

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

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

In 2001, the Group adopted the following revised or new Statement of Standard Accounting Practices ("SSAP's") issued by the Hong Kong Society of Accountants:

SSAP 9	(revised) Events after the balance sheet date
SSAP 14	(revised) Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these SSAP's has no changes in the accounting policies of the Group except for the following:

Goodwill arising on acquisition of subsidiary companies, associated companies and jointly controlled entities occurring on or after 1st January 2001 is included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions, which occurred prior to 1st January 2001, was taken directly to reserves. This change in accounting policy has no effect to the accounts for the period.

Apart from the foregoing, the accounting policies adopted are consistent with those described in the 2000 Annual Report and Accounts.

## 2. Turnover

	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of properties	<b>8,100</b>	26,000
Property rental	<b>611</b>	850
Building and project management fee	<b>5</b>	306
	<u><b>8,716</b></u>	<u>27,156</u>

The principal activities of the Group are currently investments, property development and management. With the changes in management, the Group has redefined its business directions into high-technology business.

Turnover represents gross proceeds from sales of properties, including properties for investment, under development and held for sale, rental and building and project management fee income.

An analysis of the turnover and operating results by principal activities is as follows:

	<b>Turnover</b>		<b>Operating profit/(loss)</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property investment and development	<b>8,711</b>	26,850	<b>10,554</b>	825
Building and project management	<b>5</b>	306	<b>5</b>	304
Corporate	–	–	<b>(28,614)</b>	(18,961)
	<u><b>8,716</b></u>	<u>27,156</u>	<u><b>(18,055)</b></u>	<u>(17,832)</u>

The activities of the Group are primarily conducted in Hong Kong and the entire turnover and majority of the operating results are derived from Hong Kong, except for the management fee income from a jointly controlled entity in Mainland China amounting to HK\$849,000 (2000: HK\$845,000).

### 3. Other revenues

Other revenues include investment properties revaluation reserve realised of HK\$11,453,000 (2000: nil).

### 4. Other charges

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Loss on dilution of interest in an associated company	(12,978)	–
Loss on disposal of a jointly controlled entity	–	(448)
	<u>(12,978)</u>	<u>(448)</u>

### 5. Operating loss

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Operating loss is stated after crediting:		
Gross rental income	611	850
Less related outgoings	(21)	(25)
	<u>611</u>	<u>850</u>
and after charging:		
Depreciation	447	371
Operating lease rental expense for land and buildings	3,690	4,764
	<u>3,690</u>	<u>4,764</u>

### 6. Financial expenses

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on bank loans and overdrafts and other loans repayable within five years	2,848	6,014
Loan from a related company	–	236
	<u>2,848</u>	<u>6,250</u>

## 7. Taxation

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Jointly controlled entities		
Overseas taxation	16	58
Associated companies		
Overseas taxation	359	—
	<u>375</u>	<u>58</u>

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit for the period (2000: nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

As detailed in note 9 to the 2000 annual accounts, a subsidiary company has filed objections against the assessments for Hong Kong profits tax. The Inland Revenue Department has determined unfavourable to the subsidiary company but reduced the profits tax payable from approximately HK\$85.1 million to approximately HK\$77.5 million. The subsidiary company has then lodged in July 2001 an appeal against such determination to the Board of Review of the Inland Revenue Department. The Directors maintain their view that there are sufficient grounds to support that the profit is capital in nature and not subject to Hong Kong profits tax. Accordingly, no provision has been made in the accounts.

## 8. Loss per share

The calculation of loss per share is based on the loss attributable to the shareholders of HK\$22,968,000 (2000: HK\$23,363,000) and on the weighted average number of 437,584,391 shares (2000: 303,531,204 shares) in issue during the period.

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

## 9. Debtors and prepayments

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Other debtors	2,206	532
Loan receivable	14,570	14,570
Deposits and prepayments	1,461	2,917
	<u>18,237</u>	<u>18,019</u>

## 10. Creditors and accruals

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Other creditors	946	1,713
Amount due to a Director	42,126	2,873
Accrued expenses	15,732	15,343
	<u>58,804</u>	<u>19,929</u>

## 11. Share capital

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Authorised: 1,000,000,000 shares of HK\$1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid: 437,584,391 shares (2000: 437,584,391 shares) of HK\$1 each	<u>437,584</u>	<u>437,584</u>

Subsequent to the balance sheet date, 53,000,000 new shares of HK\$1 each were allotted and issued by the Company at an issue price of HK\$1 per share as consideration for the acquisition of a subsidiary company (note 17).

## 12. Reserves

	Capital		Investment property		Exchange reserve	Accumulated losses	Total
	Share redemption Premium	reserve	Capital revaluation reserve	reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 31st December 2000	30,054	5,318	1,805	11,453	(82)	(294,371)	(245,823)
Changes in exchange rate	-	-	-	-	(44)	-	(44)
Realised on disposal	-	-	-	(11,453)	-	-	(11,453)
Loss for the period	-	-	-	-	-	(22,968)	(22,968)
<b>At 30th June 2001</b>	<b>30,054</b>	<b>5,318</b>	<b>1,805</b>	<b>-</b>	<b>(126)</b>	<b>(317,339)</b>	<b>(280,288)</b>

## 13. Long-term liabilities

	30th June 2001	31st December 2000
	HK\$'000	HK\$'000
Secured bank loans	29,414	44,378
Current portion included in current liabilities	(7,514)	(11,520)
	<b>21,900</b>	<b>32,858</b>

## 14. Commitments

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

As at 30th June 2001

	HK\$'000
2001/02	2,441
2002/03	1,777
2003/04	592
	<b>4,810</b>
As at 31st December 2000-2001	<b>6,490</b>



## 15. Contingent liabilities

- (a) The Company has provided guarantees in respect of loan facilities granted to subsidiary companies amounting to HK\$24,215,000 (2000: HK\$33,758,000).
- (b) The Company has provided guarantees to the banks in respect of mortgage loans made available to the purchasers of properties developed by a jointly controlled entity in Mainland China. At 31st December 2000, the outstanding guarantee for such mortgage loans amounted to HK\$9,123,000 (2000: HK\$9,123,000).
- (c) The Company has also provided a guarantee to a purchaser of completed properties from the Group for the due performance of tenancies by the subsidiary companies amounting to approximately HK\$1,552,000 (2000: HK\$5,898,000).
- (d) As explained in note 25(d) to the 2000 annual accounts, the Group has provided bank guarantees in favour of the Housing Authority to the extent of HK\$6,700,000 (2000: HK\$6,700,000).

## 16 Significant related party transactions

Details of significant related party transactions carried out in the normal course of the Group's business activities during the period are as follows:

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest paid to Great Opportunity Investments Limited	–	236
Rental expense to Lap Ho Properties Limited	<b>889</b>	889
Management fee income from a jointly controlled entity	<b>849</b>	845
	<u><u>          </u></u>	<u><u>          </u></u>

Pursuant to a sale and purchase agreement dated 5th April 2000, the Group disposed of the entire interest in a wholly-owned subsidiary company, Tak Wing Engineering (China) Limited, to Brilliant Ventures Holdings Limited, a company wholly owned by Dr Chung Chun Keung (“Dr Chung”), a former director of the Company, for a cash consideration of HK\$1,125,000.

The Company entered into a consultancy agreement on 5th April 2000 with Dr Chung for the provision of general consultancy services to the Company for a period of seven years for a fee of HK\$2,376,000 payable on commencement and thereafter for a nominal fee of HK\$1 per annum.

## **17. Subsequent event**

On 8th June 2001, the Group entered into an agreement to acquire 60% equity interest in Strong Way International Limited, which is incorporated in Hong Kong and principally engaged in design and distribution of integrated circuits for toy manufacturing in Hong Kong and the South East Asia region. The acquisition was completed on 10th August 2001 and the consideration of HK\$66,000,000 was settled by the allotment and issue of 53,000,000 new shares of HK\$1 each by the Company at an issue price of HK\$1 per share and HK\$13,000,000 in cash.

On 16th August 2001, the Group entered into an agreement to dispose of 42% interest in and the amount receivable from a jointly controlled entity, Beijing Glory Real Estate Development Company Limited, for a consideration of RMB110,000,000 (approximately HK\$103,400,000) to be completed within twelve months from the date of agreement.