

1 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain properties, and in accordance with accounting principles generally accepted in Hong Kong.

In 2001, the Group adopted the following revised or new Statements of Standard Accounting Practices (“SSAPs”) issued by the Hong Kong Society of Accountants:

- SSAP 1 (revised) Presentation of financial statements
- SSAP 9 (revised) Events after the balance sheet date
- SSAP 11 (revised) Foreign currency translations
- SSAP 14 (revised) Leases
- SSAP 15 (revised) Cash flow statements
- SSAP 26 Segment reporting
- SSAP 28 Provisions, contingent liabilities and contingent assets
- SSAP 29 Intangible assets
- SSAP 30 Business combinations
- SSAP 31 Impairment of assets
- SSAP 32 Consolidated financial statements and accounting for investments in subsidiaries
- SSAP 33 Discontinuing operations

SSAP 1 (revised), SSAP 11 (revised), SSAP 15 (revised) and SSAP 33 are applied in advance of their effective dates.

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

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st December and the Group’s attributable share of post-acquisition results and reserves of the jointly controlled entities and associated companies.

Results of subsidiary companies, jointly controlled entities and associated companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Gains or losses on the disposal of subsidiary companies, jointly controlled entities and associated companies are calculated as the difference between the net disposal proceeds and the Group’s share of net assets at the date of disposal including the attributable amount of goodwill which remains unamortised or previously taken directly to reserves.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(b) Goodwill**

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiary companies, jointly controlled entities or associated companies at the effective date of acquisition. Goodwill arising on acquisitions on or after 1st January 2001 is included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the profit and loss account as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets.

Goodwill and negative goodwill arising on acquisitions prior to 1st January 2001 were taken directly to reserves. This accounting policy has been changed to conform with SSAP 30 Business combinations and such change has the effect of increasing loss for the year ended 31st December 2001 by HK\$1,448,000.

The carrying amount of goodwill, including those previously taken directly to reserves, is reviewed annually and provision is only made where, in the opinion of the Directors, there is a long-term impairment in value.

(c) Subsidiary companies

A company is a subsidiary company if more than 50% of the issued equity capital is held, directly and indirectly, for the long-term or if the composition of the board of directors is controlled by the Group. Investments in subsidiary companies are carried in the Company's balance sheet at or below cost. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

(d) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Investments in jointly controlled entities are carried in the consolidated balance sheet at the Group's share of net assets under the equity method.

(e) Associated companies

An associated company is a company, not being a subsidiary company, in which an equity interest is held for the long-term and significant influence is exercised in its management. Investments in associated companies are carried in the consolidated balance sheet at the Group's share of net assets under the equity method.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(f) Fixed assets and depreciation**

Fixed assets are stated at cost or valuation less accumulated depreciation and provision for significant impairment in values.

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential, any rental income being negotiated at arm's length. Investment properties held on leases of more than twenty years are carried at open market value based on annual valuations by independent valuers at the balance sheet date. Deficits in valuation are charged to the profit and loss account; increases are first credited to the profit and loss account to the extent of valuation deficits previously charged on a portfolio basis and thereafter credited to the investment property valuation reserve. Upon the disposal of an investment property, any relevant revaluation surplus is transferred to the profit and loss account.

No depreciation is provided in respect of investment properties held on leases more than twenty years. Depreciation of other fixed assets is calculated to write off the cost of the assets over their estimated useful lives, using reducing balance method, at the rate of 20% per annum.

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of fixed assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amounts.

Profits and losses on disposal of fixed assets, other than investment properties, are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(g) Properties under development and held for sale**

Properties held under development are stated at cost less any provision for diminution in value. Cost of properties in the course of development comprises land cost, development expenditure, professional fees, interest capitalised and other direct expenses.

Properties held for sale are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Where properties held for sale are transferred from investment properties, cost represents the open market value based on independent professional valuation at the date of transfer. A decrease in net realisable value subsequent to the transfer is charged to the profit and loss account. Upon disposal of the property held for sale, any relevant revaluation surplus realised is transferred to the profit and loss account.

(h) Investments

Unlisted investments held for the long-term are stated at cost less provision for impairment in value other than temporary in nature. Trading investments are carried at fair values. The net unrealised gains or losses arising from the changes in fair values are recognised in the profit and loss account. Profits or losses on disposal of investments, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Borrowing costs

Borrowing costs directly incurred on the acquisition, construction and development of properties that necessarily takes a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the properties under development. All other borrowing costs are charged to the profit and loss account as they are incurred.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(k) Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided in advance. Any fixed assets that are no longer required for their original use are transferred to current assets and carried at the lower of the carrying amount or estimated net realisable value.

(l) Operating lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

(m) Deferred taxation

Deferred taxation is accounted for at the current taxation rates in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset expected to be payable or recoverable in the foreseeable future.

(n) Revenue recognition

Sale of completed properties is recognised when the sale agreement is completed and legal title passed to the purchasers. When a development property is sold in advance of completion, sale is recognised over the course of the development and is computed as a proportion of the total sales to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds.

Sales of goods are recognised when goods are delivered to customers and title passed. Rental income, net of incentives paid to lessees, under operating leases is recognised over the periods of the respective leases on a straight-line basis. Property management income is recognised on a time proportion basis or when the services are rendered. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable. Dividend income is recognised when the right to receive payment is certain.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions within three months from the date of placement, less advances from banks and financial institutions repayable within three months from the date of advance.

(p) Retirement benefits

Contributions under the defined contribution retirement scheme, which are calculated as a percentage of basic salaries of the employees, are charged to the profit and loss account in the year to which the contributions relate.

(q) Foreign currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

Profit and loss accounts of subsidiary companies, jointly controlled entities and associated companies expressed in foreign currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investments in foreign subsidiary companies, jointly controlled entities and associated companies are taken directly to reserves.

In previous years, profit and loss accounts of subsidiary companies, jointly controlled entities and associated companies expressed in other currencies were translated at exchange rates ruling at the balance sheet date. This accounting policy has been changed to conform with SSAP 11 (revised) Foreign currency translations and this change has no effect to the accounts for the year.

2 TURNOVER

	2001 HK\$'000	2000 HK\$'000
Sales of electronic components	13,389	–
Sales of properties	8,100	33,000
Property rental	965	1,666
Project management and services	371	307
	<u>22,825</u>	<u>34,973</u>

3 SEGMENT INFORMATION

The Group is principally engaged in property investment and development and technology-related business. In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets consist primarily of non-current assets, inventories and receivables. Segment liabilities comprise creditors and accruals. There are no sales or trading transactions between the business segments. In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

A summary of business segments is set out as follows:

	Property investment and development	Technology	Corporate and others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31st December 2001				
Turnover	9,065	13,755	5	22,825
Segment results	8,468	(6,649)	(42,571)	(40,752)
Financial expenses				(6,463)
Share of results of				
Jointly controlled entities	(1,201)	–	(1,834)	(3,035)
Associated companies	144	(1,188)	(12,905)	(13,949)
Loss before taxation				(64,199)
Taxation				(829)
Loss after taxation				(65,028)
Minority interests	–	371	98	469
Loss attributable to shareholders				(64,559)
Segment assets	43,608	56,930	–	100,538
Jointly controlled entities	–	–	10,469	10,469
Associated companies	–	57,326	–	57,326
Unallocated assets				125,145
Total assets				293,478
Segment liabilities	695	11,428	–	12,123
Unallocated liabilities				127,385
Total liabilities				139,508
Capital expenditure	–	827	658	1,485
Depreciation	–	336	554	890
Amortisation of goodwill	–	1,448	–	1,448

3 SEGMENT INFORMATION (Continued)

	Property investment and development	Technology	Corporate and others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31st December 2000				
Turnover	34,666	–	307	34,973
Segment results	(321)	(1,614)	(46,337)	(48,272)
Financial expenses				(13,284)
Share of results of				
Jointly controlled entities	147	–	369	516
Associated companies	2,245	–	(4,211)	(1,966)
Loss before taxation				(63,006)
Taxation				(271)
Loss after taxation				(63,277)
Minority interests	3,576	–	–	3,576
Loss attributable to shareholders				(59,701)
Segment assets	55,416	1,138	680	57,234
Jointly controlled entities	94,239	–	12,364	106,603
Associated companies	–	82,494	–	82,494
Unallocated assets				22,066
Total assets				268,397
Segment liabilities	972	576	–	1,548
Unallocated liabilities				74,540
Total liabilities				76,088
Capital expenditure	–	964	291	1,255
Depreciation	–	–	828	828

3 SEGMENT INFORMATION (Continued)

A summary of the geographical segments is set out as follows:

	Turnover HK\$'000	Operating loss HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Year ended 31st December 2001				
Hong Kong	22,459	(36,077)	269,752	723
Mainland China	366	(4,675)	23,726	762
	<u>22,825</u>	<u>(40,752)</u>	<u>293,478</u>	<u>1,485</u>
Year ended 31st December 2000				
Hong Kong	34,973	(46,658)	160,551	291
Mainland China	–	(1,614)	107,846	964
	<u>34,973</u>	<u>(48,272)</u>	<u>268,397</u>	<u>1,255</u>

4 COST OF SALES

Cost of sales is arrived at after crediting investment properties revaluation reserve realised of HK\$11,043,000 (2000: nil).

5 OTHER REVENUES

	2001 HK\$'000	2000 HK\$'000
Management fee from a jointly controlled entity	–	1,690
Interest	48	338
Sundries	2,198	1,157
	<u>2,246</u>	<u>3,185</u>

6 OPERATING LOSS

	2001	2000
	HK\$'000	HK\$'000
Operating loss is stated after crediting:		
Gross rental income	965	1,666
Less related outgoings	<u>–</u>	<u>(47)</u>
and after charging:		
Depreciation	890	828
Staff costs (including Directors' remuneration)	20,519	18,694
Operating lease rental expense for land and buildings	3,287	9,399
Auditors' remuneration	554	546
Amortisation of goodwill	1,448	–
Loss on disposal of fixed assets, other than investment properties	156	353
Loss on disposal of subsidiary companies	<u>–</u>	<u>2,254</u>

7 FINANCIAL EXPENSES

	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	3,366	7,380
Interest on short-term loans (note 22)	3,097	5,668
Interest on loan from a related company	<u>–</u>	<u>236</u>
	6,463	13,284

8 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES

(a) Directors' emoluments

Details of the emoluments paid to the Directors of the Company are as follows:

	2001	2000
	HK\$'000	HK\$'000
Fees	1,061	1,084
Salaries and other emoluments	7,870	8,141
Discretionary bonuses	–	–
Retirement benefits	50	–
Compensation for loss of office	–	2,652
	<u>8,981</u>	<u>11,877</u>

The emoluments of the Directors of the Company fall within the following bands:

Emolument bands	Number of Directors	
	2001	2000
Nil to HK\$1,000,000	7	9
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$5,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	1	–
	<u>8</u>	<u>12</u>

None of the Directors has waived the right to receive their emoluments. Fees paid to independent non-executive Directors during the year amounted to HK\$450,000 (2000: HK\$450,000).

8 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES (Continued)
(b) Senior executives' emoluments

Details of emoluments paid by the Group to the five individuals, including four (2000: five) Directors, whose emoluments were the highest in the Group are as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries and other emoluments	9,021	7,848
Discretionary bonuses	–	–
Retirement benefits	56	–
Compensation for loss of office	–	2,376
	<u>9,077</u>	<u>10,224</u>

The emoluments of the five individuals of the Group fall within the following bands:

Emoluments bands	Number of individuals	
	2001	2000
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$5,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	1	–
	<u>5</u>	<u>5</u>

9 TAXATION

	2001	2000
	HK\$'000	HK\$'000
Company and subsidiary companies		
Hong Kong profits tax		
Provision for the year	425	50
Under/(over) provisions in prior years	24	(4)
Overseas taxation	18	–
	467	46
Jointly controlled entities		
Overseas taxation	58	225
Associated companies		
Overseas taxation	304	–
	829	271

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

In June 1999 and March 2000, the Inland Revenue Department issued to a subsidiary company notices of assessment and demand for Hong Kong profits tax payable totalling approximately HK\$85.1 million in respect of profit from the disposal of properties under development in 1994 and 1995. The Directors are of the opinion that the profit arising from the sales of properties is capital in nature and therefore not subject to Hong Kong profits tax. The subsidiary company has filed objections against these assessments. The Inland Revenue Department has determined unfavourable to the subsidiary company but reduced the profits tax payable to approximately HK\$77.5 million together with surcharges for late payment. The subsidiary company has then lodged in July 2001 an appeal against such determination to the Board of Review of the Inland Revenue Department. Hearing of the appeal took place in January 2002 and the determination is still pending. The Directors maintain their view that there are sufficient grounds to support that the profit is capital in nature and not subject to Hong Kong profits tax. In addition, no other company within the Group is liable for any tax or surcharges payable by the subsidiary company and accordingly, if the determination is unfavourable to the subsidiary company, the rest of the Group will not provide funds to the subsidiary company to satisfy the tax and surcharges in question. In view of the foregoing, no provision has been made in the accounts.

10 LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders for the year of HK\$64,559,000 (2000: HK\$59,701,000) and on the weighted average of 458,493,980 shares (2000: 355,636,440 shares) in issue during the year.

Diluted loss per share is not presented as there are no dilutive potential shares for the options granted under the Company's share option schemes.

11 FIXED ASSETS
Group

	Investment properties	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation				
At 31st December 2000	45,000	3,672	846	49,518
Additions	–	664	821	1,485
Acquisition of a subsidiary company	–	1,131	–	1,131
Revaluation	(2,000)	–	–	(2,000)
Disposals	–	(326)	–	(326)
	<u>43,000</u>	<u>5,141</u>	<u>1,667</u>	<u>49,808</u>
At 31st December 2001	43,000	5,141	1,667	49,808
Accumulated depreciation				
At 31st December 2000	–	1,637	596	2,233
Charge for the year	–	736	154	890
Acquisition of a subsidiary company	–	377	–	377
Disposals	–	(94)	–	(94)
	<u>–</u>	<u>2,656</u>	<u>750</u>	<u>3,406</u>
At 31st December 2001	–	2,656	750	3,406
Net book value				
At 31st December 2001	<u>43,000</u>	<u>2,485</u>	<u>917</u>	<u>46,402</u>
At 31st December 2000	<u>45,000</u>	<u>2,035</u>	<u>250</u>	<u>47,285</u>

11 FIXED ASSETS (Continued)
Company

	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000
Cost			
At 31st December 2000	2,527	160	2,687
Additions	142	515	657
Disposals	(7)	–	(7)
	<u>2,662</u>	<u>675</u>	<u>3,337</u>
At 31st December 2001	----- 2,662	----- 675	----- 3,337
Accumulated depreciation			
At 31st December 2000	1,457	134	1,591
Charge for the year	427	82	509
Disposals	(2)	–	(2)
	<u>1,882</u>	<u>216</u>	<u>2,098</u>
At 31st December 2001	----- 1,882	----- 216	----- 2,098
Net book value			
At 31st December 2001	<u>780</u>	<u>459</u>	<u>1,239</u>
At 31st December 2000	<u>1,070</u>	<u>26</u>	<u>1,096</u>

The investment properties are held under medium-term leases in Hong Kong and are stated at professional valuations made by RHL Appraisal Limited, an independent valuer, on 31st December 2001 on an open market value basis. All other fixed assets are carried at cost less accumulated depreciation.

At 31st December 2001, the investment properties have been pledged to secure general banking facilities granted to the Group.

12 GOODWILL

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Acquisition of a subsidiary company	43,438	–
Amortisation for the year	(1,448)	–
	41,990	–

13 SUBSIDIARY COMPANIES

	COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	2,061	2,250
Amounts receivable	973,577	941,793
Amounts payable	(253,078)	(254,612)
	722,560	689,431
Provisions	(446,470)	(460,440)
	276,090	228,991

The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

Particulars of the principal subsidiary companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2001	2000		
Barraza Company Limited	Hong Kong	100	100	HK\$2	Provision of secretarial services
Echo Peak Investment Limited	Hong Kong	100	100	HK\$10,000	Property investment
Ever Double Investments Limited	British Virgin Islands / Hong Kong	100	–	US\$1	Investment holding
Ever Global Technology (Beijing) Limited	Mainland China	100	100	US\$150,000	Information system development

13 SUBSIDIARY COMPANIES (Continued)

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2001	2000		
Ever Global Technology Limited	Hong Kong	100	100	HK\$2	Investment holding
Jolica Limited	Hong Kong	100	100	HK\$9,998	Property investment
Keenland Company Limited	Hong Kong	100	100	HK\$100,100	Property investment
Lead Top Development Limited *	Hong Kong	100	100	HK\$2	Investment holding
Sebasto Investment Company Limited *	Hong Kong	60	60	HK\$100	Investment holding
Silver Shore Company Limited	Hong Kong	100	100	HK\$200,000	Property investment
Springdale Investment Company Limited	Hong Kong	100	100	HK\$100,000	Property investment
Strong Way International Limited	Hong Kong	60	–	HK\$1,000,000	Electronic components trading
Sunberry Investments Limited	British Virgin Islands / Hong Kong	100	100	US\$1	Investment holding
Tak Swi Investment Limited *	Hong Kong	100	100	HK\$3,900,002	Investment holding
U-Cyber Construction (Holdings) Limited	Hong Kong	100	100	HK\$20	Investment holding

13 SUBSIDIARY COMPANIES (Continued)

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2001	2000		
U-Cyber Investment Holdings (China) Limited	Hong Kong	100	100	HK\$20	Investment holding
U-Cyber Property (Holdings) Limited *	Hong Kong	100	100	HK\$10,000	Investment holding
U-Cyber Property Development Company Limited	Hong Kong	100	100	HK\$2	Investment holding
U-Cyber Property Investment Company Limited	Hong Kong	100	100	HK\$2	Investment holding
U-Cyber Property Management Company Limited	Hong Kong	100	100	HK\$2	Investment holding
Wealthy Reference Company Limited	Hong Kong	60	60	HK\$10,000	Property management
Winnerhill Enterprises Limited *	Hong Kong	100	100	HK\$200,000	Financing

* Subsidiary companies directly held by the Company.

14 JOINTLY CONTROLLED ENTITIES

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	10,469	74,415
Amounts receivable	–	32,188
	10,469	106,603

The amounts receivable are unsecured, interest free and have no specific repayment terms.

Particulars of the jointly controlled entities are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Principal activities
		2001	2000	
Beijing Glory Real Estate Development Company Limited ("Beijing Glory")	Mainland China	–*	50	Property development
Beijing Long Quan Hotel Limited ("Long Quan")	Mainland China	32	32	Hotel operation

* On 16th August 2001, the Group entered into an agreement to dispose of 42% equity interest in and the amount receivable from Beijing Glory to an existing shareholder of Beijing Glory. The total consideration of RMB110,000,000 (approximately HK\$103,400,000) will be settled by four instalments subject to the progress of the pre-sale and completion of the property under development of Beijing Glory. The disposal will be completed within twelve months from the date of the agreement or such other date to be agreed by parties to the agreement. As at 31st December 2001, deposits totalling RMB30,000,000 (equivalent to HK\$28,078,000) have been received (note 21). Under the terms of the agreement, the Group ceased to exercise influence over the management of Beijing Glory effective from the date of the agreement. As a result, the carrying amount of the investment in and amount receivable from Beijing Glory to be disposed of has been transferred to investments held for sale (note 18) under current assets and the remaining 8% has been reclassified under long-term investments (note 16).

14 JOINTLY CONTROLLED ENTITIES (Continued)

A summary of the financial information of the significant jointly controlled entities is set out as follows:

	Beijing Glory*		Long Quan	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Results				
Turnover	<u>–</u>	<u>–</u>	<u>55,096</u>	<u>48,804</u>
(Loss)/profit for the year	<u>(2,402)</u>	<u>197</u>	<u>(4,911)</u>	<u>1,740</u>
Group's share of (loss)/profit for the year	<u>(1,201)</u>	<u>98</u>	<u>(1,547)</u>	<u>548</u>
Net assets				
Non-current assets	–	546	100,652	95,829
Current assets	–	409,903	42,762	34,532
Current liabilities	–	(286,336)	(100,791)	(82,827)
Long-term liabilities	–	–	(9,390)	(9,390)
	<u>–</u>	<u>124,113</u>	<u>33,233</u>	<u>38,144</u>
Group's share of net assets	<u>–</u>	<u>62,056</u>	<u>10,469</u>	<u>12,015</u>

* Results of Beijing Glory have been accounted for up to the date of the disposal agreement as explained above.

15 ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share of net assets	55,516	80,749	–	–
Amounts receivable	1,810	1,745	134	65
	57,326	82,494	134	65
Investments at cost				
Unlisted shares	6,001	1	–	–
Listed shares in Hong Kong	80,900	80,900	–	–
	86,901	80,901	–	–
Market value of listed shares	17,266	57,552	–	–

The amounts receivable are unsecured, interest free and have no specific repayment terms.

Particulars of the associated companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Principal activities
		2001	2000	
Genius Group International Limited	Hong Kong	20	–	Apparels and accessories trading
Grand Advance Investments Limited	Hong Kong	50	50	Property investment
Grand Sparkle Investments Limited	Hong Kong	50	50	Property investment
INNOMAXX Biotechnology Group Limited (“INNOMAXX”)	Bermuda / Hong Kong	20*	32	Investment holding

* The Group's equity interest in INNOMAXX was diluted from 32% to 20% following the allotments and issues of new shares by INNOMAXX in 2001, resulting in a loss on deemed partial disposal of HK\$16,959,000.

15 ASSOCIATED COMPANIES (Continued)

A summary of the financial information of a significant associated company, INNOMAXX, is set out as follows:

	2001	2000
	HK\$'000	HK\$'000
Results		
Turnover	<u>25,556</u>	<u>18,255</u>
Loss for the year	<u>(36,303)</u>	<u>(4,265)</u>
Group's share of loss for the year	<u>(8,253)</u>	<u>(1,979)</u>
Net assets		
Fixed assets	183,325	191,404
Goodwill	26,468	–
Current assets	90,003	65,055
Current liabilities	(14,170)	(4,899)
Long-term liabilities	<u>(10,396)</u>	<u>–</u>
	<u>275,230</u>	<u>251,560</u>
Group's share of net assets	<u>55,514</u>	<u>80,725</u>

16 LONG-TERM INVESTMENTS

	GROUP		COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Club debentures, at cost	1,942	1,942	1,942	1,942
Unlisted shares	<u>9,737</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>11,679</u>	<u>1,942</u>	<u>1,942</u>	<u>1,942</u>

Unlisted shares represent the Group's 8% equity interest in Beijing Glory (note 14).

17 INVENTORIES

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Completed properties	510	9,940
Consumable stores	413	–
	<u>923</u>	<u>9,940</u>

The properties are stated at estimated realisable value based on professional valuations made by RHL Appraisal Limited, an independent valuer, on 31st December 2001 on an open market value basis.

18 INVESTMENTS HELD FOR SALE

The investments represent the Group's 42% equity interest in and amount receivable from Beijing Glory (note 14), completion of the sale of which is expected in August 2002.

19 DEBTORS AND PREPAYMENTS

	GROUP		COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors	7,986	–	–	–
Other debtors	4,121	532	–	–
Loan receivable	14,570	14,570	–	–
Deposits and prepayments	5,960	2,917	1,912	2,127
	<u>32,637</u>	<u>18,019</u>	<u>1,912</u>	<u>2,127</u>

The loan receivable represents the balance of advances made to a former sub-contractor of the Group. The advances carry interest at 1.5% per annum above prevailing Hong Kong dollar prime rate and are secured by fixed and floating charges over the undertakings and all properties, assets and rights of the sub-contractor. The sub-contractor has since been in receivership and in liquidation and therefore no further interest has been accrued on the advances. Based on the estimations prepared by the receiver and manager of the sub-contractor, the anticipated realisation of all the assets of the sub-contractor, after deducting all relevant liabilities and expenses, will be sufficient to repay the outstanding advances. Accordingly, no provision has been made in the accounts.

19 DEBTORS AND PREPAYMENTS (Continued)

Rental income from tenants is due and payable in advance. The credit terms granted to trade debtors in respect of sales of electronic components and management services are usually 30 to 45 days. At 31st December 2001, the ageing analysis of the trade debtors was as follows:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Below 30 days	6,499	–
30 to 60 days	837	–
61 to 90 days	392	–
91 to 120 days	258	–
	7,986	–

20 CASH AND BANK BALANCES

Cash and bank balances included a fixed deposit of HK\$2,000,000 (2000: nil) pledged as securities for bank facilities granted to the Group.

21 CREDITORS AND ACCRUALS

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade creditors	8,875	–	–	–
Other creditors	30,765	1,713	–	24
Amount due to a Director	38,795	2,873	38,619	2,873
Accrued expenses	19,543	15,343	14,122	9,051
	97,978	19,929	52,741	11,948

Other creditors include deposits of HK\$28,078,000 received in respect of the sale of the Group's 42% equity interest in and amount receivable from Beijing Glory (note 14). The amount payable to the Director, Mr Tong Nai Kan, is unsecured, interest free and has no specific repayment terms.

21 CREDITORS AND ACCRUALS (Continued)

At 31st December 2001, the ageing analysis of the trade creditors was as follows:

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Below 30 days	2,585	–
30 to 60 days	1,415	–
61 to 90 days	2,002	–
Over 90 days	2,873	–
	<hr/> 8,875	<hr/> –

22 SHORT-TERM LOANS

	GROUP AND COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Secured (<i>note a</i>)	3,000	8,000
Unsecured (<i>note b</i>)	10,000	–
	<hr/> 13,000	<hr/> 8,000

(a) The loan is secured by the Group's shareholding in INNOMAXX, an associated company, and carries interest at a fixed rate of 18% per annum.

(b) The loan is guaranteed by a Director, Mr Tong Nai Kan, and carries interest at a fixed rate of 3% per month.

23 SHARE CAPITAL

	2001	2000
	HK\$'000	HK\$'000
Authorised:		
1,000,000,000 shares of HK\$1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
490,584,391 shares (2000: 437,584,391 shares) of HK\$1 each	<u>490,584</u>	<u>437,584</u>

On 10th August 2001, the Company allotted and issued 53,000,000 new shares of HK\$1 each at an issue price of HK\$1 per share as part of the consideration for the acquisition of the 60% equity interest in Strong Way International Limited ("SWIL") (note 28b). These new shares rank pari passu with the existing shares.

Under the Company's share option schemes (the "Schemes") approved by the shareholders of the Company on 13th June 1996 and 22nd May 2000, the Directors of the Company may, at their discretion, offer any employees (including any Directors) of the Company or of any of its subsidiary companies options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Schemes. The maximum number of shares in respect of which options may be granted under the Schemes may not exceed, in nominal amount, 10 per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon the exercise of any options granted under the Schemes. During the year, no option was granted (2000: 13,004,000 shares) or exercised (2000: 1,100,000 shares) and options to subscribe for 3,352,000 shares (2000: 2,500,000 shares) were lapsed.

As at 31st December 2001, outstanding options under the Schemes, none of which has been exercised, are as follows:

Date granted	Period during which options are exercisable	Exercise price per share	Number of share options outstanding	
			2001	2000
11th July 2000	11th October 2000 to 10th October 2002	1.00	<u>9,152,000</u>	<u>12,504,000</u>

24 RESERVES

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share premium	12,034	30,054	12,034	30,054
Capital redemption reserve	5,318	5,318	5,318	5,318
Capital reserve	1,805	1,805	–	–
Investment property revaluation reserve	–	11,453	–	–
Exchange reserve	476	(82)	–	–
Accumulated loss	(358,930)	(294,371)	(293,185)	(268,800)
	<u>(339,297)</u>	<u>(245,823)</u>	<u>(275,833)</u>	<u>(233,428)</u>

Capital reserve of the Group represents negative goodwill on acquisition of an associated company in 2000. Accumulated loss of the Group includes loss retained by jointly controlled entities and associated companies amounting to HK\$10,970,000 (2000: HK\$7,877,000) and HK\$32,207,000 (2000: HK\$995,000), respectively. The loss attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of HK\$24,385,000 (2000: HK\$62,612,000).

As at 31st December 2001, the Company has no reserves available for distribution to shareholders as calculated under Section 79B of the Hong Kong Companies Ordinance.

25 LONG-TERM BANK LOANS

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Secured loans wholly repayable within five years	25,458	44,378	3,000	11,000
Current portion included under current liabilities	(6,811)	(11,520)	(3,000)	(9,100)
	<u>18,647</u>	<u>32,858</u>	<u>–</u>	<u>1,900</u>

25 LONG-TERM BANK LOANS (Continued)

The bank loans are repayable in the following years:

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
2001	–	11,520	–	9,100
2002	6,811	4,445	3,000	1,900
2003	4,106	2,820	–	–
2004	4,422	3,117	–	–
2005	4,365	8,133	–	–
2006	2,291	2,684	–	–
2007 onwards	3,463	11,659	–	–
	25,458	44,378	3,000	11,000

26 COMMITMENTS
(a) Capital commitments

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for	73,130	–
Authorised but not contracted for	–	–
	73,130	–

The commitments at 31st December 2001 included the purchase cost of the property from Lap Ho Properties Limited (“Lap Ho”) (note 29a).

26 COMMITMENTS (Continued)

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases are payable in the following years:

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
2001	–	6,490
2002	2,897	–
2003	758	–
	<u>3,655</u>	<u>6,490</u>

(c) Operating lease rental receivable

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases are receivable in the following years:

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
2001	–	1,664
2002	892	892
	<u>892</u>	<u>2,556</u>

27 CONTINGENT LIABILITIES

- (a) The Company has provided guarantees in respect of loan facilities granted to subsidiary companies amounting to HK\$22,528,000 (2000: HK\$33,758,000).
- (b) The Company has provided guarantees to banks in respect of mortgage loans made available to the purchasers of properties developed by a former jointly controlled entity, Beijing Glory, in Mainland China. At 31st December 2001, the outstanding guarantee for such mortgage loans amounted to HK\$4,152,000 (2000: HK\$9,123,000).
- (c) In relation to the buildings developed pursuant to the Private Sector Participation Scheme projects undertaken by the Group in previous years, the Group has provided bank guarantees in favour of the Director of Housing (“Housing Authority”), the Government of the Hong Kong Special Administrative Region, for the reimbursement of the cost of all management and/or the remedial works carried out by the Housing Authority to the extent of HK\$6,700,000 (2000: HK\$6,700,000).

In November 1998, the Housing Authority alleged that Hening Investments Limited (“Hening”), a 55% owned subsidiary company, and Funing Estate Management Limited, a former wholly-owned subsidiary company which was disposed of to a former Director in 1999, were obliged to rectify certain defects at a residential development project, which was undertaken by Hening in previous years, pursuant to an undertaking dated 4th September 1993 and the conditions of sale in respect of such development project dated 12th January 1989. Such liabilities of Hening have been covered by a bank guarantee, to which the Company has given a counter-indemnity up to HK\$1,925,000 (2000: HK\$1,925,000). Accordingly, a provision of HK\$1,925,000 (2000: HK\$1,925,000) has been made in the accounts.

- (d) Certain employees of the Group have completed the required number of years of services under the Hong Kong Employment Ordinance to be eligible for long service payments on termination of these employees. The liability of the Group at 31st December 2001 was approximately HK\$790,000 (2000: nil). Commencing from December 2000, the Group participates in a defined contribution scheme in accordance with the Mandatory Provident Fund Ordinance for all eligible employees. The assets of the scheme are held separately from the assets of the Group and contributions are calculated as a percentage of the basic salaries of the employees. Contributions to the scheme during the year are HK\$277,000 (2000: HK\$17,000).

27 CONTINGENT LIABILITIES (Continued)

- (e) At 31st December 2001, there were unprovided deferred taxation liabilities/(benefits) which consisted of the following timing differences:

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation allowances	13	38	13	38
Taxation losses	(41,496)	(44,354)	(10,491)	(7,211)
	<u>(41,483)</u>	<u>(44,316)</u>	<u>(10,478)</u>	<u>(7,173)</u>

Future taxation benefits attributable to the taxation losses have not been accounted for due to the uncertainty as to their future utilisation. There are no other material timing differences between profit as computed for taxation purposes and profit as stated in the accounts.

- (f) In 2000, the Company provided a guarantee to a purchaser of completed properties from the Group for the due performance of tenancies by the subsidiary companies amounting to approximately HK\$5,898,000.

28 NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of operating loss to cash generated from operations**

	2001	2000
	HK\$'000	HK\$'000
Operating loss	(40,752)	(48,272)
Interest income	(48)	(338)
Depreciation	890	828
Loss on disposal of subsidiary companies	–	2,254
Loss on deemed partial disposal of an associated company	16,959	–
Amortisation of goodwill	1,448	–
Realised property revaluation and exchange reserves	(10,466)	–
Deficit on revaluation of investment properties	1,590	–
Loss on disposal of fixed assets	156	2,293
	<hr/>	<hr/>
Operating loss before working capital changes	(30,223)	(43,235)
Decrease in inventories	2,426	–
Decrease in properties held for sale	9,430	3,362
Increase in debtors and prepayments	(6,156)	(380)
Increase/(decrease) in creditors and accruals	38,394	(13,971)
	<hr/>	<hr/>
Cash generated from operations	13,871	(54,224)

28 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)
(b) Purchase of a subsidiary company

	2001 HK\$'000	2000 HK\$'000
Net assets acquired		
Fixed assets	754	—
Inventories	2,839	—
Debtors and prepayments	8,462	—
Cash and bank balances	6,776	—
Creditors and accruals	(10,218)	—
Taxation	(1,043)	—
Minority interests	(3,028)	—
	<u>4,542</u>	<u>—</u>
Goodwill (note 12)	43,438	—
	<u>47,980</u>	<u>—</u>
Purchase consideration at fair value	47,980	—
Issue of new shares as consideration		
53,000,000 shares at issue price of HK\$1 each	(53,000)	—
Shortfall in market price	18,020	—
	<u>(34,980)</u>	<u>—</u>
Fair value of share consideration	(34,980)	—
	<u>13,000</u>	<u>—</u>
Cash consideration	13,000	—
Cash and bank balances acquired	(6,776)	—
	<u>6,224</u>	<u>—</u>
Net cash outflow on purchase	6,224	—

On 8th June 2001, the Group entered into an agreement to acquire 60% equity interest in SWIL. The acquisition was completed on 10th August 2001 and the consideration of HK\$66,000,000 was settled by the allotment and issue of 53,000,000 new shares of HK\$1 each by the Company at an issue price of HK\$1 per share and HK\$13,000,000 in cash. SSAP 30 Business combinations requires the fair value of the share consideration for accounting purposes to be determined at the date that the control over the net assets attributable to the acquisition becomes effective. At the completion date of the purchase, the mid-market price of the shares in the Company was HK\$0.66. Accordingly, the fair value of the share consideration for this purpose was HK\$34,980,000 as shown above.

The subsidiary company acquired during the year utilised HK\$867,000 (2000: nil) and HK\$65,000 (2000: nil) for operating and investing activities respectively.

28 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)
(c) Disposal of subsidiary companies

	2001 HK\$'000	2000 HK\$'000
Net assets disposed		
Fixed assets	–	4
Associated company	–	2,032
Debtors and prepayments	–	17
Cash and bank balances	–	1
Creditors and accruals	–	(160)
	–	1,894
Exchange reserve realised	–	1,563
Gain on disposal	–	(2,254)
	–	1,203
Cash consideration	–	(1)
Cash and bank balances sold	–	(1)
	–	1,202
Net cash inflow on disposal	–	1,202

(d) Analysis of cash flows from financing activities

	Share capital and premium HK\$'000	Bank and other loans HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31st December 1999	263,289	108,785	347	372,421
Minority interests in share of profits	–	–	(3,576)	(3,576)
Net cash inflow/(outflow) from financing activities	204,349	(56,407)	3,777	151,719
At 31st December 2000	467,638	52,378	548	520,564
Minority interests in share of profits	–	–	(469)	(469)
Acquisition of subsidiary company	34,980	–	3,028	38,008
Dividend paid to minority interests	–	–	(390)	(390)
Net cash outflow from financing activities	–	(13,920)	(34)	(13,954)
At 31st December 2001	502,618	38,458	2,683	543,759

29 RELATED PARTY TRANSACTIONS

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business activities during the year:

	2001	2000
	HK\$'000	HK\$'000
Rental expense on property (note a)	1,777	1,777
Interest expense (note b)	–	236
Management fee income from a jointly controlled entity	–	1,690
Sale of subsidiary company (note c)	–	1,250
Consultancy fee (note d)	–	2,376
	_____	_____

- (a) During the year, the Group paid rental to Lap Ho on the lease of a property based on the tenancy agreement between the parties. Pursuant to a sale and purchase agreement dated 5th October 2001, the Group acquired this property from Lap Ho at a consideration of HK\$76,000,000, which was arrived at with reference to open market value of similar properties in the same district and was negotiated on an arm's length basis based on normal commercial terms. The purchase will be completed in April 2002. Lap Ho is a company beneficially owned by Mr Tong Nai Kan.
- (b) Interest was paid to Great Opportunity Investments Limited ("Great Opportunity") at a fixed rate of 3% per annum on short-term loans borrowed. Mr Tong Nai Kan is a substantial shareholder and director of Great Opportunity.
- (c) Pursuant to a sale and purchase agreement dated 5th April 2000, the Group disposed of the entire interest in a wholly-owned subsidiary company, Tak Wing Engineering (China) Limited, to Brilliant Ventures Holdings Limited, a company wholly owned by Dr Chung Chun Keung, a former Director of the Company until 5th April 2000.
- (d) The Company entered into a consultancy agreement on 5th April 2000 with Dr Chung Chun Keung for the provision of general consultancy services to the Company for a period of seven years for a fee of HK\$2,376,000 payable on commencement and thereafter for a nominal fee of HK\$1 per annum.

30 SUBSEQUENT EVENTS

On 11th February 2002, INNOMAXX allotted and issued 70,000,000 new shares at an issue price of HK\$0.10 per share, thereby reducing the Group's equity interest from 20.2% to 18.5% and resulting in a loss on deemed partial disposal of approximately HK\$5 million.

31 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 17th April 2002.