

## BOARD OF DIRECTORS

Chan Chung Yee, Hubert (*Chairman*)

Chan Chung Yin, Roy

Chan Man Min

Yeh Yui Fong

Tsui Hon Wing

Kwok Cheuk Tim, Rockie

Chan Ming Him, Denny

Wu Kwok Lam AHKSA, FCCA

Fung Lewis Hung\*

Chu Chor Lup\*

Chiu Ngar Wing FCCA, AHKSA, CPA\*

\* *Independent non-executive director*

## COMPANY SECRETARY

Wu Kwok Lam A.H.K.S.A., F.C.C.A

## REGISTERED OFFICE

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman, Cayman Islands

British West Indies

## PRINCIPAL OFFICE

2nd Floor

Nos. 55 and 57 Hennessy Road

Wanchai

Hong Kong

## PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited

36C Bermuda House

3rd Floor, P.O. Box 513 GT

Dr. Ray's Drive

George Town, Grand Cayman

Cayman Islands

British West Indies

## AUDITORS

Deloitte Touche Tohmatsu

*Certified Public Accountants*

## HONG KONG BRANCH REGISTRAR

Standard Registrars Limited

5th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited

1 Queen's Road Central

Hong Kong

Wing Hang Bank, Limited

161 Queen's Road Central

Hong Kong

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of HKC International Holdings Limited (the "Company") will be held at 3:00 p.m. on 6 September, 2002 at Basement Function Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong to transact the following ordinary businesses:

1. to receive and approve the audited combined financial statements and the reports of the directors (the "Directors") of the Company and the Company's auditors for the year ended 31 March 2002;
2. to declare a final dividend for the year ended 31 March 2002 of HK 2 cents per share (each a "Share") of HK\$0.01 each in the capital of the Company by way of a scrip dividend (the "Scrip Dividend Scheme") with an option to elect to receive an allotment and issue of Shares credited as fully paid in lieu of cash payment;
3. to re-elect the retiring Directors and to authorise the board of Directors to fix the Directors' remuneration;
4. to re-appoint the Company's auditors and to authorise the board of directors to fix their remuneration;

and, as special businesses, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

5. **"THAT:**
  - (a) subject to paragraph (c) below, pursuant to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with the unissued shares (each a "Share") of HK\$0.01 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above 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 and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any options granted under the share option scheme of the Company adopted from time to time in accordance with the Listing Rules; or (iii) any scrip dividend or similar arrangements including the Scrip Dividend Scheme (as defined in paragraph 2 above) providing for the allotment and issue of Shares in lieu of the whole or part

# Notice of Annual General Meeting

of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed the aggregate of:

- (aa) 20 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution as enlarged by the allotment and issue of Shares under the Scrip Dividend Scheme; and
- (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution as enlarged by the allotment and issue of Shares under the Scrip Dividend Scheme),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest 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 articles of association of the Company, the Companies Law (Law 3 of 1961, as consolidated and revised) (the “Companies Law”) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

"Rights Issue" means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the Company's register of members on a fixed record date in proportion to their then holdings of 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 laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong)."

6. **"THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase shares (each a "Share") of HK\$0.01 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange, the Companies Law and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution as enlarged by the allotment and issue of Shares under the Scrip Dividend Scheme and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest 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 articles of association of the Company, the Companies Law or any other applicable law of Cayman to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution."

# Notice of Annual General Meeting

7. “**THAT** conditional on the passing of resolution numbered 5 above, the general mandate granted to the directors of the Company pursuant to paragraph (a) of resolution numbered 5 above be and it is hereby extended by the addition to the aggregate nominal amount of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company purchased or agreed to be repurchased by the Company pursuant to or in accordance with the authority granted under paragraph (a) of resolution numbered 6 above.”

By order of the board of directors of  
**HKC International Holdings Limited**  
**Chan Chung Yee Hubert**  
*Chairman*

Hong Kong, 19 July 2002

*Registered office:*

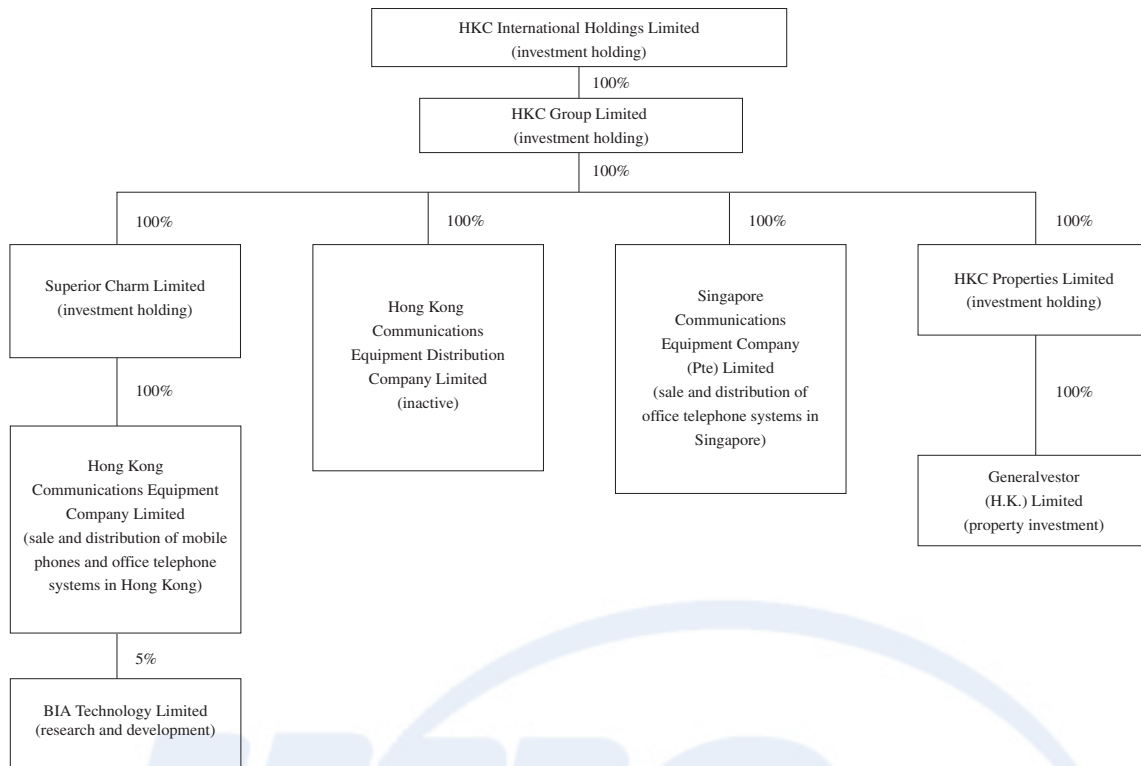
Century Yard, Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman, Cayman Islands  
British West Indies

*Head office and principal place  
of business in Hong Kong:*

2nd Floor  
Nos. 55 & 57 Hennessy Road  
Wanchai  
Hong Kong

Notes:

- 1 A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
- 2 To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.
- 3 In relation to proposed resolutions numbered 5 and 7 above, approval is being sought from the shareholders for the grant to the directors of a general mandate to authorise the allotment and issue of shares under the Listing Rules. The directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme (including the Scrip Dividend Scheme) which may be approved by shareholders.
- 4 In relation to proposed resolution numbered 6 above, the directors wish to state that they will exercise the powers conferred thereby to purchase shares in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules will be set out in a separate document to be despatched to the shareholders.



## PROFIT FOR THE YEAR

The Group's consolidated net profit for the year ended 31 March 2002 was HK\$20.9 million (2001: HK\$34.3 million).

## DIVIDEND

The Directors have proposed a final dividend of HK2.0 cents per share. The proposed dividend will be payable on or about 9 September 2002 to shareholders on the register of members at the close of business on 13 August 2002 and is subject to approval by the shareholders in the forthcoming annual general meeting. The final dividends will be payable in cash but shareholders will be given the option to elect to receive the dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. Particulars of these arrangements will be mailed to shareholders on or about 14 August 2002.

## BUSINESS REVIEW

For the year ended 31 March 2002, the Group's turnover decreased by approximately 2% to HK\$727 million (2001: HK\$740 million) and net profit decreased by approximately 39% to HK\$20.9 million (2001: HK\$34.3 million) in comparison with the last year. During the year, we opened a "Nokia Professional Centre" and five retail shops under the trading name of "Circle" in various MTR stations to expand our sales of mobile phones and related products. The increase in administrative expenses from approximately HK\$44 million to HK\$61 million principally reflected the operating costs for these new retail shops. An amount of HK\$4 million has been invested in an unlisted company with the principal activities in the trading of telecommunication equipment and engaging in research and development on internet application and mobile products.

### Sales of mobile phones

The turnover was HK\$639 million (2001: HK\$648 million). The continuous decline in consumer spending and keen market competition, particularly in the second half of the year, eroded the gross profit margin significantly. The profit was dropped by about 37% to HK\$11.5 million (2001: HK\$18.3 million).

### Sale of office telephones systems

The turnover was dropped by about 10% to HK\$38 million (2001: HK\$42 million) when compared with last year. The corporate spending was greatly affected by the adverse economic conditions. In order to maintain the market share, we had to lower the selling price. Again, the gross profit margin was seriously squeezed.

### Connection service

The turnover was HK\$23 million (2001: HK\$28 million) while profit was HK\$2.6 million (2001: HK\$14.3 million). The drastic drop in contribution was due to the great reduction of commission rates paid by the network operators. We expect that this situation will sustain.

### Property investment

The rental income was stable during the year.

## Other activities

These included the repairs and maintenance charges and consultancy fee received. The reluctance of the customers to replace the existing equipment led to the increase in demand of the repairs and maintenance services. The contribution was increased accordingly.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a very strong financial position. As at 31 March 2002, the Group's cash and bank balances amounted to approximately HK\$51 million (2001: HK\$33 million) while the bank borrowing was HK\$1.2 million (2001: HK\$1.3 million). The gearing ratio was 0.6% (2001: 1.1 %). The gearing ratio is expressed as a percentage of total borrowings to shareholders' funds.

As substantial portion of transactions are dominated in Hong Kong Dollar, the Group's exposure to exchange fluctuation is low.

## USE OF PROCEEDS OF NEW ISSUE

In November 2001, the Company raised net proceeds of approximately HK\$30.5 million by the issue of 80,000,000 new shares at HK\$0.5 each. The Company's shares have been listed on Stock Exchange since 9 November 2001. Up to 31 March, 2002, approximately HK\$2 million had been used for repacking the existing stores and opening five retail shops under the trading name of "Circle". An amount of HK\$4 million has been invested in an unlisted company for which the principal activities in the trading of telecommunication equipment and engaging in research and development on internet application and mobile products. The remaining balance of approximately HK\$24.5 million from the aforesaid issue has been placed into short-term bank deposits.

## PROSPECTS

Pursuant to our plan as disclosed in the prospectus dated 30 October 2001, we will further expand our retail chain and make further investment in the research and development on internet application and mobile products. With the expertise and long extensive experience in telecommunication system integration, we will also seek for opportunities to enhance our exposure in China. However, all these expansion and investment will only be made after due considerations of the costs and return.

Hong Kong is still facing unstable external economic conditions and internal economic transformation. The unemployment rate is still recorded at high level. Our next year's results will largely depend on the degree of economic recovery and the popularity level of new mobile phone models. We will continue to tighten our cost control to increase the competitiveness and are cautiously optimistic about the prospectus for the coming year.

Finally, we would like to extend our sincere gratitude to all the staff members of the Group for their contribution and continued support during the year.



## EMPLOYEES

As at 31 March 2002, the total number of employees of the Group was approximately 230. The remuneration and bonus packages are based on the individual merits and performance and are reviewed at least annually. There is a share option scheme in place designed to award employees for their performance at the discretion of the Directors. The Group maintains a good relationship with its employees.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 12 August 2002 to 13 August 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's Share Registrars in Hong Kong, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 9 August 2002.

### **Chan Chung Yee Hubert**

*Chairman*

Hong Kong, 19 July 2002



## EXECUTIVE DIRECTORS

Mr. CHAN Chung Yee, Hubert, aged 42, is the Chairman of the Company. Mr. Chan joined the Group in 1984 and is responsible for the formulation of corporate strategies and business development of the Group. He obtained a bachelor's degree in industrial engineering from the University of Hong Kong. Mr. Chan has over 15 years' experience in the trading and distribution of telecommunications equipment. He has been a member of the executive committee of Internet and Telecom Association of Hong Kong since 1996, and is currently the vice-chairman of that association for a term from 2000 to 2002. Mr. Hubert Chan is the elder brother of Mr. Roy Chan.

Mr. KWOK Cheuk Tim, Rockie, aged 56, is an executive Director. Mr. Kwok has been a sales director of HK Communications since 1994. He obtained a bachelor's degree in electrical engineering from the University of Hong Kong and postgraduate diploma in business administration from the University of Toronto, Canada. He has extensive information technology experience through working for IBM, Digital (now known as Compaq) and Univac (now known as Unisys). Prior to joining the Group, he has 12 years' experience in marketing, sales and operation in Hong Kong Telecommunications Limited (now known as PCCW). Mr. Kwok also has international experience in working in Toronto, Beijing and Singapore.

Mr. WU Kwok Lam, aged 40, is an executive Director. Mr. Wu has been the assistant general manager of HK Communications since 1989. Prior to that, he was the accounting manager of Tandy Radio Shack Limited. He has more than 15 years of experience in the accounting and financial field. Mr. Wu obtained a master's degree in business administration from Murdoch University, Australia. He is also an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. CHAN Chung Yin, Roy, aged 40, is an executive Director. Mr. Chan has been a director of HK Communications since 1989. He graduated from the University of Toronto, Canada with a bachelor's degree in computer science. Mr. Chan has over 13 years' experience in the telecommunications industry. Mr. Chan is the younger brother of Mr. Hubert Chan.

Mr. CHAN Man Min, aged 69, is an executive Director. Mr. Chan joined the Group in 1971. Mr. Chan has over 30 years' experience in the telecommunications industry.

Mr. CHAN Ming Him, Denny, aged 43, is an executive Director. Mr. Chan joined the Group in 1999. He graduated from McMaster University, Canada with a master's degree in engineering. Mr. Chan has over 5 years' experience in telecommunications industry.

# Directors and Senior Management Profile

Mr. TSUI Hon Wing, aged 55, is an executive Director. He has been a director of HKCED since 1987 and possesses over 30 years' sales and management experience in the intercom, keyphone and closed circuit television system.

Mr. YEH Yui Fong, aged 68, is an executive Director. Mr. Yeh has been a director of SCE since 1981. He is responsible for overseeing the business planning and operation in the Singapore office. He obtained a master's degree in business administration from the Chinese University of Hong Kong. Mr. Yeh has over 20 years' experience in the telecommunications industry.

## **Independent non-executive Directors**

Dr. FUNG Lewis Hung, aged 41, is an independent non-executive Director. Dr. Fung has been the honorary associate professor of the medical faculty of the Chinese University of Hong Kong since 1996. He has also been the honorary medical adviser of The Hong Kong Chamber of Small & Medium Business Limited since 1997 and The International Association of Elevator Engineers (HK Branch) since 1992. Dr. Fung is an affiliated fellow of the Royal Australian College of Physicians and the foundation fellow of Hong Kong Academy of Medicine. In addition, he is a member of the International Society of Nephrology and Hong Kong Society of Nephrology. He also holds a master's degree in business administration from the Newport University in the United States. Dr. Fung is an independent non-executive director of UBA Investments Limited and Upbest Group Limited, both of which are companies listed on the Stock Exchange.

Dr. CHU Chor Lup, aged 49, is a practising doctor. He is the fellow of Hong Kong College of Physician and Hong Kong Academy of Medicine, specialist of cardiology. He has been the member of the Hospital Government Committee since 1997.

Mr. CHIU Ngar Wing, aged 48, is a practising accountant. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. He is a partner of T.C. Ng & Co, Certified Public Accountants and has been practising in the firm for more than 17 years.

## SENIOR MANAGEMENT

Mr. KWONG Chiu Fan, Kevin, aged 37, is the chief technology officer of the Group who joined the Group in March, 2001. He holds a master's degree of science from Imperial College, University of London and a bachelor's degree of engineering from Hong Kong Polytechnic University. He has over 10 years' experience in technical project, product development and management. Prior to joining the Group, he held various positions in leading technology companies including Telecom Technology Centre, Zi Corporation, IBM Global Services Australia and Hong Kong Productivity Council. He is a chartered electrical engineer and is a member of the Hong Kong Computer Society and the Institution of Electrical Engineers.

Mr. CHOI Chun Yik, aged 41, is the director of sales and marketing of the office telephone division of the Group. He holds a master's degree in business administration from Murdoch University, Australia and joined the Group in 1990 with over 15 years' experience in the telecommunications industry. Mr. Choi is responsible for overseeing the operations of sales, customer services and technical services departments in the office telephone division.

Mr. WONG Derrick, aged 47, is the general manager of SCE. He holds a diploma in electrical engineering and a graduate diploma in marketing management. Mr. Wong joined the Group in 1981, has over 20 years of experience in the telecommunications industry and was a founding member of the Association of Telecommunications Industry of Singapore (ATIS). He was the president of ATIS during the period from 1997 to 1999.

Mr. LAU Chuen Kee, aged 40, is the business development manager of the Group. Mr. Lau is responsible for providing consultancy services to the customers and exploring business opportunities in the PRC. He joined the Group in 1998 and has over 14 years' experience in the telecommunication industry in the PRC.

Mr. CHEUNG Tat On, aged 39, is the senior sales manager of the mobile phone division of the Group. He joined the Group in 1997 and has over 10 years' experience in the mobile phone industry.

Mr. KWAN Ka Hung, Thomas, aged 41, is the director of retail operation of the Group. Mr. Kwan joined the Group in 2001 and is responsible for the retail shops operation of the Group and has over 8 years' experience in the store operation.

The directors have pleasure in presenting their first annual report and the audited financial statements of the Company for the period from 9 April 2001 (date of incorporation) to 31 March 2002 and of the Group for the year ended 31 March 2002.

## **CORPORATE REORGANISATION**

The Company was incorporated as an exempted company with limited liability on 9 April 2001 in the Cayman Islands under the Companies Laws of the Cayman Islands.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 12 September 2001. Details of the Group Reorganisation are set out in the prospectus issued by the Company on 30 October 2001.

The shares of the Company were listed on the Stock Exchange since 9 November 2001.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 24.

During the year, certain subsidiaries of the Company paid dividends with an aggregate amount of HK\$30,000,000 to their then shareholders, prior to the Group Reorganisation.

The directors recommend the payment of a dividend of HK2 cents per share to the shareholders of the Company whose names appear on the register of members on 13 August 2002.

## **INVESTMENT PROPERTIES**

All of the investment properties of the Group were revalued at 31 March 2002. The revaluation increase arising on revaluation, which amounted to HK\$1,470,000, has been credited to the investment property revaluation reserve.

Details of these and other movements during the year in the investment properties of the Group are set out in note 14 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

All of the leasehold land and buildings were revalued at 31 March 2002. The revaluation increase arising on revaluation, which amounted to HK\$27,856,000, has been credited to the leasehold property revaluation reserve.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the financial statements.

## DIRECTORS AND SERVICE CONTRACTS

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

### Executive directors:

Chan Chung Yee, Hubert ( <i>Chairman</i> )	(appointed on 20 April 2001)
Chan Chung Yin, Roy	(appointed on 20 April 2001)
Chan Man Min	(appointed on 20 April 2001)
Chan Ming Him, Denny	(appointed on 20 April 2001)
Kwok Cheuk Tim, Rockie	(appointed on 20 April 2001)
Tsui Hon Wing	(appointed on 20 April 2001)
Wu Kwok Lam	(appointed on 20 April 2001)
Yeh Yui Fong	(appointed on 20 April 2001)

### Independent non-executive directors:

Chiu Ngar Wing	(appointed on 7 August 2001)
Chu Chor Lup	(appointed on 7 August 2001)
Fung Lewis Hung	(appointed on 7 August 2001)

In accordance with Article 108 of the Company's Articles of Association, Messrs. Wu Kwok Lam, Chan Ming Him, Denny and Mr. Tsui Hon Wing retire by rotation and, being eligible, offer themselves for re-election.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office for each independent non-executive director is one year.

## DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 37 to the financial statements, no other contracts 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, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN SHARES

At 31 March 2002, the interests of the directors and their associates in the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were set out below:

Name of director	Personal interest	Family interest	Corporate interest
Chan Chung Yee, Hubert	–	205,252,200 (i)	–
Chan Chung Yin, Roy	–	68,417,400 (ii)	–
Chan Man Min	–	–	24,709,650 (iii)
Yeh Yui Fong	–	–	2,681,550 (iv)
Tsui Hon Wing	–	–	1,939,200 (v)

Notes:

- (i) 205,252,200 shares were held by Matrix World Group Limited, a company wholly-owned by Newcourt Trustees Limited as the trustee of the Mr. Chan Chung Yee, Hubert's family trust.
- (ii) 68,417,400 shares were held by Star Global International Limited, a company wholly-owned by Newcourt Trustees Limited as the trustee of the Mr. Chan Chung Yin, Roy's family trust.
- (iii) 24,709,650 shares were held by Ocean Hope Group Limited which was wholly-owned by Mr. Chan Man Min.
- (iv) 2,681,550 shares were held by Ocean Castle Developments Limited which was wholly-owned by Mr. Yeh Yui Fong.
- (v) 1,939,200 shares were held by Total Portfolio Limited which was wholly-owned by Mr. Tsui Hon Wing.

Save as disclosed above, at 31 March 2002, none of the directors or their associates had any interests in the securities of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company.

## SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted by a written resolution passed on 23 October 2001 for the purpose of providing incentives or rewards to selected participants for their contribution to the Group. Under the Scheme, the directors may, at their discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares of the Company:

- (i) any eligible employee of the Company, any of its subsidiaries or any entity ("Invested Entity");
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- (vii) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of shares of the Company or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the directors otherwise determined, be construed as a grant of option under the Scheme.



## SHARE OPTIONS (CONTINUED)

The eligibility of any of the above class of participants to the grant of any options shall be determined by the directors from time to time.

An option may be accepted by a participant upon payment of HK\$1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors at the time of such grant to each grantee, which period may commence on the date of acceptance of the offer for the grant of option but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The subscription price for shares under the Scheme shall be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for grant; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or any of its subsidiaries) in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Group is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any participant in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to directors, chief executives or substantial shareholders of the Company or any of their respective associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) must be approved by independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee of the options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The share options were granted on 23 November 2001 at an exercise price of HK\$0.38 per share, exercisable for the period from 23 May 2002 to 30 June 2003 (both days inclusive).

At 31 March 2002, the number of shares in respect of which options had been granted under the scheme was 22,400,000, representing 5% of shares of the Company in issue at that date.

**SHARE OPTIONS (CONTINUED)**

The fair value of the options granted in the current year measured as at the date of grant on 7 November 2001 totalled approximately HK\$2,307,000. The following significant assumptions were used to derive the fair value, using the Black Scholes option pricing model:

1. an expected volatility of 72%;
2. no annual dividend; and
3. the estimated expected life of the options granted during 2001 is 12 months. The corresponding one-year Hong Kong Exchange Fund Notes interest rate at the date the options were granted was 2.31%.

The closing price of the Company's shares immediately before the date of grant was HK\$0.37.

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the consolidated income statement in respect of the value of option granted in the year.

## SHARE OPTIONS (CONTINUED)

The following table discloses movements in the Company's share options during the year:

	Number of shares under options granted		
	Outstanding at 1 April 2001	Granted during the year	Outstanding at 31 March 2002
1. Directors			
Chan Chung Yee, Hubert	–	4,300,000	4,300,000
Chan Chung Yin, Roy	–	1,800,000	1,800,000
Chan Man Min	–	1,000,000	1,000,000
Chan Ming Him, Denny	–	1,000,000	1,000,000
Kwok Cheuk Tim, Rockie	–	1,000,000	1,000,000
Tsui Hon Wing	–	1,000,000	1,000,000
Wu Kwok Lam	–	1,000,000	1,000,000
Yeh Yui Fong	–	1,000,000	1,000,000
	–	12,100,000	12,100,000
2. Employees	–	3,800,000	3,800,000
3. Customers	–	6,500,000	6,500,000
Total	–	22,400,000	22,400,000

## CONNECTED TRANSACTIONS

During the year, the Group entered the following connected transactions:

Name	Nature of transaction	Amount HK\$'000
Hong Kong Communications Computer Company Limited	Computer software maintenance fee and purchase of computer hardwares	1,665
Hong Kong Communications Investments Limited	Disposal of an investment property	13,300
Hong Kong Communications Holdings Limited	Disposal of leasehold property	1,430

## CONNECTED TRANSACTIONS (CONTINUED)

Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy and Mr. Chan Man Min have beneficial interest in Hong Kong Communications Computer Company Limited.

Mr. Chan Chung Yee, Hubert and Mr. Chan Chung Yin, Roy have beneficial interests in Hong Kong Communications Investments Limited and Hong Kong Communications Holdings Limited, and the disposal of properties took place prior to the listing of the Company on the Stock Exchange.

The independent non-executive directors confirm that the transactions have been entered into by the Group in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions and in normal commercial terms.

## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance recorded the following parties as having an interest representing 10% or more in the issued share capital of the Company as at 31 March 2002:

Name	Number of shares held	Percentage held
Matrix World Group Limited	205,252,200	47.40%
Star Global International Limited	68,417,400	15.80%
Newcourt Trustees Limited (note)	273,669,600	63.20%

Note: Newcourt Trustees Limited owns 100% of Matrix World Group Limited and Star Global International Limited and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Matrix World Group Limited and Star Global International Limited.

Save as disclosed above, no persons has registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2002, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 34% of the Group's total turnover and the sales attributable to the Group's largest customer was approximately 9% of the total sales. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 91% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 87% of the total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **DONATION**

During the year, the Group made a charitable donation amounting to HK\$154,000.

## **CORPORATE GOVERNANCE**

The Company has complied in the period between its listing date and 31 March 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## **AUDIT COMMITTEE**

The Company established an audit committee on 12 September 2001 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The Company's audit committee comprises three independent non-executive directors namely, Messrs. Chiu Ngar Wing, Fung Lewis Hung and Dr. Chu Chor Lup.

## **AUDITORS**

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation on 9 April 2001.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Chan Chung Yee Hubert**

*CHAIRMAN*

19 July 2002

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### **TO THE MEMBERS OF HKC INTERNATIONAL HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 24 to 61 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of 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.

It is our responsibility to form an independent opinion, based on our audit, on those 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 the Group as at 31 March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

19 July 2002

# Consolidated Income Statement

For the year ended 31 March 2002

	Notes	<b>2002</b> <b>HK\$'000</b> <i>(note 1)</i>	2001 HK\$'000 <i>(note 1)</i>
Turnover	4	<b>726,717</b>	739,544
Cost of sales		<b>(628,424)</b>	(636,846)
Gross profit		<b>98,293</b>	102,698
Gain on disposal of an investment property		<b>2,911</b>	–
Other revenue	6	<b>493</b>	1,322
Selling and distribution costs		<b>(14,646)</b>	(13,930)
Administrative expenses		<b>(60,910)</b>	(44,183)
Profit from operations	7	<b>26,141</b>	45,907
Finance costs	8	<b>(91)</b>	(213)
Profit before taxation		<b>26,050</b>	45,694
Taxation	11	<b>(3,668)</b>	(7,599)
Profit before minority interests		<b>22,382</b>	38,095
Minority interests		<b>(1,470)</b>	(3,770)
Net profit for the year		<b>20,912</b>	34,325
Dividends	12	<b>30,000</b>	47,270
Earnings per share - basic (HK cents)	13	<b>5.4 cents</b>	10.8 cents

# Balance Sheets

At 31 March 2002

	Notes	THE GROUP		THE COMPANY
		2002 HK\$'000	2001 HK\$'000 (note 1) Restated	2002 HK\$'000
<b>Non-current assets</b>				
Investment properties	14	32,760	41,454	–
Property, plant and equipment	15	54,589	30,854	–
Investments in subsidiaries	16	–	–	174,609
Investment in securities	17	4,000	–	–
Club debentures		335	335	–
		<u>91,684</u>	<u>72,643</u>	<u>174,609</u>
<b>Current assets</b>				
Inventories	18	41,240	23,490	–
Debtors, deposits and prepayments	19	41,626	41,319	–
Amounts due from related companies	20	2,049	372	–
Taxation recoverable		4,619	20	–
Bank balances and cash		51,504	32,851	20,145
		<u>141,038</u>	<u>98,052</u>	<u>20,145</u>
<b>Current liabilities</b>				
Creditors and accrued charges	21	31,361	20,423	255
Bills payable		412	392	–
Amounts due to directors	22	–	7,367	–
Amounts due to related companies	22	–	1,036	–
Taxation payable		664	1,376	–
Obligations under hire purchase contracts	23	14	77	–
Bank borrowings - secured	24	843	897	–
		<u>33,294</u>	<u>31,568</u>	<u>255</u>
<b>Net current assets</b>		<u>107,744</u>	<u>66,484</u>	<u>19,890</u>



# Balance Sheets

At 31 March 2002

	Notes	THE GROUP		THE COMPANY
		2002 HK\$'000	2001 HK\$'000 (note 1) Restated	2002 HK\$'000
<b>Total assets less current liabilities</b>		<b>199,428</b>	139,127	<b>194,499</b>
<b>Non-current liabilities</b>				
Obligations under hire purchase contracts	23	-	14	-
Bank borrowings - secured	24	<b>371</b>	428	-
		<b>371</b>	442	-
<b>Minority interests</b>		-	14,227	-
		<b>199,057</b>	124,458	<b>194,499</b>
<b>Capital and reserves</b>				
Share capital	25	<b>4,330</b>	2,257	<b>4,330</b>
Other reserves	27	<b>153,565</b>	107,454	<b>190,169</b>
Revaluation reserves	28	<b>41,162</b>	14,747	-
		<b>199,057</b>	124,458	<b>194,499</b>

The financial statements on pages 24 to 61 were approved and authorised for issue by the Board of Directors on 19 July 2002 and are signed on its behalf by:

**Chan Chung Yee Hubert**  
DIRECTOR

**Chan Chung Yin Roy**  
DIRECTOR

# Consolidated Statement Of Recognised Gains And Losses

For the year ended 31 March 2002

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000 (note 1)
Revaluation increase (decrease) of investment properties	<b>1,470</b>	(1,555)
Revaluation increase of leasehold land and buildings	<b>27,856</b>	–
Exchange differences arising on translation of overseas operations	<b>(26)</b>	(28)
Net gains (losses) not recognised in the consolidated income statement	<b>29,300</b>	(1,583)
Net profit for the year	<b>20,912</b>	34,325
Total recognised gains	<b>50,212</b>	32,742
Effect of change in accounting policy on adoption of Statement of Standard Accounting Practice 9 (Revised)—see note 2 – increase in retained profits at 1 April 2000		11,000

# Consolidated Cash Flow Statement

For the year ended 31 March 2002

Notes	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
<b>Net cash inflow from operating activities</b> 29	<b>16,835</b>	56,099
<b>Returns on investments and servicing of finance</b>		
Interest received	439	725
Interest paid	(78)	(165)
Interest on hire purchase contracts	(13)	(48)
Dividends paid	(30,000)	(5,907)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(29,652)</b>	(5,395)
<b>Taxation</b>		
Hong Kong Profits Tax paid	(8,979)	(9,298)
Overseas tax paid	-	(462)
<b>Cash outflow from taxation</b>	<b>(8,979)</b>	(9,760)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(3,289)	(1,905)
Purchase of investment securities	(4,000)	-
Proceeds from disposal of property, plant and equipment	1,430	-
Advance to directors	-	(33,996)
Repayment from a related company	-	6,151
<b>Net cash outflow from investing activities</b>	<b>(5,859)</b>	(29,750)
<b>Net cash (outflow) inflow before financing</b>	<b>(27,655)</b>	11,194

# Consolidated Cash Flow Statement

For the year ended 31 March 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>Financing</b>	30		
Increase in paid-in capital		-	9
Proceeds from shares issued		40,200	-
Shares issue expenses		(8,970)	-
Repayment of bank loans		(863)	(1,200)
Repayment of obligations under hire purchase contracts		(77)	(53)
Advances from directors		15,268	-
<b>Net cash inflow (outflow) from financing</b>		<u>45,558</u>	<u>(1,244)</u>
<b>Increase in cash and cash equivalents</b>		<b>17,903</b>	9,950
<b>Cash and cash equivalents at beginning of the year</b>		<b>32,851</b>	22,919
<b>Effect of foreign exchange rate changes</b>		<u>(2)</u>	<u>(18)</u>
<b>Cash and cash equivalents at end of the year</b>	31	<u><b>50,752</b></u>	<u>32,851</u>

# Notes to the Financial Statements

For the year ended 31 March 2002

## **I. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Company was incorporated and registered as an exempted company with limited liability on 9 April 2001 in the Cayman Islands under the Companies Law of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 November 2001.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 12 September 2001. Details of the Group Reorganisation are set out in the prospectus issued by the Company on 30 October 2001.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared with the principle of the merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants.

The consolidated income statement and the consolidated cash flow statement for the year ended 31 March 2001 include the results and the cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the year under review, or since the dates of incorporation of the companies where this is a shorter period.

The consolidated balance sheet of the Group as at 31 March 2001 has been prepared to present the state of affairs of the companies comprising the Group as if the current group structure had been in existence as at the balance sheet date.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38.

## **2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

In the current year, the Group has adopted for the first time a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (CONTINUED)

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts and disclosures reported for the current or prior periods.

### Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended 31 March 2001 have been amended so that they are presented on a consistent basis.

### Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders' funds of the Group at 1 April 2000 and 31 March 2001 by HK\$11,000,000 and HK\$30,000,000 respectively.

### Leases

In the current year, the Group has adopted SSAP 14 (Revised) "Leases". Disclosures for the Group's operating lease arrangements as set out in note 33 have been modified so as to meet the requirements of SSAP 14 (Revised). Comparative disclosures have been restated in order to achieve a consistent presentation.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, leasehold land and buildings, and investment in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

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

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

# Notes to the Financial Statements

For the year ended 31 March 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income arising from repairs, installation, maintenance, connection and consultancy are recognised when the relevant services are rendered.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

Interest income is accrued on a time basis with reference to the principal outstanding and at the interest rate applicable.

### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation, amortisation and any identified impairment loss.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the leasehold property revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of land and buildings is charged as an expense to the extent that it exceeds the surplus, if any, held in the leasehold property revaluation reserve relating to previous revaluation of that particular property. On the subsequent sale of land and buildings, the attributable revaluation surplus not yet transferred to retained profits in prior years is transferred to retained profits.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment (Continued)

Depreciation and amortisation are provided to write off the cost or valuation of items of property and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease or 40 years
Leasehold improvements	20%
Furniture and fixtures	10% – 20%
Office equipment	10% – 20%
Computer equipment	33 $\frac{1}{3}$ %
Motor vehicles	20%

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On subsequent disposal of an investment property, any revaluation surplus attributable to that property is included in the determination of the profit or loss on disposal.

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than twenty years.

#### Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.



# Notes to the Financial Statements

For the year ended 31 March 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

### Inventories

Inventories, representing merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

### Assets under hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair value at the date of acquisition. The corresponding liability to the hirer, net of interest charges, is included in the balance sheet as a hire purchase obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to income statement as expense over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

# Notes to the Financial Statements

For the year ended 31 March 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

### Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

### Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's mandatory provident fund scheme.

## 4. TURNOVER

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Sale of goods	<b>677,400</b>	690,389
Repair service	<b>7,161</b>	1,082
Installation service	<b>4,584</b>	4,463
Maintenance service	<b>9,079</b>	9,832
Connection service	<b>22,912</b>	27,866
Consultancy service	<b>3,059</b>	3,626
Rental income	<b>2,522</b>	2,286
	<b>726,717</b>	739,544

# Notes to the Financial Statements

For the year ended 31 March 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into four operating divisions - sales of mobile phones, sales of office telephone systems, connection services and property investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

### For the year ended 31 March 2002

	<b>Sales of mobile phones</b>	<b>Sales of office telephone systems</b>	<b>Connection services</b>	<b>Property investment</b>	<b>Other activities</b>	<b>Eliminations</b>	<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Revenue</i>							
External sales	639,136	38,264	22,912	2,522	23,883	–	726,717
Inter-segment sales	–	4,723	–	2,542	–	(7,265)	–
	<u>639,136</u>	<u>42,987</u>	<u>22,912</u>	<u>5,064</u>	<u>23,883</u>	<u>(7,265)</u>	<u>726,717</u>
Total revenue	<u>639,136</u>	<u>42,987</u>	<u>22,912</u>	<u>5,064</u>	<u>23,883</u>	<u>(7,265)</u>	<u>726,717</u>
Inter-segment sales are charged at prevailing market rates.							
<i>Result</i>							
Segment result	<u>11,553</u>	<u>1,233</u>	<u>2,566</u>	<u>1,705</u>	<u>5,680</u>	<u>–</u>	22,737
Gain on disposal of an investment property							2,911
Interest income from bank deposits							439
Unallocated other revenue							<u>54</u>
Profit from operations							26,141
Finance costs							<u>(91)</u>
Profit before taxation							26,050
Taxation							<u>(3,668)</u>
Profit before minority interests							22,382
Minority interests							<u>(1,470)</u>
Net profit for the year							<u>20,912</u>

# Notes to the Financial Statements

For the year ended 31 March 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

At 31 March 2002

Balance sheet

	Sales of mobile phones	Sales of office telephone systems	Connection services	Property investment	Other activities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>						
Segment assets	80,601	38,682	4,307	33,234	17,191	174,015
Unallocated corporate assets						58,707
Consolidated total assets						<u>232,722</u>
<b>Liabilities</b>						
Segment liabilities	24,757	6,265	–	232	14	31,268
Unallocated corporate liabilities						2,397
Consolidated total liabilities						<u>33,665</u>

Other information

	Sales of mobile phones	Sales of office telephone systems	Connection services	Property investment	Other activities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	3,137	118	–	17	17	3,289
Depreciation and amortisation	1,538	623	–	529	40	2,730

# Notes to the Financial Statements

For the year ended 31 March 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

For the year ended 31 March 2001

	Sales of mobile phones HK\$'000	Sales of office telephone systems HK\$'000	Connection services HK\$'000	Property investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>							
External sales	648,170	42,219	27,866	2,286	19,003	–	739,544
Inter-segment sales	–	8,981	–	2,874	–	(11,855)	–
Total revenue	<u>648,170</u>	<u>51,200</u>	<u>27,866</u>	<u>5,160</u>	<u>19,003</u>	<u>(11,855)</u>	<u>739,544</u>

Inter-segment sales are charged at prevailing market rates.

<b>Result</b>							
Segment result	<u>18,250</u>	<u>5,841</u>	<u>14,332</u>	<u>1,868</u>	<u>4,294</u>	<u>–</u>	44,585
Interest income from bank deposits							725
Unallocated other revenue							<u>597</u>
Profit from operations							45,907
Finance costs							<u>(213)</u>
Profit before taxation							45,694
Taxation							<u>(7,599)</u>
Profit before minority interests							38,095
Minority interests							<u>(3,770)</u>
Net profit for the year							<u>34,325</u>

# Notes to the Financial Statements

For the year ended 31 March 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

At 31 March 2001

Balance sheet

	Sales of mobile phones	Sales of office telephone systems	Connection services	Property investment	Other activities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>						
Segment assets	31,935	47,002	1,711	42,711	10,176	133,535
Unallocated corporate assets						37,160
Consolidated total assets						170,695
<b>Liabilities</b>						
Segment liabilities	8,293	10,017	2,113	270	91	20,784
Unallocated corporate liabilities						11,226
Consolidated total liabilities						32,010

Other information

	Sales of mobile phones	Sales of office telephone systems	Connection services	Property investment	Other activities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	1,576	229	–	90	10	1,905
Depreciation and amortisation	1,299	713	–	461	38	2,511

# Notes to the Financial Statements

For the year ended 31 March 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### Geographical segments

The Group's operations are located in Hong Kong and Singapore.

The Group's sales of mobile phones and connection services are carried out in Hong Kong. Sales of office telephone systems are carried out in Hong Kong and Singapore.

The following table provides an analysis of the Group's sales by geographical market:

	Revenue by geographical market		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	717,556	718,839	23,035	43,742
Singapore	9,161	20,705	(298)	843
	<u>726,717</u>	<u>739,544</u>	<u>22,737</u>	<u>44,585</u>
Gain on disposal of an investment property			2,911	–
Interest income from bank deposits			439	725
Unallocated other revenue			54	597
Profit from operations			<u>26,141</u>	<u>45,907</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	225,179	161,159	3,248	1,819
Singapore	7,543	9,536	41	86
	<u>232,722</u>	<u>170,695</u>	<u>3,289</u>	<u>1,905</u>

# Notes to the Financial Statements

For the year ended 31 March 2002

## 6. OTHER REVENUE

	2002 HK\$'000	2001 HK\$'000
Interest income from bank deposits	439	725
Sundry income	54	597
	<u>493</u>	<u>1,322</u>

## 7. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	687	499
Depreciation and amortisation		
– owned assets	2,716	2,437
– assets under hire purchase contracts	14	74
Loss on disposal of property, plant and equipment	106	–
Rental payments in respect of properties under operating leases	5,262	2,266
Staff costs inclusive of directors' remuneration	50,552	39,405
and after crediting:		
Gross rental income from properties under operating leases		
after outgoings of HK\$60,000 (2001: HK\$176,000)	<u>2,462</u>	<u>2,110</u>

## 8. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank borrowings wholly repayable within five years	78	165
Interest on obligations under hire purchase contracts	13	48
	<u>91</u>	<u>213</u>



# Notes to the Financial Statements

For the year ended 31 March 2002

## 9. DIRECTORS' EMOLUMENTS

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Directors' fees	—	195
Other emoluments to executive directors:		
Salaries and other benefits	<b>4,131</b>	2,677
Bonus	<b>1,565</b>	1,047
Contribution to retirement benefit schemes	<b>56</b>	48
	<b>5,752</b>	3,772
Total directors' emoluments	<b>5,752</b>	3,967

The remunerations of the directors were within the following bands:

	<b>2002</b> Number of directors	2001 Number of directors
Nil to HK\$1,000,000	<b>9</b>	7
HK\$1,500,001 to HK\$2,000,000	<b>2</b>	—
HK\$2,500,001 to HK\$3,000,000	<b>—</b>	1
	<b>11</b>	8

No remunerations were paid or payable to independent non-executive directors of the Company in both years.

There was no compensation for loss of office paid to directors.

# Notes to the Financial Statements

For the year ended 31 March 2002

## 10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three directors (2001: two directors), details of whose emoluments are included in the amounts disclosed in note 9 above. The emoluments of the remaining highest paid employees, other than directors of the Company, are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	369	2,361
Bonus	1,126	73
Contribution to retirement benefit schemes	24	–
	<u>1,519</u>	<u>2,434</u>

Their emoluments were within the following bands:

	2002 Number of employees	2001 Number of employees
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	–	1

## 11. TAXATION

	2002 HK\$'000	2001 HK\$'000
The tax charge attributable to the Company and its subsidiaries comprises:		
Hong Kong Profits Tax		
– current year	4,203	7,409
– (over)underprovision in prior years	(535)	89
	<u>3,668</u>	<u>7,498</u>
Singapore Income Tax	–	101
	<u>3,668</u>	<u>7,599</u>

# Notes to the Financial Statements

For the year ended 31 March 2002

## 11. TAXATION (CONTINUED)

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Taxation arising in Singapore is calculated at the rates prevailing in the country.

There is no significant unprovided deferred taxation as at 31 March 2001 and 2002 for the Group and the Company.

Deferred tax has not been provided on the revaluation increase arising on the revaluation of investment properties and leasehold land and buildings as profit arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation increase does not constitute a timing difference for tax purposes.

## 12. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. During the year, the following subsidiaries of the Group paid dividends, to their then shareholders prior to the Group Reorganisation:

	2002 HK\$'000	2001 HK\$'000
Generalvestor (H.K.) Limited	30,000	5,000
Hong Kong Communications Equipment Company Limited	-	41,000
Hong Kong Communications Equipment Distribution Company Limited	-	1,270
	<u>30,000</u>	<u>47,270</u>

The directors recommend the payment of a dividend of HK2 cents per share to the shareholders of the Company whose names appear on the register of members on 13 August 2002.

## 13. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the year of HK\$20,912,000 (2001: HK\$34,325,000) and on the weighted average number of 384,342,466 ordinary shares (2001: 318,829,600 ordinary shares) in issue and issuable during the year on the assumption that the issue of shares of the Company upon the reorganisation and the capitalisation issue, other than those attributable to the acquisition of minority interests in certain subsidiaries, and details of which are set out in the prospectus issued by the Company on 30 October 2001, had been taken place on 1 April 1998.

No diluted earnings per share has been presented as the exercise price of the Company's options was higher than the average market price of shares for 2002.

# Notes to the Financial Statements

For the year ended 31 March 2002

## 14. INVESTMENT PROPERTIES

	<b>THE GROUP</b>
	HK\$'000
VALUATION	
At 1 April 2001	41,454
Transfer from property, plant and equipment	7,044
Transfer to leasehold land and buildings	(3,908)
Disposals	(13,300)
Surplus arising on revaluation	1,470
	<hr/>
At 31 March 2002	<u>32,760</u>

The Group's investment properties comprise:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Properties in Hong Kong		
– Long lease	<b>22,800</b>	17,734
– Medium-term lease	<b>9,960</b>	23,720
	<hr/>	<hr/>
	<b>32,760</b>	41,454
	<hr/>	<hr/>

All of the investment properties of the Group were revalued at 31 March 2002 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional valuers, on an open market value existing use basis. The resulting increase arising on revaluation, which amounted to HK\$1,470,000, has been credited to the investment property revaluation reserve (note 28).

All the investment properties of the Group are rented out under operating leases.

# Notes to the Financial Statements

For the year ended 31 March 2002

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, land and buildings	Office equipment, leasehold, and furniture and fixtures	Computer equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>					
<b>COST OR VALUATION</b>					
At 1 April 2001	32,116	14,872	2,423	1,731	51,142
Currency realignment	(7)	(6)	(4)	(2)	(19)
Additions	–	2,294	995	–	3,289
Disposals	(1,827)	(1)	–	–	(1,828)
Transfer from investment properties	3,908	–	–	–	3,908
Transfer to investment properties	(9,289)	–	–	–	(9,289)
Surplus arising on revaluation	24,419	–	–	–	24,419
	<u>49,320</u>	<u>17,159</u>	<u>3,414</u>	<u>1,729</u>	<u>71,622</u>
At 31 March 2002					
Comprising:					
At cost	–	17,159	3,414	1,729	22,302
At valuation	49,320	–	–	–	49,320
	<u>49,320</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>49,320</u>
<b>DEPRECIATION AND AMORTISATION</b>					
At 1 April 2001	5,382	11,475	1,990	1,441	20,288
Currency realignment	(1)	(4)	(4)	(2)	(11)
Provided for the year	592	1,547	471	120	2,730
Eliminated on disposals	(291)	(1)	–	–	(292)
Transfer to investment properties	(2,245)	–	–	–	(2,245)
Eliminated on revaluation	(3,437)	–	–	–	(3,437)
	<u>–</u>	<u>13,017</u>	<u>2,457</u>	<u>1,559</u>	<u>17,033</u>
At 31 March 2002					
<b>NET BOOK VALUES</b>					
At 31 March 2002	<u>49,320</u>	<u>4,142</u>	<u>957</u>	<u>170</u>	<u>54,589</u>
At 31 March 2001	<u>26,734</u>	<u>3,397</u>	<u>433</u>	<u>290</u>	<u>30,854</u>

# Notes to the Financial Statements

For the year ended 31 March 2002

## 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

All of the leasehold land and buildings of the Group were revalued at 31 March 2002 by LCH (Asia Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting increase arising on revaluation, which amounted to HK\$27,856,000 has been credited to the leasehold property revaluation reserve (see note 28).

At 31 March 2002, had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of these properties would have been stated at HK\$21,464,000 (2001: HK\$26,734,000).

The Group's leasehold land and buildings comprise:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Properties held under long leases		
–in Hong Kong	<b>45,780</b>	25,490
–overseas	<b>3,540</b>	1,244
	<b>49,320</b>	26,734
The net book value of motor vehicles held under hire purchase contracts	<b>52</b>	66

## 16. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Unlisted shares, at cost	<b>163,654</b>	–
Amounts due from subsidiaries	<b>10,955</b>	–
	<b>174,609</b>	–

Particulars of the subsidiaries at 31 March 2002 are set out in note 38.

# Notes to the Financial Statements

For the year ended 31 March 2002

## 17. INVESTMENT IN SECURITIES

### THE GROUP

	Investment securities	
	2002 HK\$'000	2001 HK\$'000
Unlisted investment, at cost	<b>4,000</b>	–

The Group's unlisted investment represents 5% equity interest in BIA Technology Limited, a company incorporated in Hong Kong with the principal activities of trading in telecommunication equipment and engaging in research and development on internet application and mobile products.

## 18. INVENTORIES

### THE GROUP

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Inventories stated at net realisable value	<b>4,754</b>	5,030

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period ranging from 2 weeks to one month to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The aged analysis of trade debtors of HK\$35,214,000 (2001: HK\$33,376,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0-30 days	<b>20,348</b>	28,344
31-60 days	<b>3,335</b>	1,630
61-90 days	<b>2,504</b>	823
91-120 days	<b>859</b>	1,714
Over 120 days	<b>8,168</b>	865
	<b>35,214</b>	33,376

# Notes to the Financial Statements

For the year ended 31 March 2002

## 20. AMOUNTS DUE FROM RELATED COMPANIES

### THE GROUP

Particulars of the amounts due from related companies, are as follows:

Name of related entity	2002	2001	Maximum
	HK\$'000	HK\$'000	amount outstanding during the year HK\$'000
BIA Technology Limited	1,631	–	1,631
BTL System (HK) Limited	–	1	1
HKC Intown Limited	179	190	190
Hong Kong Communications Computer Company Limited	239	181	239
	<u>2,049</u>	<u>372</u>	

Mr. Chan Chung Yee, Hubert and Mr. Chan Chung Yin, Roy, the directors of the Company, have beneficial interests in BIA Technology Limited through their interests in the Company. The directors' interest in other companies are set out in note 37.

The amounts due from related companies were unsecured, interest free and are repayable on demand.

## 21. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK\$24,787,000 (2001: HK\$16,987,000) which are included in the Group's creditors and accrued charges are as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0-30 days	24,774	15,632
31-60 days	8	–
61-90 days	5	–
91-120 days	–	1,355
	<u>24,787</u>	<u>16,987</u>



# Notes to the Financial Statements

For the year ended 31 March 2002

## 22.AMOUNTS DUE TO DIRECTORS/RELATED COMPANIES

The amounts were unsecured, interest free and were settled during the year.

## 23.OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

### THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under hire purchase contracts				
Within one year	15	90	14	77
More than one year but not exceeding two years	-	15	-	14
	<u>15</u>	<u>105</u>	<u>14</u>	<u>91</u>
Less: future finance charges	(1)	(14)		
Present value of hire purchase contract	<u>14</u>	<u>91</u>		
Less: Amount due for settlement within one year shown under current liabilities			(14)	(77)
Amount due for settlement after one year			<u>-</u>	<u>14</u>

# Notes to the Financial Statements

For the year ended 31 March 2002

## 24. BANK BORROWINGS—SECURED

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Bank borrowings comprise:		
Bank overdrafts	752	—
Bank loans	462	1,325
	<u>1,214</u>	<u>1,325</u>
Due within one year	843	897
Due in the second year	371	428
	<u>1,214</u>	<u>1,325</u>

## 25. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
On the date of incorporation at HK\$0.1 each	1,000,000	100
Subdivision of shares	9,000,000	—
Increase during the year	1,990,000,000	19,900
At 31 March 2002	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Issued on the date of incorporation at HK\$0.1 each	1	—
Issued at HK\$0.1 each before subdivision of shares	999,999	—
Subdivision of shares	9,000,000	—
Issue of shares before Group Reorganisation	10,000,000	200
Issue of shares by capitalisation of share premium account	333,000,000	3,330
Issue of shares for placing and public offer	80,000,000	800
At 31 March 2002	<u>433,000,000</u>	<u>4,330</u>

The Company was incorporated on 9 April 2001 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each and 1 share was issued nil paid on 20 April 2001. On 27 July 2001, an aggregate of 999,999 shares of HK\$0.10 were allotted and issued nil paid.

# Notes to the Financial Statements

For the year ended 31 March 2002

## 25.SHARE CAPITAL (CONTINUED)

Pursuant to resolutions in writing of all shareholders of the Company passed on 12 September 2001 and 23 October 2001:

- (a) the then issued and unissued shares having a par value of HK\$0.10 each in the share capital of the Company were sub-divided into 10 shares, and the authorised share capital of the Company was increased to HK\$200,000 by the creation of a further 10,000,000 shares. The Company allotted and issued, credit as fully paid at par of HK\$0.01, an aggregate of 10,000,000 shares to the shareholders, and credited as fully paid at par of HK\$0.01 the 10,000,000 nil paid shares held by the shareholders.
- (b) the transfer to the Company by Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Man Min, Mr. Tsui Hon Wing and Mr. Yeh Yui Fong of 100,000 shares of US\$1 each, in aggregate, being the entire issued share capital in HKC Group Limited, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, 10,000,000 new shares, as to 6,774,000 shares to Matrix World Group Limited ("Matrix World"), 2,258,000 shares to Star Global International Limited ("Star Global"), 815,500 shares to Ocean Hope Group Limited ("Ocean Hope"), 64,000 shares to Total Portfolio Limited ("Total Portfolio") and 88,500 shares to Ocean Castle Development Limited ("Ocean Castle"), at the direction of Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Man Min, Mr. Tsui Hon Wing and Mr. Yeh Yui Fong respectively; and (ii) credited as fully paid at par the 10,000,000 nil paid shares held by Matrix World, Star Global, Ocean Hope, Total Portfolio and Ocean Castle.
- (c) the authorised share capital was increased from HK\$200,000 to HK\$20,000,000 by the creation of a further 1,980,000,000 shares.
- (d) conditional on the share premium account of the Company being credited as a result of the placing and public offer of the shares of the Company on 30 October 2001, the directors were authorised to allot and issue a total of 333,000,000 shares credited as fully paid at par to the holders of shares on the register of members at the close of business on 23 October 2001 in proportion to their then existing holding by way of capitalisation of the sum of HK\$3,330,000 standing to the credit of the share premium account of the Company.

On 30 October 2001, by means of placing and public offer, the Company issued a total of 80,000,000 new ordinary shares of HK\$0.01 each at the price of HK\$0.5 per share. The proceeds are used to expand the sales of mobile phones and office telephone systems and to provide additional working capital for the Group.

These shares rank *par passu* with the existing shares in all respects.

The share capital as at 31 March 2001 represented the aggregate amount of nominal values of the combined issued share capital of the companies now comprising the Group prior to the Group Reorganisation.

## 26.SHARE OPTION SCHEME

At 31 March 2002, there were outstanding share options of 22,400,000 shares granted to certain directors, eligible employees and customers of the Company at the exercise price of HK\$0.38 per share. The exercise period is from 23 May 2002 to 30 June 2003. No share options were exercised during the year.

# Notes to the Financial Statements

For the year ended 31 March 2002

## 27. OTHER RESERVES

	Share premium	Capital reserve	Special reserve	Translation reserve	Retained profits (deficit)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>						
At 1 April 2000						
– as previously stated	–	–	–	(13)	109,440	109,427
– prior period adjustment (note 2)	–	–	–	–	11,000	11,000
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(13)</u>	<u>120,440</u>	<u>120,427</u>
– as restated	–	–	–	(13)	120,440	120,427
Exchange differences on translation of overseas operations	–	–	–	(28)	–	(28)
Net profit for the year	–	–	–	–	34,325	34,325
Dividends paid	–	–	–	–	(47,270)	(47,270)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(13)</u>	<u>(13)</u>
At 31 March 2001	–	–	–	(41)	107,495	107,454
Exchange differences on translation of overseas operations	–	–	–	(26)	–	(26)
Net profit for the year	–	–	–	–	20,912	20,912
Premium arising from placing and public offer of shares	39,200	–	–	–	–	39,200
Shares issue expense	(8,970)	–	–	–	–	(8,970)
Capitalisation issue	(3,330)	–	–	–	–	(3,330)
Contribution from minority shareholders of subsidiaries waived	–	15,697	–	–	–	15,697
Shares exchange upon Group Reorganisation	–	12,628	–	–	–	12,628
Dividend paid	–	–	–	–	(30,000)	(30,000)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(30,000)</u>	<u>(30,000)</u>
At 31 March 2002	<u>26,900</u>	<u>28,325</u>	<u>–</u>	<u>(67)</u>	<u>98,407</u>	<u>153,565</u>
<b>THE COMPANY</b>						
Premium arising from placing and public offer of shares	39,200	–	–	–	–	39,200
Shares issue expense	(8,970)	–	–	–	–	(8,970)
Capitalisation issue	(3,330)	–	–	–	–	(3,330)
Shares exchange upon Group Reorganisation	–	–	163,453	–	–	163,453
Net loss for the period	–	–	–	–	(184)	(184)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(184)</u>	<u>(184)</u>
At 31 March 2002	<u>26,900</u>	<u>–</u>	<u>163,453</u>	<u>–</u>	<u>(184)</u>	<u>190,169</u>

# Notes to the Financial Statements

For the year ended 31 March 2002

## 27. OTHER RESERVES (CONTINUED)

The special reserve of the Company represents the difference between the aggregate net assets of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the Company's shares issued for the acquisition prior to the listing of the Company's shares in 2001.

The capital reserve of the Group represents the contribution from minority shares of the subsidiaries waived, and the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the same reorganisation.

The Company's reserves available for distribution represent the share premium, special reserve and retained profits. Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. The Company's reserves available for distribution to shareholders as at 31 March 2002 amounted to HK\$190,169,000.

## 28. REVALUATION RESERVES

	<b>Leasehold property revaluation reserve</b>	<b>Investment property revaluation reserve</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>			
At 1 April 2000	–	16,302	16,302
Revaluation decrease	–	(1,555)	(1,555)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	–	14,747	14,747
Revaluation increase	27,856	1,470	29,326
Released on disposal of an investment property	–	(2,911)	(2,911)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	<u>27,856</u>	<u>13,306</u>	<u>41,162</u>

# Notes to the Financial Statements

For the year ended 31 March 2002

## 29. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	<b>26,050</b>	45,694
Interest income	<b>(439)</b>	(725)
Interest expenses	<b>91</b>	213
Depreciation and amortisation	<b>2,730</b>	2,511
Loss on disposal of property and equipment	<b>106</b>	–
Gain on disposal of an investment property	<b>(2,911)</b>	–
(Increase) decrease in inventories	<b>(17,750)</b>	783
Increase in debtors, deposits and prepayments	<b>(307)</b>	(8,125)
(Increase) decrease in amounts due from related companies	<b>(1,677)</b>	11,574
Decrease in amount due from a director	<b>–</b>	270
Increase in creditors and accrued charges	<b>10,938</b>	6,082
Increase (decrease) in bills payable	<b>20</b>	(3,061)
Increase in amounts due to related companies	<b>–</b>	796
Exchange adjustment	<b>(16)</b>	87
	<b>16,835</b>	56,099

# Notes to the Financial Statements

For the year ended 31 March 2002

## 30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Amounts due to directors	Bank borrowings	Obligations		Minority interests
			under hire purchase contracts	Share capital and premium	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2000	–	2,525	144	2,248	10,457
Repayment during the year	–	(1,200)	(53)	–	–
Advance/increase during the year	(33,996)	–	–	9	–
Dividend set off	41,363	–	–	–	–
Share of profits and reserves by minority shareholders of subsidiaries	–	–	–	–	3,770
Balance at 31 March 2001	7,367	1,325	91	2,257	14,227
Advance during the year	15,268	–	–	–	–
Waiver of loan from directors	(9,335)	–	–	–	–
Set off against the proceeds from disposal of investment properties	(13,300)	–	–	–	–
Share of profits by minority shareholders of subsidiaries	–	–	–	–	1,470
Elimination of share capital upon Group Reorganisation	–	–	–	(2,257)	–
Contribution from minority shareholders waived	–	–	–	–	(15,697)
Issue of shares before placing and public offer	–	–	–	200	–
Proceeds from issue of shares for placing and public offer	–	–	–	40,000	–
Expenses incurred in connection with the issue of shares	–	–	–	(8,970)	–
Repayment during the year	–	(863)	(77)	–	–
Balance at 31 March 2002	–	462	14	31,230	–

## 31. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash	51,504	32,851
Bank overdrafts	(752)	–
	<b>50,752</b>	<b>32,851</b>

# Notes to the Financial Statements

For the year ended 31 March 2002

## 32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2002, the loans from the directors amounting to HK\$9,335,000, the amounts due to related companies of HK\$1,036,000 and the contributions from the minority shareholders of HK\$15,697,000 were waived and capitalised as capital reserve. In addition, the amounts due to directors amounting to HK\$13,300,000 are set-off by the sale proceeds from disposal of an investment property.

During the year ended 31 March 2001, the amounts due from directors amounting to HK\$33,996,000 were set-off by the dividend, leaving the amounts due to directors of HK\$7,367,000.

## 33. OPERATING LEASE ARRANGEMENTS

### The Group as lessee:

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	7,758	5,824
In the second to fifth year inclusive	3,553	4,482
	<u>11,311</u>	<u>10,306</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

### The Group as lessor:

Property rental income earned during the year was HK\$2,522,000 (2001: HK\$2,286,000). The properties held have committed tenants in the range from the next half year to two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	1,305	2,351
In the second to fifth year inclusive	355	858
	<u>1,660</u>	<u>3,209</u>



# Notes to the Financial Statements

For the year ended 31 March 2002

## 34. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Banking facilities to subsidiaries in respect of which guarantees were given	-	-	48,000
Credit facilities from third parties in respect of which guarantees were given to	27,000	27,000	-
	<b>27,000</b>	27,000	<b>48,000</b>

## 35. PLEDGE OF ASSETS

At 31 March 2002, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4,340,000 (2001: HK\$10,856,000) and HK\$7,200,000 (2001: Nil) respectively were pledged to banks to secure banking facilities granted to the Group.

## 36. RETIREMENT BENEFITS SCHEME

- (i) The subsidiary in Singapore participates in a central provident scheme, whereby the Group is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the scheme are calculated based on 16% of the applicable payroll costs.
- (ii) With effect from 1 December 2000, the subsidiaries in Hong Kong have operated Mandatory Provident Scheme Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for all of its employees in Hong Kong. Contributions are made based on 5-10% of the employees' basic salaries and are charged to income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

Prior to the introduction of the MPF Scheme, the Group had operated retirement scheme under the ORSO Scheme. This ORSO Scheme was discontinued and the benefits for the employees were transferred to the MPF Scheme. The assets held under the ORSO Scheme were held separately from those of the Group and were transferred directly to the MPF Scheme.

The Group's retirement benefits contribution paid for the year is HK\$2,316,000 (2001: HK\$1,681,000).

# Notes to the Financial Statements

For the year ended 31 March 2002

## 37. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions, which were conducted in the ordinary course of the Group's business, with its related companies:

Name	Notes	Nature of transactions	2002 HK\$'000	2001 HK\$'000
BTL System (HK) Limited	(i)	Sales to	-	6
	(i)	Purchase from	-	670
HKC Intown Limited	(i)	Sales to	9	4
	(i)	Internet access fee	17	35
	(ii)	Rental income	30	240
Hong Kong Communications Computer Company Limited	(i)	Sales to	7	8
	(i)	Computer software maintenance fee and purchase of computer hardwares	1,665	1,261
	(ii)	Rental income	310	310
	(iii)	Repairs and maintenance fee	167	6
Hong Kong Communications Industrial Company Limited	(i)	Sales to	-	3
	(i)	Purchase from	147	4
	(ii)	Rental income	760	200
Hong Kong Communications Holdings Limited	(iv)	Disposal of leasehold property	1,430	-
Hong Kong Communications Investments Limited	(iv)	Disposal of an investment property	13,300	-
HKC eFinance28 Limited	(ii)	Rental income	63	45
In Publishing Limited	(ii)	Rental income	10	120
Koywa HKC Company Limited	(i)	Sales to	-	98
Webradio Limited	(ii)	Rental income	108	63

# Notes to the Financial Statements

For the year ended 31 March 2002

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company ceased to have transactions with BTL System (HK) Limited and Koywa HKC Company Limited since 1 April 2001.

Mr. Chan Chung Yee, Hubert and Mr. Chan Chung Yin, Roy, directors of the Company, have beneficial interests in all the above companies.

Mr. Tsui Hon Wing, a director of the Company, has beneficial interest in BTL System (HK) Limited and Hong Kong Communications Industrial Company Limited.

Mr. Chan Man Min, a director of the Company has beneficial interest in BTL System (HK) Limited, HKC Intown Limited, Hong Kong Communications Computer Company Limited, Hong Kong Communications Industrial Company Limited and Koywa HKC Company Limited.

Notes:

- (i) Sales and purchases are based on cost plus a percentage of profit mark-up.
- (ii) Rental income was charged based on the area used, which management considered to be an appropriate basis of allocation.
- (iii) Repairs and maintenance fees are based on actual cost incurred.
- (iv) The sale proceeds are based on the market value of the properties.

# Notes to the Financial Statements

For the year ended 31 March 2002

## 38. SUBSIDIARIES

Particulars of the subsidiaries at 31 March 2002 are as follows:

Name	Place of incorporation	Principal place of operation	Issued and fully paid share capital	Percentage of issued capital held by the Company	Principal activities
Generalvestor (H.K.) Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000,000	100%	Property investment
HKC Group Limited	The British Virgin Islands	Hong Kong	Ordinary shares US\$100,000	100%	Investment holding
HKC Properties Limited	The British Virgin Islands	Hong Kong	Ordinary shares US\$30	100%	Investment holding
Hong Kong Communications Equipment Company Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,560	100%	Sales and distribution of mobile phones and office telephone systems
Hong Kong Communications Equipment Distribution Company Limited	Hong Kong	Hong Kong	Ordinary shares HK\$1,000,000	100%	Inactive
Singapore Communications Equipment Co (Pte) Ltd.	The Republic of Singapore	Singapore	Ordinary shares S\$160,000	100%	Sales and distribution of office telephone systems
Superior Charm Limited	The British Virgin Islands	Hong Kong	Ordinary shares HK\$1,200	100%	Investment holding

The Company directly holds the interest in HKC Group Limited. All other interests shown above are indirectly held by the Company.

None of the subsidiaries had any loan capital subsisting at 31 March 2002 or at any time during the year.

# Financial Summary

## RESULTS

	For the year ended 31 March			2002 HK\$'000
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	
Turnover	<u>285,907</u>	<u>440,286</u>	<u>739,544</u>	<u>726,717</u>
Profit before taxation	4,807	38,814	45,694	26,050
Taxation	<u>(273)</u>	<u>(6,536)</u>	<u>(7,599)</u>	<u>(3,668)</u>
Profit before minority interests	4,534	32,278	38,095	22,382
Minority interests	<u>(257)</u>	<u>(2,864)</u>	<u>(3,770)</u>	<u>(1,470)</u>
Net profit for the year	<u>4,277</u>	<u>29,414</u>	<u>34,325</u>	<u>20,912</u>

## ASSETS AND LIABILITIES

	As at 31 March			2002 HK\$'000
	1999 HK\$'000	2000 HK\$'000 Restated	2001 HK\$'000 Restated	
Total assets	135,485	173,853	170,695	232,722
Total liabilities	(22,142)	(24,419)	(32,010)	(33,665)
Minority interests	<u>(7,593)</u>	<u>(10,457)</u>	<u>(14,227)</u>	<u>-</u>
Equity	<u>105,750</u>	<u>138,977</u>	<u>124,458</u>	<u>199,057</u>

The Company was incorporated in the Cayman Islands on 9 April 2001 and became the holding company of the Group with effect from 12 September 2001 as a result of Group Reorganisation as set out in the prospectus dated 30 October 2001 issued by the Company.

The results of the Group for each of the three year ended 31 March 2001 and the assets and liabilities of the Group as at 31 March 1999, 2000 and 2001 have been prepared on a combined basis as if the current group structure had been in existence throughout the years concerned and have been extracted from the prospectus dated 30 October 2001 issued by the Company. Certain figures have been restated to conform with current year's presentation as a result of adoption of SSAP 9 (Revised).