1. CORPORATE INFORMATION

The Company and its subsidiaries are principally engaged in investment holding, the provision of mortgage finance and other related services and treasury investments.

In the opinion of the Directors, the ultimate holding company of the Company is Lippo Cayman Limited which is incorporated in the Cayman Islands.

2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs are effective for the first time for the current year's financial statements:

SSAP 9 (Revised):	"Events after the balance sheet date"
SSAP 14 (Revised):	"Leases"
SSAP 18 (Revised):	"Revenue"
SSAP 26:	"Segment reporting"
SSAP 28:	"Provisions, contingent liabilities and contingent assets"
SSAP 29:	"Intangible assets"
SSAP 30:	"Business combinations"
SSAP 31:	"Impairment of assets"
SSAP 32:	"Consolidated financial statements and accounting for investments in subsidiaries"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this revised SSAP is detailed in Note 12 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are set out in Note 25 to the financial statements.

2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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 requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain investments as further explained below.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31st December, 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is a company other than a jointly controlled entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

(d) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) **Impairment of assets** *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(e) **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, 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 asset, the expenditure is capitalised as an additional cost of that asset.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation of fixed assets is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rate used for this purpose is 33 $^{1}/_{3}$ per cent.

(f) **Investment securities**

Investment securities are securities which are intended to be held on a continuing strategic or long term purpose. Investment securities are included in the balance sheet at cost less provisions for impairments in values deemed necessary by the Directors, other than those considered to be temporary in nature, on an individual investment basis. When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as determined by the Directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) **Held-to-maturity securities**

Held-to-maturity securities are investments in dated debt securities which the Group has the expressed intention and ability to hold to maturity, and are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any provisions for impairments in values which reflect their credit risk.

(h) **Other investments in securities**

Other investments in securities are those securities which are not classified as investment securities nor as held-to-maturity securities, and are stated at fair value at the balance sheet date. Unrealised holding gains or losses arising from changes in fair value of securities are dealt with in the profit and loss account in the period in which they arise.

(i) **Recognition of revenue**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) interest income, in proportion to time, taking into account the principal outstanding and the effective interest rate applicable; and

(ii) dealings in securities and disposals of investments, on the transaction dates when the relevant contract notes are exchanged.

(j) **Mortgage loans**

Mortgage loans are reported on the balance sheet at the total of principal amount outstanding and accrued interest receivable net of provisions for doubtful debts.

(k) **Provisions for doubtful debts**

A provision for doubtful debts is made when the Directors consider the recoverability of mortgage loans is in doubt. In addition, an amount has been set aside as a general provision. These provisions are deducted from "Mortgage Loans" on the balance sheet.

(l) **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) **Provisions** *(continued)*

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

(m) **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

(n) **Foreign currency transactions**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

(o) **Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(p) **Cash equivalents**

For the purpose of the consolidated cash flow statement, 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.

(q) **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(r) **Dividends**

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The revised accounting treatment for dividends, resulting from the adoption of SSAP 9 (Revised), has given rise to prior year adjustments, further details of which are included in Notes 2 and 12 to the financial statements.

4. **SEGMENT INFORMATION**

SSAP 26 was adopted during the year, as detailed in Note 2 to the financial statements. Segment information is presented by way of business segment as the primary segment. No analysis of geographical segment which is regarded as the secondary segment is presented as the Group's revenue, results and assets are based in Hong Kong.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from other business segments. A description of the business segments are as follows:

(a) mortgage finance segment engages in the provision of mortgage finance and other related services; and

(b) treasury investment segment includes securities trading and interest income on bank deposits and held-to-maturity securities.

During the year and the prior year, there were no inter-segment transactions.

4. SEGMENT INFORMATION *(continued)*

An analysis of the Group's turnover and results by business segment is as follows:

	2001		
	Mortgage finance *HK$'000*	Treasury investments *HK$'000*	Total *HK$'000*
Turnover	3,493	70,661	74,154
Other revenue	529	–	529
	4,022	70,661	74,683
Segment results	3,814	(32,953)	(29,139)
Unallocated corporate expenses			(4,069)
Loss before tax			(33,208)
Tax			1,092
Net loss from ordinary activities attributable to shareholders			(32,116)
Segment assets	20,736	204,147	224,883
Unallocated assets			925
Total assets			225,808
Segment liabilities	2,409	363	2,772
Unallocated liabilities			626
Total liabilities			3,398
Other segment information:			
Non-cash expenses other than depreciation	208	40,650	40,858

4. SEGMENT INFORMATION *(continued)*

	Mortgage finance HK$'000	2000 Treasury investments HK$'000	Total HK$'000
Turnover	83,144	7,926	91,070
Other revenue	857	446	1,303
	84,001	8,372	92,373
Segment results	(8,142)	(2,733)	(10,875)
Unallocated other revenue			1,504
Unallocated corporate expenses			(15,328)
Loss before tax			(24,699)
Tax			386
Net loss from ordinary activities attributable to shareholders			(24,313)
Segment assets	38,441	263,341	301,782
Unallocated assets			2,369
Total assets			304,151
Segment liabilities	2,606	–	2,606
Unallocated liabilities			2,019
Total liabilities			4,625
Other segment information:			
Non-cash expenses other than depreciation	10,440	11,105	21,545

The capital expenditure and the relevant depreciation for the above segments are not presented as they are related to the corporate office.

5. TURNOVER

Turnover represents interest income on mortgage loans and gross income on treasury investments which includes sales proceeds from securities trading and interest income on bank deposits and held-to-maturity securities.

An analysis of the turnover of the Group by principal activity is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Mortgage finance:		
Interest on mortgage loans	**3,493**	83,144
Treasury investments:		
Interest on bank deposits	**7,143**	7,926
Sales of other investments in securities	**62,283**	–
Interest on held-to-maturity securities	**1,024**	–
Other investment income	**211**	–
	74,154	91,070

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/(Loss) from operating activities is arrived at after crediting/(charging):

	Group	
	2001	2000
	HK$'000	*HK$'000*
Staff costs (includes directors' remuneration disclosed in Note 7)		
Wages and salaries	**(1,204)**	(5,464)
Retirement benefit costs – Note 8	**(42)**	(266)
Total staff costs	**(1,246)**	(5,730)
Depreciation	**(62)**	(299)
Auditors' remuneration	**(150)**	(150)
Operating lease rentals in respect of land and buildings	**(1,187)**	(636)
Provision made for doubtful debts – Note 16		
– specific	**–**	(10,000)
Exchange losses, net	**(45)**	(118)
Net realised gain/(loss) on disposal of other investments in securities		
– listed	**(318)**	434
Dividend income from listed investments	**–**	11

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance are as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Executive Directors:		
Directors' fees	**155**	130
Basic salaries, allowances and benefits in kind	**–**	1,495
Bonus paid and payable	**–**	425
	155	2,050
Non-executive Directors:		
Directors' fees	**59**	70
	214	2,120

The number of Directors whose emoluments fell within designated bands is as follows:

	Group	
	2001	2000
Emoluments bands *(HK$)*	**Number of Directors**	Number of Directors
Nil – 1,000,000	**8**	13
1,500,001 – 2,000,000	**–**	1
	8	14

Emoluments paid to independent non-executive Directors amounted to HK$59,000 (2000 – HK$70,000) during the year.

There were no arrangements under which a Director waived or agreed to waive any emoluments.

The five highest paid individuals include one Director (2000 – one), details of whose emoluments are set out above. The emoluments of the remaining four non-directors (2000 – four) disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are analysed by amount and designated band as set out below.

7. **DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS** *(continued)*

	Group	
	2001	2000
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	**923**	1,235
Retirement benefit costs	**37**	128
	960	1,363

	Group	
	2001	2000
	Number of	Number of
Emoluments band *(HK$)*	**individuals**	individuals
Nil – 1,000,000	**4**	4

8. **RETIREMENT BENEFIT COSTS**

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Scheme. The Scheme became effective from 1st December, 2000. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions forfeited when the employees leave employment prior to fully vesting in such contributions, which can be used to reduce the amount of future employer contributions, in accordance with the rules of the Scheme.

Prior to the Scheme being effective, the Group operated a defined contribution retirement benefit scheme (the "Prior Scheme") for those employees who were eligible to participate in the Prior Scheme. Employee contribution to the Prior Scheme is at a rate of 5 per cent. of basic salaries, while employer contribution is between 5 per cent. to 10 per cent. of basic salaries. Forfeited contributions (by employer in respect of employees who leave the scheme prior to fully vesting in such contribution) can be used to reduce the amount of future employer contribution. With effect from 1st December, 2000, the Prior Scheme was terminated.

8. **RETIREMENT BENEFIT COSTS** *(continued)*

Prior to 1st October, 2000, the Group operated a defined benefit retirement scheme which had been valued using the following principal assumptions: average annual investment return of 9 per cent. and average annual increase in salary of 8 per cent. The latest actuarial valuation (interim) was completed on 30th June, 1997 by Mr. Calvin Wu, Fellow member of the Society of Actuaries (USA), of HSBC Life (International) Limited using the Individual Entry Age Normal Cost Method. This actuarial valuation showed that the scheme's assets, which had a market value of approximately HK$3,931,000 at 30th June, 1997, covered 144 per cent. of the benefits, allowing for future increases in earnings, which had accrued to members. It was considered that this level of funding was not excessively high. The contribution of the Group would, therefore, remain at 15 per cent. of members' earnings. The scheme was terminated on 30th September, 2000.

During the year, no forfeited voluntary contributions were utilised to reduce the amount of employer contributions (2000 – Nil). The amount of forfeited voluntary contributions available to offset future employer contributions to the Scheme was not material at the year end. The retirement benefit costs charged to the profit and loss account represent contributions paid and payable by the Group to the schemes and amounted to HK$42,000 in respect of the Scheme (2000 – HK$2,000 in respect of the Scheme and HK$264,000 in respect of the defined benefit retirement scheme which entirely consisted of regular costs).

9. **FINANCE COSTS**

The balance of prior year represented interest on bank loans wholly repayable within five years of HK$39,567,000.

10. **TAX**

	Group	
	2001	2000
	HK$'000	*HK$'000*
Overprovision for prior years	**1,092**	–
Deferred tax written back	**–**	386
Tax credit for the year	**1,092**	386

No provision for Hong Kong profits tax has been made as the Group had applied the tax loss brought forward from the prior year to off-set the estimated assessable profits earned during the year. In the prior year, no provision for Hong Kong profits tax had been made as the Group had no assessable profits for that year.

No provision for deferred tax has been made because the net effect of timing differences is not material (2000 – Nil). The deferred tax liability brought forward from 1999 of HK$386,000 was credited to the consolidated profit and loss account in the prior year.

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders include the loss for the year dealt with in the financial statements of the Company amounted to HK$32,120,000 (2000 – HK$24,309,000).

12. DIVIDENDS

	Group and Company	
	2001	2000
	HK$'000	*HK$'000*
Final: Nil (2000 – HK2 cents) per share, proposed	–	4,500
Special: Nil (2000 – HK18 cents) per share, proposed	–	40,500
	–	45,000

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in Note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final and special dividends for the year ended 31st December, 2000 in a total of HK$45,000,000, which were recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31st December, 2000, by HK$45,000,000.

13. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated based on (i) the net loss from ordinary activities attributable to shareholders of HK$32,116,000 (2000 – HK$24,313,000); and (ii) the number of 225,000,000 shares (2000 – 225,000,000 shares) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented for the years ended 31st December, 2001 and 2000 as there were no dilutive potential ordinary shares.

14. FIXED ASSETS

	Group and Company Furniture and equipment *HK$'000*
Cost:	
At 1st January, 2001	270
Additions during the year	9
At 31st December, 2001	279
Accumulated depreciation:	
At 1st January, 2001	156
Provision for the year	62
At 31st December, 2001	218
Net book value:	
At 31st December, 2001	61
At 31st December, 2000	114

15. MORTGAGE LOANS

	Group and Company	
	2001	2000
	HK$'000	*HK$'000*
Total mortgage loan balances	**21,873**	39,534
Less: Provision for doubtful debts – Note 16		
– General	**(934)**	(1,157)
– Specific	**(223)**	–
	20,716	38,377
Amounts due within one year classified as current assets	**(7,570)**	(6,414)
Non-current portion	**13,146**	31,963

16. PROVISION FOR DOUBTFUL DEBTS

	Group and Company		
	Specific	General	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2000	9,786	16,122	25,908
Recoveries of advances written-off in previous years	–	63	63
Charge to profit and loss account – Note 6	10,000	–	10,000
Transfer	835	(835)	–
Amounts written-off	(14,255)	–	(14,255)
Disposals during the year	(6,366)	(14,193)	(20,559)
At 31st December, 2000 and 1st January, 2001	–	1,157	1,157
Transfer	223	(223)	–
At 31st December, 2001	223	934	1,157

17. INVESTMENT SECURITIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**3,120**	3,120
Provision for impairment in value	**(3,120)**	–
	–	3,120

18. HELD-TO-MATURITY SECURITIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Unlisted debt securities, at amortised cost	**22,194**	–

Held-to-maturity securities represents a commercial paper in a principal amount of US$3 million acquired by the Group in the market for investment purpose. The commercial paper was issued by a fellow subsidiary of the Company in 1997, carried interest at 2.75 per cent. per annum above the London Interbank Offered Rate and was due in July 2002.

19. OTHER INVESTMENTS IN SECURITIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong, at market value	**12,820**	17,776
Unlisted investment funds, at fair value	**28,130**	–
	40,950	17,776

Included in the investment funds is an amount of HK$3.6 million which represents an investment made by an independent fund manager on a discretionary basis in securities in a fellow subsidiary of the Company.

20. DEBTORS, PREPAYMENTS AND DEPOSITS

As at 31st December, 2000, included in the balance of the Group was a payment of US$3,000,000 (approximately HK$23,317,000) made to an asset management company and was managed by a registered investment advisor under the Securities Ordinance for setting up a discretionary investment account.

21. SHARE CAPITAL

	Group and Company	
	2001	2000
	HK$'000	*HK$'000*
Authorised:		
300,000,000 shares of HK$1.00 each	**300,000**	300,000
Issued and fully paid:		
225,000,000 shares of HK$1.00 each	**225,000**	225,000

22. RESERVES

	Proposed dividends HK$'000	Group Retained profits/ (Accumulated loss) HK$'000	Total HK$'000
At 1st January, 2000			
As previously stated	–	98,839	98,839
Restatement of 1999 final dividend, proposed	18,000	–	18,000
As restated	18,000	98,839	116,839
1999 final dividend, declared	(18,000)	–	(18,000)
Loss for the year	–	(24,313)	(24,313)
2000 final dividend, proposed – Note 12	4,500	(4,500)	–
2000 special dividend, proposed – Note 12	40,500	(40,500)	–
At 31st December, 2000 and 1st January, 2001	45,000	29,526	74,526
2000 final dividend, declared	(4,500)	–	(4,500)
2000 special dividend, declared	(40,500)	–	(40,500)
Loss for the year	–	(32,116)	(32,116)
At 31st December, 2001	–	(2,590)	(2,590)

	Proposed dividends HK$'000	Company Retained profits/ (Accumulated loss) HK$'000	Total HK$'000
At 1st January, 2000			
As previously stated	–	98,839	98,839
Restatement of 1999 final dividend, proposed	18,000	–	18,000
As restated	18,000	98,839	116,839
1999 final dividend, declared	(18,000)	–	(18,000)
Loss for the year	–	(24,309)	(24,309)
2000 final dividend, proposed – Note 12	4,500	(4,500)	–
2000 special dividend, proposed – Note 12	40,500	(40,500)	–
At 31st December, 2000 and 1st January, 2001	45,000	29,530	74,530
2000 final dividend, declared	(4,500)	–	(4,500)
2000 special dividend, declared	(40,500)	–	(40,500)
Loss for the year	–	(32,120)	(32,120)
At 31st December, 2001	–	(2,590)	(2,590)

23. INTERESTS IN SUBSIDIARIES

	Company 2001 HK$'000	2000 HK$'000
Unlisted shares, at cost	1	1
Due from subsidiaries	76,505	27,336
	76,506	27,337
Provisions for impairments in values	(25,192)	–
	51,314	27,337

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of principal subsidiaries as at 31st December, 2001 are as follows:

Name of company	Place of incorporation and operations	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group		Principal activities
Galawin Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Securities investment
Sunshine Asia Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Securities investment
Goldjade Investment Limited	Hong Kong	HK$2	–	100	Securities investment

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

24. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of loss before tax to net cash inflow/(outflow) from operating activities

	Group	
	2001	2000
	HK$'000	*HK$'000*
Loss before tax	**(33,208)**	(24,699)
Interest expenses	**–**	39,567
Disposal of mortgage loan assets	**–**	945,455
Depreciation	**62**	299
Provision for impairment in value for investment securities	**3,120**	–
Decrease in mortgage loans	**17,661**	150,096
Increase in held-to-maturity securities	**(22,194)**	–
Increase in other investments in securities	**(23,174)**	(17,776)
Decrease/(Increase) in debtors, prepayments and deposits	**24,868**	(20,581)
Decrease in creditors and accruals	**(135)**	(1,069)
Net cash inflow/(outflow) from operating activities	**(33,000)**	1,071,292

25. COMMITMENTS

The Group leases its office property under operating lease arrangements. The lease for the property is negotiated for a term of two years.

	Group and Company	
	2001	2000
	HK$'000	*HK$'000*
At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:		
Within one year	**1,295**	–
In the second to fifth years, inclusive	**108**	–
	1,403	–

26. CONNECTED AND RELATED PARTY TRANSACTIONS

Listed out below are connected transactions disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and related party transactions disclosed in accordance with SSAP 20 "Related Party Disclosures".

(a) During the year and as at 31st December, 2001, the Group had cash balances with The Hongkong Chinese Bank, Limited ("HKCB"), the then subsidiary of Lippo China Resources Limited ("LCR") which is the intermediate holding company of the Company, and received interests from HKCB. The Directors are of the opinion that these transactions were undertaken on terms similar to those offered to unrelated customers in the ordinary course of business of the relevant companies.

(b) On 2nd March, 2001, a tenancy agreement was entered into between (1) Prime Power Investment Limited ("Prime Power"), a wholly-owned subsidiary of LCR, and (2) the Company, pursuant to which Prime Power agreed to let to the Company a portion of Room 2301, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a net floor area of 2,321 square feet for a term of two years from 1st February, 2001 to 31st January, 2003, both days inclusive, at a monthly rental of HK$107,927, exclusive of rates, service charges and all other outgoings, for office use. Rental expenses of HK$1,187,197 were paid by the Company to Prime Power during the year. The rental was determined by reference to open market rentals.

The transactions referred to above are related party transactions and constitute connected transactions disclosed pursuant to the requirements of the Listing Rules.

27. COMPARATIVE AMOUNTS

As further explained in Note 2 to the financial statements, due to the adoption of new/revised SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes has been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 18th March, 2002.