'000	Contributed surplus $'000	Accumulated losses $'000	Total $'000
At 1 April 2001	1,973,962	15,538	(1,690,358)	299,142
Issue of shares on conversion of 5% Bonds	11,368	–	–	11,368
Capital reorganisation	–	419,002	–	419,002
Loss for the year	–	–	(634,609)	(634,609)
At 31 March 2002	1,985,330	434,540	(2,324,967)	94,903
At 1 April 2002	1,985,330	434,540	(2,324,967)	94,903
Shares issued on subscription (note 24(c))	46,651	–	–	46,651
Issue of shares on conversion of 5% Bonds (note 23(b))	39,375	–	–	39,375
Capital reorganisation (note 24(d))	(1,701,352)	177,246	1,701,352	177,246
Issue of shares on conversion of 2% Bonds (note 23(c))	16,875	–	–	16,875
Loss for the year	–	–	(27,177)	(27,177)
At 31 March 2003	386,879	611,786	(650,792)	347,873

(c) Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium account.

In the opinion of the directors, as at 31 March 2003, the Company has no reserves available for distribution to its shareholders (2002: $Nil).

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

On 2 April 2002 and 13 December 2002, the Group acquired the entire equity interest of Wellrose Profits Limited and its subsidiary for $1, satisfied in cash, and REXCAPITAL (Hong Kong) Limited for $80,000,000, satisfied by the issuance of convertible bonds.

	$'000
Net assets acquired:	
Fixed assets	228
Stocks	13
Accounts receivable and other receivables	30,466
Cash and cash equivalents	1,247
Accounts payable and other payables	(3,497)
Tax payable	(5,118)
Net identifiable assets	23,339
Positive goodwill arising on consolidation	56,661
Total purchase price, satisfied by issuance of convertible bonds	80,000

Analysis of the net cash inflow in respect of the acquisition of subsidiaries:

	$'000
Cash and cash equivalents of the subsidiary acquired	1,247

(b) Disposal of subsidiaries

	2003	2002
	$'000	$'000
Net liabilities disposed of:		
Fixed assets	**–**	8,818
Accounts receivable and other receivables	**479**	2,735
Cash and cash equivalents	**8**	53
Accounts payable and other payables	**(3,205)**	(13,370)
Obligations under finance leases	**–**	(32)
Net identifiable liabilities	**(2,718)**	(1,796)
Positive goodwill relating to subsidiaries disposed of	**2,443**	–
Gain on disposal	**275**	3,395
Disposal proceeds	**–**	1,599
Disposal proceeds offset with other payable (note)	**–**	(1,599)
Cash and cash equivalents of subsidiaries disposed of	**(8)**	(53)
Net cash outflow from disposal of subsidiaries	**(8)**	(53)

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Disposal of subsidiaries *(continued)*

Note:

During the year ended 31 March 2002, the Group entered into a settlement agreement with a third party. Under this settlement agreement, shares in a subsidiary and certain listed investments were disposed of at a consideration of $1,599,000 and $2,751,000 respectively, which was completely offset against an amount due to this third party of $4,350,000.

27 COMMITMENTS

(a) Commitments under operating leases

At 31 March 2003, the total future minimum lease payments under non-cancellable operating leases relating to properties are payable as follows:

	The Group	
	2003	2002
	$'000	$'000
Within 1 year	**486**	299

The Group leases a number of offices under operating leases. The leases typically run for an initial period of 1 year, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect the market rentals. None of the lease includes contingent rentals.

(b) Investment commitments

As at 31 March 2003, the Group was committed to make capital contributions totalling $45,000,000 (2002: $65,000,000) to certain subsidiaries in China.

28 CONTINGENCIES

Bank guarantees

As at 31 March 2003, corporate guarantees given by the Company to a bank in respect of banking facilities granted to a subsidiary amounted to $8,000,000 (2002: $11,107,000).

29 OUTSTANDING LITIGATION

Significant litigation as at 31 March 2003 and up to the date of these financial statements is summarised as follows:

On 21 September 1999, a former director of the Company, Mr Wong Chong Shan, commenced proceedings in the High Court against the Company claiming a sum of $5,000,000. Mr Wong Chong Shan alleged that he paid the said sum on the Company's behalf in August 1997 to a third party as deposit and that the Company failed to make repayment to him. The directors have considered the matter and are of the opinion that since no positive steps have been taken by Mr Wong Chong Shan to prosecute the action since 10 December 1999, it is not necessary at this stage to make a provision in the financial statements for these proceedings.

30 MATERIAL RELATED PARTY TRANSACTIONS

Particulars of material related party transactions are as follows:

	Note	**2003**	2002
		$'000	$'000
Interest expense			
– other loan, unsecured	30(a)	**2,334**	14,725
– other loan, secured	30(b)	**10**	–
– convertible bonds	30(c)	**389**	–
		2,733	14,725
Arrangement fee	30(a)	**345**	–
Commission	30(d)	**724**	–
Operating lease charges in respect of properties	30(e)	**270**	–
Underwriting fee	30(f)	**492**	–

Particulars of material balances with related parties are as follows:

	Note	**2003**	2002
		$'000	$'000
Unsecured and interest bearing loans from related companies	30(a)	**17,413**	97,164
Secured and interest bearing loan from a related company	30(b)	**1,009**	–
Convertible bonds	23(c)	**62,000**	–
Convertible bonds interest payable	30(c)	**389**	–
Operating lease charges in respect of properties payable	30(e)	**270**	–

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(a) During the year, short-term loans were advanced to the Group by certain related companies (the "Lenders"). The loans due to the Lenders are unsecured, interest bearing at prime rate plus 3% per annum and have no fixed repayment terms.

Interest expense payable to the Lenders for the year ended 31 March 2003 amounted to $2,334,000 (2002: $14,725,000).

Credit facilities of up to $70 million (2002: $Nil) were granted to the Group by the Lenders. Arrangement fee in respect of the credit facilities amounted to $345,000 (2002: $Nil) was paid to the Lenders.

(b) During the year, a short-term loan was advanced to the Group by a related company. The loan due to this related company is interest bearing at prime rate plus 3% per annum and secured by certain equity securities listed in Hong Kong with market value of $5,320,000.

Interest expense paid to this related company for the year ended 31 March 2003 amounted to $10,000 (2002: $Nil).

Credit facilities of $5 million (2002: $Nil) were granted to the Group by this related company.

(c) During the year, the Group entered into an agreement with a vendor (the "Vendor") to acquire the entire equity interest of a company engaged in the provision of investment advisory services, at a consideration of $80,000,000 satisfied by the issue of convertible bonds to the nominee of the Vendor.

Convertible bonds amounted to $18,000,000 were converted into ordinary shares of the Company during the year and $62,000,000 remained outstanding at 31 March 2003.

Interest expense payable to the Vendor for the year ended 31 March 2003 amounted to $389,000 (2002: $Nil), which has been included in "Other payables and accrued charges".

(d) During the year, trading securities were bought and sold through a broker firm (the "Broker Firm"). The sales and purchases of trading securities excluding any commission expenses through the Broker Firm for the year ended 31 March 2003 amounted to $86,852,000 (2002: $Nil) and $75,501,000 (2002: $Nil) respectively.

Commission expense incurred in respect of the sales and purchases of trading securities amounted to $724,000 for the year ended 31 March 2003 (2002: $Nil).

(e) During the year, operating lease charges of $270,000 (2002: $Nil) were payable to a related company for the use of office premises. The balance of operating lease charges payable was included in "Other payables and accrued charges".

(f) During the year, underwriting fee was paid to an underwriter (the "Underwriter") in respect of an open offer (note 24(c)). The underwriting fee amounted to $492,000 for the year ended 31 March 2003 (2002: $Nil).

Mr Victor Chan, a director and a major shareholder of the Company, is a director and beneficial shareholder of the related companies in notes 30(a) to 30(f). Ms Elizabeth Lee, a director of the Company, is a director of the related companies in notes 30(a) to 30(e). Ms Lee is also a beneficial shareholder of the related companies in notes 30(c), 30(d) and 30(e) and a beneficial shareholder of one of the related companies in note 30(a). However, since March 2003, Ms Lee ceased to be a beneficial shareholder of the related company in note 30(e).

31 RETIREMENT BENEFIT SCHEMES

The Group participates in Mandatory Provident Fund Schemes ("the MPF Schemes") for all its employees and executive directors in Hong Kong. The MPF Schemes are registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Funds Schemes Ordinance. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of an independent third party trustee. Pursuant to the rules of the MPF Schemes, the Group and its employees are each required to make contributions to the schemes at specific rates. Contributions of the Group to the MPF Schemes are charged to the profit and loss account as incurred.

The Group has no obligations for payments of employee retirement benefits beyond the contributions described above.

32 POST BALANCE SHEET EVENTS

(a) A placing of 180,000,000 new shares of $0.10 each was taken place on 5 May 2003. The consideration after expenses was approximately $17,500,000. The placing was fully placed with investors.

(b) On 18 July 2003, the Group entered into agreements with an independent third party for the disposal of a 12.5% equity interest in REXCAPITAL Infrastructure Limited, an intermediate holding company investing in the fibre-optic network, at a consideration of $50,000,000, to be satisfied in cash. The Group will record a gain of $625,000 on this transaction.

33 IMPACT OF SEVERE ACUTE RESPIRATORY SYNDROME ("SARS")

The Group's operations have been affected since the year end as a result of the outbreak of SARS in Hong Kong and Mainland China and whose impact on the Group was first felt in March 2003. Whilst the impact of the SARS outbreak on the Group's operations for the year ended 31 March 2003 was not significant, following the year end, the outbreak has resulted in a decrease in revenue due to a reduction in investment and capital market advisory activities. However, the directors are of the opinion that the Group's operation is gradually recovering and barring any unforeseen circumstances, the Group's operating result in the coming year is not expected to be significantly affected.

34 COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.

(Expressed in Hong Kong dollars)

35 PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ operation	Issued and fully paid capital/ registered capital	Percentage of equity attributable to the Group %	Principal activities
REXCAPITAL Enterprises Limited	Hong Kong	2 $1 shares	100	Provision of management services
REXCAPITAL Infrastructure Limited	British Virgin Islands	1 US$1 share	100	Investment holding
Silver Lake Assets Limited	British Virgin Islands	1 US$1 share	100	Investing in fibre-optic network
廣州宏永利通信工程有限公司*	China	$30,000,000	100	Investing in fibre-optic network
廣州恒盛昌通信工程有限公司*	China	$30,000,000	100	Investing in fibre-optic network

(Expressed in Hong Kong dollars)

35 PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Issued and fully paid capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
			%	
Golden Chino Limited @	British Virgin Islands	1 US$1 share	100	Participation in primary securities market
REXCAPITAL (Hong Kong) Limited	Hong Kong	10,000,000 $1 shares	100	Provision of investment advisory services

@ Subsidiary held directly by the Company.

* These two entities were Sino-foreign cooperative joint venture ("the Joint Ventures") established by the Group jointly with companies controlled by an independent third party. The Group is responsible for paying up the registered capital of the Joint Ventures and providing further funding to the Joint Ventures in form of shareholders' loan, if required. Any distributable profits of the Joint Ventures are required to be firstly paid to the Group up to an aggregate amount of the registered capital and shareholder's loan provided by the Group and may then be distributed between the Group and the joint venture partner in the ratio of 92:8. Based on the terms of joint venture agreements and articles of association of the Joint Ventures, the Company's directors are of the opinion that the Joint Ventures are controlled by the Group. Accordingly, the Joint Ventures have been accounted for as subsidiaries and included in the consolidated financial statements for the year.