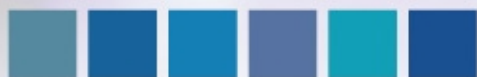




enewmedia

ANNUAL REPORT

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e-New Media Company Limited

CONTENTS



01	Corporate Information
02	Chairman's Statement
03	Management Discussion and Analysis
09	Biographies of Directors and Senior Management
11	Notice of Annual General Meeting
13	Report of the Directors
19	Report of the Auditors
20	Consolidated Income Statement
21	Consolidated Balance Sheet
23	Balance Sheet
24	Consolidated Statement of Changes in Equity
25	Consolidated Cash Flow Statement
27	Notes on the Financial Statements
61	Group Structure
64	Five Year Summary



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Joseph LEUNG Wing-kong (*Chairman*)
James C. NG (*Chief Executive Officer*)
Derek LEUNG Wai-choi
YEUNG Wing-tung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond LAU Wai-pun
Jen CHEN

COMPANY SECRETARY

CHENG Pui-man

AUDITORS

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited
JPMorgan Private Bank
Agricultural Bank of China
International Bank of Asia Limited

SOLICITORS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

Suite 1502, 15th Floor
Chinachem Golden Plaza
77 Mody Road, Tsimshatsui East
Kowloon, Hong Kong

INCORPORATION IN HONG KONG

27 April 1966

LISTING

16 November 1972

NO. OF EMPLOYEES

224

WEB SITE

www.ewmedia.com

STOCK CODE

Hong Kong Stock Exchange: 0128
American Depositary Receipt: ENEWY

CORPORATE COMMUNICATIONS

Tel : (852) 2594 0615
Fax : (852) 2827 1491
Email : info@ewmedia.com



CHAIRMAN'S STATEMENT

Year 2002 was another difficult year for the Group. The Group recorded a turnover of HK\$193,359,000 for the year, representing a decrease of 54%. The loss attributable to shareholders was HK\$119,435,000, representing a decrease of 40%. The decrease in turnover was primarily due to further shrinkage of the telecommunications business under the prevailing adverse trading environment.

Year 2003 continues to be a challenging year given the economic uncertainties. The most important task for the Group is to establish a stable revenue stream while maintaining stringent cost control. The Group made further investment in the bio-medical industry during the year and will continue to look for new business and investment opportunities.

The Management Discussion and Analysis is set out on pages 3 to 8.

I am grateful for the contribution and hard work of our management team and staff members towards the Group. And at the same time, I express my sincere thanks for the continued support from shareholders and business partners.

Joseph LEUNG Wing-kong

Chairman

Hong Kong, 10 April 2003

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded turnover of HK\$193,359,000 for the year and reported an after-tax loss of HK\$119,435,000. The reported loss represents a 40% decrease when compared with the trading result of 2001 resulting from improvement in unrealised loss on investments and continued cost cutting discipline.

OVERALL SUMMARY

Management has continued in its efforts to improve the operations of the two recreational clubs. The club in Shanghai showed substantial improvement in turnover. After year-long negotiations, joint venture partners have been identified to turn the Shanghai club premises into a spa resort hotel that will position itself to service a more affluent customer base. Turnover of the club in Hong Kong was affected by local market conditions, though its operation remained satisfactory through streamlining of costs.

After an initial investment in Cardima, a medical device company engaged in the research, development and commercialisation of equipment for treatment of a type of irregular heartbeat disease, this bio-medical direction was reinforced through an investment in Genovate, a Taiwan-based pharmaceuticals manufacturer. Management intends to expand bio-medical investment in the Greater China area through its excellent referrals network.

The International Premium Rate Services ("IPRS") business continued to stagnate. This business is recognised for having dramatic cyclical trends. While having ventured into some resurgent areas, the cost base is being continually restructured to achieve scalability in line with market conditions.

Overall, some selective investments have been made over the last two years. However, being cognizant of the high multiples often used in the valuation of high-tech companies, preservation of liquidity has been a primary consideration. This has proven to be a prudent policy. In the coming fiscal year, management will continue its efforts to identify value-added investment opportunities.

RECREATIONAL CLUB***Shanghai***

Following a series of cost reduction and sales promotion programmes, the performance of the Shanghai Hilltop Country Club ("Club") has improved with around 60% increase in sales revenue compared to 2001.

In order to cope with the needs and tastes generated by the influx of foreign businessmen as well as the increase in high-end consumers in Shanghai, the final stage has been reached in negotiations with strategic partners to collaborate in turning the Club into a spa resort with a 4-Star hotel complex. These partners include Chinese and Taiwanese parties which have significant experience in managing spas, health clubs and hotels. Such transformation should enable the Club to attract Taiwanese expatriate customers, as well as affluent members of Shanghai's indigenous population and, at the same time, prepare the Club for the coming Shanghai World Expo in 2010.

Hong Kong

Hong Kong's economy was seriously impacted by the global slowdown of 2002. However, despite the unfavourable economic environment, the Hong Kong Hilltop Country Club performed satisfactorily compared to the previous year. While the economic climate is likely to remain unchanged for the first half of 2003, the management objective is to maintain the customer base and increase the usage of club facilities for meetings, seminars, association gatherings, festive programmes, family sports, entertainment, social activities and restaurant & catering services.

BIO-MEDICAL***Cardima Inc ("Cardima")***

This California-based medical device company, listed on the US NASDAQ, is developing an innovative micro-catheter for the treatment of atrial fibrillation (irregular heartbeat), which afflicts an estimated 4.5 million individuals worldwide. Cardima has completed its Phase III clinical trial under the US Food and Drug Administration ("US FDA") regulations, the preliminary results of which have demonstrated safety and promising efficacy. On 20 September 2002, Cardima submitted Pre-Market Application ("PMA") to the US FDA and is now awaiting approval.

Under a private placement, a further 694,444 newly issued shares of Cardima were acquired at US\$0.72 per share in August 2002. Together with shares previously held, the holding in Cardima was approximately 8% at year end.

BIO-MEDICAL (CONTINUED)

Genovate Biotechnology Company Limited (“Genovate”)

Genovate (founded in Taiwan in 1993 by Genelabs Technologies, Inc of the USA) is a fully integrated pharmaceutical company, encompassing in its operations: new drug development and new formulation capability; clinical trials for local and international pharmaceutical companies; drug manufacturing with a plant that meets the US FDA standards for current Good Manufacturing Practice; marketing and distribution network in Taiwan; and cost-competitive custom services such as formulation design, development and manufacture for clients such as BMS, Abbott, Roche and others. In addition, the newly developed drug “Prestara”, co-developed by Genelabs Technologies and Genovate for anti-lupus treatment, received an approvable letter from the FDA in August 2002. Subject to a successful confirmation clinical trial, the market launch of the product is expected to be in 2004.

In December 2002, 12 million newly issued ordinary shares of Genovate, representing 14.4% of the enlarged total issued share capital, were subscribed for at a consideration of NT\$120 million (approximately HK\$26,801,000).

TELECOMMUNICATIONS INCLUDING INTERNATIONAL PREMIUM RATE SERVICES (“IPRS”)

The difficult trading conditions reported in the 2001 Annual Report continued throughout the current reporting period. Telecommunications worldwide reported a continued slump, highlighted further in the USA by the problems encountered by operators of “900” services and the events surrounding the share price collapse and financial difficulties of major US listed telecommunications companies. Similar problems were faced by many of the major European telecommunications companies. The dissolution of various joint ventures, formation of new joint ventures, consolidation and acquisitions amongst major carriers have, to some degree, added a different dynamic to business relationships.

Nevertheless, there remain pockets of opportunity which the Group is keen to exploit. One example is a collaborative venture entered into with an established operator in the IPRS business. At the time of reporting, it has commenced operation and is generating a satisfactory traffic volume.

Within this business environment, management has undertaken further major actions to contain costs, particularly in relation to significant fixed-overhead reductions in infrastructure (telecommunication switch installations, leased lines, call centres and maintenance arrangements, etc) supporting non-profitable or marginally viable traffic routes and services. Efforts have also continued unabated to collect outstanding and overdue payments from final transit carriers and to hasten traffic declarations from originating and/or intermediate telecommunications companies.

TELECOMMUNICATIONS INCLUDING INTERNATIONAL PREMIUM RATE SERVICES ("IPRS") (CONTINUED)

In line with focusing on a smaller number of higher volume originating markets, management has also been involved and, devoted significant time to seeking to consolidate its relationships with a key group of termination points.

While generally the Short Message Services ("SMS") business in China has been successful, our SMS operation in Hong Kong market has not taken off as expected. Compared to China, the low in-payment rate of calls and the high cost of SMS transmission charged by local mobile carriers have hindered the growth of the business in Hong Kong. Management has decided to withdraw from the Group's SMS business in Hong Kong and look for SMS business opportunities in China.

OTHER INVESTMENTS

The following summary provides an update on other major investments made or committed to so far:

ChinaPay.com Holdings Limited ("ChinaPay")

ChinaPay is a 49% shareholder of ChinaPay E-Payment Service Company Limited ("ChinaPay E-Payment"), which is China's premier On-line Payments Service Provider. With the support of China UnionPay ("YinLian"), the other 51% shareholder, ChinaPay E-Payment was established with the goal of building a unified, national payment system for China. The system allows for payments to be made instantaneously from and to any bank anywhere in the country. It provides payment and money transfer services for consumers and business, as well as between consumers and merchants in a convenient, safe, and fast manner. ChinaPay E-Payment's offerings fill a market void left open by inadequate traditional payment options.

By the summer of 2000, ChinaPay E-Payment's predecessor has begun providing payment services in the Shanghai region in conjunction with Shanghai's SNET Golden Card Network that was established by the Shanghai branch of the People's Bank of China and the local branches of China's 14 banks with the goal of facilitating ATM & POS inter-operability and transaction clearing between all participant banks. In future, ChinaPay E-Payment will broaden its revenue and customer base by focusing on two main developments: the expansion of its coverage to all major cities and the addition of new applications to its offerings targeted at different customer segments such as payment through mobile phone and telephone.

A Purchase Agreement was signed to acquire 666,667 Series B Convertible Preference Shares for the amount of US\$1,000,000, representing 7% of total shares issued by ChinaPay. US\$1,000,000 was deposited in an escrow account, the completion of the purchase is subject to a satisfactory due diligence investigation and other closing conditions. The due diligence exercise is being conducted through the end of the current reporting period, with the completion date for closing rescheduled to the first half of 2003.

OTHER INVESTMENTS (CONTINUED)

Beijing Smartdot Technologies Company Limited ("Smartdot")

Despite a highly competitive environment in the software development market in the PRC, Smartdot managed to generate revenue growth of around 35% in 2002. It is expected that in 2003, Smartdot will see solid expansion due to the strong demand in e-government projects, office automation systems for the corporate sector, and intranet systems for schools, in the PRC.

Wireless Telecommunication Project

A wholly-owned subsidiary has entered into an acquisition agreement with a company in Shanghai ("the Seller"), whereby the Seller's wireless telecommunication business in the PRC will be purchased and injected into a wholly foreign owned enterprise to be established in Shanghai. The total acquisition consideration is (a) RMB800,000 of which RMB200,000 was deposited with the Seller in February 2003; and (b) 25% of the shares of the subsidiary up to US\$150,000. Payment of the balance is subject to fulfillment of the closing conditions under the terms of the agreement.

Lesen Technologies Limited ("Lesen")

In 2001, a 10% shareholding was acquired by the Group in Lesen, an anti-forgery business based on technology invented in Japan. Due to a dispute among shareholders, the operations of Lesen did not progress as projected in 2002. Legal advice has been retained to examine the position, but as a prudent policy it was decided to fully provide for the HK\$30,000,000 investment. Efforts will be continued to revitalise the project.

CAPITAL REORGANISATION SCHEME

A capital reorganisation scheme was approved by the shareholders at an extraordinary general meeting on 11 July 2002 and later confirmed by the sanction of a Court Order dated 6 August 2002. Under the capital reorganisation scheme, the Company reduced the nominal value of all its shares from HK\$0.50 to HK\$0.01 per share resulting in a reduction of the authorised and issued share capital to HK\$20,000,000 and HK\$16,507,000 respectively. Furthermore, the authorised share capital of the Company was immediately restored to the original amount of HK\$1,000,000,000 by the creation of an additional 98,000,000,000 ordinary shares of HK\$0.01 each. A special capital reserve has been created and credited with HK\$808,822,000 arising from the reduction of the issued share capital.

The capital reorganisation scheme is in place to facilitate the future issue of shares as and when required.

LIQUIDITY AND FINANCIAL POSITION

Prudent treasury policies continued to safeguard the Group's cash resources and with a cash and deposit holding of HK\$621,112,000, the Group maintained financial stability. As at 31 December 2002, the Group's total borrowing stood at HK\$63,651,000 (2001: HK\$69,853,000) with HK\$56,427,000 (2001: HK\$63,303,000) repayment falling due within one year. The Group's gearing ratio, resulting from a comparison of the Group's total borrowing with total equity, was 6.7% (2001: 6.8%). The current ratio at 31 December 2002 was 5.4 times (2001: 5.7 times).

As at 31 December 2002, the Group's borrowing and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the financial statements. All borrowings of the Group are either interest free or on a floating rate basis.

In the reporting year, the Group did not resort to acquiring any financial instruments for hedging purposes.

PLEDGE OF ASSETS

Particulars of the pledges of assets of the Group and the Company are set out in note 19 on the financial statements.

EMPLOYEE AND REMUNERATION POLICIES

As of the date of this report, the Group employs a total of 224 full time staff with its main workforce stationed in the Group's offices in Hong Kong. The Group's remuneration policies are performance based and are in line with the salary trends in respective locations. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonus, external training support, and a performance based share option scheme.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Joseph LEUNG Wing-kong, 56, is the Chairman of the Board and a Director of Chinachem Group companies. Mr. Leung joined the Group in December 2000 as an Executive Director and became Chairman in March 2001. He has over 30 years of experience in finance and management in property development. Mr. Leung is a fellow of the Hong Kong Institute of Real Estate Administration and a member of the executive committee of Real Estate Developers Association of Hong Kong.

Mr. James C. NG, 59, is the Chief Executive Officer of the Group. Prior to joining the Group in March 2001, Mr. Ng served as the CEO of a local bank in Hong Kong. He is a Director of Chinachem Group companies and an Adviser of the Employer's Federation of Hong Kong.

Mr. Derek LEUNG Wai-choi, 52, joined the Group in December 2000. He holds a BSc (Engineering) degree and is also a qualified chartered accountant. Mr. Leung had been in the banking industry for 16 years and in charge of the treasury and capital markets division of a banking subsidiary of one of the largest banks in the world for about ten years. He joined Chinachem Group in early 1997 and is responsible for the international investments of Chinachem Group companies.

Mr. YEUNG Wing-tung, 49, joined the Group as Executive Vice President in October 2001 and became Director in November 2002. Mr. Yeung is responsible for the investments of the Group. Prior to his appointment, Mr. Yeung was the Personal Assistant to the Managing Director of a listed company in Hong Kong for more than ten years, in charge of project investments and developments in Hong Kong, PRC and South East Asia. He had also worked in an American Bank as Manager of Commercial Banking and an international audit firm as Auditor. Mr. Yeung obtained his MBA from Indiana University, USA in 1978 and passed the board examination of the American Institute of Certified Public Accountants in the same year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Raymond LAU Wai-pun, 53, joined the Group in March 2001. He is the Senior Partner of Ford, Kwan & Co. Solicitors & Notaries. He is a solicitor of the Supreme Court of Hong Kong and he is also qualified to practise in the United Kingdom and the Australian Capital Territory. He is also a notary public and China-appointed Attesting Officer. Mr. Lau was a director of Pok Oi Hospital from 1987 to 1989 and a consultant of Pok Oi Hospital in 1990.

Dr. Jen CHEN, 48, joined the Group in February 2003. He has extensive experience and professional knowledge in the biopharmaceutical industry. Dr. Chen is the General Manager of Genovate Biotechnology Company Limited in Taiwan. Prior to this appointment, Dr. Chen was the Vice President of Asian Operation in Genelabs Technologies, Inc. in USA. He had also worked as project leader in Novartis Pharmaceuticals Corporation for eight years. He is the author or co-author of more than 30 papers and ten patents in the field. Dr. Chen obtained his Ph.D. (Chemistry) from University of Rochester in New York, USA.

SENIOR MANAGEMENT

Mr. KHOO Kah-ho, 37, is an Advocate and Solicitor of the Supreme Court of Singapore. He joined the Group in August 2000 as the Senior Legal Officer. He was later concurrently made the Executive Vice President in one of the Group's telecommunications subsidiary. He became the Chief Operating Officer of that subsidiary in March 2003. Prior to joining the Group, Mr. Khoo was practicing law in Singapore - litigation and commercial practice - for more than ten years. He is a co-contributor to Halsbury's Laws of Singapore.

Ms. Gladys C. CHEN, 52, joined the Group as Chief Financial Officer in June 2001. Prior to her appointment, Ms. Chen was Senior Vice President and Chief Financial Officer of First Pacific Bank. She is a member of the American Institute of Certified Public Accountants and the Hong Kong Society of Accountants.

Mr. LOO Hon-luen, 35, is the Chief Technical Officer of a subsidiary. Mr. Loo obtained his B.Sc (Hon) degree in Management & System Science from the Simon Fraser University in Canada. He is currently responsible for the Group's overall IT management, project management, e-business development and wireless applications development. Prior to joining the Group in April 2000, Mr. Loo held various senior management positions in publicly listed companies in both Hong Kong and Singapore.

Mr. Danny KO Man-yiu, 45, joined the Group in October 2000 as Group Financial Controller. Prior to this appointment, Mr. Ko held the positions of Administration & Staff Director and acting Managing Director of the Hong Kong headquarter of a Global Telecommunication Group. Mr. Ko is a member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants.

Mr. Kenneth WONG Sai-lai, 42, joined the Group in July 2001 as Vice President - Investments. He is responsible for the Group's investment in Bio-medical area. Prior to this appointment, Mr. Wong was the Vice President of Commercial Banking Business of First Pacific Bank, and Corporate Banking Officer of a major US bank where he gained international finance exposure in Chicago and New York. Before joining the banking industry, Mr. Wong had worked for an international accounting firm in performing project investment evaluation and feasibility study. Mr. Wong holds a Bachelor of Social Sciences Degree from the University of Hong Kong.

Dr. Keith WHITE-HUNT, 52, joined the Group in December 2000 as Chief Operating Officer of one of its principal subsidiaries and quickly took on an expanded senior executive responsibility across the whole Group. In March 2003, he became Advisor and Consultant to the Group CEO. Dr White-Hunt previously worked at the Hong Kong University of Science and Technology as Director of Business Development and Chief Operating Officer for the HKUST RandD Corporation Limited. Before coming to Hong Kong in 1995, Dr. White-Hunt held senior executive positions in Europe and the USA, including 10 years in California's "Silicon Valley".

Dr. White-Hunt has also held several prestigious appointments as an advisor on technology policy and economic development including appointments with the OECD (Paris); and government agencies in the USA; United Kingdom and Europe; and the Gulf Region. He is a Visiting Professor at Wuhan University; Beijing International University of International Business & Economics; and the University of Zhengzhou and has over 70 publications, principally in the areas of technological change; technology transfer; new business development and international business.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Hilltop Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong at 10:00 a.m. on Friday, 27 June 2003 for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2002.
2. To re-elect the retiring Directors and authorise the Board of Directors to fix their remuneration.
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. To consider as special business and if thought fit, pass with or without amendments, the following resolution as Ordinary Resolution:

"THAT:

- (a) subject to paragraph (c) of this Resolution, pursuant to section 57B of the Companies Ordinance the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue or (ii) the exercise of options granted under the share option scheme of the Company, shall not in aggregate exceed 20 percent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

By order of the Board

CHENG Pui-man

Company Secretary

Hong Kong, 22 April 2003

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
2. A proxy shall be deemed to be validly appointed if a duly completed form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, must be deposited at the Registered Office of the Company at Suite 1502, 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon, Hong Kong NOT LESS THAN 48 hours before the time for holding the Meeting.

REPORT OF THE DIRECTORS

The directors present herewith their annual report together with the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading. The principal activities of the subsidiaries are provision of telecommunications services, provision of data bureau services, operation of recreational clubs and investment holding.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries ("the Group") during the financial year are set out in note 11 on the financial statements.

Particulars of the Company's principal subsidiaries, associates and jointly controlled entities at 31 December 2002 are set out in the financial statements on pages 61 to 63.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	26%	
Five largest customers in aggregate	58%	
The largest supplier		29%
Five largest suppliers in aggregate		55%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 20 to 63.

DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2002 (2001: HK\$Nil).

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 12 on the financial statements.

DEBENTURES

Particulars of the club debentures of the Group are set out in note 23 on the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 on the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 29 on the financial statements.

DIRECTORS

The directors during the financial year and up to the date of this report were:

EXECUTIVE DIRECTORS

Joseph LEUNG Wing-kong

James C. NG

Derek LEUNG Wai-choi

YEUNG Wing-tung

(appointed on 1 November 2002)

Alec KEUNG Sui-leung

(resigned on 1 November 2002)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond LAU Wai-pun

Jen CHEN

(appointed on 24 February 2003)

CHAO Cheng-fen

(resigned on 24 February 2003)

Mr. YEUNG Wing-tung and Dr. Jen CHEN, having been appointed to the board since the date of the last annual general meeting, retire at the forthcoming annual general meeting in accordance with article 92 of the Company's articles of association and, being eligible, offer themselves for re-election.

In accordance with article 101 of the Company's articles of association, Messrs James C. NG and Raymond LAU Wai-pun retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The directors who held office at 31 December 2002 had the following interests in the issued share capital of the Company as recorded in the register of directors' share interests.

	Ordinary shares of HK\$0.01 each	
	Personal interests	Corporate interests
Joseph LEUNG Wing-kong	—	200,000
CHAO Cheng-fen	1,383,920	—

Save as disclosed above, no director, chief executive or any of their associates had any beneficial or non-beneficial interests in the share capital of the Company or any of its associated corporations.

SHARE OPTION SCHEME

In an Extraordinary General Meeting of the Company held on 14 June 2002, the shareholders of the Company formally approved the termination of the share option scheme adopted on 30 December 1997 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"), in compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and for the purpose of providing the Company a flexible means of giving incentives and rewards to executive directors and employees for their contribution to the Group. All outstanding options granted under the Old Scheme shall remain valid and exercisable under the provisions of the Old Scheme.

Under the terms of the New Scheme, the Board may, at its discretion, invite executive directors and employees of the Group to take up options to subscribe for shares of the Company. The New Scheme shall be valid and effective for a period of 10 years ending on 13 June 2012, after which period no further options will be granted. The exercise price of options shall be determined by the Board and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (ii) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the shares. A nominal consideration of HK\$1 is payable on acceptance of any options granted.

SHARE OPTION SCHEME (CONTINUED)

The total number of shares available for issue under the New Scheme as at 31 December 2002 was 243,415,800 shares (including options for 3,638,000 shares that have been granted but not yet lapsed or exercised) which represented 14.7% of the issued share capital of the Company at 31 December 2002. In respect of the maximum entitlement of each participant under the New Scheme, the number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue. Any further grant of options in excess of this limit is subject to shareholders' approval in a general meeting.

During the year, no new options were granted, no options were cancelled or exercised, and 5,618,000 options issued under the Old Scheme lapsed.

Share options under the Old Scheme are exercisable before 29 December 2007.

At 31 December 2002, the directors and employees of the Company had the following interests in options to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share.

	Number of options outstanding at the beginning of the year	Number of options lapsed during the year	Number of options outstanding at the year end	Date granted	Price per share on exercise of options
<i>Granted under the Old Scheme:</i>					
Directors					
Cecilia IP Lai-ching (<i>Note</i>)	4,300,000	4,300,000	—	11 October 1999	HK\$1.528
Employees	4,956,000	1,318,000	3,638,000	11 October 1999 to 18 September 2000	HK\$0.63 to HK\$2.316

Note: Ms Cecilia IP Lai-ching resigned as a director of the Company with effect from 31 December 2001. Pursuant to the terms of the Old Scheme, options held by Ms Ip lapsed on 31 January 2002.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 31 December 2002, the following parties had registered an interest of 10% or more in the share capital of the Company.

	Ordinary shares held	Percentage of total issued shares
Solution Bridge Limited	408,757,642	24.8
Ms. Nina KUNG (<i>Note</i>)	571,642,145	34.6

Note: The interests disclosed under Ms. Nina KUNG represent her deemed interests in the shares of the Company by virtue of her interest in Solution Bridge Limited and another shareholder.

Save as disclosed above, there were no other parties who were known to the directors to be the registered holders or have any interest or right to subscribe for 10% or more of the issued share capital of the Company at 31 December 2002.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2002 are set out in notes 22 and 24 on the financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 64 and 65 of the annual report.

RETIREMENT SCHEMES

The Group principally operates a defined contribution retirement scheme and a Mandatory Provident Fund Scheme, for its Hong Kong employees. The Group also operates other defined contribution schemes for its overseas employees as appropriate in the relevant jurisdictions. Particulars of the principal retirement schemes are set out in note 25 on the financial statements.

CONNECTED TRANSACTIONS

The Company has entered into a tenancy agreement with a company controlled by a substantial shareholder, in respect of the letting of certain office units for a term of two years commencing from 1 May 2001 at a monthly rental of HK\$203,076. There is an option to renew the lease for a further two years at market rental to be agreed between the parties.

On 16 December 2002, a wholly owned subsidiary of the Company, Wintalent International Limited entered into a subscription agreement with Genovate Biotechnology Company Limited ("Genovate") in relation to the subscription of 12 million new ordinary shares to be issued by Genovate, representing approximately 14.4% interest in Genovate, for a consideration of NT\$120 million (equivalent to HK\$26,801,000). The investment in Genovate is for the Group to further expand its bio-medical investments. As Ms Nina Kung, a substantial shareholder of the Company, is also a substantial shareholder of Genovate, this transaction constitutes a connected transaction under the Listing Rules of the Stock Exchange.

AUDIT COMMITTEE

The Group's Audit Committee comprises two independent non-executive directors and continues to exercise its authority to review and supervise the financial reporting process and internal control system of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year except that the independent non-executive directors are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

AUDITORS

KPMG were first appointed as auditors of the Company in 2001 upon the retirement of RSM Nelson Wheeler.

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board

Joseph LEUNG Wing-kong

Chairman

Hong Kong, 10 April 2003

REPORT OF THE AUDITORS



TO THE SHAREHOLDERS OF e-NEW MEDIA COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 20 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 10 April 2003

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2002
(Expressed in Hong Kong dollars)

	<i>Note</i>	2002 \$'000	2001 \$'000
Turnover	2 & 11	193,359	419,450
Cost of sales		(85,751)	(291,552)
Gross profit		107,608	127,898
Other revenue	3	1,539	10,709
Other net loss	3	(90,113)	(177,154)
Administrative and selling expenses		(77,134)	(107,439)
Other operating expenses		(27,956)	(41,824)
Loss from operations		(86,056)	(187,810)
Finance costs	4(a)	(1,253)	(5,486)
Share of profits less losses of associates		(1,792)	405
Share of losses of jointly controlled entities		—	(6,427)
Impairment loss on goodwill		(30,000)	—
Loss from ordinary activities before taxation	4	(119,101)	(199,318)
Taxation	5(a)	(334)	1,622
Loss attributable to shareholders	8 & 29	(119,435)	(197,696)
Loss per share	9		
- Basic and diluted		(7.2) cents	(12.0) cents

The notes on pages 27 to 63 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2002
(Expressed in Hong Kong dollars)

	<i>Note</i>	2002		2001	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets	12(a)				
- Investment properties			3,600		3,600
- Other property and equipment			161,365		188,376
			<u>164,965</u>		<u>191,976</u>
Interest in associates	14		29,121		4,636
Interest in jointly controlled entities	15		—		—
Other non-current financial assets	16		108,563		107,871
			<u>302,649</u>		<u>304,483</u>
Current assets					
Short term investments	17	102,082		164,067	
Inventories		368		452	
Trade and other receivables	18	73,163		71,086	
Pledged deposits	19	47,536		47,536	
Cash and cash equivalents	20	573,576		609,736	
			<u>796,725</u>		<u>892,877</u>
Current liabilities					
Trade and other payables	21	85,646		88,387	
Bank loans and overdrafts, secured	22	46,680		46,686	
Current portion of debentures	23	4,540		11,410	
Other loans, unsecured	24	5,207		5,207	
Taxation	5(b)	5,474		5,461	
			<u>147,547</u>		<u>157,151</u>
Net current assets			<u>649,178</u>		<u>735,726</u>
Total assets less current liabilities carried forward			<u>951,827</u>		<u>1,040,209</u>

CONSOLIDATED BALANCE SHEET
as at 31 December 2002
(Expressed in Hong Kong dollars)

	<i>Note</i>	2002		2001	
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Total assets less current liabilities brought forward			951,827		1,040,209
Non-current liabilities					
Debentures	23	7,224		6,550	
Deferred taxation	27(a)	89		95	
			<u>7,313</u>		<u>6,645</u>
NET ASSETS			<u>944,514</u>		<u>1,033,564</u>
CAPITAL AND RESERVES					
Share capital	28		16,507		825,329
Reserves	29(a)		928,007		208,235
			<u>944,514</u>		<u>1,033,564</u>

Approved and authorised for issue by the board of directors on 10 April 2003

Joseph LEUNG Wing-kong
Chairman

James C. NG
Chief Executive Officer

The notes on pages 27 to 63 form part of these financial statements.

BALANCE SHEET

as at 31 December 2002
(Expressed in Hong Kong dollars)

	Note	2002		2001	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets	12(b)				
- Investment properties			3,600		3,600
- Other property and equipment			100,001		120,002
			<u>103,601</u>		<u>123,602</u>
Interest in subsidiaries	13		169,106		188,077
Interest in associates	14		1,403		4,436
			<u>274,110</u>		<u>316,115</u>
Current assets					
Short term investments	17	100,044		161,558	
Trade and other receivables	18	31,527		2,434	
Pledged deposits	19	47,536		47,536	
Cash and cash equivalents	20	547,934		551,748	
			<u>727,041</u>		<u>763,276</u>
Current liabilities					
Trade and other payables	21	2,167		1,860	
Amounts due to subsidiaries		54,692		14,167	
			<u>56,859</u>		<u>16,027</u>
Net current assets			<u>670,182</u>		<u>747,249</u>
NET ASSETS			<u>944,292</u>		<u>1,063,364</u>
CAPITAL AND RESERVES					
Share capital	28	16,507		825,329	
Reserves	29(b)	927,785		238,035	
			<u>944,292</u>		<u>1,063,364</u>

Approved and authorised for issue by the board of directors on 10 April 2003

Joseph LEUNG Wing-kong
Chairman

James C. NG
Chief Executive Officer

The notes on pages 27 to 63 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2002
(Expressed in Hong Kong dollars)

	<i>Note</i>	2002 \$'000	2001 \$'000
Shareholders' equity at 1 January		<u>1,033,564</u>	<u>1,231,499</u>
Exchange differences on translation of the financial statements of foreign entities	29(a)	<u>385</u>	<u>(239)</u>
Net gains/(losses) not recognised in the income statement		<u>385</u>	<u>(239)</u>
Loss attributable to shareholders for the year	29(a)	<u>(119,435)</u>	<u>(197,696)</u>
Movements in share capital			
- reduction of share capital	28	<u>(808,822)</u>	<u>—</u>
Movements in reserves			
- creation of special reserve under capital reorganisation scheme	29(a)	808,822	—
- transfer of goodwill reserve to the income statement			
- impairment loss on goodwill	29(a)	<u>30,000</u>	<u>—</u>
		<u>838,822</u>	<u>—</u>
Shareholders' equity at 31 December		<u><u>944,514</u></u>	<u><u>1,033,564</u></u>

The notes on pages 27 to 63 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2002
(Expressed in Hong Kong dollars)

	<i>Note</i>	2002	2001
		\$'000	restated \$'000
Operating activities			
Loss from ordinary activities before taxation		(119,101)	(199,318)
Adjustments for:			
- Depreciation		13,077	13,961
- Impairment loss on goodwill		30,000	—
- Finance costs		1,253	5,486
- Dividend income from listed investments		(40,696)	(6,656)
- Interest income		(10,577)	(35,877)
- Share of profits less losses of associates		1,792	(405)
- Share of losses of jointly controlled entities		—	6,427
- Deficit on revaluation of land and buildings		15,038	16,058
- Deficit on revaluation of investment properties		—	400
- (Write back of provision)/provision for diminution in value of and non-recoverable amounts due from associates		(306)	1,707
- Provision for diminution in value of and non-recoverable amounts due from jointly controlled entities		—	2,907
- Impairment loss on fixed assets		—	198
- Net loss on disposal of fixed assets		56	2,409
- Net realised and unrealised loss on investments in securities		90,057	174,797
Foreign exchange gain		(279)	(695)
Operating loss before changes in working capital		(19,686)	(18,601)
Decrease in inventories		84	134
Decrease in trade and other receivables		1,203	52,758
Decrease in trade and other payables		(2,606)	(25,754)
Cash (used in)/generated from operations carried forward		(21,005)	8,537

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2002
(Expressed in Hong Kong dollars)

	<i>Note</i>	2002	2001 restated
		\$'000	\$'000
Cash (used in)/generated from operations brought forward		(21,005)	8,537
Interest received		10,487	50,866
Dividends received from listed investments		40,696	6,656
Tax paid			
- Hong Kong Profits Tax paid		(1)	—
- Overseas tax paid		(275)	(249)
Net cash from operating activities		29,902	65,810
Investing activities			
Payment for purchase of fixed assets		(684)	(4,616)
Payment for purchase of investments in securities		(30,692)	(105,635)
Deposits paid in respect of acquisitions of securities and associates		(29,564)	(34,154)
Payment for purchase of associates		(2,966)	—
Loans repaid by associates		3,340	3,412
New loans to jointly controlled entities		—	(9,326)
Proceeds from sales of fixed assets		78	47
Proceeds from sale of investments in securities		1,928	72
Dividends received from associates		—	262
Decrease in pledged deposits		—	61,773
Net cash used in investing activities		(58,560)	(88,165)
Financing activities			
Redemption of debentures		(6,196)	(2,370)
Redemption of convertible bonds		—	(167,046)
Repayment of bank loans and overdrafts		(6)	(3,543)
Other borrowing costs paid		(1,388)	(6,931)
Net cash used in financing activities		(7,590)	(179,890)
Net decrease in cash and cash equivalents		(36,248)	(202,245)
Cash and cash equivalents at 1 January		609,736	810,434
Effect of foreign exchange rates changes		88	1,547
Cash and cash equivalents at 31 December	20	573,576	609,736

The notes on pages 27 to 63 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

(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 and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries and controlled entities

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements. 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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates and jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less any impairment losses (see note 1(j)).

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(j)); and
- for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill (continued)

In respect of acquisition of associates and jointly controlled entities, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(j)) is included in the carrying amount of the interest in associates or jointly controlled entities.

Negative goodwill arising on acquisition of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of a controlled subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries, associates and jointly entities 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 income statement, 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 income statement as they arise. Securities are presented as short term investments when they were acquired principally for the purpose of generating a profit from short term fluctuations in price.
- (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 income statement as they arise.

(g) Fixed assets

- (i) Fixed assets are carried in the balance sheets on the following bases:
 - investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;
 - land and buildings held for own use are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation (see note 1(i)). Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and
 - equipment and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fixed assets (continued)

- (ii) Changes arising on the revaluation of investment properties and land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:
- when a deficit arises on revaluation, it will be charged to the income statement if, and to the extent that, it exceeds the amount held in the reserve in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and
 - when a surplus arises on revaluation, it will be credited to the income statement if, and to the extent that, a deficit on revaluation in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the income statement.
- (iii) 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.
- (iv) 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 income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For land and buildings, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(h) 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.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement 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 income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) Depreciation is calculated to write off the cost or valuation of other fixed assets over their estimated useful lives as follows:

- leasehold land and buildings are depreciated on a straight-line basis over the remaining term of the lease;
- other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Over the shorter of remaining term of the lease and 5 - 6 years
Furniture, fixtures and equipment	3 - 6 years
Communications equipment	6 years
Motor vehicles	3 years

(j) Impairment of assets

The following assets are reviewed at each balance sheet date for any indications of impairment and/or to evaluate the appropriateness of any impairment loss provision previously made:

- property and equipment (other than properties carried at revalued amounts);
- investments in subsidiaries, associates and jointly controlled entities; and
- goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, impairment loss is recognised to the extent of the excess of the carrying amount over its recoverable amount.

(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).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(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 income statement in the year in which reversals are recognised.

(k) Inventories

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

Cost is calculated using the first-in, first-out formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Cash equivalents

Cash and cash equivalents comprise cash at bank and on 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 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.

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 and defined contribution provident fund scheme and retirement costs in respect of overseas employees according to local requirements are recognised as an expense in the income statement as incurred.
- (iii) When the Group grants employees options to acquire shares of the Company, 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.

(n) 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.

(o) 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, the existence of which 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)

(p) 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 income statement as follows:

(i) Telecommunications and data bureau services

Revenue from telecommunications and data bureau services, comprising proprietary services and carrier operations, are recognised when the services are rendered on the basis of traffic statistics agreed with international telecommunications carriers to the extent of the amounts expected to be received.

Revenue received from certain international telecommunications carriers is subject to clawback arrangements, whereby the originating/transit international telecommunications carriers may clawback amounts previously paid if subsequently they do not receive the corresponding payments from the end customers/other intermediate carriers respectively. Actual and potential clawbacks are taken into consideration in calculating the amount of revenue to be recognised.

(ii) Recreational club operation

Entrance fees are recognised when the application for club membership is accepted and no significant uncertainty as to collectability exists. Annual subscription fees are recognised over the relevant period of the membership. Revenue from the provision of club facilities, catering and other services is recognised when goods are delivered or services are rendered.

(iii) Consulting and other services

Revenue from the provision of consulting and other services is recognised when the relevant services have been provided and the Group's right to receive payment is established.

(iv) Dividends

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(q) 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 are dealt with in the income statement.

The results of foreign enterprises 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 foreign enterprise, the cumulative amount of exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(r) 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.

(s) 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, 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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated 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.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(s) Segment reporting (continued)**

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 and minority interests.

2 TURNOVER

The principal activities of the Group are provision of telecommunications services, provision of data bureau services, operation of recreational clubs, and investment holding. The amount of each significant category of revenue recognised in turnover is as follows:

	2002	2001
	\$'000	\$'000
Telecommunications and data bureau services	117,735	349,980
Recreational club operation	24,351	26,937
Dividend income from listed investments	40,696	6,656
Interest income	10,577	35,877
	<u>193,359</u>	<u>419,450</u>

3 OTHER REVENUE/OTHER NET LOSS

	2002	2001
	\$'000	\$'000
<i>Other revenue</i>		
Consulting services fees	1,043	10,000
Others	496	709
	<u>1,539</u>	<u>10,709</u>
<i>Other net loss</i>		
Net realised and unrealised loss on investments in securities	90,057	174,797
Net loss on disposal of fixed assets	56	2,409
Others	—	(52)
	<u>90,113</u>	<u>177,154</u>

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	2002	2001
	\$'000	\$'000
(a) Finance costs:		
Interest on bank loans and overdrafts	1,253	2,826
Factoring fees	—	191
Interest on convertible bonds	—	2,469
	<u>1,253</u>	<u>5,486</u>
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution plan	1,060	1,344
Salaries, wages and other benefits	43,346	53,161
	<u>44,406</u>	<u>54,505</u>
(c) Other items:		
Cost of inventories sold	3,982	3,757
Depreciation	13,077	13,961
Auditors' remuneration	1,256	1,232
Amortisation of goodwill included in share of profits less losses of associates	1,815	—
Exchange (gain)/loss	(873)	313
Deficit on revaluation of investment properties	—	400
Deficit on revaluation of land and buildings	15,038	16,058
Operating lease charges on land and buildings	4,354	5,984
(Write back of provision)/provision for diminution in value of and non-recoverable amounts due from associates	(306)	1,707
Provision for diminution in value of and non-recoverable amounts due from jointly controlled entities	—	2,904
Impairment loss on fixed assets	—	198
	<u>—</u>	<u>198</u>

5 TAXATION

(a) Taxation in the consolidated income statement represents:

	2002	2001
	\$'000	\$'000
Provision for Hong Kong Profits Tax for the year	3	—
Under/(over)-provision of Hong Kong Profits Tax in respect of prior years	1	(373)
	4	(373)
Overseas taxation	307	215
Under/(over)-provision in respect of prior years	1	(244)
Deferred taxation (<i>note 27(a)</i>)	(7)	(1,220)
Share of associates' taxation	29	—
	334	(1,622)

The provision for Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year. Overseas taxation is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

(b) Taxation in the consolidated balance sheet represents:

	2002	2001
	\$'000	\$'000
Provision for Hong Kong Profits Tax for the year	3	—
Provision for overseas taxation for the year	307	215
Hong Kong Profits Tax paid	(1)	—
Overseas tax paid	(275)	(249)
Balance of tax provision relating to prior years	5,440	5,495
	5,474	5,461

6 DIRECTORS' REMUNERATION

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

	2002	2001
	\$'000	\$'000
Fees	140	152
Other emoluments paid to executive directors:		
- Salaries and other emoluments	7,166	5,997
- Retirement scheme contributions	46	48
	7,352	6,197

Included in the directors' remuneration were fees of \$40,000 (2001: \$40,000) paid to independent non-executive directors during the year.

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme approved in 1997. In the absence of a ready market for the options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors. No options were granted or exercised during the year.

The remuneration of the directors is within the following bands:

	2002	2001
	Number of directors	Number of directors
\$Nil - \$1,000,000	4	6
\$1,000,001 - \$1,500,000	1	2
\$1,500,001 - \$2,000,000	1	—
\$2,500,001 - \$3,000,000	—	1
\$3,500,001 - \$4,000,000	1	—

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 3 (2001: 3) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other 2 (2001: 2) individuals are as follows:

	2002 \$'000	2001 \$'000
Salaries and other emoluments	2,429	3,120
Retirement scheme contributions	24	12
	2,453	3,132

The emoluments of the 2 (2001: 2) individuals with the highest emoluments are within the following bands:

	2002 Number of individuals	2001 Number of individuals
\$1,000,001 - \$1,500,000	2	—
\$1,500,001 - \$2,000,000	—	2

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of \$119,072,000 (2001: \$669,848,000) which has been dealt with in the financial statements of the Company.

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of \$119,435,000 (2001: \$197,696,000) and the 1,650,658,000 ordinary shares in issue during both years.

(b) Diluted loss per share

The diluted loss per share for the years ended 31 December 2002 and 2001 is the same as the basic loss per share as the exercise of outstanding share options in full would have an anti-dilutive effect on the loss per share.

10 CHANGES IN ACCOUNTING POLICIES

Translation of financial statements of foreign enterprises

In prior years, the results of foreign enterprises were translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. With effect from 1 January 2002, in order to comply with Statement of Standard Accounting Practice 11 (revised) issued by the Hong Kong Society of Accountants, the Group translates the results of foreign enterprises at the average exchange rate for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

11 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:

<i>Telecommunications and data bureau services:</i>	the provision of telecommunications services and data bureau services
<i>Recreational club operation:</i>	the provision of recreational facilities and catering services
<i>Treasury and investment:</i>	treasury operations and the holding and trading of investments for short term and long term investment returns
<i>e-commerce enabling technologies:</i>	the provision of e-commerce enabling technologies

NOTES ON THE FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars)

11 SEGMENT REPORTING (CONTINUED)

Business segments (continued)

	Telecommunications and data bureau services				Recreational club operation		Treasury and investment		e-commerce enabling technologies		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover from external customers	117,735	349,980	24,351	26,937	51,273	42,533	—	—	193,359	419,450		
Other revenue	1,043	199	439	291	57	180	—	10,039	1,539	10,709		
Segment revenue	<u>118,778</u>	<u>350,179</u>	<u>24,790</u>	<u>27,228</u>	<u>51,330</u>	<u>42,713</u>	<u>—</u>	<u>10,039</u>	<u>194,898</u>	<u>430,159</u>		
Segment result	(2,341)	(5,305)	(9,138)	(13,123)	(56,120)	(137,974)	(428)	(11,934)	(68,027)	(168,336)		
Other group expenses									(2,991)	(3,016)		
Deficit on revaluation of land and buildings									(15,038)	(16,058)		
Deficit on revaluation of investment properties									—	(400)		
Loss from operations									(86,056)	(187,810)		
Finance costs									(1,253)	(5,486)		
Share of profits less losses of associates	—	315	—	—	(1,792)	90	—	—	(1,792)	405		
Share of losses of jointly controlled entities	—	—	—	—	—	—	—	(6,427)	—	(6,427)		
Impairment loss on goodwill									(30,000)	—		
Taxation									(334)	1,622		
Loss attributable to shareholders									<u>(119,435)</u>	<u>(197,696)</u>		
Depreciation for the year	6,698	6,093	5,806	6,671	573	10	—	1,187	13,077	13,961		
Impairment loss for the year	—	—	—	—	—	—	—	198	—	198		
Significant non-cash expenses (other than depreciation and amortisation)	12	2,875	—	—	92,053	174,815	—	4,137	92,065	181,827		
Segment assets	<u>122,374</u>	<u>156,386</u>	<u>157,524</u>	<u>174,458</u>	<u>786,627</u>	<u>856,279</u>	<u>128</u>	<u>2,001</u>	<u>1,066,653</u>	<u>1,189,124</u>		
Investment in associates and jointly controlled entities	—	—	—	—	29,121	4,636	—	—	29,121	4,636		
Unallocated assets									3,600	3,600		
Total assets									<u>1,099,374</u>	<u>1,197,360</u>		
Segment liabilities	76,369	75,472	22,899	32,730	3,348	2,062	—	1,290	102,616	111,554		
Unallocated liabilities									52,244	52,242		
Total liabilities									<u>154,860</u>	<u>163,796</u>		
Capital expenditure incurred during the year:												
- in respect of investments	—	54,460	—	—	63,222	85,329	—	—	63,222	139,789		
- in respect of fixed assets	166	4,017	518	406	—	76	—	117	684	4,616		
	<u>166</u>	<u>58,477</u>	<u>518</u>	<u>406</u>	<u>63,222</u>	<u>85,405</u>	<u>—</u>	<u>117</u>	<u>63,906</u>	<u>144,405</u>		

11 SEGMENT REPORTING (CONTINUED)

Geographical segments

The Group's business is conducted on a worldwide basis, but participates in six principal economic environments.

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		PRC (excluding Hong Kong)		Japan		Other Asia Pacific regions		Europe		North America		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	72,865	70,679	4,042	2,583	29,128	139,371	6,759	29,783	50,813	104,229	24,414	64,698	5,338	8,107	193,359	419,450
Segment assets	887,482	990,425	85,825	87,803	—	—	41,110	35,813	431	1,136	84,526	79,242	—	2,941	1,099,374	1,197,360
Capital expenditure incurred during the year:																
- in respect of investments	29,564	—	—	34,154	—	—	29,767	30,000	—	—	3,891	75,635	—	—	63,222	139,789
- in respect of fixed assets	184	3,902	360	14	—	—	121	631	19	69	—	—	—	—	684	4,616
	29,748	3,902	360	34,168	—	—	29,888	30,631	19	69	3,891	75,635	—	—	63,906	144,405

NOTES ON THE FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars)

12 FIXED ASSETS

(a) The Group

	Land and buildings \$'000	Leasehold improvements \$'000	Furniture, fixtures and equipment \$'000	Communications equipment \$'000	Motor vehicles \$'000	Sub-total \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:								
At 1 January 2002	170,000	3,178	15,974	37,638	2,490	229,280	3,600	232,880
Exchange adjustments	—	—	108	1,696	23	1,827	—	1,827
Additions	—	333	351	—	—	684	—	684
Deficit on revaluation	(20,000)	—	—	—	—	(20,000)	—	(20,000)
Disposals	—	(1,275)	(77)	(386)	—	(1,738)	—	(1,738)
At 31 December 2002	150,000	2,236	16,356	38,948	2,513	210,053	3,600	213,653
Representing:								
Cost	—	2,236	16,356	38,948	2,513	60,053	—	60,053
Valuation - 31 December 2002	150,000	—	—	—	—	150,000	3,600	153,600
	150,000	2,236	16,356	38,948	2,513	210,053	3,600	213,653
Aggregate amortisation and depreciation:								
At 1 January 2002	—	1,278	11,951	25,908	1,767	40,904	—	40,904
Exchange adjustments	—	—	84	1,166	23	1,273	—	1,273
Charge for the year	4,962	809	1,860	5,086	360	13,077	—	13,077
Written back on revaluation	(4,962)	—	—	—	—	(4,962)	—	(4,962)
Written back on disposals	—	(1,264)	—	(340)	—	(1,604)	—	(1,604)
At 31 December 2002	—	823	13,895	31,820	2,150	48,688	—	48,688
Net book value:								
At 31 December 2002	150,000	1,413	2,461	7,128	363	161,365	3,600	164,965
At 31 December 2001	170,000	1,900	4,023	11,730	723	188,376	3,600	191,976

12 FIXED ASSETS (CONTINUED)

(b) The Company

	Land and buildings \$'000	Furniture, fixtures and equipment \$'000	Sub-total \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:					
At 1 January 2002	120,000	3	120,003	3,600	123,603
Deficit on revaluation	(20,000)	—	(20,000)	—	(20,000)
At 31 December 2002	100,000	3	100,003	3,600	103,603
Representing:					
Cost	—	3	3	—	3
Valuation - 31 December 2002	100,000	—	100,000	3,600	103,600
	100,000	3	100,003	3,600	103,603
Aggregate amortisation and depreciation:					
At 1 January 2002	—	1	1	—	1
Charge for the year	2,581	1	2,582	—	2,582
Written back on revaluation	(2,581)	—	(2,581)	—	(2,581)
At 31 December 2002	—	2	2	—	2
Net book value:					
At 31 December 2002	100,000	1	100,001	3,600	103,601
At 31 December 2001	120,000	2	120,002	3,600	123,602

12 FIXED ASSETS (CONTINUED)

(c) The analysis of net book value of properties is as follows:

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
In Hong Kong				
under medium-term lease	103,600	123,600	103,600	123,600
In the People's Republic of China				
under medium-term lease	50,000	50,000	—	—
	153,600	173,600	103,600	123,600

Investment properties of the Group and the Company were revalued at 31 December 2002 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, on an open market value basis. No revaluation deficit (2001: deficit of \$400,000) has been charged to the income statement.

The Group's and the Company's land and buildings held for own use were revalued at 31 December 2002 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, on an open market value basis. The net revaluation deficit of \$15,038,000 (2001: \$16,058,000) for the Group was charged to the consolidated income statement. The revaluation deficit of \$17,419,000 (2001: surplus of \$2,526,000) for the Company was charged to the income statement.

The carrying amount of the land and buildings held for own use by the Group and the Company at 31 December 2002 would have been \$136,324,000 (2001: \$143,956,000) and \$34,488,000 (2001: \$35,263,000) respectively had they been carried at cost less accumulated depreciation.

13 INTEREST IN SUBSIDIARIES

	The Company	
	2002	2001
	\$'000	\$'000
Unlisted shares, at cost	12,700	12,700
Amounts due from subsidiaries	1,070,758	1,005,071
	1,083,458	1,017,771
Less: impairment loss	(914,352)	(829,694)
	169,106	188,077

Details of principal subsidiaries are shown on pages 61 and 62.

14 INTEREST IN ASSOCIATES

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Unlisted shares, at cost	—	—	1	1
Share of net assets	13,473	2,288	—	—
Goodwill	16,334	—	—	—
Amounts due from associates	9,627	12,967	1,402	4,435
	39,434	15,255	1,403	4,436
Less: impairment loss	(10,313)	(10,619)	—	—
	29,121	4,636	1,403	4,436

Details of principal associates are shown on page 63.

15 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2002	2001
	\$'000	\$'000
Share of net liabilities	(17,913)	(17,913)
Amounts due from jointly controlled entities	36,141	36,141
	<u>18,228</u>	18,228
Less: impairment loss	(18,228)	(18,228)
	<u>—</u>	—
	<u>—</u>	<u>—</u>

Details of principal jointly controlled entities are shown on page 63.

16 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2002	2001
	\$'000	\$'000
Investment securities		
Equity securities listed outside Hong Kong	2,236	2,236
Unlisted equity securities	54,460	54,460
	<u>56,696</u>	56,696
Other securities		
Equity securities listed outside Hong Kong	25,066	21,175
Unlisted equity securities	26,801	30,000
	<u>51,867</u>	51,175
	<u>108,563</u>	107,871
Market value of listed securities	34,295	66,353

17 SHORT TERM INVESTMENTS

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trading securities (at market value)				
Equity securities listed in Hong Kong	<u>102,082</u>	<u>164,067</u>	<u>100,044</u>	<u>161,558</u>

Included in trading securities were ordinary shares of \$2 each of China Motor Bus Company, Limited, which is incorporated in Hong Kong, as follows:

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Market value of ordinary shares of China Motor Bus Company, Limited	<u>97,553</u>	<u>136,990</u>	<u>96,970</u>	<u>136,171</u>
Proportion of ownership interest	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade debtors	13,647	26,143	—	—
Deposits, prepayments and other receivables	<u>59,516</u>	<u>44,943</u>	<u>31,527</u>	<u>2,434</u>
	<u>73,163</u>	<u>71,086</u>	<u>31,527</u>	<u>2,434</u>

Included in deposits, prepayments and other receivables are deposits of \$37,344,000 (2001: \$34,154,000) paid in respect of acquisition of equity interests in two companies, and a short term loan to a third party in the amount of \$14,448,000 (2001: \$Nil).

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in trade debtors are receivables (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2002	2001
	<i>\$'000</i>	<i>\$'000</i>
0 - 1 month	3,065	14,474
2 - 3 months	4,394	9,724
Over 3 months	6,188	1,945
	<u>13,647</u>	<u>26,143</u>

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strengths of and the period of business with individual customers are considered in arriving at the respective credit terms. Reviews of major receivables are conducted regularly.

19 PLEDGED DEPOSITS

Pledges of the Company's fixed deposits of US\$6,110,000 (2001: US\$6,110,000) were given to bankers to secure short term loans and other general banking facilities to the extent of US\$6,110,000 (2001: US\$11,600,000).

20 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2002	2001	2002	2001
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Deposits with banks and other financial institutions	538,137	546,748	538,137	546,748
Cash at bank and in hand	35,439	62,988	9,797	5,000
Cash and cash equivalents in the balance sheet	<u>573,576</u>	<u>609,736</u>	<u>547,934</u>	<u>551,748</u>

21 TRADE AND OTHER PAYABLES

All trade and other payables are due within one month or on demand.

22 BANK LOANS AND OVERDRAFTS, SECURED

	The Group	
	2002	2001
	\$'000	\$'000
Bank loans	46,680	46,680
Bank overdrafts	—	6
	<u>46,680</u>	<u>46,686</u>

The bank loans and overdrafts were secured by pledge of fixed deposits and were repayable on demand.

23 DEBENTURES

Each debenture holder is entitled to be a debenture member of the Hilltop Country Club (the "Club") subject to the Club Rules and By-laws for so long as the debentures shall remain outstanding, and has the right to use and enjoy all the facilities of the Club free from monthly subscription. At 31 December 2002, the Group's debentures were redeemable as follows:

	2002	2001
	\$'000	\$'000
Within one year	4,540	11,410
In the second year	480	4,440
In the third to fifth year	6,744	2,110
	<u>7,224</u>	<u>6,550</u>
	<u>11,764</u>	<u>17,960</u>

All redeemable debentures are non-interest bearing and may be renewed upon maturity subject to the Group's prior consent.

24 OTHER LOANS, UNSECURED

The loans are due to a minority shareholder of a subsidiary, and are unsecured, interest free and repayable on demand.

25 EMPLOYEE RETIREMENT BENEFITS

(a) Defined contribution provident fund scheme ("PF Scheme")

The PF Scheme is administered by an independent trustee. Under the PF Scheme, both the Group and staff make monthly contributions to the PF Scheme each with an amount of 5% of the employees' basic salaries (capped at \$30,000). Any forfeited contributions and related accrued interest are used to reduce the employer's contributions. For the year ended 31 December 2002, the Group's net provident fund contributions charged to the income statement amounted to \$201,000 (2001: \$118,000), after utilising the aggregate amount of employer's contributions forfeited during the current year of \$Nil (2001: \$179,000).

(b) Mandatory provident fund scheme ("MPF Scheme")

The MPF Scheme was established in December 2000 under the Hong Kong Mandatory Provident Fund Schemes Ordinance. All new Hong Kong staff join the MPF Scheme. Under the MPF Scheme, the Group and staff are required to contribute each at 5% of the employees' relevant income (capped at \$20,000). For the year ended 31 December 2002, the Group's mandatory provident fund contributions charged to the income statement amounted to \$728,000 (2001: \$1,128,000).

26 SHARE OPTION SCHEME

In an extraordinary general meeting of the Company held on 14 June 2002, the shareholders of the Company formally approved the termination of the share option scheme adopted on 30 December 1997 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"), in compliance with the amended Chapter 17 of the Listing Rules. A summary of the principal terms of the New Scheme was sent to the shareholders of the Company in a circular dated 28 May 2002. All new options shall be granted under the terms and conditions of the New Scheme. No options have yet been granted under the New Scheme.

All outstanding options granted under the Old Scheme shall remain valid and exercisable under the provisions of the Old Scheme.

(a) Movements in share options

	2002	2001
	Number	Number
At 1 January	9,256,000	16,764,000
Lapsed	(5,618,000)	(7,508,000)
At 31 December	<u>3,638,000</u>	<u>9,256,000</u>
Options vested at 31 December	<u>3,638,000</u>	<u>8,636,000</u>

26 SHARE OPTION SCHEME (CONTINUED)

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercise price	2002 Number	2001 Number
11 October 1999	\$1.528	636,000	4,936,000
22 October 1999	\$1.530	300,000	300,000
1 December 1999	\$1.804	144,000	144,000
20 December 1999	\$2.316	—	800,000
27 March 2000	\$1.900	1,950,000	1,950,000
1 August 2000	\$0.630	408,000	576,000
1 September 2000	\$0.694	—	50,000
18 September 2000	\$0.670	200,000	500,000
		<u>3,638,000</u>	<u>9,256,000</u>

These share options are exercisable before 29 December 2007.

The exercise in full of the remainder of the share options would, under the present capital structure of the Company, result in the issue of 3,638,000 additional ordinary shares of \$0.01 at a total consideration of approximately \$5,787,000.

27 DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	The Group	
	2002 \$'000	2001 \$'000
At 1 January	95	1,312
Exchange difference	1	3
Transfer to the income statement (note 5(a))	(7)	(1,220)
	<u>89</u>	<u>95</u>
At 31 December	<u>89</u>	<u>95</u>

(b) Major components of deferred tax of the Group are set out below:

	2002		2001	
	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000
Depreciation allowances in excess of related depreciation	89	537	175	1,388
Tax losses	—	(47,096)	(80)	(32,139)
	<u>89</u>	<u>(46,559)</u>	<u>95</u>	<u>(30,751)</u>

(c) Major components of deferred tax of the Company are set out below:

	2002		2001	
	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000
Tax losses	—	(23,111)	—	(14,880)
	<u>—</u>	<u>(23,111)</u>	<u>—</u>	<u>(14,880)</u>

28 SHARE CAPITAL

	2002		2001	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Authorised:				
Ordinary shares of \$0.01 (2001: \$0.50) each	<u>100,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At 1 January	1,650,658	825,329	1,650,658	825,329
Reduction of share capital (note (a) & note 29)	<u>—</u>	<u>(808,822)</u>	<u>—</u>	<u>—</u>
At 31 December	<u>1,650,658</u>	<u>16,507</u>	<u>1,650,658</u>	<u>825,329</u>

During the year, a capital reorganisation scheme was approved by the shareholders at an extraordinary general meeting on 11 July 2002 and has subsequently been confirmed by the sanction of an order of the High Court of Hong Kong dated 6 August 2002. The details of the capital reorganisation scheme are as follows:

- (a) the authorised share capital of the Company was reduced from \$1,000,000,000, divided into 2,000,000,000 ordinary shares of \$0.50 each, to \$20,000,000 divided into 2,000,000,000 ordinary shares of \$0.01 each. Such reduction was effected by cancelling paid up capital per share by \$0.49 on each of the 1,650,658,676 ordinary shares in issue on 6 August 2002, being the date on which the court petition was heard, and by reducing the nominal value of all the issued and unissued ordinary shares of the Company from \$0.50 to \$0.01 per ordinary share; and
- (b) upon such reduction of capital taking effect:
- (i) the authorised share capital of the Company has been increased to its former amount of \$1,000,000,000 by the creation of an additional 98,000,000,000 ordinary shares of \$0.01 each; and
 - (ii) a special capital reserve has been created and credited with an amount equal to the credit arising from the said reduction of capital as detailed in (a) above, which amounted to \$808,822,751. Such reserve shall not be treated as realised profit and shall, for as long as the Company shall remain a listed company, be treated as an undistributable reserve. However, the special capital reserve may be reduced by the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves.

NOTES ON THE FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars)

29 RESERVES

(a) The Group

	Share premium \$'000	Capital redemption reserve \$'000	Special reserve \$'000	Exchange reserve \$'000	Goodwill reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2001	1,189,721	478	—	1,029	(30,000)	(755,058)	406,170
Exchange differences	—	—	—	(239)	—	—	(239)
Loss for the year	—	—	—	—	—	(197,696)	(197,696)
At 31 December 2001	1,189,721	478	—	790	(30,000)	(952,754)	208,235
At 1 January 2002	1,189,721	478	—	790	(30,000)	(952,754)	208,235
Exchange differences	—	—	—	385	—	—	385
Reduction of share capital (<i>note 28</i>)	—	—	808,822	—	—	—	808,822
Impairment loss on goodwill	—	—	—	—	30,000	—	30,000
Loss for the year	—	—	—	—	—	(119,435)	(119,435)
At 31 December 2002	1,189,721	478	808,822	1,175	—	(1,072,189)	928,007

The accumulated losses of the Group include profit of \$328,000 (2001: profit \$200,000) retained by associates.

29 RESERVES (CONTINUED)

(b) The Company

	Share premium \$'000	Special reserve \$'000	Capital redemption reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2001	1,189,721	—	478	(282,316)	907,883
Loss for the year	—	—	—	(669,848)	(669,848)
At 31 December 2001	<u>1,189,721</u>	<u>—</u>	<u>478</u>	<u>(952,164)</u>	<u>238,035</u>
At 1 January 2002	1,189,721	—	478	(952,164)	238,035
Reduction of share capital (note 28)	—	808,822	—	—	808,822
Loss for the year	—	—	—	(119,072)	(119,072)
At 31 December 2002	<u>1,189,721</u>	<u>808,822</u>	<u>478</u>	<u>(1,071,236)</u>	<u>927,785</u>

The Company did not have any distributable reserves at 31 December 2002.

30 COMMITMENTS

(a) Operating lease commitments

At 31 December 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Within 1 year	1,312	2,967	880	2,640
After 1 year but within 5 years	87	1,050	—	880
	<u>1,399</u>	<u>4,017</u>	<u>880</u>	<u>3,520</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

30 COMMITMENTS (CONTINUED)**(b) Acquisition of equity interests**

A wholly-owned subsidiary of the Company entered into a subscription agreement with ChinaPay.com Holdings Limited ("ChinaPay") to acquire 666,667 shares (representing approximately 7% of the enlarged share capital) of ChinaPay at a consideration of US\$1,000,000 (equivalent to \$7,780,000) which was paid into an escrow account in November 2001. Closing of the acquisition is subject to satisfactory completion of the due diligence exercise and other closing conditions.

During the year, a wholly-owned subsidiary of the Company entered into a joint venture contract, upon the terms and conditions set out therein, to form a club and leisure business management company in Shanghai. The Company, in acquiring 20% of the shares, is committed to a US\$1,600,000 investment.

(c) Other commitments

As at 31 December 2002, the Company, acting on behalf of Hill Top Country Club Limited, was a party to a co-operative joint venture agreement with a PRC joint venture partner in respect of Shanghai Hilltop Country Club Limited ("SHCCL"). According to the terms of the co-operative joint venture agreement and supplementary agreement signed on 2 September 2002, the Company committed to pay the PRC joint venture partner any shortfall in the profit distributed by SHCCL to the PRC joint venture partner below the amount of RMB1,650,000 and US\$268,000 per annum from 2001 to 2008 and from 2009 to 2022 respectively. As at 31 December 2002, the maximum amount payable by the Company to the PRC joint venture partner up to 27 December 2022 in excess of the amount provided for in these financial statements amounted to \$38,520,000.

31 CONTINGENT LIABILITIES

At 31 December 2002, there were contingent liabilities in respect of the following:

- (a) One of the telecommunications content providers of a subsidiary issued a letter through its solicitors in March 2002 claiming damages of US\$1,500,000 from that subsidiary in relation to rate changes applied by that subsidiary for services delivered by the content provider. The claimant also disputes traffic volumes generated in the past and claims to have been underpaid by at least US\$2,736,125.

Management has studied the allegations raised and sought legal advice on the subsidiary's legal rights and liabilities. Upon advice, the subsidiary has sought to refute most of the allegations and has raised a counterclaim of US\$6,214,708 for the return of sums advanced on account to the content provider due to uncollectibles, discrepancies arising on reconciliation of traffic volumes and other related items. In the meantime, no provision has been made in the financial statements in connection with these claims.

- (b) During the year ended 31 December 2002, the Company executed corporate guarantees as part of the security for general banking facilities granted to certain subsidiaries to the extent of US\$6,110,000 (2001: US\$11,600,000) and for rental payable by a subsidiary to the extent of \$264,000 (2001: Nil).

32 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Company received interest income amounting to \$138,000 (2001: \$398,000) from an associate.

On 27 April 2001, the Company entered into a tenancy agreement with a company controlled by a substantial shareholder of the Company. Rental expense payable under the agreement during the year ended 31 December 2002 amounted to \$2,843,000 (2001: \$1,218,000). The terms of the tenancy agreement are on an arm's length basis.

During the year, a subsidiary of the Company entered into a subscription agreement with a Taiwanese company, in relation to the subscription of 12 million new ordinary shares to be issued by the investee company, representing approximately a 14.4% equity interest, for a consideration of NT\$120 million (equivalent to \$26,801,000). The substantial shareholder of the Company is also a substantial shareholder of the Taiwanese company.

33 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, certain advances from banks and pledged deposit have been excluded from the definition of cash equivalents, 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 have been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.

GROUP STRUCTURE

(a) The following is a list of the principal subsidiaries at 31 December 2002:

Name of company	Place of incorporation/ operation*	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	held by the Company	held by subsidiary	
Asia Pacific Telecommunications Limited	Hong Kong	Ordinary HK\$2,000	100%	—	100%	Provision of international telecommunications services
e-New Media Technology Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	100%	—	Investment holding
e-Media Telecom Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	100%	Investment holding
ENM Investments Limited	Cayman Islands/ Hong Kong	Ordinary US\$1	100%	100%	—	Investment holding
Hill Top Country Club Limited	Hong Kong	Ordinary HK\$10,000,000	100%	100%	—	Club management
Inasia.com Limited	Hong Kong	Ordinary HK\$2,500,000	100%	—	100%	Telecommunications business
Lion Dragon Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	100%	Investment holding
Jackpot International Business Inc.	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	100%	Investment holding
New Media (Aust) Pty Limited	Australia	Ordinary AU\$100	100%	—	100%	Engineering support services

* where different from the place of incorporation

(a) The following is a list of the principal subsidiaries at 31 December 2002 (continued):

Name of company	Place of incorporation/ operation*	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	held by the Company	held by subsidiary	
New Media Corporation	Cayman Islands/ Hong Kong	Ordinary US\$2,227,280	100%	—	100%	Investment holding
New Media Telecom Asia Limited	Taiwan	Ordinary NT\$2,000,000	100%	—	100%	Data bureau services
New Media Telecom (Singapore) Pte Limited	Singapore	Ordinary SGD100,000	100%	—	100%	Telecommunications business
Richtime Management Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	100%	Investment holding
Shanghai Hilltop Country Club Limited	The People's Republic of China (Co-operative joint venture)	US\$7,200,000	80%	—	80%	Club management
Ventures Triumph Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	100%	Investment holding
Voice Information Systems Limited	Hong Kong	Ordinary "A" HK\$3,000,000 Ordinary "B" HK\$2,000,000	100%	—	100%	Bureau services
Wintalent International Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	—	100%	Investment holding

* where different from the place of incorporation

GROUP STRUCTURE

(b) The following is a list of the principal associates at 31 December 2002:

Name of Company	Place of incorporation	Attributable equity interest held by the Group	Principal activities
Ventile Investments Limited	British Virgin Islands	35%	Provision of finance
Beijing Smartdot Technologies Limited	The People's Republic of China	20%	Software developer and solution project provider
S & S Technologies Company Limited	Cayman Islands	25%	Provider of IP based broadband services and wireless value added services

(c) The following is a list of the principal jointly controlled entities at 31 December 2002:

Name of Company	Place of incorporation	Attributable equity interest held by the Group	Principal activities
e-Brilliant Company Limited	Cayman Islands	50%	Investment holding
e-Brilliant Pte Limited	Singapore	50%	In liquidation

FIVE YEAR SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	Year ended 31 March 1999 \$'000	9 months ended 31 December 1999 \$'000	Year ended 31 December 2000 \$'000	Year ended 31 December 2001 \$'000	Year ended 31 December 2002 \$'000
Turnover	<u>52,670</u>	<u>223,176</u>	<u>878,169</u>	<u>419,450</u>	<u>193,359</u>
Loss from operations	(54,628)	(248)	(190,604)	(187,810)	(86,056)
Finance costs	(2,048)	(6,473)	(11,408)	(5,486)	(1,253)
Share of results of associates	14	6	(452)	405	(1,792)
Share of results of jointly controlled entities	—	—	(11,541)	(6,427)	—
Impairment loss on goodwill <i>(note 1)</i>	—	—	(473,061)	—	(30,000)
Loss from ordinary activities before taxation	(56,662)	(6,715)	(687,066)	(199,318)	(119,101)
Taxation	141	(1,442)	236	1,622	(334)
Minority interests	—	2,721	9,209	—	—
Loss attributable to shareholders	<u>(56,521)</u>	<u>(5,436)</u>	<u>(677,621)</u>	<u>(197,696)</u>	<u>(119,435)</u>

FIVE YEAR SUMMARY

(Expressed in Hong Kong dollars)

ASSETS AND LIABILITIES

	31 March 1999 \$'000	31 December 1999 \$'000	31 December 2000 \$'000	31 December 2001 \$'000	31 December 2002 \$'000
Non-current assets	548,318	724,423	469,519	304,483	302,649
Net current assets	59,018	208,973	779,562	735,726	649,178
Total assets less current liabilities	607,336	933,396	1,249,081	1,040,209	951,827
Non-current liabilities	(19,340)	(187,482)	(17,582)	(6,645)	(7,313)
Minority interests	(11,353)	(37,772)	—	—	—
	<u>576,643</u>	<u>708,142</u>	<u>1,231,499</u>	<u>1,033,564</u>	<u>944,514</u>
Share capital	355,465	624,480	825,329	825,329	16,507
Reserves	<u>221,178</u>	<u>83,662</u>	<u>406,170</u>	<u>208,235</u>	<u>928,007</u>
	<u>576,643</u>	<u>708,142</u>	<u>1,231,499</u>	<u>1,033,564</u>	<u>944,514</u>

Notes:

- (1) Following the requirements of Statement of Standard Accounting Practice 31 "Impairment of assets", the directors have performed an assessment of the fair value of the Group's assets, including goodwill that had previously been eliminated against reserves, and have retrospectively restated the 2000 result for the impairment of goodwill arising from the acquisition of subsidiaries according to the transitional provisions of Statement of Standard Accounting Practice 30 "Business combinations".
- (2) Pursuant to the revised (December 2001) Hong Kong Statement of Standard Accounting Practice No. 11 "Foreign currency translation", the Group changed its accounting policy for translation of the results of foreign enterprises in 2002. Figures for the years from 1999 to 2001 have not been adjusted for comparison purposes as the effect of this change in accounting policy is not material.