1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") but such listing has been suspended since 20 July 2000.

The Company acts as an investment holding company and provides corporate management services. Details and activities of its subsidiaries are set out in Notes 15 and 39 to the financial statements. The activities of its infrastructure joint ventures are set out in Note 17 to the financial statements.

On 26 July 2000, the High Court of Hong Kong ("the Court") ordered that the Company be wound-up and appointed the Official Receiver, who was appointed under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as provisional liquidator pursuant to Section 194(1)(a) of the Companies Ordinance. The Court appointed John Robert Lees and Desmond Chung Seng Chiong as joint and several liquidators ("Liquidators") of the Company on 27 January 2001.

The directors of the Company no longer have the power, as a consequence of the appointment of the Liquidators, to present a directors' report or prepare the financial statements.

The Liquidators were only appointed on 27 January 2001 and do not have the same detailed knowledge of the financial affairs of the Group and the Company as would have the directors of the Company. The accounting staff responsible for maintaining the books and records of the Company, and preparing its financial statements, had left the service of the Company prior to the appointment of the Liquidators. The Liquidators have made enquiries with the directors of the Company and reviewed such books and records of the Company as were made available to them. The Liquidators have not yet been able to look into all aspects of the Group's and the Company's affairs, and as liquidators, their main duty, and therefore concern, has been with the protection of the Company's assets, rather than the computation of the profit or loss of the Group and the Company. The Liquidators will conduct a detailed investigation of the Group's and the Company's affairs as part of the liquidation.

Prior to 27 January 2001, the Liquidators had no power to and exercised no control over the business, property and affairs of the Group. From the date of their appointment to the date of this Annual Report, the Liquidators have had no significant funds. Accordingly, the extent to which the Liquidators have been able to exercise control over the business, property and affairs of the Group, including the business, property and affairs of the Company in The People's Republic of China ("PRC") including the Company's subsidiary, Hangzhou Huanan Engineering Development Co., Limited ("HHED"), and the Company's infrastructure joint ventures, Shanxi Xiangyi Road and Bridge Construction Limited ("Shanxi Xiangyi JV") and Shanxi Linhong Road and Bridge Construction Limited ("Shanxi Linhong JV"), has been extremely limited.

Also prior to the Liquidators' appointment, a number of creditors sought and obtained a Mareva Injunction against the Company, prohibiting it from disposing of any of the Company's assets or any assets of its subsidiaries. At the date of this report, the Mareva Injunction is still in place. To the extent that assets are realised by the Liquidators, the Liquidators will be required to seek a variation to the Mareva Injunction.

1. GENERAL (cont'd)

On 22 July 2001, the Stock Exchange announced that the Company had been placed into the third stage of the de-listing procedure. The Stock Exchange imposed a six-month period to 20 January 2002 for the Company to submit a resumption proposal.

On 18 January 2002, the Company lodged a resumption proposal with the Stock Exchange. Following a number of discussions with the Stock Exchange it was announced on 10 May 2002, that a Restructuring Agreement had been signed on 18 January 2002 between inter alia, the Company (acting through the Liquidators), the Liquidators and Leading Highway Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Cheng Yung Pun ("the Investor"). The Restructuring Agreement sets out the framework for implementation of the Restructuring Proposal. The Stock Exchange has given approval in principle to the Restructuring Proposal and has granted the Company an extension of the third stage of the de-listing procedure until 31 August 2002 to enable the implementation of the Restructuring Proposal.

The Restructuring Proposal involves a number of inter-related transactions, including the scheme of arrangement for the Company pursuant to Section 166 of the Companies Ordinance and made between the Company and its shareholders, with or subject to any modification thereof, or addition thereto or conditions approved or imposed by the Court and the Company's shareholders ("the Scheme"). Under the terms of the Scheme, the Company's Shareholders will receive 1 ordinary share of HK$0.10 each in the capital of Wah Nam International Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are proposed to be listed on the Stock Exchange after the successful implementation of the Restructuring Proposal ("the Share"), for every 50 ordinary shares that they hold in the Company.

The consolidated financial statements do not contain statements of cash flows as required by Statement of Standard Accounting Practice ("SSAP") 15 "Cash Flow Statements" issued by HKSA, as, in the opinion of the Liquidators, such information would not assist users of the financial statements in view of the circumstances set out above.

No information is available to present the Group's financial information by segment, This is not in accordance with the requirements of SSAP 26 "Segment Reporting".

The financial statements do not contain information pertaining to the Group's credit risk and ageing of debtors and creditors. This is not in accordance with the requirements of the Rules Governing the Listing of Securities issued by the Stock Exchange.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Going concern

The financial statements for the year ended 31 December 1998 were prepared on the going concern basis. At 31 December 1999, the consolidated balance sheet shows a net deficiency of assets of HK$73,193,000 as a result, inter alia, of the Liquidators making impairment and other adjustments following their appointment in 2001 retrospectively to the year ended 31 December 1999. Nevertheless, the financial statements for that year include certain subsidiaries on a going concern basis since limited financial information was available for 1999. The Liquidators consider that the Company and the Group may not have been a going concern in 1999. The financial statements for the years ended 31 December 2000 and 2001 were not prepared on a full going concern basis.

Fixed assets and the intangible asset are stated at the Liquidators' best estimate of net realisable value. For presentation purposes, they are shown as non-current assets.

Current assets are stated at the Liquidators' best estimate of their respective net realisable values.

Current liabilities have not been adjusted to anticipated net amounts due as the Liquidators have not yet completed their Proof of Debt procedures and there are a number of outstanding claims against the Company and the Group at the date of finalisation of these financial statements which have still to be resolved.

Further adjustments may have to be made to reduce the carrying value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify fixed assets and the intangible asset as current assets.

There will also be continuing realisation costs as the liquidation is progressed.

Presentation of the results for 1999, 2000 and 2001

No audited financial statements have been prepared by the Company since 31 December 1998. In the opinion of the Liquidators, presentation of the financial statements for the respective years ended 31 December 1999, 31 December 2000 and 31 December 2001 in the format included in this Report allows the shareholders to better understand the results of the Group's operations and the Company's and the Group's state of affairs for those three years, and to compare the results and respective states of affairs at each balance sheet date with the last audited financial statements which were for the year ended 31 December 1998. The Liquidators consider that this presentation will provide the most useful information for shareholders.

3. IMPACT OF NEW SSAPS

The Statements of Standard Accounting Practice which have been adopted for the first time in the preparation of the current consolidated financial statements, together with a summary of their major effects are set out as follows:

SSAP 1	Presentation of financial statements
SSAP 2	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 9 (revised)	Events after the balance sheet date
SSAP 10	Accounting for investments in associates
SSAP 14 (revised)	Leases
SSAP 24	Accounting for investments in securities
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 1 prescribes the basis for the presentation of financial statements and sets out guidelines for the structure and minimum requirements for the content therein. The format of the profit and loss accounts and balance sheets as set out on pages 8, 10, 11 and 12 respectively, have been revised in accordance with the SSAP, and a new statement of recognised gains and losses, not previously required, is included on page 9. Additional disclosures as required are included in the supporting notes thereto.

SSAP 2 prescribes the classification, disclosure and accounting treatment of certain items in the profit and loss account, and specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors.

SSAP 9 prescribes the accounting treatment and disclosures in respect of events after the balance sheet date.

3. IMPACT OF NEW SSAPS (cont'd)

SSAP 10 which prescribes the accounting treatment and disclosures for investments in associates, closely follows the previous SSAP 10, and accordingly has had no major impact for these financial statements. The terminology used and certain disclosures have been revised in line with the new requirement.

SSAP 24 prescribes the accounting treatment and disclosures for investments in debt and equity securities. There was no prior period adjustment arising from the adoption of SSAP 24 on these financial statements.

Under SSAP 28, provisions are recognised for liabilities of uncertain timing or amount when (i) the Company has a legal or constructive obligation arising as a result of a past event; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. The financial impact of adopting SSAP 28 is immaterial and therefore neither adjustment to the opening balance of retained profits nor restatement of comparative information has been made.

SSAP 31 prescribes procedures to be applied to ensure that assets are not carried at more than their recoverable amounts. Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- Fixed assets;
- Intangible assets;
- Investments in subsidiaries; and
- Interest in infrastructure joint ventures.

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

The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of an asset as the present value of estimated future cash flows together with estimated disposal proceeds at the end of its useful life. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indications, the recoverable amounts of the assets are to be determined. Any resulting impairment losses identified are charged to the profit and loss accounts.

3. IMPACT OF NEW SSAPS (cont'd)

SSAP 14 prescribes the accounting treatment and disclosures in respect of finance and operating leases.

SSAP 29 prescribes the accounting treatment and disclosures in respect of intangible assets.

SSAP 30 and 32 prescribes the accounting treatment and disclosures in respect of business combinations and the preparation and presentation of consolidated financial statements.

The adoption of these standards has had no major impact on these financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong, other than as set out in Note 3 above, are as follows:

Basis of accounting

To the extent possible, these financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, modified with respect to the measurement of investment properties, certain fixed assets and short term investments, as explained in the respective accounting policies below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year (see Note 15 below).

Where an interest in a subsidiary is acquired with the intention that control be temporary, the interest is accounted for as a short term investment and is included in the balance sheet at the lower of cost and net realisable value.

The results of the subsidiaries, associated companies and infrastructure joint ventures acquired or disposed of during the year are included in the consolidated profit and loss accounts from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets of a business at the date of acquisition and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separate net assets of a business at the date of acquisition over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate or an infrastructure joint venture, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associated company or the infrastructure joint venture at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of a business including a subsidiary, an associate and an infrastructure joint venture, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the business.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for permanent diminution in value.

Investments in associates

An associate is an enterprise, over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less provision, if necessary, for permanent diminution in value.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Infrastructure joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control. Joint venture arrangements which involve the establishment of a separate entity for investment in and development, operation and management of toll roads and bridges and in which each venturer has an interest are referred to as infrastructure joint ventures.

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in The People's Republic of China in respect of which the venturers' cash/profit sharing ratios and the share of net assets upon the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and are in proportion to their capital contribution ratios.

Where the Group's interest in the joint venture is such that it establishes joint control over the economic activity of the joint venture with other venturers, the Group's interest in the joint ventures are carried at cost plus its share of post-acquisition undistributed reserves of the joint ventures in accordance with the defined cash/profit sharing ratios less provision for any permanent diminution in value.

Other joint venture arrangements

Investments made by the means of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or investments (where the Group exercises neither control nor significant influence).

Revenue recognition

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

Service income is recognised when services are provided.

Revenue from toll road operations is recognised on a receipt basis. Minimum income undertakings are recognised on a received or receivable basis in accordance with the undertaking agreement entered by the Group with the relevant government authorities of the People's Republic of China.

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease term.

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fixed assets, depreciation and amortisation

Fixed assets other than properties under development, investment properties and construction in progress are stated at cost less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

Properties under development represent land and buildings in the course of development for production, rental or administrative purposes or for purposes not yet determined, and are carried at cost less provision for diminution in value as considered necessary by the directors. Cost includes professional fees, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties.

Construction in progress, which represents land and buildings in the course of development for production purposes, are carried at cost less provision considered necessary by the Liquidators/directors. Cost includes direct costs of construction and professional fees and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of fixed assets other than properties under development, investment properties and construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold improvements	4% – 33% and over the term of the lease, whichever is the shorter
Plant, machinery and moulds	9% – 30%
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	18% – 30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

No provision for depreciation is made until the asset is put into use.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets

The Group's intangible asset consists of toll road operation rights. The toll road operation rights are recognised as an asset and stated in the balance sheet at cost less amortisation and accumulated impairment losses.

Amortisation of the toll road operation rights is charged so as to write off the cost of the asset over the unexpired term of the operation rights using the straight line method.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than the Hong Kong Dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of 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 asset will crystallise in the foreseeable future.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment properties

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

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this 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 profit and loss account, where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to that property is transferred to the profit and loss account.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the profit and loss account over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the relevant lease term.

Investments

Long term investments are stated at cost less provision, if necessary, for permanent diminution in value.

Short term unlisted investments are stated at the lower of cost and net realisable value.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Convertible notes

Convertible notes are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance costs, including the premium payable upon the final redemption of the convertible notes, recognised in the profit and loss account in respect of the convertible notes is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible notes for each accounting period.

The cost incurred in connection with the issue of convertible notes is charged to profit and loss account when it is incurred.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those 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 losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired less advances from banks repayable within three months from the date of the advance.

5. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of the net invoiced value of goods sold, rental income, compensation and service income but excludes intra-group transactions. Revenue from the following activities has been included in turnover:

	2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Turnover				
Continuing operations:				
Sales of goods	–	–	55,377	84,399
Toll road operation *(Note)*	27,199	23,792	22,893	9,418
Services rendered	–	–	12	26
	27,199	23,792	78,282	93,843
Other revenue				
Bank interest income	152	440	5,058	1,066
Debtors recovered	–	–	3,345	–
Gain on disposal of investment securities *(Note 18)*	–	–	23,428	–
Interest received from associates	–	–	–	1,585
Interest received from related companies	–	–	9,135	7,583
Sundry income	–	–	8,225	–
	152	440	49,191	10,234
Total revenue	27,351	24,232	127,473	104,077

Note: This includes compensation for deficiency in the minimum income undertakings due to the Company's subsidiary, 杭州華南工程開發有限公司 Hangzhou Huanan Engineering Development Co., Ltd. ("HHED"), from the relevant PRC Government Department. According to an instruction from the relevant PRC Government Department, the method of charging for toll revenue was changed with effect from June 1998. As a result of this change, HHED obtained minimum income undertakings for the period from June 1998 to the end of fiscal year 2002 from the relevant PRC Government Department. Any shortfall below the minimum income undertakings would be borne by that Department. The agreed minimum income undertaking was subject to change based on mutual agreement between the parties involved.

The Liquidators have been informed from discussion with the existing General Manager of HHED that the Hangzhou Government terminated the minimum income undertaking arrangement in April 2000 and allowed HHED to put back a toll collection point to prevent traffic entering into Hangzhou city without paying toll charges. The Liquidators understand that the minimum income undertaking was terminated based on a mutual agreement between the parties involved. No compensation in respect of the minimum income undertaking has been received since April 2000.

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/loss from operating activities has been arrived at after charging/(crediting):

	2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Auditors' remuneration				
Current year	200	200	200	985
Overprovision in respect of prior years	–	–	–	(104)
Depreciation and amortisation				
Owned assets	5,264	6,927	12,406	7,302
Assets held under finance leases	–	–	383	574
Exchange loss	–	–	1,826	480
Fixed assets written off	–	4,697	–	–
Write offs:				
Cash and cash equivalents written off	–	7,101	–	–
Fixed assets written off	–	13	–	–
Inventories written off	–	168	–	–
Write off of trade debtors and bills receivable	–	2,039	–	–
Short term investments written off	437	2,456	–	–
Write off of amount due from related companies	–	6,454	–	–
Write off of amount due from shareholders	–	300	–	–
Write off of other debtors, deposits and prepayments	–	9,434	–	–
Other items written off	–	–	68,400	–
Gain on deconsolidation of subsidiaries	–	(35,384)	–	–
Loss on disposal of investments	–	–	–	17
Loss/(gain) on disposal of fixed assets	–	–	139	(297)
Operating lease payments on car parks, office premises, staff quarters and factory	–	1,262	11,521	12,195
Provision against unlisted investment in Hong Kong	–	–	–	193
Retirement benefits scheme contributions, net of forfeited contributions of HK$219,000 in 1999 (1998: HK$54,000)	–	–	(219)	63
Continuing operations:				
Provision for investment securities *(Note 18)*	–	–	–	1,653
Provision for impairment in value of property under development *(Note 13)*	–	–	–	1,960
Provision for property development projects	–	–	–	7,769
Provision for impairment in value of construction in progress *(Note 13)*	–	–	–	11,381
Provision for impairment in value of investment properties *(Note 13)*	–	–	31,536	5,821
Revaluation deficit arising on revaluation of investment properties *(Note 13)*	–	–	–	457
Gain on disposal of investment securities *(Note 18)*	–	–	(23,428)	–
Debtors recovered	–	–	(3,345)	–
Provision for impairment in value of toll road operation rights *(Note 14)*	–	–	74,166	–
Provision for impairment of interests in infrastructure joint ventures *(Note 17)*	–	–	28,945	–
Discontinued operations:				
Provision for unrecoverable amount of the sales proceeds for the disposal of ceramic manufacturing related subsidiaries in a prior year *(Note 20)*	–	–	–	25,000
Provision against recovery of interests in subsidiaries not consolidated *(Note 20)*	–	–	7,484	(7,484)

7. FINANCE COSTS

	2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Interest on				
Bank loans, overdrafts and other borrowings wholly repayable within five years	–	413	5,890	10,483
Convertible notes *(Note 24)*	–	1,072	928	4,200
Advance from a director	–	–	967	29
Finance leases	–	26	154	173
Amounts due to related companies	–	–	18,707	7,593
Promissory notes	–	1,326	3,099	692
	–	2,837	29,745	23,170

8. DIRECTORS' EMOLUMENTS

	2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Directors' fees:				
Executive	–	*	*	780
Independent non-executive	–	*	*	120
Other emoluments (executive directors):				
Salaries and other benefits	–	*	*	1,902
Contributions to retirement benefits schemes	–	*	*	–
Total emoluments	–	1,850	1,969	2,802

Emoluments of the directors were within the following bands:

	Number of Directors	Number of Directors	Number of Directors	Number of Directors
HK$nil to HK$1,000,000	–	*	*	6
HK$1,000,001 to HK$1,500,000	–	*	*	1

* *Information is not available.*

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, there were three directors of the Company in the financial year ended 31 December 1998 whose emoluments were included in the disclosures set out in Note 8 above. The emoluments of the remaining two individuals were as follows:

	2001	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Salaries and other benefits	**–**	*	*	1,176
Contributions to retirement benefits scheme	**–**	*	*	81
	–	*	*	1,257

The aggregate emoluments of each of the two individuals during the financial year ended 31 December 1998 were within the emolument band ranging from HK$nil to HK$1,000,000.

* *Information is not available.*

10. TAXATION

	2001	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
The tax (charge)/credit comprises:				
Profits for the year:				
Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong")	**–**	**–**	**(5,800)**	(377)
Other regions in the People's Republic of China ("PRC")	**(2,349)**	**(1,815)**	**(997)**	(467)
Underprovision in prior year – Hong Kong	**–**	**–**	**–**	(10)
Deferred taxation – current year *(Note 29)*	**–**	**–**	**–**	74
Share of tax on results of associates	**–**	**–**	**–**	(1,085)
	(2,349)	**(1,815)**	**(6,797)**	(1,865)

Hong Kong Profits Tax is calculated at 16% (1998: 16%) of the estimated assessable profit for the year.

Pursuant to relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. PRC income tax is calculated at the rates prevailing in the relevant PRC jurisdictions.

Details of deferred taxation (charge)/credit and potential unprovided deferred taxation credit for the years 1999, 2000 and 2001 are set out in Note 29.

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Details are as follows:

	2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Group's loss for the year	(4,290)	(51,075)	(191,370)	(92,536)
Company loss for the year	(11,900)	(30,522)	(169,986)	(121,628)
Share of results of associates	–	–	–	1,617
Share of results of infrastructure joint venture	–	–	(8,228)	(5,798)

12. LOSS PER SHARE

The calculation of loss per share is based on the following information:

	2001	2000	1999	1998
Loss for the year (HK$'000)	(4,290)	(51,075)	(191,370)	(92,536)
Weighted average number of ordinary shares in issue during the year ('000)	2,138,219	2,075,650	1,838,218	1,838,218

Since the outstanding share options and the convertible notes are anti-dilutive to the loss per share, no diluted loss per share is presented for any years.

13. FIXED ASSETS

	Investment properties HK$'000	Properties under development HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant, machinery and moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	**Total HK$'000**
The Group								
Cost or valuation								
At 1 January 1999	7,300	5,800	51,281	10,536	16,974	15,455	7,070	**114,416**
Exchange realignments	–	–	–	–	–	(112)	(183)	**(295)**
Additions	–	–	–	73	3,728	2,444	–	**6,245**
Acquisition of a subsidiary	45,000	–	–	–	–	–	–	**45,000**
Disposals	–	(5,800)	–	–	–	(116)	(730)	**(6,646)**
At 31 December 1999	52,300	–	51,281	10,609	20,702	17,671	6,157	**158,720**
Comprising:								
At cost	45,000	–	51,281	10,609	20,702	17,671	6,157	**151,420**
At valuation – 1998	7,300	–	–	–	–	–	–	**7,300**
	52,300	–	51,281	10,609	20,702	17,671	6,157	**158,720**
Depreciation								
At 1 January 1999	5,821	1,960	11,381	5,146	15,555	11,294	3,657	**54,814**
Exchange realignments	–	–	–	–	–	(74)	(117)	**(191)**
Provided for the year	–	–	–	2,832	1,716	1,794	1,321	**7,663**
Disposals	–	(1,960)	–	–	–	(9)	(353)	**(2,322)**
Provision for impairment in value	31,536	–	–	–	–	–	–	**31,536**
At 31 December 1999	37,357	–	11,381	7,978	17,271	13,005	4,508	**91,500**
Net book value								
At 31 December 1999	14,943	–	39,900	2,631	3,431	4,666	1,649	**67,220**
At 31 December 1998	1,479	3,840	39,900	5,390	1,419	4,161	3,413	**59,602**
Cost or valuation								
At 1 January 2000	52,300	–	51,281	10,609	20,702	17,671	6,157	**158,720**
Exchange realignments	–	–	–	–	–	89	154	**243**
Additions	–	–	–	–	–	69	–	**69**
Disposals	–	–	–	–	–	–	(1,308)	**(1,308)**
Fixed assets written off	–	–	–	(8,327)	–	(2,150)	(3,400)	**(13,877)**
Subsidiary deconsolidated	–	–	(51,281)	(2,282)	(20,702)	(15,679)	(1,603)	**(91,547)**
At 31 December 2000	52,300	–	–	–	–	–	–	**52,300**
Comprising:								
At cost	45,000	–	–	–	–	–	–	**45,000**
At valuation – 1998	7,300	–	–	–	–	–	–	**7,300**
	52,300	–	–	–	–	–	–	**52,300**
Depreciation								
At 1 January 2000	37,357	–	11,381	7,978	17,271	13,005	4,508	**91,500**
Exchange realignments	–	–	–	–	–	80	129	**209**
Provided for the year	–	–	–	468	144	470	768	**1,850**
Disposals	–	–	–	–	–	–	(589)	**(589)**
Fixed assets written off	–	–	–	(4,069)	–	(1,930)	(3,181)	**(9,180)**
Subsidiary deconsolidated	–	–	(11,381)	(4,377)	(17,415)	(11,625)	(1,635)	**(46,433)**
At 31 December 2000	37,357	–	–	–	–	–	–	**37,357**
Net book value								
At 31 December 2000	14,943	–	–	–	–	–	–	**14,943**

13. FIXED ASSETS (cont'd)

	Investment properties HK$'000	Properties under development HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant, machinery and moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation								
At 1 January 2001/ 31 December 2001	52,300	–	–	–	–	–	–	**52,300**
Comprising:								
At cost	45,000	–	–	–	–	–	–	**45,000**
At valuation – 1998	7,300	–	–	–	–	–	–	**7,300**
	52,300	–	–	–	–	–	–	**52,300**
Depreciation								
At 1 January 2001/ 31 December 2001	37,357	–	–	–	–	–	–	**37,357**
Net book value								
At 31 December 2001	14,943	–	–	–	–	–	–	**14,943**

The net book value of properties included in properties shown above comprises:

	Investment properties				Properties under development			
	2001 HK$'000	**2000 HK$'000**	**1999 HK$'000**	1998 HK$'000	**2001 HK$'000**	**2000 HK$'000**	**1999 HK$'000**	1998 HK$'000
Long lease in Hong Kong	**–**	**–**	**–**	–	**–**	**–**	**–**	3,840
Long lease in the PRC	**14,943**	**14,943**	**14,943**	1,479	**–**	**–**	**–**	–
	14,943	**14,943**	**14,943**	1,479	**–**	**–**	**–**	3,840

The net book value of the Group's fixed assets in the financial year ended 31 December 1999 includes an amount of HK$873,000 (1998: HK$2,141,000) in respect of motor vehicles which are held under finance leases.

The construction in progress in the financial year ended 31 December 1999 represented land and buildings under development held under medium term leases and was situated in the PRC. Included in construction in progress was net capitalised interest of approximately HK$3,851,000 (1998: HK$3,851,000). The subsidiary holding the construction in progress was deconsolidated in the year ended 31 December 2000 (see also Note 15 below).

On 26 February 2002, the investment properties were valued on an open market value basis by Chesterton Petty Limited, Chartered Surveyors. Included in the investment properties was a piece of leasehold land situated in Xinhui, Guangdong Province, the PRC, for a term of 70 years expiring on 7 May 2064. It was valued at RMB14,700,000. Also included in the investment properties were four leasehold residential units situated in Foshan, Guangdong Province, the PRC. These properties were valued at RMB1,140,000. The provision for impairment in value of the leasehold land and leasehold residential units of HK$31,132,000 and HK$404,000 respectively has been charged to the profit and loss account during the financial year ended 31 December 1999 (see Note 6) in the absence of any other valuations during the years under review.

13. FIXED ASSETS (cont'd)

In 1996, the Group received HK$1,840,000 from an independent investor ("Investor"), being funds advanced for the purchase of eleven investment properties belonging to the Group located in Foshan, the PRC ("Properties"). The Investor intended to finance the acquisition of the Properties by PRC bank loans. To assist the Investor obtaining the necessary finance, the Group provided seven title deeds of the Properties to the Investor for custody. No sale and purchase agreement was entered into between the Investor and the Group. Subsequently, the Group discovered that the seven title deeds in custody were pledged by the Investor to obtain banking facilities for the Investor without the Group's prior consent. The Group pursued legal action to recover the seven title deeds in custody. Owing to the uncertainty of the outcome of the legal action and the downturn of the property market in the PRC, a full provision was made against the carrying value of the respective properties in the year ended 31 December 1998.

None of the Group's investment properties are rented out under operating leases at each of the respective balance sheet dates.

	Leasehold improvements HK$'000	**Furniture, fixtures and equipment** HK$'000	**Motor vehicles** HK$'000	**Total HK$'000**
Company				
Cost				
At 1 January 1999	8,326	2,119	2,038	**12,483**
Additions	–	13	–	**13**
Disposals	–	–	(729)	**(729)**
At 31 December 1999	8,326	2,132	1,309	**11,767**
Depreciation				
At 1 January 1999	3,005	710	405	**4,120**
Provided for the year	2,775	386	383	**3,544**
Disposals	–	–	(352)	**(352)**
At 31 December 1999	5,780	1,096	436	**7,312**
Net book value				
At 31 December 1999	2,546	1,036	873	**4,455**
At 31 December 1998	5,321	1,409	1,633	**8,363**

The net book value of the Company's fixed assets includes an amount of HK$873,000 (1998: HK$1,633,000) in respect of motor vehicles held under finance leases.

13. FIXED ASSETS (cont'd)

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
At 1 January 2000	8,326	2,132	1,309	**11,767**
Fixed assets written off	(8,326)	(2,132)	(1,309)	**(11,767)**
At 31 December 2000	–	–	–	**–**
Depreciation				
At 1 January 2000	5,780	1,096	436	**7,312**
Provided for the year	463	216	153	**832**
Fixed assets written off	(6,243)	(1,312)	(589)	**(8,144)**
At 31 December 2000	–	–	–	**–**
Net book value				
At 31 December 2000	–	–	–	**–**
Cost				
At 1 January 2001/ 31 December 2001	–	–	–	**–**
Depreciation				
At 1 January 2001/ 31 December 2001	–	–	–	**–**
Net book value				
At 31 December 2001	–	–	–	**–**

14. INTANGIBLE ASSET – GROUP

	Toll road operation rights HK$'000
Cost	
At 1 January 1999	152,637
Exchange realignments	(5,022)
At 31 December 1999	147,615
Amortisation and impairment	
At 1 January 1999	1,507
Opening balance adjustment	19,040
Exchange realignments	(80)
Provided for the year	4,959
Provision for impairment in value	74,166
At 31 December 1999	99,592
Net book value	
At 31 December 1999	48,023
At 31 December 1998	151,130
Cost	
At 1 January 2000	147,615
Exchange realignments	7,002
At 31 December 2000	154,617
Amortisation and impairment	
At 1 January 2000	99,592
Exchange realignments	1,263
Provided for the year	5,077
At 31 December 2000	105,932
Net book value	
At 31 December 2000	48,685

14. INTANGIBLE ASSET – GROUP (cont'd)

	Toll road operation rights HK$'000
Cost	
At 1 January 2001	154,617
Exchange realignments	4,151
At 31 December 2001	158,768
Amortisation and impairment	
At 1 January 2001	105,932
Exchange realignments	924
Provided for the year	5,264
At 31 December 2001	112,120
Net book value	
At 31 December 2001	46,648

The toll road operation rights represent a right to collect toll fees for 30 years from October 1994 on the G320 Highway – Hangzhou section in the PRC.

Based on a valuation report by Vigers Hong Kong Limited, Chartered Surveyors, the fair market value of the Group's 60% equity interest in HHED is valued at RMB34,100,000 on 31 March 2002. A provision for impairment in value of HHED's intangible asset amounting to HK$74,166,000 has been charged to the consolidated profit and loss accounts during the financial year ended 31 December 1999 (Note 6).

In the year ended 31 December 1998, the toll road operation rights were treated as fixed assets. From 1 January 1999, the rights have been reclassified as an intangible asset (see Note 40).

15. INTERESTS IN SUBSIDIARIES

	Company			
	2001	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Unlisted shares, at cost less amounts written off	**255,067**	**255,067**	**255,067**	255,067
Amounts due (to)/from subsidiaries	**(130,649)**	**(130,649)**	**(92,233)**	82,245
Less: Provision for amounts due from subsidiaries	**–**	**–**	**–**	(20,660)
Less: Provision for diminution in interests in subsidiaries	**(76,998)**	**(76,998)**	**(115,414)**	–
	47,420	**47,420**	**47,420**	316,652

A list of subsidiaries is set out in Note 39 to the financial statements. No audited financial statements were available for any of the subsidiaries other than HHED, which was audited by another firm of accountants. To the date of these accounts, the Liquidators have disposed of the Company's interest in the following subsidiaries:

Ultralead Limited (during the year ended 31 December 2001)
Mega Dynasty Limited (during the year ended 31 December 2001)
Groworld Assets Limited (subsequent to 31 December 2001)
Grandelight Company Limited (subsequent to 31 December 2001)

In addition, prior to their appointment, the Liquidators are aware that the Company disposed of its interest in Triple Luck Limited, to satisfy obligations owing to a creditor of the Company.

With the exception of the foregoing, the Liquidators currently are not in a position to determine which of the remaining subsidiaries will continue in the Group, which will be disposed of and which will be liquidated, other than Barney Technology Limited (In Liquidation) and Barney Technology Industrial (Shenzhen) Co. Limited (In Liquidation) which have been excluded from the consolidation. Other subsidiaries (i.e. other than HHED, and Barney Technology Limited (In Liquidation) and Barney Technology Industrial (Shenzhen) Co. Limited (In Liquidation)) have been consolidated on the basis of available information, including management accounts.

16. INTERESTS IN ASSOCIATES

The Group disposed of its interests in associates before 31 December 1998. However, as more fully disclosed in Note 34 (c) below, there is a dispute regarding the Group's interests in IAL. In April 1995, the Group disposed of WNII to IAL and at the same time acquired a 50% interest in IAL. The gain on disposal of the subsidiary amounted to HK$43,981,000. As the Group retained an effective interest of 50% in WNII, 50% of the gain amounting to HK$21,991,000 was treated as unrealised and was credited against the Group's interest in IAL in previous years. On 15 September 1998, the Group disposed of its entire interest in IAL and at the same time the Group acquired 100% interest in WNII from IAL. However, the disposal of the interest in IAL is the subject of a writ (see Note 34 (c) below).

17. INTERESTS IN INFRASTRUCTURE JOINT VENTURES

	Group			
	2001	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Share of net assets	**–**	**–**	**28,945**	41,778
Amount due to an infrastructure joint venture	**–**	**–**	**–**	(1,846)
Less: Provision for impairment of interests in infrastructure joint venture	**–**	**–**	**(28,945)**	–
	–	**–**	**–**	39,932

Based on a valuation report by Vigers Hong Kong Limited, Chartered Surveyors, the fair market value of the Group's interests in infrastructure joint ventures was valued at RMB Nil on 31 March 2002. Full provision for impairment of interests in infrastructure joint ventures has been made in the financial year ended 31 December 1999 and no further disclosure of the deemed share of net assets at 31 December 2000 and 2001 has been made. However, details of the infrastructure joint ventures' results are given on page 39 below for information only.

Particulars of the infrastructure joint ventures are as follows:

Name of company	Place of incorporation/ operations	Proportion of nominal value of the registered capital held by Group	Principal activity
山西襄翼道橋基建有限公司 Shanxi Xiangyi Road & Bridge Construction Ltd. ("Shanxi Xiangyi JV")	PRC	45%	Operation of toll road and bridge
山西臨洪道橋基建有限公司 Shanxi Linhong Road & Bridge Construction Ltd. ("Shanxi Linhong JV")	PRC	45%	Operation of toll road and bridge

17. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (cont'd)

Shanxi Xiangyi JV and Shanxi Linhong JV are Sino-foreign co-operative joint ventures. Each joint venture was set up by a subsidiary, Wah Nam Infrastructure Investment Limited ("WNII"), an independent Hong Kong partner and one PRC partner (collectively "JV Partners") with percentages of registered capital contributed in the portion of 45%, 10% and 45% respectively for a period of 20 years commencing from 13 November 1997.

In accordance with the co-operative joint venture agreement in respect of Shanxi Xiangyi JV dated 30 October 1997 and the government approvals necessary for the establishment of Shanxi Xiangyi JV, Shanxi Xiangyi JV enjoy, according to law, the proprietary rights of Sean Kwong Toll Bridge and Trek Yea Toll Road. The proprietary rights of Sean Kwong Toll Bridge and Trek Yea Toll Road were agreed to be injected by the PRC partner as the fully paid up contributed capital. As the cost of obtaining the proprietary right of Trek Yea Toll Road was much higher than expected, the PRC partner proposed to replace the proprietary right of Trek Yea Toll Road by Xiang Tai Toll Road. Pursuant to a board meeting of Shanxi Xiangyi JV held on 1 December 1998, it was agreed that the proprietary right in respect of Trek Yea Toll Road be replaced by Xiang Tai Toll Road. The directors believed that Xiang Tai Toll Road had similar function, standard, length and characteristics as that of Trek Yea Toll Road. A new co-operative joint venture agreement dated 18 January 1999 was signed to reflect the change in the scope of business of Shanxi Xiangyi JV to the operation and management of proprietary rights of Sean Kwong Toll Bridge and Xiang Tai Toll Road to replace the former co-operative joint venture agreement. Shanxi Xiangyi JV subsequently obtained the approvals from a series of relevant government authorities for the change and the new certificate of approval document was obtained on 10 March 1999 from the relevant PRC authority.

In accordance with the articles of each of the joint venture agreements, no distribution to the JV Partners will be made until the loans obtained and related interest payable by the respective joint ventures have been fully repaid. The distribution will then be applied in the following order and on the basis described:

(a) the distribution will firstly be distributed in the proportion of 57.27%, 12.73% and 30% respectively to WNII, the Hong Kong partner and the PRC partner respectively until WNII and the Hong Kong partner have recovered the full amount of the respective capital contributed by WNII and the Hong Kong partner to the respective joint ventures;

(b) subsequently, the distribution will be made in proportion of 24.55%, 5.45% and 70% to WNII, the Hong Kong partner and the PRC partner respectively until the respective PRC partner has also recovered the total capital contributed by the PRC partner to the respective joint ventures;

(c) thereafterwards, the distribution will be based on the percentage of capital contributed by the respective JV Partners in the respective joint ventures.

17. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (cont'd)

The following details have been extracted from the unaudited financial statements of the Group's infrastructure joint ventures. Details for the years ended 31 December 2000 and 2001 are provided for information purposes only.

	Shanxi Linhong JV HK$'000	Shanxi Xiangyi JV HK$'000
Operating results for the year ended 31 December 1999		
Turnover	7,958	8,409
Loss from ordinary activities before taxation	(11,146)	(7,138)
Loss from ordinary activities before taxation attributable to the Group	(5,016)	(3,212)
Financial position at 31 December 1999		
Total assets	114,018	136,918
Total liabilities	(86,037)	(100,577)
Shareholders' funds	27,981	36,341
Amount attributable to the Group	12,591	16,354
Recognised by the Group	–	–
Operating results for the year ended 31 December 2000		
Turnover	9,840	6,557
Loss from ordinary activities before taxation	(6,023)	(12,053)
Loss from ordinary activities before taxation attributable to the Group	(2,710)	(5,424)
Financial position at 31 December 2000		
Total assets	121,527	144,853
Total liabilities	(90,765)	(109,496)
Shareholders' funds	30,762	35,357
Amount attributable to the Group	13,843	15,911
Recognised by the Group	–	–
Operating results for the year ended 31 December 2001		
Turnover	8,215	8,491
Loss from ordinary activities before taxation	(11,237)	(10,999)
Loss from ordinary activities before taxation attributable to the Group	(5,057)	(4,950)
Financial position at 31 December 2001		
Total assets	131,700	144,067
Total liabilities	(111,498)	(118,905)
Shareholders' funds	20,202	25,162
Amount attributable to the Group	9,091	11,323
Recognised by the Group	–	–

18. INVESTMENT SECURITIES

	Group				Company			
	2001	**2000**	**1999**	1998	**2001**	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
At cost:								
Unlisted shares in Hong Kong	–	–	–	1,652	–	–	–	1,652
Unlisted shares overseas	–	–	–	1	–	–	–	1
Registered capital in the PRC	–	–	–	18,709	–	–	–	–
	–	–	–	20,362	–	–	–	1,653
Less: provision for impairment in value *(Note 6)*	–	–	–	(1,653)	–	–	–	(1,653)
	–	–	–	18,709	–	–	–	–

Particulars of the PRC investment were as follows:

Name of company	Place of incorporation/ operations	Proportion of nominal value of the registered capital held by Group	Principal activity
杭州恒基錢江三橋有限公司 Hangzhou Henderson Qianjiang Third Bridge Co. Ltd. ("HHQTB")	PRC	10%	Operation of toll bridge

On 10 September 1999, a Share Sale Agreement was signed between a subsidiary and 杭州錢江三橋綜合經營公司 for the sale of the Group's 10% interest in HHQTB at a consideration of RMB75,000,000 (approximately HK$70,422,000). A gain on sale of investment securities amounting to HK$23,428,000 has been credited to the profit and loss for the financial year ended 31 December 1999 (Note 6).

19. LOANS TO INVESTEE COMPANIES

	Group				Company			
	2001	**2000**	**1999**	1998	**2001**	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Loans to:								
HHQTB	–	–	–	32,329	–	–	–	–
Other investee company	–	–	–	448	–	–	–	448
	–	–	–	32,777	–	–	–	448
Less: provision	–	–	–	(448)	–	–	–	(448)
	–	–	–	32,329	–	–	–	–

The loans to HHQTB were unsecured, interest-free and repayable on demand. In the opinion of the former directors, the amount was not expected to be repaid within one year. Accordingly, the amounts were shown as non-current liabilities.

20. SUBSIDIARIES NOT CONSOLIDATED

	Group			
	2001	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Unlisted shares at cost less provision	–	–	–	7,484

Particulars of the subsidiaries not consolidated are as follows:

Name of company	**Place of incorporation/ operations**	**Proportion of nominal value of the share capital/ registered capital held by Group**	**Principal activity**
Wah Nam Investment (Construction Materials) Limited ("WNI(CM)")	Hong Kong	100%	Investment holding
Nanhai Xie He Tile Co., Ltd. 南海市協和陶瓷有限公司 ("NXHT")	PRC	60%	Manufacturing of tile and ceramic products

In a previous year, the Company disposed of all its controlling interest in WNI(CM). WNI(CM) held a 60 per cent equity interest in NXHT which was principally engaged in the manufacture and sale of ceramic tiles and related products in the PRC. This subsidiary had contributed an operating loss arising from discontinued operations excluding exceptional items to the Group amounting to HK$9,810,000 in a prior year. During the financial year ended 31 December 1998, as the purchaser could not fulfill its obligation to pay off the outstanding purchase consideration, the Company repossessed WNI(CM) and NXHT. The irrecoverable disposal consideration of HK$25,000,000 was charged to the profit and loss account (see Note 6).

WNI(CM) and NXHT were excluded from consolidation at 31 December 1998 because control was deemed to be temporary. In 1999, WNI(CM) disposed of its entire interest in NXHT in a public auction. Although the auction price attributable to WNI (CM) was RMB14,000,000 (approximately HK$13,097,000), only an amount of RMB8,000,000 (approximately HK$7,484,000) was subsequently received by WNI (CM).

It was intended that WNI (CM) be liquidated after legal action taken by the Company to recover the balance due of RMB6,000,000 was completed. No further information is available to the Liquidators and the investment in WNI (CM) has been fully provided against in these financial statements.

21. INVENTORIES

	Group			
	2001	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Raw materials	**–**	**–**	**861**	3,571
Work in progress	**–**	**–**	**2,542**	2,150
Finished goods	**–**	**–**	**1,440**	1,226
	–	**–**	**4,843**	6,947

The cost of inventories recognised as an expense in the financial year ended 31 December 1999 was HK$47,727,000 (1998: HK$64,662,000).

No information is available to confirm the existence of the inventories and if the inventories were stated at the lower of cost or net realisable value. All inventories were written off during the financial year ended 31 December 2000.

22. DUE FROM RELATED COMPANIES

Details of the amounts due from related companies disclosed pursuant to Section 161B of the Companies Ordinance are as follows:

Group

Name of Company	**Balance at 31.12.2001**	**Balance at 31.12.2000**	**Balance at 31.12.1999**	**Balance at 1.1.1999**	**Maximum amount outstanding during the year**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Deluxe Glory Industries Ltd.	–	–	1,929	–	*
Maxrich Corporation (S) Pte. Limited ("Maxrich")	–	–	–	199	*
L & K Property Management Limited ("L & K")	–	–	–	2,282	*
Lojack Network (HK) Limited ("Lojack")	–	–	–	2,639	*
Superford International Pte. Ltd.	–	–	1,117	–	*
Wah Hing Office Systems (China) Limited	–	–	105	38,743	*
杭州大堂裝飾工程公司	–	–	6,039	–	*
上海南外企業發展有限公司	–	–	122	–	*
Wah Nam Holdings Co. Limited ("WNH")	–	–	–	101,277	*
	–	–	9,312	145,140	

* *Information on maximum amount outstanding during the year is not available.*

22. DUE FROM RELATED COMPANIES (cont'd)

Interest was charged at 3 months Hong Kong Inter-bank Offered Rate plus 1% per annum.

The amount due from WNH at 31 December 1998 of HK$101,277,000 appears to have been offset during 1999 in a series of transactions involving 3 convertible loan notes, details of which are set out in Note 34(d) to the financial statements. The Liquidators are still enquiring into these transactions at the date of this report.

The amount due from WNH was owed to a subsidiary of the Company as at 31 December 1998. As part of this transaction, IAL HK assigned the receivable across to the Company and this assignment is also the subject of investigation by the Liquidators.

The amount included principal and interest receivable amounting to HK$99,342,000 acquired by the Company through the acquisition of the entire share capital of IAL HK on 15 September 1998, and is part of the very substantial acquisition as disclosed in the Circular to the shareholders dated 26 June 1998.

Company

Name of Company	Balance at 31.12.2001	Balance at 31.12.2000	Balance at 31.12.1999	Balance at 1.1.1999	Maximum amount outstanding during the year
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
L & K	–	–	–	76	*
Lojack	–	–	–	2,638	*
	–	–	–	2,714	

* *Information on maximum amount outstanding during the year is not available.*

Former non-executive director, Mr. Samson D. Chen had beneficial interests in Maxrich. Mr. Samson D. Chen and former Chairman and Managing Director, Mr. William P.T. Chan also had beneficial interests in Lojack. Mr. William P.T. Chan also had beneficial interest in the rest of the related companies disclosed above.

The amount due from WNH was repayable on demand and was secured by a first floating charge on WNH's assets and Mr. William P.T. Chan offered himself as a guarantor for the repayment of the amount together with interest.

The amounts were unsecured, except for Maxrich which bore no interest, bore interest at prevailing market rates and were repayable on demand.

23. SHORT TERM INVESTMENTS

	Group				Company			
	2001 HK$'000	**2000 HK$'000**	**1999 HK$'000**	1998 HK$'000	**2001 HK$'000**	**2000 HK$'000**	**1999 HK$'000**	1998 HK$'000
Unlisted investments – Hong Kong	**586**	**1,023**	**2,035**	2,185	**–**	**–**	**1,200**	1,200
Unlisted investments – Overseas	**–**	**–**	**1,445**	1,445	**–**	**–**	**–**	–
	586	**1,023**	**3,480**	3,630	**–**	**–**	**1,200**	1,200

24. CONVERTIBLE NOTES

	Group and Company			
Convertible notes	**2001 HK$'000**	**2000 HK$'000**	**1999 HK$'000**	1998 HK$'000
Current	**40,000**	**40,000**	**–**	–
Non-current	**–**	**–**	**40,000**	40,000
	40,000	**40,000**	**40,000**	40,000

(a) On 21 July 1997, the Company issued to an independent investor, at par, a HK$30,000,000 convertible redeemable loan note. The note was unsecured and carried interest at the simple interest rate of 10.5 per cent per annum on the outstanding principal amount of the relevant note. The note became wholly repayable on the third anniversary of the note to the extent that it had not been converted.

On 24 October 1997, HK$20,000,000 of the note was converted at HK$0.1368 per share into 146,198,830 shares of HK$0.10 each of the Company. These shares ranked pari passu in all respects with the shares already in issue at the date of allotment.

The noteholder has the right at any time from the date following six months after the date of the issue of the note or an earlier date which was agreed, in writing, by the Company to convert all or part of the note into ordinary shares of HK$0.10 each in the Company at the initial conversion price of HK$0.1368 per share, subject to adjustment. There was no adjustment to the initial conversion price up to 31 December 1997.

24. CONVERTIBLE NOTES (cont'd)

The Company upon receiving a written conversion notice, was entitled to redeem the note or such part thereof subject to the conversion notice, rather than issue the relevant new shares. The amount payable on redemption in such case was to be an amount equal to the average of the closing prices of the one share on the Stock Exchange for (i) the five trading days up to and including the date of the relevant conversion notice; and (ii) the first five trading days commencing on the date of the relevant conversion notice multiplied by the number of the relevant new shares which would have fallen to be issued upon conversion of the note or such part thereof which were the subject of the relevant conversion notice.

(b) On 31 July 1997, the Company issued to Excel Noble Development Limited ("Excel Noble") and Empire Harvest Development Limited ("Empire Harvest") each, at par, a HK$15,000,000 convertible redeemable loan note ("Note A" and "Note B" respectively). Former non-executive directors, Mr. Samson D. Chen and Mr. Terence P.T. Ho hold the entire capital of Excel Noble and Empire Harvest respectively. Each note had the same terms as the note described in (a). The notes were not wholly or partly converted during that year.

On 25 January 1999, Empire Harvest executed a transfer form, authorizing the transfer of Note B to Unbeatable Assets Limited ("Unbeatable Assets").

On 1 June 1999, the Company received a writ of summons (High Court Action No. 8974) issued by WNH, Mr. William PT Chan, the former Chairman and Managing Director, and Wah Hing Securities Limited (collectively called "the Plaintiffs') against inter alia, Excel Noble, Stamford Star Finance Limited, Mr. Samson D. Chen, Mr. Terence P.T. Ho, Unbeatable Assets, Solar Honest Limited ("SHL") and the Company (collectively called "the Defendants") challenging the titles to the respective convertible redeemable loan notes.

The Court had, on 17 December 1999, upheld the titles of Excel Noble and Empire Harvest to Note A and Note B respectively. In addition, the Court ordered payments by the Company into the Court, the principal sum owing to the note holders and interests accrued thereon.

Various payments were made into the Court in the financial year ended 31 December 2000, totalling HK$33,800,492, held in escrow for Excel Noble and Empire Harvest.

On 26 July 2000, the Court ordered the Company be wound-up and Liquidators were subsequently appointed. The Liquidators claim that these payments are an asset of the Company. In the financial years ended 31 December 2000 and 31 December 2001, the Company recognized the payments into the Court and the above loan notes as a current asset and current liability, respectively.

25. DUE TO RELATED COMPANIES

	Group				Company			
	2001	**2000**	**1999**	1998	**2001**	**2000**	**1999**	1998
Name of Company	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
SHL	**1,894**	**1,894**	**1,893**	1,321	**1,894**	**1,894**	**1,893**	1,321
WNH	**–**	**–**	**–**	80,196	**–**	**–**	**–**	98,832
Wah Hing Credit Limited	**–**	**–**	**–**	3,902	**–**	**–**	**–**	3,902
Wah Hing Securities Limited	**–**	**–**	**–**	1,213	**–**	**–**	**–**	1,213
Wah Hing Strategy Co. Limited	**–**	**–**	**–**	3,949	**–**	**–**	**–**	10,071
Wah Nam Investment Construction Ltd.	**–**	**–**	**7,484**	–	**–**	**–**	**7,484**	–
Hangzhou Communication Investment Limited	**3,286**	**3,286**	**–**	–	**–**	**–**	**–**	–
	5,180	**5,180**	**9,377**	90,581	**1,894**	**1,894**	**9,377**	115,339

The amounts are unsecured, bearing interest at prevailing market rates and are repayable on demand.

Former non-executive directors, Mr. Samson D. Chen and Mr. Terence P.T. Ho have beneficial interests in SHL. Former Chairman and Managing Director, Mr. William P.T. Chan has beneficial interests in the remaining related companies disclosed above.

Included in the amounts due to WNH was an amount of A$16,207,000 (approximately HK$75,655,000, being the sales proceeds from disposal of the shares of IAL held by WNH and its associates) ("WNH Payable") paid in the form of bills of exchange by WNH and its associates to IAL on behalf of the Company for the settlement of an equal sum in the amount payable by the Company for the acquisition of WNII and IAL HK.

SHL claimed that an amount of HK$12,807,000 was due from the Company to SHL at 31 December 1998. The difference arose from amounts claimed by SHL which had been substantially repaid by Mr. William P.T. Chan or his associates to SHL on behalf of the Company. Accordingly, the directors were of the opinion that the recorded balance due to SHL was fairly stated.

26. DUE TO FORMER DIRECTORS

	Group				Company			
	2001	**2000**	**1999**	1998	**2001**	**2000**	**1999**	1998
Name of former director	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Mr. William P.T. Chan	**2,417**	**2,417**	**1,698**	2,242	**1,843**	**1,843**	**1,143**	1,687
Mr. Samson D. Chen	**–**	**–**	**–**	35	**–**	**–**	**–**	–
Mr. Terence P.T. Ho	**378**	**378**	**393**	461	**248**	**248**	**263**	296
Mr. Chim Hiu Tung	**4,000**	**4,000**	**–**	–	**–**	**–**	**–**	–
	6,795	**6,795**	**2,091**	2,738	**2,091**	**2,091**	**1,406**	1,983

The amounts are unsecured, bearing interest at prevailing market rates and are repayable on demand.

27. BORROWINGS

	Group				Company			
	2001	**2000**	**1999**	1998	**2001**	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Secured:								
Bank loans	**–**	**–**	**30,344**	57,741	**–**	**–**	**–**	–
Obligations under finance leases	**–**	**–**	**1,006**	1,554	**–**	**–**	**787**	1,148
	–	**–**	**31,350**	59,295	**–**	**–**	**787**	1,148
Less: Amounts due within one year	**–**	**–**	**(31,350)**	(58,228)	**–**	**–**	**(787)**	(300)
Long term borrowings	**–**	**–**	**–**	1,067	**–**	**–**	**–**	848
The borrowings are repayable as follows:								
Bank and other borrowings:								
Within one year	**–**	**–**	**30,344**	57,741	**–**	**–**	**–**	–
Less: Amounts due within one year	**–**	**–**	**(30,344)**	(57,741)	**–**	**–**	**–**	–
Obligations under finance leases:								
Within one year	**–**	**–**	**1,006**	487	**–**	**–**	**787**	300
More than one year, but not exceeding two years	**–**	**–**	**–**	442	**–**	**–**	**–**	254
More than two years, but not exceeding five years	**–**	**–**	**–**	625	**–**	**–**	**–**	594
Less: Amounts due within one year	**–**	**–**	**(1,006)**	(487)	**–**	**–**	**(787)**	(300)
Long term borrowings	**–**	**–**	**–**	1,067	**–**	**–**	**–**	848

28. PROMISSORY NOTES

The promissory notes were secured by the WNII shares under a share deposit deed entered between the Company and holders of the promissory notes dated 15 September 1998, bearing interest at a fixed rate of 8 per cent per annum and were wholly repayable on 15 December 1999. However the security held was discharged by way of a termination deed dated 9 September 2000. Accordingly these promissory notes are unsecured as at 31 December 2000 and 31 December 2001.

The promissory notes balance comprises principal amounts only, owing to HCK China Investments Limited (HK$18,480,000) and Investment Austasia Limited (HK$15,477,000) and form part of the respective companies' proof of debt claims made against the Company (see also Note 34(c)).

29. DEFERRED TAXATION

	Group			
	2001	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
At 1 January	**–**	**47**	**47**	121
Credit for the year	**–**	**(47)**	**–**	(74)
At 31 December	**–**	**–**	**47**	47

At the balance sheet date, the major components of the deferred taxation liabilities/(assets), provided and unprovided, are as follows:

	Provided				Unprovided			
	2001	**2000**	**1999**	1998	**2001**	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Group								
Tax effect of timing differences because of:								
Excess of tax allowances over depreciation	**–**	**–**	**47**	47	**–**	**–**	*****	240
Tax losses	**–**	**–**	**–**	–	**–**	**–**	*****	(20,678)
	–	**–**	**47**	47	**–**	**–**	*****	(20,438)
Company								
Tax effect of timing differences because of:								
Excess of tax allowances over depreciation	**–**	**–**	**–**	–	**–**	**–**	*****	240
Tax losses	**–**	**–**	**–**	–	–	–	*****	(18,504)
	–	**–**	**–**	–	–	–	*****	(18,264)

* *Information is not available to compute the respective tax effect of timing differences.*

The potential deferred tax effect in respect of tax losses available to offset future profits has not been recognised in the financial statements as it is not certain that the tax losses will be utilised in the foreseeable future.

The amount of unprovided deferred tax (credit) charge for the year is as follows:

	Group				Company			
	2001	**2000**	**1999**	1998	**2001**	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Tax effect of timing differences because of:								
Excess (shortfall) of tax allowances over depreciation	*****	*****	*****	49	*****	*****	*****	49
Tax losses arising	*****	*****	*****	(5,629)	*****	*****	*****	(5,648)
Effect of change in tax rate	*****	*****	*****	464	*****	*****	*****	396
	*****	*****	*****	(5,116)	*****	*****	*****	(5,203)

* *Information is not available to compute the respective tax effect of timing differences.*

30. SHARE CAPITAL

	2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**500,000**	**500,000**	**500,000**	500,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**213,821**	**183,821**	**183,821**	183,821
Issued on:				
6 January 2000	**–**	**5,000**	**–**	–
13 January 2000	**–**	**10,000**	**–**	–
13 April 2000	**–**	**15,000**	**–**	–
	–	**30,000**	**–**	–
At 31 December	**213,821**	**213,821**	**183,821**	183,821

During the financial year ended 31 December 2000, 300,000,000 ordinary shares of HK$0.10 each were issued. 50,000,000 shares issued on 6 January 2000 were for a consideration other than cash in connection with the purchase of a subsidiary. 100,000,000 and 150,000,000 shares issued on 13 January and 13 April 2000, respectively, were for cash and were used in partial payment of monies required to be paid into Court (see Note 24(b)).

Share option scheme

Under the terms of the Share Option Scheme which became effective on 28 October 1993 and expired on 27 October 1998, the board of directors of the Company could offer to any employees including directors of the Company or its subsidiaries, options to subscribe for the Company's ordinary shares at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on Stock Exchange on the five trading days immediately preceding the date of the grant of the option. A total of 71,737,588 share options at an exercise price of HK$0.1344 per share are still outstanding at 31 December 1998. The Liquidators are aware of a further Share option scheme entered into during 1999 but no information is available on that or on the total share options still outstanding at the respective balance sheet dates.

31. RESERVES – DEFICIT

	Share premium account HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Deficit HK$'000	Total HK$'000
Group					
At 1 January 1999	129,421	12	(3,733)	(186,393)	**(60,693)**
Exchange realignments	–	(5,367)	–	–	**(5,367)**
Negative goodwill arising on consolidation	–	–	416	–	**416**
Transfer	–	(72)	3,733	(3,661)	**–**
Loss for the year	–	–	–	(191,370)	**(191,370)**
At 31 December 1999/ at 1 January 2000	**129,421**	**(5,427)**	**416**	**(381,424)**	**(257,014)**
Exchange realignments	–	3,613	–	–	**3,613**
Loss for the year	–	–	–	(51,075)	**(51,075)**
At 31 December 2000/ at 1 January 2001	**129,421**	**(1,814)**	**416**	**(432,499)**	**(304,476)**
Exchange realignments	–	1,600	–	–	**1,600**
Loss for the year	–	–	–	(4,290)	**(4,290)**
At 31 December 2001	**129,421**	**(214)**	**416**	**(436,789)**	**(307,166)**

Included above is the following relating to the Group's share of post-acquisition reserves of its infrastructure joint ventures, as follows:

	Share premium account HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Deficit HK$'000	Total HK$'000
At 1 January 1999	–	72	–	(5,797)	**(5,725)**
Exchange realignments	–	(2,159)	–	–	**(2,159)**
Transfer	–	2,087	–	(2,087)	**–**
Loss for the year	–	–	–	(8,228)	**(8,228)**
At 31 December 1999	**–**	**–**	**–**	**(16,112)**	**(16,112)**

As the Group's interest in the infrastructure joint ventures has been fully provided for in the year ended 31 December 1999, there is no subsequent share of post-acquisition reserves at group level.

31. RESERVES – DEFICIT (cont'd)

	Share premium account HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Deficit HK$'000	Total HK$'000
Company					
At 1 January 1999	129,421	–	–	(192,574)	**(63,153)**
Loss for the year	–	–	–	(169,986)	**(169,986)**
At 31 December 1999/ at 1 January 2000	**129,421**	**–**	**–**	**(362,560)**	**(233,139)**
Loss for the year	–	–	–	(30,522)	**(30,522)**
At 31 December 2000/ at 1 January 2001	**129,421**	**–**	**–**	**(393,082)**	**(263,661)**
Loss for the year	–	–	–	(11,900)	**(11,900)**
At 31 December 2001	**129,421**	**–**	**–**	**(404,982)**	**(275,561)**

32. LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had outstanding annual commitments under non-cancellable operating leases in respect of rented premises as follows:

	Group				Company			
	2001 HK$'000	**2000 HK$'000**	**1999 HK$'000**	1998 HK$'000	**2001 HK$'000**	**2000 HK$'000**	**1999 HK$'000**	1998 HK$'000
Operating leases which expire:								
Within one year	*	*	*	202	*	*	*	–
In the second to fifth years inclusive	*	*	*	11,572	*	*	*	10,071
	*	*	*	11,774	*	*	*	10,071

* *Information on lease commitments is not available.*

33. PLEDGE OF ASSETS

In the financial year ended 31 December 1998, the Group pledged certain of its assets, including bank deposits of HK$3,221,000 and properties with an aggregate carrying value of HK$39,900,000 to secure general banking facilities granted to the Group. Information on assets pledged by the Group at the respective balance sheet dates thereafter is not available.

In the financial year ended 31 December 1998, the Group pledged its 60% shareholding in HHED with a net asset value amounting to approximately RMB109,000,000 to HHED's PRC joint venture partner, Hangzhou Lu Da Highway Engineering Company ("Lu Da"), to secure for Lu Da or its related company guarantees in favour of certain banks in obtaining bank loans of RMB35,000,000 for HHED. During the financial year ended 31 December 1999, the bank loans were fully repaid, and the pledge was released.

The Group and the Company had also pledged all its shares in WNII with a book value amounting to approximately HK$227,200,000 (1998: HK$227,200,000) to procure the repayment of the promissory notes as prescribed in Note 28. However, by termination deed dated 9 September 2000, this security was released and the shares of WNII are now unsecured.

34. CONTINGENT LIABILITIES

(a)

	Group				Company			
	2001	**2000**	**1999**	1998	**2001**	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Guarantees given to bankers in respect of:								
– banking facilities utilised by subsidiaries	*	*	*	–	*	*	*	4,643
– banking facilities utilised by related companies *(Note)*	*	*	*	4,209	*	*	*	–
Bills discounted with recourse	*	*	*	–	*	*	*	–
	*	*	*	4,209	*	*	*	4,643

During the financial year ended 31 December 1998, the Group acquired WNII, which holds a 60% equity interest in HHED, a PRC joint venture. However, HHED is the subject of a legal action for the recovery of RMB 10 million representing funds advanced to HHED plus accrued interest thereon which it is claimed was never paid by HHED. The directors were advised by the Group's PRC lawyer that the Group's joint venture partner had undertaken to bear any loss or cost incurred by the Group in connection with this action. Accordingly, no provision was made in the financial statements at 31 December 1998 in respect of this matter. The legal action was fully settled in 2001 with no liability against HHED.

* *Information on guarantees is not available.*

34. CONTINGENT LIABILITIES (cont'd)

(b) On 8 February 1999, WNI(CM) entered into an agreement with the joint venture partner who held the remaining 40% interest in NXHT (the "JV Partner") to sell NXHT by public auction in the PRC (the "Auction Agreement"). The auction was completed on 9 February 1999 and pursuant to the Auction Agreement, WNI(CM) was entitled to a distribution of RMB14 million. RMB8 million was received by WNI(CM) after the auction. The JV Partner refused to pay the remaining RMB6 million. WNI(CM) initiated legal action in the PRC to recover the whole amount.

(c) A writ was filed against the Company by HCK China Investments Limited ("HCK") on 31 March 1999 in relation to a share sale agreement (as disclosed by the Company pursuant to a circular dated 26 June 1998 (the "Circular") made between the Company and HCK on 16 April 1998 in respect of the Company's disposal of its 50% interest in IAL, (the "HCK Agreement"). HCK claimed against the Company A$256,438 (equivalent to HK$1,261,675), being the shortfall in shareholders' funds in IAL warranted by the Company under the HCK Agreement.

A writ was filed against the Company by IAL on 31 March 1999 in relation to a share sale agreement (as disclosed by the Company in the Circular) made between IAL and the Company in respect of the Company's acquisition of the entire issued share capital of WNII and IAL HK ("IAL Agreement"). IAL claims against the Company:

(i) A$1,080,453 (equivalent to HK$5,315,829), being part of the purchase price allegedly not paid by the Company on the completion of the IAL Agreement;

(ii) A$133,403.79 (equivalent to HK$656,347), being the amount agreed by the Company to advance to IAL HK to satisfy the amount due from IAL HK to IAL on the completion of the IAL Agreement;

(iii) A$91,041.69 (equivalent to HK$447,925), being the stamp duty and other expenses agreed to be paid by the Company for the transfer of shares in IAL HK and WNII to the Company on the completion of the IAL Agreement.

All the amounts in question were provided in the financial statements for the year ended 31 December 1998.

Based on the Proof of Debt Form received by the Liquidators, HCK has now claimed HK$216,474,272 and IAL has now claimed HK$62,435,101 against the Company. HK$18,480,000, HK$15,477,000, respectively, and provisions for accrued interest payable up until the Company was placed into liquidation on 26 July 2000 have been included in the financial statements as at 31 December 2001. The Liquidators are still investigating the balance of these claims.

34. CONTINGENT LIABILITIES (cont'd)

(d) A writ was filed against the Company by Stamford Star Finance Limited ("Stamford Star") on 16 April 1999 in relation to a convertible note with a value of HK$28,700,000 issued by the Company under a subscription agreement dated 8 June 1998 to Excel Noble initially (as disclosed in the Circular) and was transferred to Stamford Star on 6 February 1999 ("Note C"). Stamford Star and Excel Noble are beneficially owned by Mr. Samson D. Chen, formerly the chief executive officer of the Company and thereafter a non-executive director of the Company. Stamford Star claimed against the Company HK$1,751,100, being the interest payable under Note C as of 15 March 1999.

Based on the Proof of Debt Form received by the Liquidators, Stamford Star claimed HK$35,560,382 against the Company. This claim has not been included in the financial statements since the Liquidators have not concluded their investigations in respect thereof.

A writ was filed against the Company by Unbeatable Assets Limited ("Unbeatable Assets") on 16 April 1999 in relation to a convertible note with a value of HK$28,700,000 issued by the Company under a subscription agreement dated 8 June 1998 to Empire Harvest initially (as disclosed in the Circular) and was transferred to Unbeatable Assets on 6 February 1999 ("Note D"). Unbeatable Assets and Empire Harvest are beneficially owned by Mr. Terence P.T. Ho, formerly the finance director of the Company and thereafter a non-executive director of the Company. Unbeatable Assets claimed against the Company HK$1,751,000, being the interest payable under Note D as of 15 March 1999.

Based on the Proof of Debt Form received by the Liquidators, Unbeatable Assets claimed HK$52,619,058 against the Company. Only HK$15,000,000 has been included in the financial statements as at 31 December 2001. The Liquidators are still investigating the balance of this claim.

The Company conducted investigations and at 31 December 1998 was considering its legal position in respect of the performance of the three Subscription Agreements entered into by Mr. William Chan, Empire Harvest and Excel Noble dated 8 June 1998. The Company sought and obtained legal advice on the validity of the three convertible redeemable notes of HK$28,700,000 each (including Note C and Note D) (the "Avoided Notes") purportedly issued under those Subscription Agreements to Mr. William Chan, Empire Harvest and Excel Noble on 15 September 1998. Based on this advice, the Company informed Mr. William Chan, Empire Harvest, Excel Noble, Stamford Star and Unbeatable Assets that the Avoided Notes were void or are voidable at the option of the Company. Insofar as the Avoided Notes are voidable, the Company notified the holders of them on 8 July 1999 that it had voided each of the Avoided Notes. As disclosed in Note 22 to these accounts, upon voidance of the Avoided Notes, it appears that a transaction was processed which resulted in the Avoided Notes being offset against an amount due from WNH. The Liquidators are currently enquiring into the circumstances relating to these transactions as at the date of this report.

34. CONTINGENT LIABILITIES (cont'd)

(e) The Company also received a writ of summons (High Court Action No. 8974) issued by WNH, Mr. William Chan and Wah Hing Securities Limited ("WH Securities") (together the "Plaintiffs") against, inter alia, Excel Noble, Stamford Star, former non-executive directors Mr. Samson D. Chen, Mr. Terence P.T. Ho, Unbeatable Assets, SHL and the Company (collectively the "Defendants") on 1 June 1999. The Plaintiffs' claim is in respect of the beneficial ownership in Note A, Note B and the two HK$15,000,000 convertible redeemable notes as described in Note 24(b) to the financial statements (collectively the "Problem Notes") through certain private arrangements not involving the Company. At the hearing on 1 June 1999, an interlocutory injunction was granted by the Court restraining the Company from paying any interest on the Problem Notes to the existing noteholders until the determination of the proposed summons to be filed by the Plaintiffs in respect of the claim of beneficial interest over the Problem Notes against the Defendants or a further court order, except for the 40% of the face value of the HK$15,000,000 convertible redeemable notes held by Excel Noble, to which ownership was not disputed.

The court order also provided that in the event that Stamford Star and Unbeatable are successful against the Company in their application for summary judgement for such interest in the legal proceedings, an order may be made for payment of such amount of interest into Court.

(f) On 29 June 1999, the Company commenced High Court Action No. 10566 of 1999 (the "Action") against Mr. Samson Chen and Mr. Terence P.T. Ho for recovery from them of, inter alia, damages suffered by the Company as a result of the alleged breach of their fiduciary duties owed by them respectively to the Company in relation to (i) the performance of the Subscription Agreements mentioned in Note 34(d) and (ii) a purported Settlement Deed dated 9 July 1998 entered into by the Company, WNH and WNH's associates as transferors on one hand and SHL, as transferee on the other hand. Under the Settlement Deed, the transferors purported to agree with SHL to transfer all the issued shares in IAL in full and final settlement of the transferors' indebtedness, as at 9 July 1998, to SHL. The amount of indebtedness was not stated in the Settlement Deed. Mr. Samson Chen and Mr. Ho had beneficial interests in SHL. On 8 July 1999, the Company notified SHL that the Settlement Deed was either void or voidable and, to the extent that it was voidable, the Company had avoided it.

35. COMMITMENTS

	Group				Company			
	2001	**2000**	**1999**	1998	**2001**	**2000**	**1999**	1998
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:								
Investment in a PRC joint venture	*	*	*	51,403	*	*	*	51,403
Construction of production facilities in PRC	*	*	*	5,000	*	*	*	–
Property development projects	*	*	*	3,065	*	*	*	3,065
Acquisition of other fixed assets	*	*	*	5,598	*	*	*	–
	*	*	*	65,066	*	*	*	54,468

* *Information on commitments of the Group and the Company at the respective balance sheet date is not available.*

36. RETIREMENT BENEFITS SCHEMES

The Group operated a defined contribution retirement benefits scheme for all qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of trustees. The Group also participated in the state-organised pension scheme operated by the Government of the PRC.

The retirement benefits costs charged to the profit and loss account represented contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where employees left the scheme prior to vesting fully in the contributions, the contributions payable by the Group were reduced by the amount of forfeited contributions.

As to the participation in the state-organised pension scheme operated by the PRC Government, the Group and its PRC employees were required to contribute a certain percentage of the employees' covered payroll respectively to fund the benefits.

At the respective balance sheet dates, there were no forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable in future years.

37. POST BALANCE SHEET EVENTS

(a) On 18 January 2002 a Restructuring Agreement was signed between inter alia, the Company (acting through the Liquidators), the Liquidators and Leading Highway Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Cheng Yung Pun ("the Investor"). The Restructuring Agreement sets out the framework for implementation of the Restructuring Proposal. The Stock Exchange has given approval in principle to the Restructuring Proposal and has granted the Company an extension of the third stage of the de-listing procedure until 31 August 2002 to enable the implementation of the Restructuring Proposal. If the Restructuring Proposal is fully implemented and approved by the relevant authorities, the Company's shares will be exchanged for shares of Wah Nam International Holdings Limited ("WNIH"), a company incorporated in Bermuda with limited liability whose shares are proposed to be listed on the Stock Exchange. The share exchange will be at a rate of 1 ordinary share of HK$0.10 each in WNIH for every 50 shares held in the Company.

If the Restructuring Proposal is approved by the relevant authorities and the shareholders (and the Creditors if so directed), the Group's interests in HHED and the infrastructure joint ventures will be transferred into WNIH. Further details are given in the Joint Announcement dated 10 May 2002.

At the date of finalising these financial statements, it is uncertain when the liquidation will be completed and whether any distributions will be made.

(b) Subsequent to the appointment of Liquidators, requisite notice was given to creditors of the Company to submit their Proof of Debt forms to the Liquidators for claims against the Company. The closing date for receipt of Proof of Debt forms was 10 May 2002. At the date of this Report, the adjudication process of these Proof of Debt forms received has not been completed.

(c) The Liquidators have negotiated with the minority shareholders of HHED to obtain a loan forgiveness and assignment to Cableport of an amount due by WNII to HHED in the amount of RMB80,375,227.

38. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with the related companies:

Name of the company	Nature of transactions	Notes	Amount 2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Wah Hing Office Systems (China) Company Limited	Interest received and receivable by WNII	A	*	*	*	1,139
	Advanced by WNII		*	*	*	14,004
Wah Hing Office Systems Limited	Interest received and receivable by the Company	A	*	*	*	354
	Advanced by the Company		*	*	*	5,374
	Repayment to the Company		*	*	*	1,051
Wah Hing Strategy Company Limited	Interest received and receivable by WNII	a	*	*	*	218
	Interest received and receivable by the Company	a	*	*	*	623
	Interest paid and payable by WNII	a	*	*	*	14
	Interest paid and payable by the Company	a	*	*	*	950
	Advanced by the Company		*	*	*	10,622
	Repayment to the Company		*	*	*	7,944
	Advanced to the Company		*	*	*	20,635
	Repayment by the Company		*	*	*	3,537
	Advanced by WNII		*	*	*	4,705
	Advanced to WNII		*	*	*	37

38. RELATED PARTY TRANSACTIONS (cont'd)

Name of the company	Nature of transactions	Notes	Amount 2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
WNH	Interest received and receivable by WNII	a	*	*	*	379
	Interest received and receivable by IAL HK	a	*	*	*	1,935
	Interest received and receivable by On Yuen Development Limited ("On Yuen")	a	*	*	*	2,197
	Interest paid and payable by the Company	a	*	*	*	3,224
	Interest paid and payable by WNII	a	*	*	*	337
	Interest paid and payable by the Company	a	*	*	*	2,596
	Repayment to On Yuen		*	*	*	401
	Advanced to the Company		*	*	*	1,000
	Repayment by the Company		*	*	*	1,012
	Bills of exchange received by the company		*	*	*	75,655
IAL HK	Management fee received and receivable by the Company	c	*	*	*	360
	Service fee received and receivable by the Company	c	*	*	*	45
WNII	Interest received and receivable by the Company	a	*	*	*	1,584
	Management fee received and receivable by the Company	c	*	*	*	360
	Service fee received and receivable by the Company	c	*	*	*	45
L & K	Interest received and receivable by On Yuen	a	*	*	*	248
	Interest received and receivable by the Company	a	*	*	*	5
	Advanced by the Company		*	*	*	71
Wah Hing Credit Limited	Interest paid and payable by the Company	a	*	*	*	402
	Advanced by the Company		*	*	*	3,500

38. RELATED PARTY TRANSACTIONS (cont'd)

Name of the company	Nature of transactions	Notes	Amount 2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Wah Hing Securities	Interest paid and payable by the Company	a	*	*	*	69
	Advanced to the Company		*	*	*	23,350
	Repayment by the Company		*	*	*	22,209
Maxrich	Sales of goods by Barney Technology Limited	b	*	*	*	154
SHL	Interest received and receivable by the Company	a	*	*	*	279
	Advanced by the Company		*	*	*	3,900
	Repayment by the Company		*	*	*	2,300
Lojack	Interest received and receivable by the Company	a	*	*	*	206
	Advanced by the Company		*	*	*	2,432

* *Information on related party transactions during the respective years is not available.*

Notes:

a. Interest received and receivable is earned and interest paid or payable is charged at the prevailing market rates on the outstanding amounts respectively advanced by and advanced to the Group.

b. Sales of goods were carried out at cost plus a percentage profit mark-up.

c. Management fee income and service fee income was based on amounts agreed between the parties concerned.

Except for Maxrich in which former non-executive director Mr. Samson D. Chen, has beneficial interest, SHL in which former directors, Messrs. Samson D. Chen and non-executive director Terence P.T. Ho, have beneficial interests, Lojack in which former Chairman and Managing Director, Messrs. William P.T. Chan and Samson D. Chen have beneficial interests, all of the remaining abovenamed companies are companies in which Mr. William P.T. Chan has beneficial interest.

39. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place of incorporation or establishment/ operations	Class of share held	Paid up issued/ registered share capital	Proportion of nominal value of issued/ registered capital held by the company Directly	Indirectly	Principal activities or former principal activities
			HK$	%	%	
Dr. Otto Marketing Ltd.	Hong Kong	Ordinary	2	100	–	Inactive
Barney Technology Industrial (Shenzhen) Co. Limited (In Liquidation)	PRC	Registered	25,000,000	–	100	Inactive
Barney Technology Limited (In Liquidation)	Hong Kong	Ordinary	10,000,000	100	–	Manufacturing of electrical and electronic products
Crownprix Limited	Hong Kong	Ordinary	7,000,000	–	60	Property holding
Crystal Secretarial Services Limited	Hong Kong	Ordinary	2	100	–	Secretarial services
Good Success Properties Limited	Hong Kong	Ordinary	2	–	100	Property holding
Grandelight Company Ltd. *(Note 1)*	British Virgin Islands	Ordinary	US$1	100	–	Investment holding
Great Strategy Properties Limited	British Virgin Islands	Ordinary	US$1	100	–	Investment holding
Groworld Assets Ltd. *(Note 1)*	British Virgin Islands	Ordinary	US$1	100	–	Investment holding
Hangzhou Huanan Engineering Development Co., Ltd.	PRC	Registered	RMB170,000,000	–	60	Operation of toll road
Holian Arts and Crafts Limited	Hong Kong	Ordinary	100,000	100	–	Inactive
Icom Limited	Hong Kong	Ordinary	2	50	50	Inactive
IAL HK Limited	Hong Kong	Ordinary	3	100	–	Investment holding
Lucky Master Limited	Hong Kong	Ordinary	10	60	–	Property holding

39. PARTICULARS OF SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation or establishment/ operations	Class of share held	Paid up issued/ registered share capital	Proportion of nominal value of issued/ registered capital held by the company Directly	Indirectly	Principal activities or former principal activities
			HK$	%	%	
Mega Dynasty Limited *(Note 2)*	Hong Kong	Ordinary	2	100	–	Investment holding
On Yuen Development Limited	Hong Kong	Ordinary	10,000	–	80	Property and investment holding
Smart Crown Investment Limited	British Virgin Islands	Ordinary	US$1	100	–	Investment holding
Summit Mass Limited	Hong Kong	Ordinary	10,000	–	100	Investment holding
Triple Luck Limited	British Virgin Islands	Ordinary	US$1	100	–	Investment holding
Ultralead Limited *(Note 2)*	Hong Kong	Ordinary	100	100	–	Investment holding
Wah Nam Credit Limited	Hong Kong	Ordinary	2	100	–	Inactive
Wah Nam Infrastructure Investment Limited	British Virgin Islands	Ordinary	US$27,583,988	100	–	Investment holding
Wah Nam Property Development Limited	Hong Kong	Ordinary	2	100	–	Investment holding
Wonderful Project Limited	Hong Kong	Ordinary	100,000	–	100	Inactive

Note 1: These subsidiaries were disposed of subsequent to 31 December 2001.

Note 2: These subsidiaries were disposed of during the year ended 31 December 2001.

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current presentation.

In particular, the financial statements for the year ended 31 December 1998 classified the toll road operation rights as a fixed asset, with depreciation calculated to write these off over the period for which the rights were granted i.e. 30 years. In the opinion of the Liquidators, it is more appropriate to treat the rights as an intangible asset. It is carried in the financial statements at fair market value (see Note 14 to the financial statements).